A Dynamic Model of Japanese Workculture System[1]

I Introduction

The forces of global integration have rapidly intensified over the past decade. Shinichiro Asao, President of Japan Foundation, observes, "In Japanese studies overseas, the recent trend shows a drawing away from the Japanology of the past toward placing of greater emphasis upon such sociological and contemporary fields of research as economics, politics, and management. The Foundation is exerting its best efforts toward responding in a flexible manner toward this shift of emphasis." A shift to such broad-based approach to knowledge and actions is being driven by the fact that the golden global opportunities can be utilized without risking "hollowing-out" only through a prudent investment of time and energy.

The conventional research on global management was based on two distinct schools of thought: Technical (Geographical) school and Cultural School. The technical school focused on differences in location-specific advantages, the long-term continuity of such advantages, and how these advantages may be internalized by multinational organization (Dunning, 1979). Such advantages manifested in factor cost differentials, with national policy conditions - such as Ministry of International Trade and Industry in Japan - playing a dominating role in sustaining or accentuating them by restraining their international mobility or tradability (Johnson, 1982). The cultural school focused on the cultural differences among nations, that were assumed to manifest in (a) unique characteristics of nations that are at worst not subject to management (e.g. Confucian values: Morishima, 1982), or (b) irrational characteristics of nations rooted in bounded rationality, sustained by institutional impediments inhibiting transformation to more efficient structures, but eventually bound to fall prey to the mighty convergence forces of global competition (e.g. Bureaucracy: Weber, 1905).

Recent research based primarily on the diffusion of Japanese investment networks overseas has, however, highlighted inadequacies of the above approaches in

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face of rapid globalization. This research has been primarily motivated by the distinct performance patterns of various nations despite globalization, as well as those of different national subsidiaries of the Multinational Corporations despite similar management. Thus, for example, multinational investments are impeded by cultural distance (Kogut and Singh, 1988) and Japanese management methods rooted in Japanese socio-cultural environment must be hybridized with cultural conditions of the host nations for recreating efficiency properties of the Japanese model overseas (Abo, 1994). Gupta (1995), using a dynamic systems approach, shows that macro-cosmic cultural system is the causal cause of all human behavior, and that dynamic productivity is a direct function of dynamic compatibility of investments with the dynamic cultural system. As such, a dynamic global management requires dynamic integration of the technical system and the cultural system into a "Dynamic Work Culture System" for ensuring "supreme productivity".

As part of its efforts to promote culturally-sound global management, the Japan Foundation Center for Global Partnership co-sponsored an international symposium on the cultural issues in the Asia-Pacific Region for the 21st Century in early January 1995. This symposium revealed presence of diverse traditional skills and other cultural heritages in various developing nations nurtured over numerous generations under variety of circumstances, and called upon Japan to play an active role in constructively developing and globalizing such experiential endowments before they are wiped-out forever by the destructive forces of globalization. In the light of the changing paradigm of global management, there is now a further need to conduct an overall dynamic analysis of the Japanese work culture system for identifying the global opportunities that are compatible with the national and international prestige of Japan.

II Mission Statement

This paper develops a dynamic model of the Japanese work culture system at individual, local, national and global levels. For this purpose, it first investigates using a causal systematic sequential time-spectral analysis the process through various sub-systems of the Japanese work culture system were perfected by the middle of this century. Then it analyzes the causes and undesirable effects of the subsequently accumulating imbalances, and specifies a dynamic investment approach for recreating a supreme work culture system in Japan required to perpetuate its international prestige in the future.

