

THE ACCEPTANCE OF JAPANESE MANAGEMENT IN ROMANIA  
(A STUDY FOR THE RELATION BETWEEN CORPORATE PHILOSOPHY AND  
GLOBALIZATION)

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ABSTRACT

This is a work paper for the discussion about the relation between corporate philosophy and globalization. Many Japanese excellent companies have very clear corporate philosophy. These philosophies are deeply integrated with Japanese moral, ethics, history, culture and education. When the company grew in scale and sales, the company's structure will be changed or customized. However, excellent company had kept founder's corporate philosophy even if changed business environment or corporate structure.

Such an original source of the excellence strengthens the company's corporate culture, and then had sustained business performance of the company. Excellent company knows what they can change and what they shouldn't change in case of economic environment change and / or the process of globalization.

1. Introduction: Corporate philosophy of Japanese excellent company

Postwar period economic and social revival in Japan was attained with hard and sincere work of Japanese people. Of course, there is also good social and economic environment with policy of administration, political stability, and international relationship. However, I think probably postwar economic growth could not be attained when there was no vitality in the private corporate activity itself.

Names, such as SONY, TOYOTA, and PANASONIC, are mentioned as a company representing Japan. I think that they are splendid companies. However, beside those famous establishment companies, there were also many small and medium size companies in Japan. They also worked globally in the world. These companies have sustained

economic growth of Japan. We name those companies the companies with "Kokorozashi". The companies with "Kokorozashi" have not pursued only financial profit, but also recognized the social mission of a company. They have undertaken the long-term viewpoint. Through active conduct of business, employee were trained and educated, product quality was raised, the organization was grown up, and it has contributed to the society.

Although CSR (Corporate Social Responsibility) becomes the center of attention these days, the companies with "Kokorozashi" had developed the idea in the company creed and philosophy initially before importing such a concept from foreign countries. The founder of a company rubbed the "ardent will" into the company creed, and appealed the idea to all employees. The

customer was valued, professional pride was taken in the product and services, it appealed for the contribution to society through the business with the employee. A top management visited the field of production or selling activities so that he may realize the idea, he tackled on the problem of an on-site level sincerely, repeated the daily improvement, and has improved productivity and quality.

The top management had responsibility in active conduct of business and its result. The employee tackled their work with responsibility. The company has always tackled the problems positively, and then repeated a success and failure again and again. Those continuous efforts have brought the advanced economic standard and the stabilized social system.

Now, as for Romania, the whole social system, such as politics, economy, education, and administration, has been redesigned since the revolution in December, 1989. I think this was the grand social challenge. A dramatic change is going to happen at the faster speed that Japan had experienced after the war.

A risk and a chance live together at the transition process. Various companies are born, some of the companies gain big profits with a success temporarily. However, when market environment is improved to a severe competition, only the handful of genuine company can survive. Only a company with high "Kokorozashi" survives bearing severe competition environment. They learn the

correspondence power to environmental change, and can keep growth.

I don't intend to say that a management style of Japan is omnipotent. After the bubble economy collapse in 1990 in Japan, many Japanese companies had struggled in long depression. However, there are some companies which have achieved the business success steadily under such a severe environment. Those are the genuine companies with "Kokorozashi".

The success of Japanese companies after the war was based on the entrepreneurship of a founder with "Kokorozashi", and then the high quality employee in the field operation were also critical factor. I think that there was an ethics in Japan. Japanese moral and high quality educational system was in the background.

I strongly expect that many companies with "Kokorozashi" grow up in Romania. Succeeding in money-making is not only an enterprise success. A company is a group who performs profit seeking. However, if the persons involved in the business with the company are not happy, it is not good for the company. I expect Romania companies provide the goods and services which are trusted by the customer. I hope the companies respected from people and society will grow in Romania.

After the affiliation in 2007 to EU, when a full-scale foreign capital comes in, I think that more severe next stage of selection will come. Only the company which established

the basic infrastructure can survive then. There are two choices for effective management reform in Romania. The management rebuilt by foreign capital is one of the choices. However, does it bring Romania wealth and prosperity truly? Another choice is Romanian initiative and self-innovation in this reform process.

This paper explains the basic concept of Japanese management the first half. And in the second half is the globalization of Japanese company. My hypothesis on this work paper is corporate philosophy is critical for the company's growth, and then it is also important for the globalization.

## 2. What is Japanese management?

Generally speaking, Japanese management was characterized as follows:

- 1) Seniority system
- 2) Life long employment
- 3) Labor union by company

In the age of high economic growth, those 3 characters were looked like industrial positive factors. However, after bubble economy (1990), those 3 characteristics have disappeared in many Japanese companies. Many companies restructured human resource, changed corporate welfare system, accelerated early retirement system in their companies. This restructuring process was enough to destroy the illusion of traditional Japanese management. The thought of "Corporate system" in Japan has collapsed too soon.

