

TRADITION VS. MODERNITY IN JAPANESE MANAGEMENT

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Abstract: Japan's thinking and management practices have developed under the strong influence of culture. The contemporary economic and social circumstances, marked by the phenomenon of globalization, raise the question of the perennality and transferability of the traditional Japanese management style.

Keywords: management, Japan, tradition, modernity, culture

JEL Codes: M14, M10

1. Introduction

An analysis of Japanese management cannot be done without understanding the economic and cultural context that influenced the application of general management theories and principles in Japanese society. Japan's economic success and rapid development are unique phenomena. Currently, there is no agreement of opinions on the causes of the "Japanese miracle", and three points of view can be identified (Burduş, 2012):

- ✓ "Cultural argument", referring to the values of the Japanese context and the institutions that support the obtaining of consensus;
- ✓ "Japanese superman theory", which, through modesty, has contributed to obtaining great value from the desire to be the best;
- ✓ "Japanese management system" seems to be the most common explanation among the academic community in profile. It is not so

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unique or new, but different in the way of applying the management principles in line with the economic, social and cultural environment.

Using a way of approaching Japanese management in correlation with its cultural bases, we aim to identify the aspects that give distinctness to this management model, as well as the extent to which the traditional practices that have determined the former success of Japanese companies can be found today.

2. The Japanese context and cultural dimensions

The characterization of the Japanese context is realized in several models of national cultural dimensions. Perhaps the best known of these is the model proposed by Geert Hofstede.

Table 1 Model of the multicultural dimensions of Geert Hofstede (case of Japan)

Indexes / Countries	Power Distance	Individualism	Masculinity	Uncertainty avoidance	Long term orientation	Indulgence
Japan	54	46	95	92	88	42
South Korea	60	18	39	85	100	29
China	80	20	66	30	87	24
Hong Kong	68	25	57	29	61	17
Singapore	74	20	48	8	72	46
Taiwan	58	17	45	69	93	49

Source: Summary of data provided by <https://www.hofstede-insights.com/>

In terms of power distance, Japan has an intermediate score of 54, being a hierarchical frontier society

Foreigners may perceive Japanese culture as hierarchical due to their confrontation with the slow decision-making system and the need for their approval by all the higher hierarchical levels. Another example that reflects the average score for power distance is the typical meritocracy of Japanese society, with the belief that every person can achieve it if they work hard enough.

Although Japan presents many of the elements of a collectivist society, such as putting group harmony before individual opinions, it is not as collectivistic as China and South Korea According to Geert Hofstede, it is interesting to note that the Japanese are collectivist according to Western standards and individualistic according to Asian standards, being reserved and more concerned about intimacy than other Asians (<https://www.hofstede-insights.com/country-comparison/Japan>).

Japan is one of the most masculine societies in the world, with a score of 95. In combination with moderate collectivism, we cannot notice the competitive behaviors of individuals specific to a masculine culture, but a fierce competition between groups. The motivation of employees in Japanese corporations increases if they are involved in a team that competes strongly with others. Expressions of

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masculinity in Japanese society are the pursuit of excellence and perfection in the fields of production or service provision, as well as total dedication to work.

Japan has a very high score in the "Uncertainty Avoidance" dimension (92). Due to the natural hazards, they are constantly exposed to (earthquakes, tsunamis, volcanic eruptions) the Japanese have learned to be prepared for any uncertain situation. In companies, a significant amount of time is given to developing feasibility studies and evaluating all risk factors before starting a project.

Also, Japan has a very high score for the "Long-term orientation" dimension, reflecting the fatalism that governs society (people live their lives based on virtues and examples of good practice). In the business world, we can identify the long-term orientation in the constant rate of investments in research and development, even during the recession periods, as well as the priority given to increasing the market share to the detriment of obtaining profit.

Regarding the new cultural dimension, "Indulgence", Japan has a score of 42, relatively low, which suggests an inclination towards cynicism and pessimism, the individuals having the impression that their actions are restricted by social norms.