III Parameters of the Japanese Work Culture System

In order to investigate the Japanese work culture system, it is first essential to identify the parameters on which Japanese work culture system is distinctive from other systems. Based on the papers presented in the Kyoto Conference on Japanese Studies, three important characteristics can be identified:

a) Japanese work culture system is conditioned on the **homogeneity** of society that has been preserved because of the isolating impact of ocean-bound island geography (see in particular two sessions on "The Bearing of Social Theory on Japanese Studies; the Bearing of Japanese Studies on Social Theory" organized by Edward Tiryakian; and two sessions on "Is Japan Really Alien or Unique? A Reconsideration of Paradigms in Japanese Studies" organized by Eshun Hamguchi).

b) Japanese work culture system is characterized by a sense of **harmony** among its people (see in particular five sessions on "International Comparative Studies on the Negotiating Behavior" organized by Hiroshi Kimura; and the symposium "*Kata* in Japanese Culture" organized by Ryoen Minamoto).

c) Japanese work culture system promotes co-existence and **compatibility** of people and natural environment (see in particular two sessions on "Japanese Creativity and Sustainable Development" organized by Tetsunori Koizumi; and two sessions on "Comparative Land Policy: The Role of the State and the Market in Determining the Use and Price of the Land" organized by Shigeko Fukai).

IV Criteria for Authentication of Parameters

The criteria for performance of a work-culture system is supreme proficiency (i.e. efficiency of each sub-system as well as of their dynamic linkages) of the investments at all the four levels: individual, local, national and global. Therefore there is a need to make a dynamic assessment of the Japanese work culture system at each of these four levels.

V A Dynamic Model of Japanese Individual Work Culture System

The systematic conditionalities for the individual-level proficiency of the Japanese work culture system can be derived from the dynamically "unique" archeological principles of the Japanese cultural system identified by Gupta (1995):

Geography-based homogeneity hypothesis: This is true only if for the potentiation of the potential of (i) *Causation conditionality* of island geography, following are also met:

ii) *Polarization conditionality*: Every person has several attributes, and the differences among persons are a function of criteria used. A 'homogenous' group must be formed through 'polarization' on distinctive attributes, and must manifest in a dynamic 'organization' into a common work culture system. The distinctive attributes are based on interaction at scriptual, conceptual, perceptual, experiential, or spiritual levels.

iii) *Evolution conditionality*: A group homogenous on certain attributes, nevertheless has diversity on other attributes. The consciousness of these diversities undergoes a dynamic 'evolution' through intra-group interaction.

iv) *Support conditionality*: A homogenous group can have high performance only if it fosters dynamic competition among members on the homogenous attributes, i.e. when all ego-centric or emotional ideation for privileges ends and dynamic movement occurs.

Groupism-based harmony hypothesis: This is true only if the following additional conditionalities are also met:

v) *Networking conditionality*: There must be 'stabilization' of competition based on dynamic compensating on polarized attributes, i.e. through prioritization of various diverse attributes of group members, for realizing multilateral complementarity.

vi) *Exchange conditionality*: There must be multilateral reciprocal exchange among the group members, so that there may be dynamic growth while sustaining dynamic equity.

vii) *Diffusion conditionality*: The multilateral exchange must intensify and appropriately stimulate fanatism of the group members to realize the intentionality.

Geography-Groupism Compatibility Hypothesis: This is true only under:

viii) *Universalization conditionality*: Geography creates both endowment (producer) as well as experiential (environmental) values. Therefore there must be a sensible proportion between utilization and cultivation of geographical heritages.

ix) *Micro conditionality*: The technology must be appropriate for the specific endowment conditionalities of various sub-systems at a time and space.

x) *Macro conditionality*: All the members must have strong emotional involvement in promoting dynamic geographical compatibility of the overall work cultural system.

Finally the above must result in the xi) *Growth conditionality* of perpetuating prestige through innovative and creative linkages using dynamic strategic alliances.

VI A Dynamic Model of Japanese Local Work Culture System

There is now a need to authenticate the impact of above conditionalities on Japanese work culture system. This requires a time-spectrum analysis, as the Japanese system is a sum total of the effects of all the sub-systems that have been cultivated over time through the interactions of the Japanese people within and outside Japan.

