

## JAPANESE MODES OF BUSINESS BEHAVIOUR A CULTURAL PERSPECTIVE ON EFFICIENCY AND ACCOUNTABILITY IN THE JAPANESE CONTEXT

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### Introduction

Japan has been facing an ongoing economic crisis for over a decade now. So far, any prospects of recovery have not materialised. In this situation, a revision of management practices especially in respect of efficiency and accountability along Western standards is often called for. However, Japanese business behaviour remains largely unaffected by all this. It is still as puzzling, even contradictory to the Western outsider as it has been during times of Japanese economic success. As this paper is going to argue, the contradiction will remain unless the cultural background of Japanese business behaviour is taken into consideration. For this, the main focus has to shift from purely observing structural practices to considering them as manifestations of culturally shaped modes of behaviour. As will be shown, those modes arise in the Japanese cultural context from a distinct perception of reality, which gives primacy of context over logical, abstract principles. The impact of such perception on the Japanese business context in regard to efficiency and accountability will be studied in some detail. Furthermore, the evolution of Japanese business behaviour in eras of change and stress will be outlined.

### Aspects of Japanese culture

To a great degree, Japanese business behaviour has remained a puzzle to outsiders. To them it largely seems to be inconsistent and unpredictable, even though many books and articles have been published to unravel the mystery. What most of those books have in common is the search for a general analytical framework in which to explain Japanese business practices. Thus an attempt is usually made to

identify certain „typically Japanese“ structural practices, which are supposed to serve as an explanation of either the Japanese economic success during times of rapid growth or the incapability of Japanese firms to adapt to a new and dynamic economic environment.

Some attempts have been made to link those structural practices to certain key themes of Japanese culture. However, those attempts still exhibit a structural approach prevalent in Western analysis, because they are still searching for systems of logical, abstract principles and core sets of values guiding behaviour. Thus, even cultural explanations for Japanese business behaviour usually remain within the analytical framework established in a different cultural, usually Western context. However, sociological studies carried out on Japan argue that such an approach appears to be inappropriate in the Japanese context. They suggest that Japanese thought itself differs from Western thought patterns in that it neither features any system of logical, abstract principles nor any core set of values. Social structures can thus not develop on such a basis. It remains therefore impossible to reduce any rules of behaviour to a coherent analytical framework. Only recently has it been suggested that the observed inconsistency of Japanese business behaviour might therefore be attributed to a misplaced academic approach, which is continuously projecting inappropriate categories of experience onto it.<sup>1</sup>

In order to grasp the assumption of Japanese culture not being centred around an ideological core, one first has

<sup>1</sup> This suggestion is especially made in: N. Yoshimura, P. Anderson, *Inside the Kaisha, Demystifying Japanese Business Behavior*, Boston (Massachusetts) 1997. It is one of the rare books which attempts to explain Japanese business behaviour from an entirely Japanese perspective.

to define the term culture in a way that it does not remain couched in structural terms itself. The suggestion has, therefore, been made that culture be referred to as underlying, guiding native assumptions or orientations, which are persistent in a society over a certain period of time.<sup>2</sup> This means that culture is defined as a set of cognitive codes, which is prevalent within a community. By means of an understanding of those codes, social structures or individual behaviour can be made meaningful, because it attributes the same meaning to them as they in fact exhibit within the society studied. Such an approach therefore avoids implicitly projecting inappropriate categories onto other behaviour. In the Japanese context it especially avoids continuously interrelating observed Japanese behaviour with Western ways of explaining it. In the following, two modes of behaviour are viewed by means of such a cultural approach: the importance of context and the emphasis on process.

### The importance of context

Western cultures are typically organised around ideologies or core sets of values. Moral guideposts such as the mainly invariant principles of justice, freedom, democracy etc. help the Western individual to make the right decision in various situations. Action, as perceived in the West, thus takes place within the framework of an „absolute“ standard on the one hand and an individual's inner conviction on the other. The perception of a higher ethical or metaphysical order is therefore seen as the main driving force behind individual behaviour.