If we focus on the cultural dimensions proposed by Fons Trompenaars, we notice that the Japanese society is a particularist one, in which the mutual relations between people are prevalent. In correlation, perhaps, with the "Indulgence" dimension of the previous model, the Japanese society is a neutral culture, people seeking to hide their experiences, not to express them openly. According to the degree of involvement in the living space, the Japanese context is characterized by the predominance of "G" type persons, who consider the private space to be larger, and the public space to be smaller, the delimitation between them being ambiguous. From this point of view in Japan, it is a diffuse culture. Japanese society is characterized by a status granted on the basis of age, sex, training, belonging to a certain group, without neglecting the individual training (Burduș, 2012).

Studying the cultural dimensions proposed by the GLOBE model, we note that Japan is included in the Confucian cluster, along with China, Hong Kong, Singapore, South Korea and Taiwan. We can see that the countries included in this cluster have relatively high scores on dimensions of societal cultural practices such as Power distance, Institutional collectivism and Collectivism within the group. We can see that the countries included in this cluster have relatively high scores on dimensions of societal cultural practices such as Power distance, Institutional collectivism and Collectivism within the group. If we analyze societal values (what individuals should be), we notice a greater desire for performance orientation, future orientation and human orientation.

Table 2 Japan scores on the cultural dimensions of the GLOBE model

Cultural dimension	Score for cultural practices	Average score GLOBE cultural practices	Score for cultural values	Average score GLOBE cultural values
Performance orientation	4,22	4,1	5,17	5,94
Assertiveness	3,59	4,14	5,56	3,82
Future Orientation	4,29	3,85	5,25	5,49
Human Orientation	4,3	4,09	5,41	No data
Institutional Collectivism	5,19	4,25	3,99	4,73
In-Group Collectivism	4,63	5,13	5,26	5,66
Gender Egalitarianism	3,19	3,37	4,33	4,51
Power Distance	5,11	5,17	2,86	2,75
Uncertainty Avoidance	4,07	4,16	4,33	4,62

Source: <https://globeproject.com/results/countries/JPN?menu=list#list>

Scale used: 1 - very low ... 7 - very high

Ronen and Shenkar (2017) included Japan in the Confucian global cluster along with six other countries: China, Hong Kong, Nepal, Singapore, South Korea and Taiwan. It is the least cohesive cluster, with all seven countries being able to form local clusters, as standalone countries.

Table 3 Organizational profile for the Confucian cluster

Focal actor	Group
Respect for authority	Medium-High
Intolerance to ambiguity	Medium
Gender marking	High
Performance orientation	High
Future orientation	High
Leadership human orientation	High
Charismatic / values-based leadership	Low
Team-oriented leadership	Low
Participative leadership	Low
Autonomous leadership	High
Self-protective leadership	High
Coaching preferences	No data

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General preference for communication	No data
Surveillance preferences	No data
Evaluation preferences	No data
Dependence on vertical guidance sources	High
Rely on specialists as a source of guidance	Low
Rely on colleagues as a source of guidance	Medium
Rely on widely held beliefs as a source of guidance	High
Rely on unwritten rules as a source of guidance	Medium

Source: Ronen, S., Shenkar, O., (2017), *Navigating Global Business. A Cultural Compass*, Cambridge University Press, p. 312

3. The evolution of Japanese management

The concept of Japanese management emerged in the first years after World War II when Japan went through a period of political, social and economic transformations. During 1945-1947 the country was faced with a number of problems such as the payment of war compensation, the sharp increase of unemployment, the decrease of production in key industries, the dismantling of traditional economic groups (Zaibatsu), high inflation. There is an increase in mass demonstrations and the number of unions that often used socialist slogans. In this context, the American occupation administration relaxed the existing restrictive economic policies. Japan's strategic alliance with the US in the Korean War has given impetus to the development of the Japanese industry, and the volume of production in its many sectors has returned to pre-war levels. The consistent policy of "administrative guidance" issued by the Japanese government at that time supported economic growth. However, this period was not without problems, as were the differences regarding the conditions of employment between large and small and medium-sized enterprises, the shortage of skilled workers, imbalances in the sectorial and regional development (Olejniczak, 2013). As a result of these circumstances and processes, less than 20 years after the end of World War II, Japan took the lead in certain industries (naval, television, automotive, steel, synthetic fibers), becoming in 1968 the third world economy after the US and USSR.