Geographical Effects - the Asian interaction

The immigration into Japan archeologically followed two paths from Central Asia (a) southward to Kyushu and beyond through Himalyas/ Thailand and South China (b) northward to Pacific Ocean through native American people. In the 2nd century of this Common Era, a clan named Yamato began gaining strength. It finally succeeded in consolidating Japan under one Emperor around 4th century. It sought to solve the problem of loyalty of people to the new Emperor, through localization of the national and international systems. First, Japan was promoted as a divine nation through primordial times with Emperor as a direct descendant of sun. An emphasis laid on worship of superior powers, i.e. benefactors - and this worship itself became formulated as Shinto (Shen-tao or kami-no-michi or Way-of-Divinity). In addition, influenced by Korean Emperors, educational institutions based on Buddhist principles of learning were established for the nobility. Secondly, several envoys were sent to China from 3rd century to 6th century for learning about Confucian institutions supporting centralization of power. The special highlight were the legal institutions for the masses based on Confucian principle of loyalty and confluence of moral-religious and social-legal codes of conduct. The core was the concept of *w*a - or harmony, included in the name of Japanese state (Yamato), Japanese people (wajin or people of harmony), and their belongings. Unlike in China where *wa* connoted “supplementarity”, in Japan *wa* connoted “complementarity”, initially among people, and later between individual and society. For perpetuating these institutions, a complete demographic census was conducted, nation was divided into provinces, districts and hamlets, with government personnel in charge of the provincial management. In addition a position of shogun (military-general) was created for subjugating disloyal elements in the distant northern areas. Thus it was only in the 7th century that organization and perpetuation of homogeneity among the existing distinct groups took a systematic form.

Groupism Effects: The European Interaction

The 7th century harmony did not last long. Over the 8th century, the nobility class accumulated vast real estates that disrupted taxation structure and caused severe civilian strife. Therefore in 794 the National Capital was shifted to Kyoto, the construction of which was subcontracted to wealthy local families. By the second half of 9th century, wealthy provincial families - including those centrally-dispatched nobility families that were not closely related to the center through marriages etc. - increasingly came to refuse tax payments to the nobility. To prevent a backlash, they appointed guards called “samurai” (one who serves his master) equipped with weapons and trained in martial arts. The nobility class managed to gather sufficient strength only by the 11th century, and acted to empower Shogun and its own samurai. In the 12th century, Shogun Minamoto no Yoritomi (1147-1199) suppressed major revolts and established the first samurai regime in Kamakura in 1185. He offered hereditary provincial governing authority to those samurai who accepted his military code of law called “Bushido” - the way of warriors. This code stipulated alternate residence, where during the war samurai loyally fought on the side of Shogun, and during the peace times lived in their designated provinces and in Kamakura serving the Shogun in alternate years. Security remained the main concern, and so Samurai castles were normally constructed in the mountains. The conflicts continued until 1333 when Ashikaga Takauji won the civil war and obtained governing authority over Muramachi. By the 15th century nation was again disunited by civil conflicts. But in 1579 all protests were virtually eliminated by Shogun Oda Nobunaga, who then created a de-facto samurai rule in Japan.

The 16th century also saw arrival of European merchants, scholars and missionaries to Japan, and rapid rise in Japanese trade with East Asian colonies of Europeans. In order to monopolize on this trade, the Shogun licensed exclusive trading rights to selected merchants and promoted gold and silver mining in Japan. For preserving the newly-established harmony, and to avoid new diversities in form of missionary activities, Shogun Tokugawa Ieyasu in the early 17th century promulgated a national seclusion policy that restricted most external contacts, with some excpetions for trade with Dutch and British. He also established a semi-autonomous feudalistic structure, a hybrid of Japanese domains and European feuds, centered in Edo (Tokyo) based on Bushido code implemented through an elaborate and skillful rewards-and-punishment system. The society was divided into five classes - nobility, samurai, farmers, artisans, and merchants. Within each class

numerous levels of hierarchy were established. One's status was clearly determined by one's occupation, age, sex, marital status, wealth, position in the family, etc., and in turn defined one's behavior (such as clothing).

