Spiritualism and Social Compact in Japan

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Introduction

In the conference on Business and Traditional Wisdom at Soka University in May 2013, emphasis was put on the large and constantly enlarging spiritual and philosophical basis underlying business activities in Japan. Japan’s role in the world in a period of globalization is affected by the ethical behavior of its organizations.

The Japanese management system is the result of a complex historical process between antagonistic interests and ideologies taking place in particular cultural, political, social and economic contexts. But it can be said that spiritual traditions coming from Buddhism, Confucianism, Shinto and Christianity have significantly and consistently shaped its underlying principles. The social compact that has emerged and evolved in Japan since the Meiji Restoration derives from them, encompassing what can be considered as the Japanese traditional concept of corporate social responsibility (CSR).

Nowadays, the post-war management tenets and this social compact are challenged by the wave of globalization. The current situation is unique insofar as it seems to imply a historical rupture in a social policy at state and business levels. Presented as a key success factor of Japanese companies until the 1980s, traditional spiritual values are nowadays often painted, and the value system on which they are based, as brakes or even impediments to economic performance. But, conversely, the neo-liberal concepts on which Japanese economy started to be based since the 1970s are not exempted from criticisms either. Neo-liberalism is promoted for creating dynamics and liberating ‘animal spirits’, away from ‘aku byodo’, bad equalitarianism supposedly leading to stagnation. But it is criticized because it promotes a mindset and practices that are not only creating no competitive advantage to Japanese business but also destroying some of them (Itami, 2011). In the worst case, it is vilified as attempting to impose spiritually agnostic and even nihilistic structures that are alien to the Japanese traditions.

Those allegations on traditional wisdom and neo-liberalism are both right and wrong. They
are many examples around the world in the business world showing that traditional values can indeed be forces of backwardness, perpetuating discrimination and hindering human development. It is also true that an economic system purely based on economic rationality cannot but lead only to cynicism and a mere instrumental approach of human relationships that is unacceptable. But there is no inherent opposition between economic activities and spirituality in the major Western and Eastern traditions. In all of them human beings and business-related organizations measure themselves on material, intellectual and spiritual dimensions. Approaches to business ethics, accountability and sustainability are rooted in an understanding of spirituality (Warner, 2010).

The Long-term Tradition of Japanese-style CSR Policy

The Way of the Merchant: the traditional concept of Corporate Social Responsibility

The Japanese concept of corporate social responsibility has old roots that go back before the Meiji Restoration of 1867. It is pointed out that in Japan less codification of social relations was observed traditionally in business activities with more reliance on cultural mechanisms and guiding principles (Tanimoto, 2010). This may explain why Japanese companies have not been so far active players in efforts of self and reflexive regulation at national level and in international settings. But they were never oblivious to their social responsibilities. They were fulfilled as implicit obligations embedded in business practices and institutional frameworks.

In the Japanese traditional social hierarchy the position of the merchant and entrepreneur have been traditionally low (Dana, 2007). Their roles in society had to be legitimized by their responsible attitude to compensate their inherently low status. In Japan, it was illustrated by the ‘shonindo’, the ‘way of the merchant’ as a counter point to the ‘bushido’, the way of the samurai. At the end of the Edo era the merchants had gained economic ascendency and they attempted to enter Samurai class in order to elevate their social status. It could be argued that through ‘corporate responsibility’ types of activities and attitudes they wanted to match the high ground Bushido ethical level (Morishima, 1982).

The ‘shonindo’ advocated by Baigan Ishida meant that work had to be disciplined, honest and efficient to provide services to society. The message was that businessmen were morally equal to the samurai. This led to a business culture where companies were (and still are) expected to bear a benevolent responsibility towards those with whom they had direct relations: employees, subsidiaries, business partners and customers, and the community surrounding the workplace, shopkeepers and service providers, i.e., the ‘stakeholders’ in modern CSR. Core values of businessmen behavior and attitude were placed on faith, trust, honesty, integrity and respect of ethical values, drawn from Buddhism and Confucianism (The
Companies' growth was correlated with the achievement of social prosperity and wealth. Business gains could be obtained owing to society and people, so that successful owners and managers should turn a certain amount of them to society beyond any kind of contractual agreements. Doing something ‘good’ for society was a source of social reputation, and it was regarded by people as a symbol of them being ‘successful persons’, deserving high respect, different from the contempt reserved for the mere ‘money-seekers’.