In contrast, Japanese culture has no such invariant principles to govern conduct, because reality in the Japanese context cannot be linked to any transcendental point of reference. It is rather perceived as the world of appearances, which one has to accept, as it is contingent on a given place and time. Reality is therefore not structured by principles but rather by multiple, continually shifting contexts,

between which it continuously flows. Within those contexts dualistic principles such as good and bad, right and wrong are not givens but a relative matter. They appear as flexible, complementary categories. Furthermore, because there is basically no attempt to subsume these dualistic categories under overarching, abstract principles, any kind of transcendental principle is lacking. For the Japanese, thus, the world is not something the subject can impose his logic upon. He has to adapt himself to it. Furthermore, he perceives himself and the world as perpetually changing.<sup>3</sup>

### The relationship between context and individual

Action is therefore perceived as taking place within the framework of different contexts which are themselves continuously reconstructed. Those contexts are seen as defining and shaping the individual rather than vice versa as usually perceived in Western cultures. This implies that it is the context which is given priority; it is the given out of which persons take their shape. The context is thus seen as the main driving force behind individual behaviour.

An example of the Japanese language may help clarify this point. It illustrates how the relationship between context and individual is generally referred to in Japanese. Among others, there are especially two words which are used to designate a person. First this is the word *Kojin* (an individual, a private person). *Kojin* is made up of the two characters, KO = „an individual“ and JIN = „man“. As one can gather from this, the Japanese single out an „individual“ by adding the character KO to the basic character JIN for man. Significantly, the former also functions as a suffix enumerating countable objects. Thus referring to an individual is seeing that person as an object among many, an „individual“ extracted from the context of a group for the purposes of enumeration.

Clearly, the term *Kojin* thus lacks the force of the term „individual“ conveyed in Western languages. While the latter usually perceive the individual as the basic unit, from which a context can be constructed, *Kojin* takes on only a physicalistic or logical meaning.<sup>4</sup> A discussion on behaviour or action can thus not refer to an individual alone, because it is not perceived as the basic point of reference.

Secondly the word *Ningen* (a human being, person, man) is also used in Japanese. It is also composed of two characters: NIN = „man“ (same character as the JIN of *Kojin* but pronounced differently) and GEN = „interval“, „relationship“, „betweenness“. While, accordingly, the Japanese view an „individual“ as an object among many in a somewhat physicalistic sense, they refer to a „human being“ as a person within a context. Accordingly,

From the Japanese point of view, the person is not primarily an individual subsequently placed within the world. Rather, as indicated by the very structure of the word for „human being“, the person is *always* in a context, in a necessary relationship with what is around him or her (original emphasis).<sup>5</sup>

In the Japanese context both the universality and individuality of a person therefore assume a specific meaning. The universality of a human being is derived from various contexts, in which a person is embedded. Its individuality stems from a person's unique set of relationships, which constitute it. Beyond those relationships there is nothing such as an independent entity to be assumed. Action therefore depends on context and is defined by means of relationship. It is perceived as taking place in „in between“ people relating to each other, rather than being attributed to either side of the relationship.

<sup>4</sup> Cp. T.P. Kasulis, *Zen Action, Zen Person*, Honolulu 1981, p.4-6.

<sup>5</sup> *Ibid.*, p. 6. The Japanese philosopher Tetsuro Watsuji especially emphasises this difference in the understanding of the term „human being“. In the field of ethics, for example, he stresses the importance of the collectivity of *Mitsein*, which he saw in marked contrast to the individuality of

*Dasein* usually emphasised in Western ethics. Compare Y. Yuasa, Kiyoshi Miki and Tetsuro Watsuji, p 76-78; in: H. Buchner (ed.), *Japan und Heidegger*, Sigmaringen 1989, S. 63 – 78.

<sup>2</sup> Cp. T.S. Lebra, *Japanese Patterns of Behavior*, Honolulu 1976, p. XV – XVI. Also S.N. Eisenstadt, *Japanese Civilization*, Chicago 1996, p. 318.

<sup>3</sup> Berque, A. *Das Verhältnis der Ökonomie zu Raum und Zeit in der japanischen Kultur*; in: C. Baerloewen, K. Werhahn-Mees (eds.), *Japan und der Westen*, Frankfurt 1986, S. 21-38.