As samurai daimyos constructed luxurious castles in the plains, large castle towns were created that attracted numerous farmers. This led to a rapid mass modernization of the work culture system: (a) area under crop was doubled by early 1700s, as shogun and daimyos promoted expansion for earning tax revenues, (b) extensive sea shore lands were cleared for indigenous supply of salt, (c) vast timber plantations were created on the mountainous lands for construction of towns, (d) mountain communities with poor rice lands took up food processing for supplying to the urban masses (e) household craft industries adapted to mass consumption were founded by the chonin (merchants and artisans) class, often induced by daimyos, (f) prestigious samurai status was bought by many wealthy merchants through marriages and donations, and (g) temple schools for mass education - focused primarily on recreational literature - were also founded by the chonin class that lacked access to the learning institutions of the samurai and nobility classes. As a result, the intellectual emphasis shifted from ethical learning (Shushigaku) and ancient learning (kagaku) emphasizing public ethics of justice, law and morality, to Dutch learning (Rangaku) that emphasized role of hard work of each individual, rather than wisdom of the rulers, in enhancing national wealth. The leading proponent Kaiho Seiryo observed, *"Many of the deeds which occur today are not encompassed by the wisdom of the Ancients. In general, we can say that learning is useless if it does not shed light upon the present."*

During this period, industrial activities were organized into three kinds of work-culture systems: (i) Obedience ("On") dominated: Samurai administrators operated factories using Bushido code of class-based distinctions, behavior and obedience; with technical training and supervision under charge of foreign experts or of internally promoted workers, (ii) Loyalty ("Giri") dominated: Merchant family houses hired apprentices from related or friendly families, and offered them clearly defined performance-based career ladder, with an emphasis on collectivity goal. These family houses showed greatest growth, (iii) Sacrifice ("Ninjo") dominated: The artisan class operated through Oyakata master-Craftsmen-Apprentices hierarchy subdivided based on the length of service to the Oyakata, who recruited young apprentices and gave them rigorous training. The apprentices were free to cultivate

further skills by getting employment elsewhere after a period of obligatory services and subject to life-long respect to the first master. This mobility was however subject to the "Nakama" or peer-based guild system, that licensed working rights and specified business rules.

Thus it was only in the 17th Century that organization and perpetuation of group harmony in various realms began taking a systematic form in Japan. This 17th Century mass modernization sustained its dynamism only until first quarter of the 18th century. As the opportunities for land expansion got saturated, the samurais sought to maintain their status by expropriating wealth of merchants and artisans through a variety of means. Moroori Norinaga (1730-1801) and others sought to perpetuate the harmony through propagating "*kokutai*" - the Japanese national community or essence. As a result many Samurai converted their factories that were initially established for military use into non-military ones, and in some cases even changed their status to the merchant class. By 1850s the merchant exchange and servicing functions, that were earlier considered parasitic and against Confucian ethics, had been greatly harmonized with the national culture of Sacrifice ("Ninjo"). For example, Yokoi Shonan, founder of Realist school (*jitsugaku*), highlighted,*"learning, however precise or profound, was not true learning unless it could be applied to improving the practical affairs of the society"*, and defined industrialist as "*jitsugyoka*" - who undertakes a real task based on an honest endeavor.

Compatibility Effects: The American Interaction

In 1853, the Americans threatened Japan with military action lest Japan should keep its ports closed. The Shogun decided to negotiate, but unsatisfied with his decision, some samurais from domains most distant from Edo led the Meiji Restoration, restoring power to the Emperor. The new government promoted the slogan "national wealth and military strength", and established a compulsory education system for producing elite bureaucrats through competitive examination system. Most of these bureaucrats were primarily interested in demanding privileges and authoritarian compliance from the masses on grounds of their superior status. At the same time there were many highly patriotic samurais, such as educator Yukichi Fukuzawa (1835-1905) and industrialist Eiichi Shibusawa (1840-1931), who were at the frontiers of importing western technologies and intellectual ideas. The government sought to raise its income mainly through farm taxes (called "accumulation through land tax"), thereby polarizing small farmers into two tiers, and

eventually ran into financial constraints. So, it sold its factories to the big merchant houses, and sought to retain close control through carrots of cheaper finance and raw materials. These merchant houses in turn made similar offers to control artisan-operated smaller firms; and relied on educated managers hired on a career-system, in addition to hiring subcontracted male workers and directly contracted female workers.