Baigan Ishida actions draw on early eighteenth century Shintoism, Confucianism and Buddhism (Grainger and Miyamoto, 2007). During the Edo era the Omi merchants have worked to anchor capitalistic behavior in ethical and social ideals. Their way of thinking influenced the big merchants houses afterwards and it could be argued that it has had a strong influence on the management system that emerged after the Second World War. The Omi merchant motto of ‘sanpo-yoshi’, ‘good for the seller’, ‘good for the buyer’ and ‘good for society’ is a concept of management that can be linked to the multi-stakeholders’ concept. Driven by their Buddhist ethics the Omi merchants have not only contributed to the introducing of modern principles of marketing mix in Japan, including the utmost importance given to customer satisfaction. They have also contributed to the communities through financial aid to public works and through philanthropic activities (Grainger and Miyamoto, 2007).

Decline of company meant disgrace and dishonour not only for themselves but also for their ancestors. Respect of moral values of honesty and social equity were indispensable to assure long-term success (Hirschmeyer and Yui, 2006). In view of less developed systems for health, pensions and other social commodities Japanese companies have taken over for a long time a significant amount of responsibility for these issues. Responsibility was most often that of the owner of the corporation and it did not imply the creation of organizational mechanisms. But such way of thinking is at the roots of the concept of ‘welfare corporatism’ where companies take in charge obligations that are covered by the state in a welfare state that was the key element of the social compact after the Second World War.

The Pre-War Tradition of CSR

The pre-industrial employment relations among craftsmen or in merchant houses reflected to some extent the strong moral color of the Omi merchants’ ethical principles. But economic reforms of the Meiji Restoration and industrialization created large factories where labor was treated as disposable goods, in situations radically remote from any idea of CSR despite the proclaimed official principle of Kyozon Kyoei, proposing holistic co-existence and co-prosperity. The terrible TBC epidemic in textile factories cost the life to million of young women in the
Meiji era but their plight did not cause major change (if any at all) in the strong opposition of business to labor laws that would protect the workers. The efforts of a social-minded businessman like Muto Sanji of Kanebo remained quite isolated in this respect (Hamon, 2011).

In 1911 was finally enacted the `Kojo Ho' (Factory Law) to alleviate the hardship of factory workers practices and abuses of firms. But the scope of the law was narrowed under business pressure with protection limited to minor and women (Thomann, 2004). After the First World War the social questions became central issues for the future of the country and the debate became a public one. The influence of Western social policy on the social policy in Japanese bureaucracy remained strong until the first years of the Showa era. The administration was pragmatic and recognized the urgency to develop a social policy inspired by Western examples. Adept of a kind of 'Bismarkian' social security system could be found in administrative and academic circles. Catholic solidarism and protestant tradition of social work also permeated Japanese society. They were mixed with a strong current defending Japanese traditional social customs (Thomann, 2004).

In 1920 the bureaucrats of the social bureau of the Home Ministry failed to promulgate laws protecting unions as full actors in the social regulation of the economy. Rise of socialist ideas and life-style evolution triggered anxiety and fear that the restructuring of the social links on the bases of the law would lead to disintegration of the traditional community and familial solidarity.

Eventually, the debate on the appropriate social compact led to ideas of labor-capital association. They were promoted by government-sponsored associations such as the Society for the Study of Social Policy (Shakai Seisaku Gakkai) and the Society for the Cooperation (Kyochokai), the latter one created by Eiichi Shibuzawa. In the mind of Eiichi Shibuzawa corporate social responsibility had to go much beyond mere paternalistic rhetoric (Humbert, 2013). In fact, with the limitation of the context of a non-democratic state, it succeeded to some extent in this respect. Under the umbrella of the state it put the company as the main intermediary entity, responsible for the social and political integration of the workers in a hierarchical model based on labor-capital co-operation.

In this line of thought, Zaibatsu-related companies introduced mutual insurance, seniority wage systems and allowances with a social content. Workers' councils were created to hear the workers' voice. The Retirement and Severance Pay Law (Taishoku tsumitate kin oyobi Taishoku Teate Ho) was enacted with in mind the fact that Western type of unemployment compensation was not appropriate in Japan. It was considered more attuned to Japanese wisdom to use a system that encourages the fidelity of qualified workers. It led to the generalization in the 1930s of grant lump-sum payments calculated according to seniority, a
policy that was pursued after the war (Thomann, 2004).