The uniqueness of Japanese management practices may have remained unmatched if the contributions of James C. Abegglen, one of the first Western researchers to study the managerial practices used by Japanese companies, had not been present. In his work "The Japanese Factory: Aspects of its Social Organization", he identified three unique characteristics of Japanese management at that time (Abegglen, J., 1958):

- **Lifetime employment**, emphasizing the desire of Japanese employees to pursue a career in a single company and the difference to US employees in terms of trust and cooperation between employer and employee;
- **Seniority-based wages**: the seniority system applies to both salaries and promotions and, in Abegglen's opinion, reflects not only management, but especially Japanese culture, which values respect for the elderly and his experience. The system assumes that a new employee, often a recent college graduate, must learn everything within the company; thus, it will start with the lowest level of salary, which will subsequently increase based on proven skills and experience gained;
- **The enterprise union**, respectively the cooperation between the union members and managers within it.

In the late 1970's, Japan recorded the highest rate of growth, with employee salaries reaching a level comparable to that of Western European countries. Over a period of 30 years, Japan has managed to move from a low-tech, low-wage economy to a highly industrialized one, where innovation plays a central role. Due to the competitive struggle between Japanese and Western firms in many markets (often won by Japanese companies), the Japanese model and its connections with Japanese culture and society have been investigated for the first time scientifically (Lehmberg et al., 2013). Western managers and researchers are becoming increasingly interested in Japan's economy and Japanese management style.

Table 4 Publications that addressed Japanese management in the years 1970-1980

Authors and year of issue	Title	Topics addressed
Pascale, R.T., Athos A.G., (1981)	The Art of Japanese Management	The authors studied the sources of Japanese competitiveness within the corporate culture and the specific combination of the "soft" management elements of the 7S model. He considers that the essence of Japanese management lies in the equal importance given to the "hard" and "soft" elements and the maintenance of efficient relations between them.
Hatvany, N., Pucik, V. (1981)	An Integrated Management System: Lessons From The Japanese Experience	According to the two authors, the strength of the Japanese management would be less due to the cultural uniqueness of the workers, but to the internal and external integration of human resources management.

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Ouchi, W., (1981)	Theory Z: How American Business Can Meet the Japanese Challenge	The author is in line with many of Abegglen's initial observations, also considering that the practice of lifetime employment, slow promotion, group decision making are sources of competitiveness of Japanese companies. Ouchi proposes a typology of organizations, respectively type "A" for North American ones, type "J" for Japanese and type "Z" for those using combinations of the other two.
Ishida, H., (1986)	Transferability of Japanese Human Resource Management Abroad, Human Resource Management	Analyzes the main differences between Japanese and US management, as well as the possibility that certain universal elements of it will be transferred to other countries (human resources-oriented philosophy, egalitarianism, employment of new graduates, employee stability and access to information regarding members of the organization and their participation in management)
Koike, K., (1988)	Understanding Industrial Relations in Modern Japan	He proposes his own theory about the characteristics that underlie the Japanese management style, essential being the internal labor market and "white-collarization of blue-collar workers"
Oliver, N., Wilkinson, B., (1988)	The Japanization of British Industry	Analyzes changes in the management of British companies as a result of Japanese direct investments