I think those 3 characteristics were outward

(External) characteristics, not substance of Japanese management. Many workers had believed that the company would protect employee. However, when economic environment got server, many companies had changed their conventional rules easily. On the other hand, some companies had kept their policy even if very tough situation. TOYOTA, HONDA, CANON, PANASONIC and Seven-Eleven Japan had kept their management policy. The difference between those companies and others is in Corporate Philosophy.

Founder of those companies had embodied corporate philosophy in the company in various ways like corporate splits, motto, corporate principle and corporate creed. The corporate philosophy has been succeeded to next generation in the company. It has been embodied in the company as corporate culture.

Toyota's TPS (Toyota Production System) was from Toyotatism. Toyota had accumulated kaizen in the field steady by steady. Accumulating continuous improvement in the field is Toyota-way. It enabled Toyota No.1 Automobile manufacturer in the world.

Honda started from small factory in the local town in Japan. The founder's motto was "Dream and fan". This corporate philosophy has been succeeded to current generation. They challenged small jet craft, Robot and something interesting. Hondaism is to enjoy the work and life.

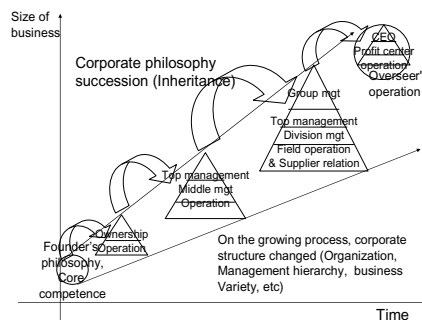
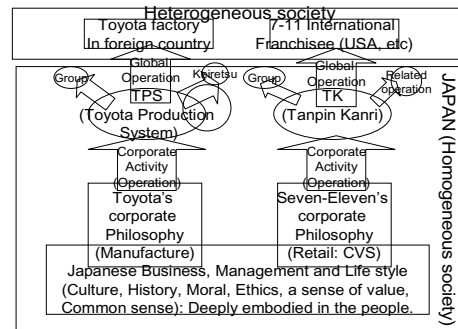
Seven-Eleven Japan franchises small retail store in the world. It is CVS (Convenience Store). The size of the CVS is between 100~150sqm. They are managing 11,000 stores in Japan. The company's slogan is "The countermeasure to changes, and executing basics thoroughly". Their philosophy is innovation; it is continuous business reform with customer's standpoint. Those companies are very open and flexible, however very rigid for corporate philosophy that has been succeeded. They know what they should change, and what they shouldn't change. On the other hand, many companies that restructured their companies easily after bubble economy didn't know what they should change, and what they shouldn't change.

Genuine excellent company, I named it the company with "Kokorozashi", has corporate culture. Those corporate cultures deeply depend on the culture in Japan. The culture has been built through history and practical experience in each country. The corporate performance are supported by those historical culture embodied in the company.

Historically, those Japanese companies had grown in homogeneous society. They shared same history, education system, moral, ethics and sense of value. Japanese society has strong homogeneous system historically. This helped Japanese company. Employee worked together, they put idea, and they keep high loyalty for the company. Unity of the company supported the quality of products and services.

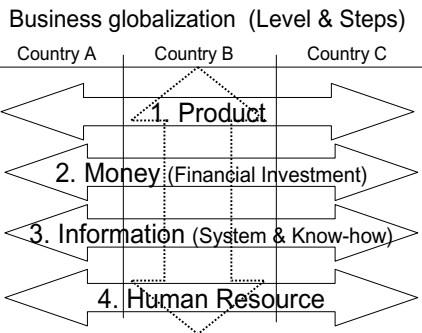
However, when Japanese companies go to abroad, still is it possible to keep such a unity in the company? I think globalization is a challenge for Japanese companies. When they do business in foreign countries, the society is different from Japan. In addition, in many countries, the society could be heterogeneous society rather than homogeneous society.

In order to succeed their business in the foreign countries, global Japanese companies must adapt their foreign subsidiaries to foreign countries. At that time, Japanese companies must think what they should adapt and what they should keep.

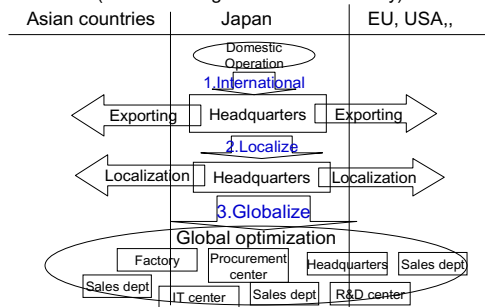


### 3. Globalization of Japanese companies.

Globalization is widespread in the world. There are some steps on the process of globalization; Information globalization, product globalization, capital globalization, and human resource globalization.

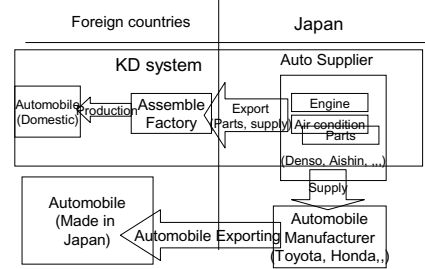


General model of Globalization (Manufacturing: Automobile industry)

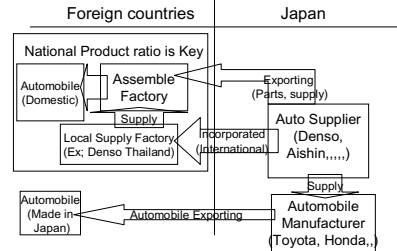


Another view is manufacturing 5 steps: Product export, KD (Assemble with imported parts and supply), Japanese suppliers' production in local, local suppliers, Localization, Exporting by local factory.