Pressure of the state was instrumental in the development of such system placing the company as the key intermediary organization but it also found its roots in the socio-cultural traditions. It is pointed out that loyalty to the lord was always more central to the whole system than in China. In such context, the supra-family group could even become more fundamental than the family itself. It could be argued that it was instrumental in the transition in modern times to loyalty to the nation and other non-kinship types of groups such as companies (Grainger and Miyamoto, 2007).

The living wage, function of age, family size, seniority and regional cost of living, put in place during wartime aimed to promote the reproduction of human capital for national growth and nationalistic purpose. But, it was fundamentally a mix of nationalism and social obligations that also made companies a place of social solidarity rooted in traditional spiritualism in its values. In 1940 it was stated that companies should not be the property of the shareholders, but communal organizations composed from all the salaried members of the firm from managers to employees (Thomann, 2004). This transformational concept of a company goes much farther than current CSR policies that never put in question the shareholder-driven corporate governance setting.

At the same time, though, it went alongside exploitation of gender division and curtailed workers’ right despite the official association labor-management and the anti-capitalist overtone (Tsuru, 1993). It also established clear top down hierarchy inside organizations that impeded social upbringing. In that sense some aspects of pre-war corporate responsibility engrained in a strong particularistic mindset were incompatible with universalistic values that are necessary to develop an inclusive business system.

**Spiritually and Business in the Postwar Period**

**The Shift towards Democratic Values**

Seventy years after the end of the war Japan is a democratic country and a state of law. The labor-management association that has been the basis of the post-war social compact had indeed a filiation with the pre-war system. But the postwar welfare corporatist system developed under premises attuned to a democratic state. Postwar familialism does not have nationalistic overtone. The institution of the ie being the legal basis of the society has faded away. The state is not anymore seen as a big family (kokka ikka) under the authority of the Emperor as the father. The concept of Ryosai Kenbo (Good wife, wise mother) is not utilized anymore to exclude women from the public sphere. The constitution has made men and women equal. Numerous laws related to minimum wage, pension rights, equal employment
opportunities, non-permanent employment, and working time have been enacted. Japan has ratified almost all ILO conventions coping with labor issues, including the right of collective bargaining. It has also ratified the UN CEDAW convention forbidding all kinds of discriminations against women.

Because of the new legislative arsenal company seen as place of solidarity along the family metaphor seemed to have lost a lot of ideological ground in the immediate postwar period. But continuity with the social policy followed by the pre-war administration was observed during the first two decades. Constantly reinforced by the administration and the courts the concepts of living wage and job security of permanent employees became solidly anchored in the Japanese corporate culture after the 1970s (Conrad, 2009). The baby boomers started to replace the employees who had been educated before the war. They did not have the same Confucian background and the same 'messhi hoko' driven work ethos, where serving public interests means repressing self-interest and self-sacrifice (Ueda, 1998). Nevertheless, it revealed possible to co-opt them into the 'kazokushugi', familialist ideology, through live wages, long-term employment and much improved welfare corporatist treatment.

Under this social compact horizontal class-based solidarity declined significantly assuring the long lasting development of corporatism instead of class struggle. Workers could be induced to work long hours, devoting themselves to increase productivity, and creating a virtuous circle of production and consumption. Promotion of consuming values started in the 1970s. It amplified in the 1980s with the turning point of the Maekawa Report of 1986 marking the shift from a production-oriented economy toward a living oriented one (Tsuru, 1993).

The Continuity of Impact of Traditional Values in Management

Japan was able to manage successfully the transition to democracy in keeping alive traditional values. This very fact was constantly underlined as an inherent sustainable strength in the Japanese and Western postwar literature on Japanese-style management until the 1980s. For example, the idea that problems must be explored through multi-dimensional approaches underlines the organizational flexibility that is characteristic of Japanese organizations (Dore, 1987). Focus of learning in Japan was always directed at the practical application, i.e., building the embedded nature of knowledge through practice. This epistemology originating from the high scholarship and ideals of the Bushido code still prevails in many management practices. Bushido was the way of the Samurai but by the middle of the Tokugawa era, it is pointed out that its key values had been transferred to commoners (Grainger and Miyamoto, 2007). In Zen Buddhism practices, which are at the origin of Bushido, basic human qualities are at work: trust, simplicity, feeling and understanding of self. They are not pure transcendental flights or
special behavioral features that can only be mastered by a narrow elite. They are emotionally
grounded in the minds and hearts of average people, systems and organizations.