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### *Contextual meaning in interpersonal communication*

To the extent that those relationships are considered, every person has to be aware of his position relative to others within a given context. As in the Japanese context life is not organised by any formal, abstract rules grounded in any transcendental vision, an individual only becomes meaningful on the basis of an awareness of the relative status he occupies within a specific situation. This precondition seems to have promoted the dominance of vertical relationships within Japanese society, which can be considered to be one of the main features of Japanese society.<sup>6</sup> Accordingly, basically every social exchange in Japan has to take into account the vertical relationship of the participants:

Ranking order, in effect, regulates Japanese life. In everyday affairs a man who has no awareness of relative rank is not able to speak or even sit and eat. When speaking, he is expected always to be ready with differentiated, delicate degrees of honorific expressions appropriate to the ranking order between himself and the person he addresses. (...) Whatever the variations in individual behaviour, awareness of rank is deeply rooted in Japanese social behaviour. In describing an individual's personality, a Japanese will normally derive his objective criteria from a number of social patterns currently established. Institutional position and title constitute one of the major criteria, while a man's individual qualities tend to be overlooked.<sup>7</sup>

Human interactions are usually structured in a way that context clearly communicates who is inferior or superior. Otherwise, social insecurity or embarrassment would result. If the context is not known, however, a relationship has first to be established, before communication can begin. For example, no conversation can take place before each participant has decided on a form of the Japanese language (plain, polite, respectful or humble forms) appropriate to relationship and overall context. The rather famous exchange of business cards may be a useful example

to illustrate the point. It states the institution where the person is employed, his position and title. By exchanging cards one can gauge in an instant the relationship between oneself and the person one encounters in terms of relative rank, locating each other in the known order of society:

If two individuals from companies in the same industry meet, each knows from the other's job title which person holds the higher rank, and if they hold comparable positions, deference is accorded the employee of the larger firm. If the firms have customer relationships, the employee of the customer firm has the higher status. Comparisons are not made across industries, as long as both firms are in the top group of their industries (...) However, government ministries are accorded more status than companies are. If the prestige of two employers is unequal, deference is accorded the person with the senior title, which usually means the older of the two. If two persons hold the same title, the older of the two has the higher status.<sup>8</sup>

Once the relative status is known, each person can decide on the appropriate form of Japanese. Generally speaking, a relationship must thus be established before people can begin to relate to each other. Such a relationship may be either permanent and objective (for example employee/employer) or temporary and subjective (for example in customer relationships); in both cases it shapes the way people interrelate. Individual behaviour thus only becomes meaningful as an outgrowth of relationships established within a certain context and not vice versa as usually perceived in Western cultures.

The most common Western mistake in interpreting Japanese behaviour might therefore consist in observing an aggregate behaviour and concluding that it results from psychological traits, i.e. the way a person „is“. It thus inappropriately attempts to link a certain behaviour to common personality traits as a driving force. As behaviour depends on context, however, there are in fact no definite „typically Japanese“ personal traits to be found.<sup>9</sup> Accordingly, there are

neither any „typically Japanese“ structural practices, which would be applicable within different contexts. What can be considered as the typical Japanese mode of behaviour, however, is to respond and adapt to context in various social settings. This mode is continuously manifested in various aspects of actual behaviour.

### *Social implications*

The primacy of context over the individual has shaped Japanese modes of behaviour in very distinct ways. First, a strong emphasis is placed on social interaction and relationships, of which a context is composed. The creation or maintenance of relationships, however, does not necessarily have to be an end in itself, but it is the most important means to attain any end whatsoever. What is more, relationships themselves establish the indispensable context, from which an end (whether social, physical or symbolic) itself derives its meaning. Secondly, the importance of context makes it impossible for a „prime mover“ to be located in either an actor, or another person or object. This concept of an absent prime mover refers to the lack of a cause, origin, purpose or leader of other elements within a context. In the Japanese context, an actor is therefore seen as acting in a certain way not because he is forced by an external „prime mover“, nor because he is driven by an internal „prime mover“ such as an irresistible passion or desire.<sup>10</sup> His behaviour is rather referred to as a result of mutual influence and interaction between himself and an object; or put differently, action can be attributed to a relationship between people and to overall context.

Where such an understanding of action prevails, one cannot explain behaviour in simple or even abstract terms, because it involves situational variability, complexity and consideration of the overall balance among relevant factors. Everything seems to depend on everything else. This has led - even as far as institutional and business

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<sup>6</sup> Cp. C. Nakane, Japanese Society, Berkeley, p. 40 continued.

<sup>7</sup> Ibid., p. 30-31.

<sup>8</sup> N. Yoshimura., P. Anderson, Inside the Kaisha, p. 195.

<sup>9</sup> Ibid., p. 38-39.