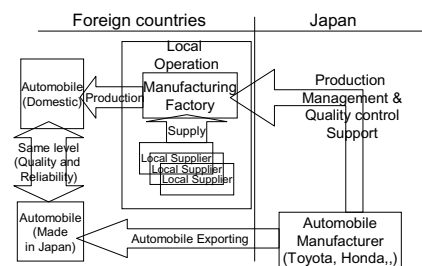
#### Globalization on Manufacturing Step 1: KD (Knock down) system



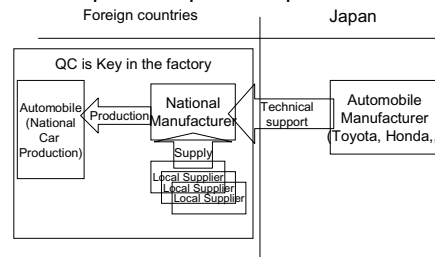
#### Step 2: Supplier's Globalization (Follow manufacturer globalization)

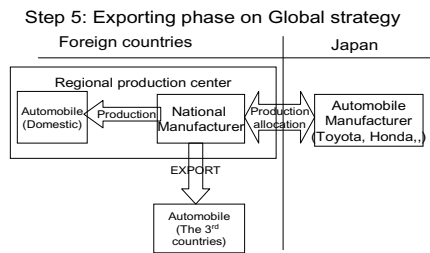


#### Step 3: Part & Supply local procurement



#### Step 4: Independent production





Globalization was a challenge for Japanese companies. Globalization threatens unit culture. Japanese company that had deeply depended on the Japanese culture must accept different cultures. This may require reconstruction of their corporate structure. However, if they lose their corporate philosophy, they will lose their identity and corporate culture. This may bring destruction to the company.

On the process of globalization, the company must respect differences between Japan and other countries. However, if it is an excellent company, the company must have good corporate philosophy. Then, it is applicable globally.

New terminologies are happening in the world as global standard: Corporate governance, Compliance, CSR (Corporate Social Responsibility), Accountability, and so on. The company that has not well-established corporate philosophy has jumped to catch those new management concepts. They accepted them as global standard. They tried to pretend global company. However, many of those companies failed to embody substance of those new management concepts.

On the other hand, excellent companies had already embodied such a new management concept in their management before globalization. They know substance of such a new management concept and social requirement. That's why, they didn't jump to catch such a new management concept. Again, they know what they should change, and what they shouldn't change. They keep corporate philosophy; they absorb such a new requirement as a part of corporate structure.

Local operation is one of the globalization processes. When Japanese companies start their operation in Romania, they have their criteria for the decision. They believed it is a much better approach in order to countermeasure globalization. They have their expectation for the local operation; cost, quality, speed, market distance, legal requirement, taxation, labor-management, and so on.

After starting the local operation, globalization becomes the issue again. The company must think how to manage local operation. We face the issue of corporate philosophy again. Should we bring Japanese philosophy to Romania? Should we bring Japanese facility in Romania? Should we bring Japanese know-how to Romania? Should we bring Japanese management tools and methods to Romania? Should we bring top management in Local operation? Should we customize Japanese know-how in Romania for smooth implementation? Should we modify Japanese business rule in Romania? Again, they must define what they should change, and what they shouldn't

change. Excellent company knows that.

There are some interesting books about Japanese management system implementation in Europe. One is “Japanese Management / Production system and EU” edited by Prof. Kumon and Abo, 2005. This book covers Japanese hybrid factory research: England, German, France, Benelux, Italia, Spain, Portugal, Hungary, and Sweden. This research covers Japanese companies: Panasonic, SONY, Toshiba, Sharp, Toyota, Nissan, Honda, Denso, and NEC.

Another book is “Japanese management/ Production system in Middle east Europe” edited by Prof. Wada and Abo, 2005. This covers Japanese hybrid factory operation in Poland and Slovakia. They cover Toyota, Yazaki and JV companies.

Now, there is no similar survey in Romania. There are KOYO-Romania, Yazaki, Karusonic Kansei, Makita, Sumitomo Electronic, and so on. There are enough cases in Romania; however there is no study on it in Romania. We may have a chance to study “Japanese management/ production system acceptance in Romania”.

References

Edited by Prof. Hiroshi KUMON and Tetsuo ABO, “Japanese Management / Production system and EU” 2005, MINERBA Modern Economics No.78, published by Minerba publishing house.

Edited by Prof. Masatake WADA and Tetsuo ABO, “Japanese management/ Production system in Middle east Europe” 2005, published by Bunshinndo in Japan.