Confucian philosophy sees more commonality and complementarity between small
communities. It has been adopted as a socio-political code for its disciplinary, rather than
religious values, so as to institutionalize ethics into Shintoism (Morishima, 1982). In this context
respect for hierarchy, perseverance and thrift, connected with common goals, task
interdependence and group orientation are values traditionally linked with business
performance in Japan. It is reflected in the almost obsessive concern for quality and sense of
responsibility that is found in Japanese products and services, and in workplaces. The
sustained ability to compete on the basis of quality and responsiveness to customers’
specialized needs can be linked to the Confucian context and its impact on the long-term
loyalty, commitment, work ethics and discipline of the workforce.

Buddhism introduced the individualist dimension in management practices. Using Buddhist
practices, it is possible to gain a greater sense of inter-connectedness and transcend and isolate
sense of self. Buddhism can contribute to creation of the modern workplace by addressing
individual empowerment while releasing the creativity and sense of community of individuals.
In Japanese companies there is no occupation that does not require complete dedication to the
task. The emphasis on field-related activities involves people at all levels of the organization.
As a result, there are traditionally small distinctions between blue and white-collar workers.

Chugi, the duty of loyalty, was traditionally regarded as the superordinate principle in
belonging to an organization (Ueda, 1998). The notion of messhi hoko was the prescriptive
assumption guiding loyalty. Japanese people are said to place priority of duties and obligations
to other individuals and communities on the interests and welfare of superordinate
communities to which they belong (Sugimoto, 2010). But, if Japanese people are collective-
minded and work very efficiently in groups, each individual must be self-reliant and
autonomous inside the group, so that he/she never becomes a burden for the others and brings
an individual contribution. Collective purpose and willingness of keeping harmonious relations
with the others go side by side with a strong individual sense of purpose.

Such importance given to socialization, individual input and the idea that even seemingly
insignificant things may be important are also found in the emphasis on tacit or embedded
nature of knowledge in Japanese organizations compared to the explicit and abstracted form
typical of Western learning. As shown in numerous innovation brought to the fore by Japanese
companies it is based on constant merging of knowledge coming from different fields,
sometimes seemingly completely unrelated and reinforced by widespread socialization all over
the organization (Nonaka and Takeuchi, 1995).
So, it can indeed be recognized that Japanese companies are to some extent purposeful community of persons. It appears in the motto of Japanese companies utilizing family as motif emphasizing the respect for authority, the search for social harmony, the important role of personal relationships and social connections and conflict avoidance reminding people of the need for mutual respect and tolerance (Sugimoto, 2010). In the academic credential and status-driven Japanese society, employees have traditionally looked on their managers as people who had performed (starting from school) better than themselves in a fair and relevant competition in which they were all engaged on equal terms (Sugimoto, 2010). As a result management enjoys high legitimacy.

So, permanent employees always willingly acted in accordance with prescribed roles in a cooperative (mutually beneficial) system rather then engaging in a zero sum (or negative sum) struggle to alter the distribution of power and rewards. Permanent employees are dependent on their employers and face incentives to act in accordance with the long-term interests of the company, lest they would lose their status and fall into the category of the unprotected workforce. In the traditional model promoted after WWII management is clearly in command but to some extent Japanese companies are not purely institutional devices where management and permanent employees pursue separate interests based on individualistic utilitarian assumptions. They have corporate cultures based on relational types of psychological contracts emphasizing genuine mutual loyalty between management and workers (Debroux, 2003).

The Challenge of Globalization to the traditional CSR philosophy and Practices

Reconsideration of the Role of Business in the Social Compact

Despite differences in their underlying philosophy and ultimate objectives, the prewar and postwar CSR concepts shared a common viewpoint concerning business, i.e., it put strong emphasis on the key intermediary role of companies between family and the state. The two pillars of social policy had to be the company where the human capital was preserved and the family where it was reproduced.