Source: Synthesis by authors from Olejniczak, T., (2013), pp. 28-31

The depreciation of the US dollar against the yen (as a result of the Plaza Agreement of 1985) has allowed a relaxation of the Japanese government's monetary policy, making credit easier to access. Japanese companies borrowed heavily from banks, allowing them to repay their loans until 1990. After 1990, Japan's economy entered a period of recession marked by low growth rates, rising public debt and declining assets, called "The Lost Decade". The Japanese government has adopted a series of measures to stop the downward trend, but the economy's performance has not returned to the level of 1989 (Sharma, 2014). Real GDP growth decreased from 5-10% to 1-2% after 1990, the unemployment rate rose from 2.1% to a peak of 5.4% in 2002, the Nikkei index dropped from 38916 in

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1989 to 8579 in 2002 (Vaszkun and Tsutsui, 2012). The year 1998 was marked by a banking crisis, which not only caused a credit crisis but represented a true turning point, signaling the need for major changes in Japanese companies (Schaede, 2008). In the first years after the crisis, many companies were forced to restructure ("risutora"), often using half measures (reducing the number of temporary workers, early retirement, reducing the number of hours worked, transferring staff to branches) (Bird, 2002). We can appreciate the period of the 1990's as one in which the employment systems were experienced and in which the Japanese companies began to attach greater importance to the performance of their employees.

The crisis of the Japanese economy during the 1990's also led to criticism of Japanese management, especially regarding the inefficiency of some traditional practices and the inadequacy of some principles of Japanese management to the influences of globalization (Olejniczak, 2013). One of the most important criticisms of that period was addressed to the management of Japanese companies operating abroad, who were accused of monopolizing the positions of management by Japanese managers, communication problems and reduced productivity (Yoshikara, 1996).

The beginning of the 21st century coincides with the anniversary of 50 years of debates on Japanese management, but also with new valences of the expansion abroad of Japanese companies. Thus, in 2007, for the first time, the level of Toyota's foreign car production exceeded domestic production, a situation specific to Japan's entire production sector. However, according to Lehmborg et al. (2013), Japanese companies still tend to operate in an ethnocentric manner. Thus, the concept of "Galapagos syndrome" emerged, namely the fact that many Japanese products are extremely advanced, but cannot be used outside of Japan (as is the case with Japanese mobile phones) (Haghirian, 2016).

Japanese companies have become aware that local managers play an essential role in properly calibrating the supply to the needs of consumers and inadequately solving the various problems that the headquarters of Japanese companies cannot anticipate. This situation may lead to a change in the thinking of Japanese managers, from the idea of the existence of the "command center" in Japan and the placement of subsidiaries to the periphery in an attempt to join a "global family" (Olejniczak, 2013).

4. Traditional and modern in the Japanese management

Japanese managerial practices are influenced by the cultural particularities of Japan, among which we note the homogeneity, given by the large share of the population embracing conceptions about life, values and similar beliefs. Many values specific to Japanese culture are incorporated in Japanese management, respectively: "amae" (feeling of addiction), "bushido" (warrior's path), "chih"

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(wisdom), "gi" (integrity), "jen" (humanism), "Jin" (goodwill), "li" (loyalty), "makoto" (honesty), "meiyo" (honor), "ninjo" (human feelings), "rei" (respect), "ringisei" (decision making) by consensus), "uji" (clan or extended family), "yuuki" (courage), "wa" (harmony) (Toma et al., 2018).