<sup>10</sup> Cp. for the concept of a „prime mover“ T.S. Lebra, Japanese patterns of behavior, p. 7.

behaviour is concerned - to a strong tendency towards informal arrangements. Those arrangements are strictly opposed to any formal rules, which could be applied to various contexts according to any abstract principle:

The prevailing definitions of the major arenas of social life in Japan have in common a strong embeddedness in contextual frameworks and a concomitant weakness of rules demarcating different arenas of action and defining them in abstract formal terms as separate, even autonomous, ontological entities. (...) Above all, the major arenas of social action have been regulated, not by distinctive autonomous, legal, bureaucratic, or voluntary organisations - even if such organisations have developed within them - but mostly through less formal arrangements and networks, which were in turn usually embedded in various ascriptively defined - and continuously redefined - social contexts.<sup>11</sup>

#### *Emphasis on process*

The importance of context seems to have led to a strong emphasis on process, which pervades all aspects of Japanese social behaviour. As has been suggested by some authors who have written on Japanese culture, this emphasis reflects a general conviction that everything in the universe is part of the whole, experienced as a constant unfolding in the present. The future is therefore not perceived as distinct from the present but as an inseparable continuation of it.<sup>12</sup>

Accordingly, the Japanese focus on grasping the present situation and working on it as a continuous process, progressing bit by bit. Concerning the actions within this process, the importance is placed on the 'how' rather than on the 'what': doing something the right way is more important to the Japanese than achieving a favourable outcome. An end or result can therefore not be considered as a „prime mover“ which establishes a strong desire or drive within a person to achieve it. It is rather the means which are paid attention

to. Accordingly, attaining an end cannot justify any means.

This, however does not mean that the Japanese are indifferent to results. On the contrary, in business processes are designed to get or even optimise results. However, ends and results only derive their meaning from a specific context themselves. They are thus defined in terms of relation to the social nexus in which they are embedded and not of principles that transcend overall context. Once a goal has been defined, Japanese efforts are designed to define an appropriate process. As soon as this process has been established, execution focuses on procedure not on monitoring results. For example businessmen learn by emulating role models such as their superiors, paying close attention to how a certain job is executed.<sup>13</sup> They, however, usually do not consider the question of why a task is completed in a specific way or to what end it is directed.

As personal relationships and interaction depend on the right perception of context by each participant, usually a stable environment is favoured, in which each individual knows how to occupy the right place in each given situation. A volatile environment would, on the contrary, entail social insecurity and embarrassment. Accordingly, there is a tendency to stabilise processes once they are established and to perpetuate them, because they form the context from which persons and interpersonal relationships take their meaning.

#### *Social implications*

As far as business behaviour is concerned, the emphasis on process for example clearly shapes Japanese recruitment practices. The Japanese employee seems to find his identity in belonging to a certain firm or a specific

<sup>11</sup> In the Japanese language „to learn“ originally meant to „imitate“. Learning is thus primarily considered as an action or an activity, but not as being concerned with noematic knowledge. Accordingly, learning is referred to as a relation of giving and receiving, face to face, between person and person. Cp. S. Yamamoto, R. E. Carter (transl.), *Watsuji Tetsuro's Rinrigaku*, New York 1996, p. 29. Cp. also N. Yoshimura., P. Anderson, *Inside the Kaisha*, p. 41.

group within rather than in acquiring and exhibiting any professional expertise. In turn, a Japanese employer is usually very much interested in recruiting novices from universities who have not yet developed any special skills. He can thus expect them to be prepared to adapt and adjust to business processes, to the way „how things are done“. This willingness is favoured over any skills of an expert, who has acquired his skills outside the firm. Such recruitment practices are in marked contrast especially to the American system that seems to necessitate and reinforce highly rational processes directed towards a specific end. The latter thus ends to let rules speak for themselves independently of personnel. US companies are, accordingly, rather made up of fixed operational procedures and clearly established goals. As a result, most employees are made expendable so that replacement does not usually pose any problems.<sup>14</sup>

Furthermore, the emphasis on process accounts at least in part for business practices such as lifetime employment. It also explains why there is basically no labour market for businessmen, because their skills, expertise and knowledge are centred around social relationships and specific processes peculiar to a particular company rather than scientific fields such as finance. This, among other implications, proves to be a major obstacle to foreign firms establishing branch offices within Japan as there are basically no trained experts available.