Japanese government has for a long time been reluctant to impose itself as a direct protector of the working population, preferring reliance on family. But, true, the position of the state in the hierarchy of social solidarity gradually changed in the postwar period. With the Minimum Wage Law in 1957 and the enactment of the National Pension Law the state became the protector of the citizens without regard to their belonging to an intermediary entity such as the company. After 1974 Japanese-style CSR could be sustained even in a lower growth environment. But it could be done only with the backup of the state. With the enactment of the Employment Insurance Law, government started to distribute subsidies to companies to help
them to keep their redundant workers.

Nevertheless, business remained considered a fundamental source of power and cohesion of the social fabric. Opinion about the role of large companies as kind of 'public goods', Gemeinschaft types of community organizations responsible for creating jobs and maintain standards of living, is strongly engrained in the minds of Japanese people (Dore, 1987). The humanistic management approach derived from Buddhist, Confucian and Shinto values or Bushido ethics was strongly emphasized by leading business figures such as Konosuke Matsushita and Akio Morita in the line of the kyozon-kyoei ideology (Grainger and Miyamoto, 2007).

It is this very viewpoint that is now challenged in its fundamental tenets. The neo-liberal rhetoric minimizes (or denies almost completely) the roles that the state can play in the completion of the social compact. But when government under Prime Minister Koizumi tells that three pillars of social welfare – pension, medical care and nursing – must be based on a spirit of self help and self sufficiency, Lechevalier (2011) and when it goes alongside with labor laws that downgrade the long-term employment corporate commitment without counterbalancing it with a stronger safety net, it goes much farther. It puts in question the very essence of the social compact.

Trying to reach out to local community residents, volunteers, and NGOs to create a society sustained through mutual assistance in taking care of the sick, elderly and children, appeals to the necessary need for strong local ties among individuals and in the local community. It is not alien to traditional Japanese social philosophy where family has always been a key vector of social integration. It is important to put emphasis on it in a period of stronger individualism where 'messhi hoko', the altruistic feeling going beyond contractual relationships, tend to be replaced by 'mekko hoshi', self-indulgence with little consideration of others in the younger generations. But it means that the role of companies as intermediary entities is downgraded in the hierarchy of social solidarity. Business is not expected to accept anymore, as part of a social compromise, and with the encouragement of the state, to integrate, up to a certain point, the interests of employees and their families. It is not trust, benevolence, goodwill and sincerity that are the basis of the psychological contract but self-interest in contractual-driven relationships.

At term, it should lead to the extinction of the model of social regulation based on welfare corporatism, the traditional type of CSR, as it has been known in the pre and post war periods. This new mindset did not emerge overnight. It reflects objective factors universal to contemporary advanced capitalist societies making elements of welfare corporatism economically unworkable, such as low growth, pressure of the globalization of financial
markets, ageing of the population, and transformation of the family. At the same time, there is a natural decline in the community inculcation of traditional Japanese moral ideals. Younger generations cannot be expected to share the same work ethos and lifestyle with their predecessors. Conventional Japanese business and management models that were dependent on traditional socio-cultural values clash with the individualistic values of young Japanese people.

The relevance of traditional values in today’s performance of Japanese companies is indeed dubious at best, from evaluation and reward criteria up to the consensual decision-making process. Rules that governed ethics and behavior for centuries seem to have lost their impact on people’s value systems. Many survive in rituals but they have lost their dynamics and capability to adapt to the new cultural and socio-economic environment. Respect of employees to managers is not a given if both parties do not have a long-term commitment to the company anymore. The Koizumi government statement makes sense in such context in recognizing the need for drastic changes in management practices that could include deregulation of the labor market and reconsideration of some elements of welfare corporatism. It does not advocate the shift towards a European-style welfare state but rather more a move toward an American-style social compact where decisions about welfare are taken by individuals with minimal business and state involvement, a far cry from the management-labor engagement promoted by Akio Morita in the 1980s (Morita et al., 1986).

The Need for Continuous Business Involvement in CSR

It could be argued that it is precisely in the aftermath of globalization that business has a special social responsibility. Redefinition of business purposes requires new concepts and principles from the humanities to understand business. It also requires leadership showing by examples that businesses can be transformed. Traditional wisdom can find its proper place in this transformation. Approaches to ethics, accountability and sustainability, which are not rooted in an understanding of humanistic values coming from the spiritual (philosophical and religious) traditions can only lead to cynicism and a mere instrumental approach.