With substantial World War I profits, these houses expanded their investments in the heavy industry sector especially ship-building. The technical characteristics of this sector were different from that of the earlier light sector, and demanded more skilled and more masculine workers. So they established seniority-based corporate welfare system in the 1920s in order to attract male workers - who in the past often worked only during agricultural off-seasons and that too through labor subcontractors - towards more permanent corporate careers. This system, however, polarized the firms into two tiers, with weaker firms serving as bearer of residual burden. In the 1930s industrialists increasingly militarized their operations in line with the military government's goals, ending up in virtual destruction by the end of World War II.

The period 1946-50 saw a revolutionary restructuring of the Japanese system. Traditional Japanese work-culture was based on the proverb "taking shelter under the largest tree" with an ingrained belief that "bigger is better". Such a system considered concentration of power, such as that in holding companies or zaibatsu groups, as constructive in expediting negotiations, creating new businesses and networking on scarce resources. The American occupational authorities transformed it into an egalitarian work culture of "strategic alliances" with each person performing an appropriate role using resources just sufficient for that role. Thus (a) education system was professionalized by transforming the earlier power-focused system, (b) agricultural land was taken away from the big absentee landlords and sold to the small tenant farmers, (c) concentrations of wealth were significantly purged through property taxes and graduated income taxes, as were the elite politicians, elite business leaders, and militant labor unions, (d) corporate system was thoroughly professionalized: control of zaibatsu shareholding families on the corporate subsidiaries was considerably loosened; rights as well as duties of both managers and workers were legislated to replace whims with certainty; and the duality between the managerial class (shokuin) and working class (koin) was replaced by a common "salaryman" class compensated as per each person's dynamic (i.e. relating to system

improvement) individual-level and group-level contributions, as against one's status, and (e) investments in various sectors, internal linkages among these sectors, and overseas linkages of these sectors, were all restructured and harmonized. For this first, priority allocations of finance and raw materials were made. Then a "dynamic compensating" was done through a deflationary policy under Dodge Line. In other words, resources of all firms and businesses were harmonized with their productivity - by forcing a compensation by the improficient businesses to the proficient businesses, a compensation that manifested in proportionately greater losses for the former. With this dynamic compensating, the nation was set for external potential potentiation. It was let-open to service demand arising from Korean War, with the backward linkages provided by imports of lower-tech inputs and finished goods. The imports of such higher-tech and luxury products as were not compatible with dynamic compensating were restricted. This ensured filling-up of gaps at various levels: large-small firms, urban-rural sectors, and domestic-overseas resources/technologies.

This new balanced work-culture system could easily respond to the demand expansion without developing any constraints. As a result the nation developed rapidly with little inflationary or cyclical pressures. The national infrastructure underwent a "dynamic upgradation", as the corporations moved from an emphasis on textiles and iron & steel industry in 1950s, to ship-building and petrochemicals in 1960s, to automobile and electrical equipment in 1970s, and micro-electronics, office-automation and robotics in 1980s. Now in the 1990s, there is a gradual shift towards telecommunications industry, along with pharmaceuticals and specialized ceramic materials. These dynamic upgradations have been based on dynamic compensating of higher-order sectors by the resources generated by the lower-order sectors, manifested through dynamic networking of descending linkages and ascending linkages managed by the developmental banks and Ministry of International Trade and Industry (MITI).

At a broader heuristic level, this dynamic compensation enhanced the compatibility of emerging Groupism with the local Geography. Until late 1960s, technical emphasis was on "heavy", "thick", "long", and "big" - as compatible with the existing international developed endowments. After creating a sufficient seed-infrastructure, in 1970s the government acted to transform the work culture for realizing greater geography-groupism compatibility both nationally (e.g.

environmental problems) as well as internationally (natural resource problems). The key words for technical development since then became “light”, “thin”, “short”, and “small”, with the oil crises magnifying the harmony between compatibilities at national level and international level.