#### **A contextual meaning of efficiency**

In the Western context efficiency is defined as „producing a direct effect“ or in business terms „reaching a result with minimal effort or gaining maximum output by means of a given input“. Hence, input and output are assumed to be linked in a certain determinable way. Any input/output relation used in economic models illustrates this point. What is characteristic about this approach is that it almost entirely focuses on results, while processes are

<sup>14</sup> Cp. T.S. Lebra, *Japanese Patterns of Behaviour*, p. 32.

<sup>11</sup> S.N. Eisenstadt, *Japanese Civilisation*, p. 282-83.

<sup>12</sup> Cp. N. Yoshimura., P. Anderson, *Inside the Kaisha*, p. 52 and 129.

only considered in relationship to the intended end: the approach is instrumental. The focus is therefore placed on the question of what has been achieved when evaluating business behaviour in efficiency terms.

In the Japanese context such an instrumental understanding of efficiency seems to be misplaced, because the importance concerning actions is placed more on the „how“ than the „what“. Actions cannot be evaluated by means of simple if-then rules, but by considering interactions of a whole web of elements and relationships only. The emphasis is therefore not placed on producing a direct result but on responding appropriately within a certain context. Accordingly, there is no tendency to evaluate behaviour or processes by linking any output to a given input in a fixed, determinable way. They are rather seen as being embedded in a social nexus, whose web of relationships has to be considered. This does not imply, however, that efficiency (in business terms) and productivity are not considered to be important within the Japanese economy. However, they only seem to be general, abstract principles, which derive their special meaning from each given context. Striving for efficiency, therefore, seems to be a subordinate principle, which cannot be regarded as a „prime mover“. Hence, consideration of the overall process is more important than acting purely efficiently in the Western meaning of the word.

As it appears, efficiency in the Japanese sense has a more contextual meaning, where it is only one factor out of many to be taken into consideration. Its meaning as „producing a direct effect“ therefore proves to be misleading in the Japanese context. It has rather to be seen as being embedded into the web of social relations and mutual obligation, which has to be considered as a whole. In Japanese firms, for example, it takes considerable time to establish firm human relationships and certain business practices, and there is a tendency to perpetuate them even at the cost of efficiency. This fact partially explains why firms usually try to avoid laying off their workers even at times of financial distress: it is on the one hand due to a

sense of social obligation to the workers, because firms are usually seen as part of a wider social framework rather than being owned by shareholders. Economic success, accordingly, is only of secondary importance. On the other hand it comes due to the fact that laying workers off would mean sacrificing a huge investment in building relationships and social networks, which are constitutive for a Japanese firm.

#### *The role of quantitative analysis*

A way of evaluating efficiency in the Western context is by means of a quantitative analysis. It plays a dominant role in corporate management and strategy. Quantitative analyses, such as the discounted cash flow analysis, derive their meaning from applying abstract principles. This is due to their explicit and implicit assumptions and their methodology projecting certain categories onto experience, which are supposed to be applicable within different contexts. However, the Japanese view of society seems to be hostile to such abstract rules serving as a guide to social action. It is, however, not so much the content of any given rule that is anathema to Japanese thinking, but rather the abstract nature of analyses and the procedural formality and rationality of their application in management processes. Accordingly, planning for the future in Japan relies more on qualitative analysis. Such analysis can account for the importance of informality and the consideration of social interaction within each context. It therefore is in contrast to any form of quantitative analysis, which cannot accomplish this due to its deductive approach.

An interesting example of the role qualitative analysis plays within the Japanese economy is an investigation into the so-called main bank relationship. Main bank relationships are usually built between banks and the corporate sector as their customers. It seems that the awards of these relationships do not lie in each specific service such as lending itself, but are based on a very complex system. They thus mirror the importance of situational variability. This does not mean that the banks can not or do not strive for profitability or

even efficiency. On the contrary, usually banks regard those relationships as a major source of their profits. But they only do so within the overall context they are embedded in.

For example, lending, usually considered the most profitable service of banks, is in the Japanese context often referred to as the 'loss leader' in the portfolio of financial services provided by main banks.<sup>15</sup> However, it can be utilised as a competitive vehicle in merchandising more profitable banking services to the client. Those include, for example, fee-based and commission banking and - perhaps most important - employee accounts: Japanese companies often request all their personnel to open accounts at the main bank for the direct deposit of their salary. Furthermore, the identification of the bank with the company also encourages employees to conduct their personal business with the bank. Employees' personal accounts thus become an important source of cheap funds: they enable the bank, through intermediation, to recycle employee savings back to the client. In exchange for these benefits, the bank provides the corporation with a credit safety net and main bank services.<sup>16</sup> Within the main bank relationship, lending decisions are thus usually not based on consideration of single transactions alone but within a wider social network. The main bank relationship therefore accounts for a system of mutual obligation, from which both the bank and the firm benefit.

