presented the Tokyo Kawase Kaisha with the prospect of immediate bankruptcy" (p. 40). However, this was not possible because the Onogumi collapsed in November 1874. Wray also says that at the time of the Satsuma Rebellion in 1877, the Japanese government attempted to negotiate with the Oriental Bank Corporation using an intermediary, Minomura Rizaemon, the head manager of the House of Mitsui; but Minomura had died in January of the same year (p. 104). This is not an error if all the negotiations were completed in January, but I rather doubt they were.

In concluding, let me stress that my criticisms of Wray's book are not intended to diminish the significance of his valuable work. And, let me also emphasize that I wrote this longish review because I wish to state, on behalf of undoubtedly a large majority of Japanese business historians, that Wray's is an important contribution to be read not only by Japanologists and business historians, but also by many others interested in Japan.

The Anatomy of Japanese Business. Edited by Kazuo Sato and Yasuo Hoshino. M. E. Sharpe, Inc., Armonk, NY, 1984. vii, 371 pages. $35.00, cloth; $14.95, paper.

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This volume is a collection of 11 essays about Japanese business written by Japanese economists, management scientists, and businessmen (with a few non-Japanese collaborators). Given the fact that Japanese business has attracted a great deal of attention from the rest of the world over the last decade or so, it is certainly timely to make this kind of book available in English. In fact, most of the collected essays here were written originally in Japanese and so would not be read without publication of the present volume by many of the non-Japanese readers who are interested in the conduct of Japanese business.

Business practice is a complex matter, and is often quite diversified even within a relatively homogeneous society like Japan. In addition, at least in the eyes of Westerners, Japan has been seen as a remote country with all sorts of mythicized cultural peculiarities. When some phenomenon is explained in terms of cultural difference, however, it is usually impossible to go much further because cultural difference is only able to be *revealed* rather than to be *analyzed* scientifically. While cultural factors cannot be dismissed entirely, an increasing amount of serious research on the Japanese economy has shown clearly that the seemingly "Japan-specific" practices of Japanese firms such as life-time employment, seniority wages, and enterprise unionism all have their own rationalizations and are explicable using the universal language of "logic." Of course, there remains the question of why, if those allegedly cultural practices are "rational" and profitable as have been the case in Japan, they are not found or transplanted elsewhere.

The book covers a variety of topics on Japanese business and provides useful information about what are the essential characteristics of "Japanese-style management." As is usual in this sort of book of collected essays, the level of sophistication and depth of analysis are not "standardized" so that readers may well become frustrated. When the backgrounds of authors differ as greatly as they do in this volume, however, the demerits of such a disintegrated book become more serious.

The book consists of four parts, following the editors' Introduction which summarizes the contents of the essays. The first part, on "Management," contains three essays. Coauthored by Tadao Kagono, Ikujiro Nonaka, Akihiro Okumura, Kiyonori Sakakibara, Yoichi Komatsu, and Akinobu Sakashita, Essay 1 is part of the well-known book, *Nichibei kigyō no keiei hikaku* (Management comparison of Japanese and U.S. corporations),[1] and deals with a statistical comparison of large Japanese and American corporations with respect to company objectives, technology, corporate strategy, organizational structures, human elements, etc. Their comparison of Japanese and American management systems is based on a questionnaire survey directed toward the largest corporations in each nation (about 1,000 firms). Responses were obtained from 227 Japanese firms and 255 American firms. Perhaps I favor this chapter most because it is the first attempt to make a rigorous and extensive comparison of Japanese and American business practices. The amount of work involved is overwhelming and it would be almost impossible to do a similar job without the collaboration of several researchers.

The authors find that, on the average, there are notable differences in business environments, company objectives, corporate strategies, organizational structures and processes, and in the personal predispositions of the members of Japanese and American firms. For example, they find that Japanese firms are less profit-oriented and more growth-oriented than American firms. That is, the former emphasize the importance of expanding markets and developing new products, while the latter stress profitability (ROI) rather than anything else as their corporate goal. This finding is deeply related to the differences in financial markets between the two

1. Tokyo: Nihon Keizai Shinbun-sha, 1983.

countries, some aspects of which are discussed in detail by Tadanori Nishiyama (Essay 4) and Hiroshi Okumura (Essay 5) in this volume.

International comparison based on questionnaires has its own difficulties, however, because even if the contents of the questionnaire are translated reasonably well, there is usually a certain bias on the part of respondents as to how to answer some questions. When Americans are asked if they are "happy" now, they are said to have an inclination to give the affirmative answer, while Japanese are likely to be more hesitant to respond with an outright "yes" to the same question. Based on these data, we are not necessarily able to say, "Well, Americans are generally happier than Japanese." While reading this extremely interesting and provocative essay by Kagono et al., I got the impression that this sort of bias may be present. Their statistical test of significance on the difference in scores on each questionnaire item could be improved by taking proper account of such possible biases.