To sum-up, it was only after the World War II that the organization and perpetuation of compatibility between the geography and groupism factors was systematically sequenced in Japan. As all the eleven local conditionalities became appropriate to space and time, a rapid rise of Japan to the position of international economic leadership materialized.

As a whole, the time spectral analysis above reveals the systematic sequential process of perfecting Japanese local work culture system. The dynamic universality of this process may be summarized in terms of “Prudence Approach”: All actions originate in the causation of an (i) Awareness. Through repeated awareness, (ii) Operating Awareness, is cultivated. Through repeated application of operating awareness, (iii) Working Awareness, is cultivated. Through repeated application of working awareness, (iv) Understanding, is cultivated, repeated application of which cultivates (v) Operating Understanding, and then (vi) Working Understanding. Through repeated demonstration and stabilization of working understanding, (vii) Intelligence, is cultivated. Repeated application of intelligence then cultivates (viii) Operating Intelligence, and then (ix) Working Intelligence. Maturation of working intelligence cultivates (x) Wisdom. This then cultivates (xi) Prudence. Maturation of Prudence cultivates (xii) Excellence, then (xiii) Enlightenment, (xiv) Intuition, (xv) Illumination, and finally (xvi) Perfection.

Having analyzed the fundamental heuristic underpinnings of the individual and local level Japanese work culture system using archeological and historical approaches, it is now possible to systematically evaluate the national and global level Japanese work culture system using a futuristic cultural approach.

VII A Dynamic Model of Japanese National Work Culture System

For sustaining Japan’s dynamism, its national work culture system needs to be compatible with its relative ground reality of “social” norms and “technical” growth.

At the social front, distribution of population in Japan is shifting towards older generations, though the work structure remains more compatible to youth. But even the younger generation - termed shinjinrui (the new species) - is showing great

disconcert with Japan's current work culture system. The reason is that the demands placed by Japan's work culture system are disproportionate to its comparative international prestige, i.e. its jobs are substantially 3K: Kabushii (Demanding), Kiken (Dangerous) and Kitanai (Dirty). As a result, notwithstanding official attempts, the so-called illegal unskilled foreign workers are rapidly increasing in Japan encouraged by the numerous Japanese firms that are unwilling to utilize the global opportunities of investments and upgradation, and instead prefer monopoly profits of perpetuating low-tech activities indigenously. Such corporate behavior, being clearly incompatible with Japan's international prestige, is increasingly laying foundations for the hollowing-out of Japan.

At the technical front, having realized highest per capita income in the world Japan is thinking itself as "matured" with few avenues for further technological growth. It is imperative to recognize that the true condition of technical maturity is "covering any distance (i.e. performing any task) in a split second at a split energy cost". The vast distance of Japan from this condition clearly indicates the richness of available opportunities, limited only by the mental impediments to fully utilizing the option of free "Personal Force". The solutions require a broad-based open-minded approach. Japan has recently, induced by the Great Hanshin Earthquake, formulated a plan for shifting from previously emphasized optical-cable based telecommunication system to a more advanced satellite-based one. Similarly, there is a need to evaluate other technologies with an intention of cultivating greater compatibility with a geography that is ocean-bound island, mountainous and earthquake-prone. For example, there is a need to develop aerospace industry with an intention to upgrade automotive and ship-building industries, such as by developing vehicles that can travel say a few inches above the surface. This would minimize energy wastage arising from land and water friction, and would minimize seismic vibrations that are accentuated by the vehicle movement. Furthermore, human-nature compatibility means not just solving the problems of geography, but rather and more so active utilization of the rich natural endowments that have until now remained dormant under the perceptions that Japan lacks natural resources. For example, one needs to develop flexible-energy technologies such as generation of real time energy from multiple environmental resources such as water, sun, and winds, using a real-time proficiency assessment. For enhancing overall energy system proficiency, such energy may be used as a complement to petroleum/ stored

electricity for running the vehicle or the machine. It is only through such creative vistas that Japan can sustain its dynamism.