In order to establish such a system, a network of informal, personal relations - a 'skin-to-skin relationship' - between firms and their banks usually develops. The primary vehicle for carrying out business is, therefore, assigning a bank team to large client firms, which stays in daily contact with its client, visiting his business premises, interacting with

<sup>15</sup> Cp. M. Sher, *The Japanese Main Bank Relationship: Governance or Competitive Strategy?*; in: D. Knights, T. Tinker (ed.), *Financial Institutions and Social Transformations*, New York 1997. Scher's research is based on 192 formal interviews with 71 bank officials and members of the regulatory authorities. It therefore reflects the informality of the main bank relationship, which cannot be observed by an outsider just focusing on formal statements and analytical data.

<sup>16</sup> *Ibid.*, p 194-195.

the financial officers of the corporation and advising or consulting on specific issues. Furthermore, this relationship is promoted by the insistence on long-term relationships. This makes it possible for the bank team to acquire useful qualitative information as to current operations and future plans. It is considered by Japanese banks to be the most effective way of doing business and of maintaining the close contact required by the main bank relationship.<sup>17</sup>

Accordingly, within the main bank relationship lending decisions are not based on classical monitoring common in the West. Decisions are based on personal information and relationships rather than quantitative analysis. Credit analysis or rating systems along Western standards therefore only play a minor role. There have been reports that in the 1980s and 1990s most banks had abandoned their credit analysis sections completely. As senior and middle-level bank management admitted, a whole generation of young bankers recruited during that period received virtually no training in evaluating client credit-worthiness.<sup>18</sup>

Quantitative analysis does not only play a minor role in the banking business; its neglect pervades all aspects of Japanese business and economy. Even Japanese MBAs trained in US management schools seem to have no intention of relying on quantitative forecasts, which they view as adjuncts to important qualitative considerations only.<sup>19</sup> Especially, there seems to be a general distrust of projections based on quantitative analysis. For example in the early 1990s even a national tendency to ignore such projections could be observed, when after the burst of the speculative bubble economic indicators (and stock market prices) started to go down. Those quantitative measures were dismissed as an aberration, because the whole economic network of social relationships had until then still remained largely intact. After years of unprecedented growth and prosperity the economy thus still seemed healthy. Even the Economic Planning

Agency intuitively felt that something had to be wrong with the (quantitative) forecasting measure, not with the Japanese economy. As it turned out, they were wrong and the indicators based on quantitative analysis were right.<sup>20</sup> Nevertheless, the focus on qualitative analysis still prevails in Japan. It at least partly accounts for the hazy level of disclosure which has become a major focus of Western critics in recent years.

### **A contextual meaning of accountability**

Accountability derives its meaning from having control or authority over an action. In a Western sense this usually takes on the meaning of a certain person being responsible for the effects of an action. However, in the Japanese context there is no 'prime mover' to be detected on whose behalf actions take place. An effect therefore appears rather as an outcome of mutual influence and interaction between actor, object and environment. Accordingly, there is no actor to whom an effect would be directly attributed. To the Western observer, this might seem like a system totally devoid of any personal responsibility, where everyone just moves by the pressure of someone else. This impression, however, is based on a failure to see that context is given primacy over the individual. As it is the context from which individuals take their shape, accountability also has to take on a contextual meaning: people are expected to perceive a situation in the right way and to respond appropriately to any given context they are placed in. It is this responsiveness they are held responsible for.

Responsiveness is closely linked to the expectation of others, because context has to be perceived by participants in the same way, so people know how to interrelate. Otherwise social insecurity would result, creating social tension and embarrassment. However, there are no fixed, abstract rules of determining how the Japanese will apply a contextual framework to a specific situation. Accordingly, there are no fixed rules either on how to respond to context appropriately Meeting expectations rat-

her depends on the right perception of each given context. Employment thus focuses on the teaching and learning of the employee's role in relation to the employer, the customers and other employees according to their relative social status.