However, I would like to emphasize that this criterion does not at all minimize the importance of the piece. Another novel feature of Essay 1 is the attempt to explain the observed differences in management systems of both countries by the so-called "contingency theory." When environments differ, firms adapt themselves differently. The authors try to establish that observed differences in various phases of management systems are due to differences in environments as well as in the modes of adaptation between Japanese and American firms. For a fuller account of this point, the reader should consult the entire book this essay is taken from.

Essay 2 by Ryuei Shimizu may appear strange to the reader. Based on interviews of 64 presidents of electric equipment manufacturing companies in Japan conducted during the period from June 1970 to February 1971, he puts forward as many as 21 hypotheses in the limited space of only 30 pages or so. While these hypotheses are interesting in themselves, they are not tested in any meaningful sense. Shimizu's way of writing is too simplistic and naive for a sophisticated reader, particularly after the first chapter which is more conventional and solidly presented.

For example, Hypothesis 7 states that "the ideal modern president is one who is generous and accepting of others, has deep insight, and is decisive in handling matters." This hypothesis is established by Shimizu from answers to the simple question, "What type of person do you think desirable for your successor?" To me, at least, it seems impossible to establish this kind of hypothesis from such a simple question. Further, I wonder if such a hypothesis has any significance at all. Again, this essay is a chapter taken from the author's book, *The Growth of Firms in Japan.*[2] Chapters taken from a book and included in another volume are often awk-

2. Tokyo: Keio Tsushin Shuppan-sha, 1980.

ward for the reader because of the sudden appearance of new concepts and wording without a proper introduction, a criticism which applies to many of the essays in this volume.

Essay 3, "Structural Uniformity and Cultural Diversity in Organizations: A Comparative Study of Factories in Britain, Japan, and Sweden," by Koya Azumi, David Hickson, Dezso Horvath, and Charles McMillan, is a comparative study of organizations (factories) matched for size and products. The authors began the study with the intention of demonstrating that cultural factors are important as a determinant of organizational structure. Interestingly enough, they found the opposite. That is, on the three scales of bureaucratic structure—Centralization of Authority, Formalization of Rules and Procedures, and Functional Specialization—the scores from the three-nation samples show no significant differences by country. However, the authors also found that "people working in similarly structured organizations have different perceptions of the structures, and the differences are accounted for primarily by country" (p. 115). This conclusion that "matched for size and products, the structure of organizations in different countries is more or less uniform, but the people in different countries perceive the same objective reality differently" (p. 116) is certainly intriguing.

The problem with this chapter is that the reader is not given proper guidance about the details of the questionnaire itself. One of the instruments used for organizational measurement is what they call the "Aston schedule," but those who are not familiar with the concept may well feel uncomfortable because they will be unable to judge properly the relevance of the results. A fuller explanation of this concept, together with detailed information on the questionnaire, would have improved greatly the quality of the essay.

Part II of the book is concerned with "Business Groups." As is well known, corporate grouping is one of the most peculiar aspects of Japan's industrial organization and financial markets. It is characterized by interlocking mutual stockholdings among firms and financial institutions, and by the "main bank system." Each of the huge financial groups such as Mitsubishi, Mitsui, and Sumitomo constitutes a mini-capital market, which works as an insulator from the pressure of external markets. Member firms are, at least to some extent, free from the direct supervision of stockholders outside the group, while the main bank acts as a core member of the group.

Nishiyama's essay, "The Structure of Managerial Control: Who Owns and Controls Japanese Businesses?" is very informative for the reader who would like to have basic knowledge of corporate grouping in Japan. Based on detailed data, Nishiyama concludes that Japanese capitalism deviates greatly from the "ideal-type" of capitalism, where capitalists (or stockholders) control the firm. I agree completely with this conclusion, and even believe that it can be a good starting point for analyzing how this peculiar industrial structure has affected the performance of Japanese firms in the postwar period. Instead, Nishiyama ends up by saying that "there is no better evidence of the collapse of Japanese capitalism" and that "control by position and dominance by managers or management workers has been firmly established." But what would be more interesting would be an analysis of the effect of such a characteristic of Japanese firms on Japan's economic performance.

Okumura's essay deals with the case of the Mitsubishi group and, as Nishiyama's essay does, provides useful data and information on the interfirm relationships within the *keiretsu* and *kigyō shūdan*. What is presented is a well-balanced view of the corporate grouping in Japan. I do not agree, however, with his view on the relationship between firms within *keiretsu* (vertical affiliation of firms). He asserts without much evidence that "subsidiaries cannot operate against the plans of the parent company," "a firm higher on the hierarchy exploits firms below it," and "lesser firms are more unstable and left at the mercy of the market during a recession." This is a typical Marxist view of the dual structure of the Japanese economy, but as some recent studies including those by Masahiko Aoki and Banri Asanuma of Kyoto University show, this is not necessarily the case. The relationship between the parent company and subsidiaries is more "risk-sharing" than one-way exploitation.