The younger generation is finding contemporary education and training systems of Japan woefully inadequate in equipping it with life-long creative and innovative skills for the above purposes. At the corporate level, there are now not many opportunities for utilizing pre-developed overseas infrastructure of innovation, production and marketing, rather existing international infrastructure must be first serviced before it can be translated into a source of supreme productivity for the Japanese corporations. In most cases Japanese corporations have sufficient technical skills to do so, but a poor exposure to the international cultural system - especially among the small and medium firms operated by the tertiary work force - is impeding utilization of overseas opportunities. Poor externalization inhibits the confidence of these firms in appropriate management of overseas investments, and therefore perpetuates high-cost activities supported with disproportionate machinery investments. The same is true, though to a less degree, of the larger Japanese firms who also continue to be substantially "reluctant" in their overseas investments. At the national level, as forward and backward linkages among various indigenous technologies have been perfected, valuable Japanese human resources augmented by rising life spans are increasingly being wasted in geographically-incompatible hollowing-out activities such as agriculture and distribution. Therefore there is a need for complementing the "tactical vocational system" of the firms with a "strategic vocational system" at the national level, intended towards intensive integrated training for reinforcing and internationalizing the corporate system. Only then will Japan be able to develop the futuristic technologies based on a dynamic systems approach: "division of investments" and "integration of labor", as against the increasingly outdated Adam Smith's approach of "division of labor" and "integration of investments. The global competitors of Japan - Europe and America - are threatening to get into the forefront of such futuristic technologies by utilizing the strategic systems knowledge of their employees to counter the tactical systems knowledge of the Japanese employees.

VIII Globalization of Japanese work-culture system: A Case Study

In order to investigate universality of the opportunities for globalization of Japanese work culture system, an informal meeting was held with the executives of a leading private Japanese bank in mid March 1995. The following excerpts strongly

authenticate the above findings even in this extreme case, i.e. services sector usually "believed" to be non-tradable:

"Researcher: How are the Japanese banks utilizing global opportunities for reducing their domestic costs through overseas investments?

Response: Overseas investments can't reduce domestic costs, except may be "eventually" after a long time.

Researcher: But overseas investments can be made with an explicit intention to reduce domestic costs, such as in the automobile industry where the firms source cheaper inputs from overseas.

Response: We are in a service industry, which is different from the manufacturing industry...

Researcher: But the costs of Japanese banks are very high relative to those of the foreign banks...

Response: Yes, but foreign banks in Japan are different because they use their home-country networks. Overseas investments can not reduce costs domestically in the service sector, as its products are people-intensive and non-tradable.

Researcher: Consider for example the case of Lufthansa Airlines, which is also in a service industry. It has transferred its accounting operations from Germany to India, in order to save on expensive land costs in Germany as well as on expensive labor costs.

Response: Yes you may be right, but Japanese case is different because of the language problems. As Japanese language is not known abroad, we can not transfer our operations like that.

Researcher: Still there must be many ways. It all depends on the creativity and innovativeness of the top management. Japanese banks, for example, must be having substantial dealings in English because of the export-related business of the Japanese corporations. It should always be possible to transfer the English segment to other nations through computerization etc. In order to save prime location rentals and labor costs, many American firms operate mail-service and customer-service telephone operations from remote places linked with central office. Japanese banks can also use such a system.

Response: Eventually we might have to go that way. But the problem is how to convince the top management about this. The fundamental issue is Japanese culture. The corporations can not transfer operations just to reduce their costs because of the life-time employment system instituted after the War.

Researcher: But this is just saying that management wants to "waste" its time and money for nothing. By reducing costs, additional profits are available for free and they can be used for upgradation. If costs are not reduced, then the differences between international and Japanese costs would rise and eventually life-time employment will come under much more severe threat.

Response: That's right, but there are not many avenues for upgradation in the banking sector...

Researcher: There must be many areas for expansion, such as development of overseas investments of the Japanese manufacturing corporations and coordinating technical support for the small firms. Currently in absence of sufficient slack, banks are not able to take-up such challenges. Upgradation is therefore being hindered by lack of the first step of freeing energy from less productive operations.

Response: Well, what you are saying makes a lot of sense...".