This is all the more true because even in democratic Japan the traditional concept of corporate social responsibility has continued to be largely based on particularistic principles that led to a still insufficient inclusiveness of the work system. To discard traditional welfare corporatism and management practices without taking into account the peculiarity of the Japanese approach and without building on it to link its tenets to more universalistic principles can have dire consequences on the life of Japanese workers. Moreover, it may remove sustainable competitive advantages without creating new ones.
Japanese organizations remain very self-contained and self-sustained organizations with strong differentiated corporate cultures. They select carefully their members and nurture closely-knit types of relationships in a long-term perspective. Indeed, it was pointed out very often that it creates very cohesive bodies able to work on a common project and allows consensual decision-making process that helps significantly in the implementation of projects. But, as a result it develops an inherently inward focus. Harmonious relations with nature, as promoted in traditional Japanese spiritual ethics is not a given. Many environmental disasters, from Minamata to Fukushima Daiichi found origin in the neglect of their responsibilities towards external stakeholders by leading companies.

Japanese organizations tend to isolate themselves from the rest of the business world and of society, and can easily develop ‘us’ versus ‘them’ mindset. They still remain reluctant to let outsiders – investors, NGOs, women and non-permanent employees – affect their position or the inner activities. Legitimation of external stakeholders is not denied but accepted according to narrow criteria. This can have damageable social and economic consequences to the non-members or those that are only associated to the organizations such as second tier suppliers and non-permanent members.

A growing social unbalance

Rationality and economic sustainability has always justified the creation of dual labor markets in the Japanese hierarchical context. Large companies would claim to uphold altruistic principles while in different contexts they express allegiance to principles of market rationality and adopted modes of production driven by cost control. They have never considered the use of contingent labor denied of access to fringe benefits and working for low wage without job guarantee, and the wide wage gap between large and small companies, as incompatible with cooperative long-term work arrangements with their permanent employees.

The growing large gap in terms of wage and overall labor conditions between permanent and non-permanent employees, as well as in between large and small companies is a direct consequence of such mindset (OECD, 2012). Subcontracting is less based on long-term relationships and more on unstable contractualization than before. Many workers have seen their working conditions worsening under the neo-liberal policies pursued during the last fifteen years and must accept reward much below living wage because permanent employees in large companies must be protected. Starting from a relative homogeneity of income Japanese society has seen among developed societies the strongest increase of unequal wages. Social security coverage greatly improved during the last thirty years. However, Japanese basic public pensions are low by international standards. In current condition the millions of
non-permanent workers created by the labor market deregulation of the last fifteen years are likely to be unable to maintain decent standards of living on their own when they will leave the labor market. As a consequence, they will become a heavy burden for the state finances.

Based on internal labor market logic the Japanese social system (including training opportunities) is not designed for the long-term unemployed (or underemployed) people, especially the younger ones. Unemployment allowances were purposefully kept meager. It fitted with the self-reliance mindset engrained in traditional work ethics. But when unemployment is structural external help becomes necessary. The internal labor market logic starts to have perverse effects in letting significant segments of population without access to professional training. A key difference with same generation Westerners in this respect is that fewer young Japanese people have had a specialized vocational education to support their professional ambitions.

Admittedly, globalization and marketization have had a positive impact on a small minority of women. It shows in the figures indicating growth in the number of female managers and scientists. But it cannot hide the fact that it also has a negative one on the majority of them. Women have increasing difficulties to enforce their rights because of the weakening of their bargaining power in a deregulated labor market, while still struggling against persistent patriarchal gender norms and stereotypes, and ineffective representation. True, the family is not anymore the basis of patriotic industrial service as in the prewar period. But the old debate about the ‘proper’ roles of women in society does not seem to be over yet.

A still skewed multistake holders’ framework

Many Japanese companies do not consider NGOs (advocative-type of) bona fide stakeholders because they have no real ‘stake’ in the business. Likewise, large (and even a large number of smaller companies) Japanese companies have vast philanthropic programs in developing countries. Many of them also devote important resources to improve expertise of their employees and those of their suppliers in environmental management. Japanese companies have been pioneers in introducing environmentally friendly products in many industries, such as electronics and automotive businesses. They indisputably contribute to the common good. But it goes alongside with destruction of the environment, corruptive practices and neglect of local interests because they seldom look beyond Japanese territory when thinking about environmental and social responsibilities (Transparency International, 2013).