The reader must be ready for a complete change in presentation in Part III (Production Systems). The writers of the first two essays are incumbent businessmen and they simply write about their own experiences in their respective companies. Taiichi Ohno, who is the originator of the Toyota production system (the famous "Kanban System"), tells a lucid story in Essay 6 about how this system was completed. I enjoyed reading it a great deal. My only caution is that this is an entirely different sort of essay from the foregoing chapters. Essay 7 by Yōtarō Kobayashi, the president of Fuji Xerox, is also based on the author's own experience of Total Quality Control movements in his company. Again, it is a very interesting story, particularly for those who are interested in quality control in Japanese firms, but it differs significantly from the rest of the book. For further studies of QC movements in Japan, the reader is referred to the following essay (Essay 8) which includes three more case studies of Japanese firms prepared by the Japanese External Trade Organization.

The final section of this volume (Part IV, Strategy) begins with the essay "The Grand Strategy of Japanese Business" by Yasuo Okamoto. Grand strategies are, according to Okamoto, "those managerial strategies that are pathbreaking in the respective industries, i.e., those that had a long-term impact on other firms" (p. 279). Okamoto introduces four cases of strategies followed by Kawasaki Steel, Toray Industries, Matsushita Denki, and Hitachi, from the 1950s to the 1970s. Okamoto concludes that the strategies adopted by these four companies were in fact "grand strategies," significantly influencing follower firms in the respective industries. He classifies three types of firms according to the way strategy is formed. The first type, to which the above-mentioned four firms belong, has a top-down decision-making structure, which is often cited as a characteristic of non-Japanese-style management.

Most follower companies belong to the second type, characterized by the more conventional style of bottom-up collective decision making. The third type is an organizational synthesis of the top-down and bottom-up types. Okamoto claims that Japanese firms can be classified into these three types, but he does not show how such a classification is possible. The way the essay is presented makes it difficult to understand, at least to this reviewer.

Essay 10, by Hiroyuki Itami, Tadao Kagona, Hideki Yoshihara, and Akimitsu Sakuma is much clearer and adopts a more scientific approach. It examines the relationship between the degree of product diversification and the economic performance of the firm measured by profitability, growth, and stability (riskiness). This chapter is among the most exciting in this book and produces a number of interesting results. For example, on the relationship between diversification and profitability, the authors conclude that the so-called "Marris hypothesis" is correct. That is, up to a certain point, diversification increases profitability, but beyond a certain critical point, it has a negative effect on profitability. In order to show this, the authors classify 112 Japanese firms into 7 strategy types based on financial data from 1963, 1968, and 1973. The classification originally done by Rumelt is an interesting device, but there is no detailed explanation in the essay of how those firms are classified, or which data from financial statements are used to determine the strategy type of each firm.

As in some of the other essays in this volume, there are a few points at which the reader may be puzzled. The authors say, "as we demonstrated *in an earlier chapter*" (p. 322), "when strategy types are quantified as ordinable variables *in the next section*" (p. 345), but neither the earlier chapter nor the next section can be found in this volume because the essay is a chapter taken from the book by the same authors, *Nihon kigyō no takakuka senryaku* (Japanese business strategy of diversification, 1981).[3]

Another point worth mentioning is that it is necessary to compare the

3. Tokyo: Nihon Keizai Shinbun-sha, 1981.

strategy of diversification within a firm and the strategy of "spinning-off." The rate of spinning-off has increased continuously in Japan since the 1960s, and the merits of a diversification strategy must be measured relative to this alternative strategy. Such a comparative study would not only be appropriate but also useful for the reader.

The last essay, by Yasuo Hoshino, deals with a comparison between some financial characteristics of merging firms and those of nonmerging firms. In Japan, merger is not a popular strategy among firms, partly because, as Kenichi Ohmae put it, "corporation means people." That is, workers feel that their firm is not owned by shareholders alone and that they are recognized as constituents of the firm. Hoshino concludes that, as could be expected, nonmerging firms are generally more profitable and their growth rates are higher than merging firms'.

My overall impression of the book is that the essays in the volume are too diversified in analytical depth, level of generalization, and background of the authors. Also, as I have mentioned already, many are taken from sundry books previously published in Japanese, and thus do not make easy reading. New concepts often appear without adequate explanation. Finally, although this volume was published fairly recently (1984), the data used in some of the studies are too old.

Apart from these problems, this book provides those who are interested in Japanese business with access to useful knowledge and information. Although Japanese corporations have recently gone through a significant change in corporate strategy and organizational structure, the book may still be a good starting point for those who want to learn about Japanese business.

The Early Japanese Labor Movement: Labor and Politics in a Developing Society. By Robert A. Scalapino. Institute of East Asian Studies, University of California, Berkeley, 1983. x, 304 pages. $20.00.

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This book offers a valuable overview and history of the labor movement in Japan between the Meiji Restoration and the Second World War by an internationally-known political scientist. Robert Scalapino has written a book that is unusual on two counts. First, most books published to date on