Meeting expectations and therewith accountability strongly emphasises group commitment and sharing of common values rather than the achievement of certain results. It is therefore likely to supersede any form of authenticity. An important outcome of this is that the conception of accountability is not rooted in any rational argument. Wherever people strive to meet expectations, there is no reason why an action as such is carried out. In fact, once a model is established, the basis for evaluating correct behaviour is simply whether or not one is following it. Reasoning about why the model has been established in the first place or questioning its efficiency in the Western sense of the word is not called for. Such contextual meaning of accountability therefore implies willingness to accept blame whenever the expectations of a group are not met. It, however, does not provide a rational explanation for one's behaviour.

Another outcome of accountability in its Japanese contextual meaning is that it only refers to an action as it takes place in a specific context at a given place and time. It therefore does not necessitate the anticipating of any future events. If the context unfolds in an unfavourable way, the arising of unintended results is more believed to be dictated by fate rather than being related to any past behaviour. No necessity thus arises to hold anyone accountable for any action which only from an *ex post* point of view appears to be the wrong one as long as it was done with the right intention at the time. As an outcome, there is no clear behavioural mode which encourages anticipating future events at the expense of any established process.

### *Situational ethics*

On a more general plane, the contextual understanding of accountability mirrors the lack of abstract, transcendental

<sup>17</sup> Ibid., p. 202.

<sup>18</sup> Ibid., p. 203.

<sup>19</sup> Cp. N. Yoshimura., P. Anderson, Inside the Kaisha, p. 142.

<sup>20</sup> Ibid., p. 143-44.

principles which could govern behaviour within different contexts. It is, therefore, closely linked to the Japanese understanding of morality which is also considered to be socially relative. Both are linked to an ethic, which has become widely known as situationalism or situational ethic. It mirrors the Japanese understanding of goodness or badness as a relative matter, relative to social situation and impact, whose complexity may often be beyond any judge's comprehension. The Japanese are therefore not keen on systematising moral doctrines as independent entities.<sup>21</sup> However, this does not imply that moral standards do not arise at all. But they are not associated with an „absolute“ standard such as ideologies or a core set of values. They rather stem from the right understanding of each concrete relationship between man and man, from which „right“ or „wrong“ behaviour takes its specific meaning:

The problem of ethics does not lie in the consciousness of an isolated individual but in *the relationship between man and man*. It would be impossible to reach a real understanding of what distinguished a good from a bad action, or what compromises a duty, responsibility, or a virtue, unless considered as a problem of the relationship between man and man (original emphasis).<sup>22</sup>

Accountability therefore involves a great degree of variability across different contexts. However, this does not necessarily account for changeability, because once social bonds and obligations are fixed and internalised, there is an enormous persistence and rigidity to cling to them regardless of changes and fluctuations within the wider environment. This is due to the fact that social stability mainly arises from everyone knowing how to occupy „the right place“. Accordingly, moral tensions may only arise in an eras of severe change and stress, when a value system or morality is not shared by all members of a group or community any longer. Within such a context, not only accountability but also retribution takes

on a rather distinct meaning. A rather famous example can be drawn from the 1960s and 1970s, when environment a pollution by industry was rather rampant. During this time, Chisso Company was found guilty of polluting the offshore waters of Minamata with deadly mercury and, moreover, concealing its knowledge of polluting waters, causing permanent injuries to local residents. It was strongly felt that the company did not act morally, because it put its business interests above common values shared by the overall community. As a consequence, executives were urged to apologise publicly, admitting that they had done wrong and demonstrating that they once again shared the value system of the victims. A strong social pressure thus arose. Finally, the Chisso president went to each of those victims' homes who had died of mercury poisoning. He apologised to the families of the deceased and prayed in front of the family altars. This act proved to be sufficient to restore Minamata as a moral community; social tensions ceased completely. Accordingly, neither the company nor its executives faced any further legal consequences.<sup>23</sup> This emphasis on socially relative, moral retribution can be considered to be the dominant mode of conflict resolution within Japanese society and, accordingly, even within the area of business and economy.

### Future perspectives

Cultural aspects such as the importance of context and the central role of process shape Japanese modes of business behaviour. A cultural approach, which explicitly takes such modes into consideration, can therefore give meaning to business behaviour, which may appear to be inconsistent and unpredictable to anyone projecting foreign categories of experience onto it. Such an approach calls for a careful analysis of certain key terms in the given cultural context. This has been shown for the terms efficiency and

accountability, which take on a distinct, contextual meaning in the Japanese context.