These excerpts clearly demonstrate how notional opinions and idealistic

theories are impeding overall proficiency of the Japanese work-culture system. It is important to realize that enhancement of technological growth without an end in vast proliferation is just as infeasible as construction of a dam for channelizing energy of a flooded river until the river realizes dynamic stillness in its flow. Therefore, further potentiation of otherwise unlimited potential of Japan will remain impeded unless overseas descending linkages are dynamically compensated through active overseas servicing. This principle is clearly demonstrated by, for example, "maturity" of 17th century Japan by early 18th century because of a disproportionate emphasis on Evolutionary proliferation; and also by the golden growth of Japan subsequent to dynamic systemic compensating ensured by the American reforms.

IX Conclusions: A Dynamic Model of Japanese Global Work Culture System

Post-war growth of Japan materialized through an active resource development in the Asian-Pacific and other regions during 1950s to early 1970s. Since then the Japanese approach has increasingly shifted from 'overseas servicing, domestic servicing' to 'domestic servicing, overseas seeking'. It is therefore but inevitable for the Japanese work culture system, that in the past consistently ensured supreme productivity, to now manifest in recession and "hollowing-out" with so-called "maturity".

While ostensibly Japanese corporations have been able to maintain their competitiveness despite almost doubling of yen over the last decade, actually such competitiveness has been derived increasingly from "dynamic downgradation" through accumulation of many lower-productivity lower-order activities instead of from "dynamic upgradation". Consequently, domestic costs in Japan are now at least 60% higher than the comparable international levels given by purchasing power parity (OECD, 1994). Prime Minister Murayama in his Policy Speech on January 20 therefore observed, "The yen's rapid appreciation, the disparity between Japanese and overseas prices, and other factors have made Japan a high-cost economy". "Specifically, this means first reducing and rectifying the disparity between Japanese and overseas prices. This disparity is an impediment to better living and erodes Japanese industry's competitiveness."

Under the rules of newly created World Trade Organization, such price disparities are equivalent to prohibited export subsidies and import tariffs.[2] Unless

[2] See "A Dynamic Model of Exchange Rate and Japanese Exchange System"

Japan takes urgent corrective actions, it will have only two options: to lose its international prestige ("hollowing-out") or to become isolated as it did in Tokugawa Era. Both of these options are clearly unacceptable. International prestige of Japan must be maintained forever, and Japan must never be isolated in this age of globalization.

Therefore there is an imminent need to devote and dedicate reasonable time and energy for strategic externalization of the Japanese investments before mega-competitive forces of globalization enforce "hollowing-out" on Japan. First, at the home front, global experiential expertise of the Japan Foundation should be tapped for sound cultural systems management. In addition, the trusted and tested role of other public corporations, that until now has remained confined to the domestic affairs, needs to be extended to the regional and international affairs. Secondly, at the regional level, stronger linkages need to be developed with the Asian Development Bank, so that infrastructure development can be multilateralized and sequentially systematized. Finally, at the international level, professional knowledge of the World Bank and International Monetary Fund should be utilized for dynamic promotion and capitalization of division of investment opportunities in various parts of the world. Such strategic alliances would enhance the incremental value of Japan's global surplus of over $700 billion, representing the current market value of overseas loans and investments (OECD, 1994). Supreme proficiency of this surplus can be realized by investing it more proficiently than in merely securities and debts.

Supreme proficiency of global investments is the dominating factor in dynamically generating incremental value required for creating "wholesomewhole" work-culture. Only then will the Japanese people succeed in channelizing their energies into such fruitful applications and everlasting accomplishments as are befitting to Japan's national prestige. It is this dynamism that will be the deciding factor for the success of Japanese people in sustaining their physical equilibrium and mental equanimity, and in maintaining Japan's international prestige through the 21st

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(forthcoming by Vipin Gupta) for dynamic modeling of exchange rate using dynamic systems approach, and for relevant provisions of World Trade Organization Act. The model shows that $ at current ¥88 is overvalued relative to its equilibrium rate, not undervalued as held by the conventional theory.

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