Traditional concepts of loyalty and respect of hierarchy can lead to a biased concept of social, environmental and governance-related policy, especially when they are mixed with management models originating from societies where business systems are based on different
socio-cultural and spiritual values. In that sense the corporate scandals that erupted in Japan since the 1960s are somehow disquieting. It has been observed that they have a more systemic character than the scandals that occur in the Western world. In this latter world main scandals have involved a relatively small numbers of individuals while the immense majority of the employees were unaware of the schemes. Conversely, in the case of Japanese companies it appeared that a relatively large number of people were aware of the unethical behavior of their organizations but decided to cover it up (The Economist Intelligence Unit, 2005).

Pay for performance has these days achieved the status of a management mantra. A generation of Japanese managers, motivated by performance-measurement systems linking their actions to results and, ultimately, to monetary reward, has embraced the creed and practice of optimizing assets potential. However, dysfunction is possible that could lead to management and social problems and/or induce behaviors that do not respond to the expectations. It has been observed in other countries that misused performance-driven HRM systems can lead to self-exploitation, burn-out and mental problems, precisely among the highest committed and engaged employees and managers (Docherty et al., 2002).

Although not limited to Japan, the increase in work-related mental diseases of employees, for instance more cases of karoshi (death by overwork) and occupational-related suicides in Japan (Furuya, 2007), show the seriousness of the issue. Karoshi is not a product of the new HRM paradigm. It is the result of the overburden Japanese traditional system imposes on permanent employees. But the fact that it did not disappear with the use of performance driven HRM systems indicates that they are misused in some companies. The overtime-driven corporate culture is maintained, perpetuating work/life unbalance.

The extremely high pressure exerted conjointly by shareholders and customers largely explain the phenomenon. The cases of Toyota and Japan Railways (JR) described by Chikudate (2012) that led to dramatic incidents are typical of the unbalance created by the strong pressure exerted by stakeholders. As explained earlier customer satisfaction is traditionally a key element of corporate responsibility in Japan. But it means that to satisfy one key stakeholder, the customers, companies are obliged to impose sacrifice to another key stakeholder, their core employees to the point of creating significant damage to the organization and to the individuals.

As observed beforehand, Japanese-style knowledge management is based on inter-divisional socialization and long-term perspective. It is strongly based on the task interdependence that was mentioned earlier. Although the need for more standardization and codification of information diffusion is considered necessary (Hentschel and Haghirian, 2010) care should be taken not to loose track of the long-term interest of the organization. It is observed that the
level of socialization is lowering with the decline of inter-divisional relationships that is caused by the performance-driven system (Nakata and Miyazaki, 2011). But to continue flourishing, companies need to innovate as well as to exploit their existing assets. Yet most find it hard to motivate people to develop new business ideas and, at the same time, to manage current performance.

In fact, companies that achieve both objectives simultaneously are those that tend to rely less on pay for performance. They combine it with an inclusive culture where employees feel that their interests and those of the business are close. Employees it used to be in to do what is best for organization current and long-term welfare, just as Japanese companies.

Conclusion

Both spirituality that is linked to traditional wisdom and forces liberating markets can lead to human improvement. They can induce a way of living concentrated on discovering, who people are and how they want to act. They can lead to enlightened corporate leadership without having organizations refusing necessary changes or loosing their soul for material gain. It is when they become pure instruments of commodification of human relationships that they are doomed to failure. Examples show that traditional wisdom can release the creativity and sense of community of the individuals but can also exclude and discriminate. These traditional values must be moderated to ensure their compatibility with the values, expectations, behavioral patterns in competitive markets. Obviously, maintaining traditional Japanese moral ideals in the context of globalization and a new generational ethos requires a transformation of corporate culture promoting fairness, transparency and accountability. Japanese organizations must go beyond their particularistic approach and embrace universal principles.

Traditional wisdom can help to fight corruption, poor safety performance and environmental destruction. It can also be the basis of a stable and dynamic social compact, respectful of human rights and inclusive of all segments of population. Likewise, market-driven policies can trigger a dynamics of change that can contribute greatly to the wellbeing of humanity in general term, and more particularly to the enhancement of workers’ talent and energy. These are continuing challenges for all stakeholders, especially managers and employees. It requires leadership able to transcend philosophical and religious boundaries and yet to be impacted by them.

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