As is shown in the following, such a cultural approach can also contribute to an explanation of why Japanese business practices once tended to be so successful while at least some of them now seem themselves to be at the core of problems associated with Japan's ongoing recession. More specific, it can help to solve the puzzle of why the Japanese economy has once successfully managed to cope with economic challenges such as the oil and yen shocks of the 1970s and early 80s, while it now proves to be incapable of introducing necessary changes. On a management level this puzzle is paralleled by the former successful continuous improvement of processes (*kaizen*) on the one hand and severe problems of adapting business practices to the new environment in the aftermath of the burst of the speculative bubble in the early 1990s on the other.

The answer does not lie in the evaluation of any business practise as such, as has often been attempted. The success of those practices rather has to be considered as being dependent on the context they are placed in. Here two scenarios are of special importance: a stable environment or eras of continuous change on the one hand and a more volatile environment or eras of discontinuous change on the other. Faced with a stable environment or with continuous change, the Japanese emphasis on managing the present as a process has great advantages. It permits existing models to be elaborated on and can thus take them to levels that others find difficult to match. Accordingly, Japanese firms may adapt well, because any crisis can be solved by continuous improvement.<sup>24</sup> This fact explains the former success of the Japanese *kaizen* practices during the 1980s, which many Western observers paid close attention to.

However, the same practices might appear as a major obstacle to necessary

<sup>21</sup> Cp. T.S. Lebra, *Japanese Patterns of Behavior*, p. 11.

<sup>22</sup> T. Watsuji, *Rinrigaku (Ethics)*, Tokyo 1962. Translation of the passage in: T.S. Lebra, *Japanese Patterns of Behavior*, p. 12.

<sup>23</sup> Cp. H. Befu, *Four Models of Japanese Society and Their Relevance to Conflict*; in: S.N. Eisenstadt, E. Ben-Ari (eds.), *Japanese Models of Conflict Resolution*, London/New York 1990, p. 217.

<sup>24</sup> Cp. N. Yoshimura, P. Anderson, *Inside the Kaisha*, p. 53.

change as soon as they are confronted with an increasingly volatile environment. As processes tend to be perpetuated once they have been established, breaking free of existing behaviour seems to be exceedingly difficult. They are thus usually upheld, until malfunctioning reaches a state where processes can in fact no longer be continued. It is especially the absence of a 'prime mover' which seems to make it extremely hard to adapt to discontinuous change. This may at least partly explain, why after the burst of the bubble no major changes in the institutional environment especially in the banking sector, have occurred yet, despite being called for by Western and Japanese analysts and politicians alike.

This, however, does not imply that challenges of discontinuous change cannot be met in the Japanese context at all. Periods of Japanese history such as the Meiji restoration and the period immediately after World War II prove the contrary. However, a special mode of action is required, which seems to depend on successfully reframing situations by embedding them into new contexts. If established processes appear to obviously malfunction, the historical past is searched for role models which legitimise such reframing allowing for departure from existing practices. This makes it possible for even imaginative and radical action to be taken.<sup>25</sup> Reframing has proved to be successful, because Japanese patterns of cognition appear as dual. Japanese can thus accept two interpretations of one situation as reflecting reality by adopting different perspectives. Reframing is but one way of doing so. However, it only seems to take place if a sense of crisis within society (or at least within firms for that matter) is prevalent. In order to understand Japanese business behaviour in the present economic crisis, the question to ask, therefore, is, whether the Japanese think they are in a crisis situation and if so, what behavioural role models are searched for in order to reframe the situation appropriately.

In conclusion, it can be said that a solution to Japan's pressing problem does not lie in the simple call for a change in business practices along Western lines. Even if the Japanese might move closer to a „Western“ solution, it seems undeniable that such a move can only occur in accordance with their underlying modes of behaviour. Western observers should therefore grow more sensitive to the interdependence of the Japanese economy, society and culture. This implies a shift in focus from purely observing structural practices to considering them as manifestations of culturally shaped modes of behaviour. Since to the Japanese everything is seen as part of a whole, experienced as a constant unfolding in the present, even such an approach will not lead to a prediction of any future direction the Japanese economy might be going to take. However, by understanding the cultural driving forces behind Japanese business behaviour, one might have a better chance of understanding how it evolves in an era of change and stress such as today.

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<sup>25</sup> Cp. N. Yoshimura., P. Anderson, *Inside the Kaisha*, p. 157