Table 5 Japanese cultural values

Cultural value	Definition / description	Reflection within the company / organization
IE	Sacrifice of personal interest for the interest of the group to which it belongs	Specific way in which the leader of a company tries to determine the employees to meet certain objectives
IEMOTO	System of values that reflects the commitments between master and disciple expressed in terms of authority and discipline	The respect granted by the subordinate to the chief, who has authority over him, even if it is not formalized by regulations
DOZOKU	An assembly of families between whom economic ties are established	The links between suppliers and contractors in the structure of large Japanese industrial groups
MURA	Japanese way of achieving social unity	Group of people whose purpose is common prosperity. The role of the leader is to resolve internal conflicts and ensure the cohesion of the group
AMAE	Specific state of dependence and mutual aid among members of a community	Emotional stability factor of the Japanese employee, who expect protection from the boss
ON	Expression of obligations and duties arising from voluntary social exchanges	Specific connotation of addiction in the Japanese context, after you have paid off a debt, remain obliged
OYABUN-KOBUN	Parent-child relationship	An older person, with a higher hierarchical position, grants friendship equally to several younger colleagues, who show respect and gratitude

Source: Processed by authors from Burduș, (2012), pp. 254-256

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As in other cultures, corporate philosophy in Japan seeks to capture the "spirit" of goals and strategies, often using poetic metaphors (for example, Sony thrives on exploring the unknown). The corporate belief is an explicit statement of philosophy and must be short enough for each member of the organization to be able to retain it and contain an emotional appeal. Japanese corporations use their goals and philosophy to encourage their employees to identify with the organization. If detailed standards and rules are widely used in American firms, Japanese corporations clarify the significance of positions by objectives, thus creating a culture that combines moral and instrumental involvement (Kono and Clegg, 2001). Changes in the power of different interest groups, as well as market opportunities, must be reflected in the business belief so that in some Japanese companies groups of young managers have been created to periodically revise the company's belief.

Japanese companies have one-level boards of directors, just like American ones, and unlike German ones (which have the supervisory board). The directors and employees of the companies have dominated the boards of directors for a long time. Most of the Japanese companies' shares were held by stable strategic shareholders, such as domestic banks and non-financial firms. Due to this way of structuring the property, hostile takeovers were rare in Japan, and banks played an important monitoring role due to their influence on lending firms (Aoki et. al, 2007).

Japanese corporate governance has undergone a series of changes in recent years, driven by the Abe administration's attempts to revitalize the economy, as well as changes in the shareholding structure of many listed companies. The share of listed Japanese companies that do not have independent directors on the boards of directors is currently low. There are, however, a few challenges that remain. First, the standards required of listed companies are more relaxed than in other countries (for example, a firm must have two independent directors, while in other countries the requirements are higher, from one-third to one-half). Secondly, it is necessary to move from a symbolic and superficial adoption of new practices to a substantive approach. In many Japanese companies, executive directors still have a major influence on the appointment of directors, including independent directors. Thus, it is necessary to constantly improve the existing rules and to exercise constant pressure in this regard by the key interest groups (Yoshikawa, 2018).

Japanese companies value the hierarchy and despite this fact, the adoption of non-routine decisions presents consensual and participatory elements. Major decisions involve the construction of an informal consensus between the main internal stakeholders, before the official stages begin, a process known as "nemawashi" (root preparation). As soon as the consensus has been reached, the proposal is included in the agenda of the board of directors, where it is usually approved

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without further discussion. In this context, middle management is an important source of initiatives. The "ringi" system allows non-executive managers to introduce proposals in the decision-making process, which will be offered for analysis to colleagues, before being submitted to the senior management level (Witt, 2014). Statistics show that Japan has one of the highest levels of delegation, with a score of 4.8 out of 7, higher scores indicating a higher level of delegation (Schwab, 2010).

Unlike other Asian countries, in Japan, the process of improving the company's activities is the responsibility of all employees. Viewed in the West as the most well-known concept of Japanese management, "kaizen" (continuous improvement) is a positive attitude or philosophy of creating a value as high as possible for the consumer. The Japanese concepts of change and improvement differ from their Western approach. Thus, in Western companies, change is most often a radical process, which often involves a completely new strategy. The Japanese, on the other hand, believe that every process and activity can be improved at any time; even the smallest change is considered important, as it will have long-term effects (Haghirian, 2010).

All these processes were not eliminated but rather improved, in order to increase the speed of decision-making and efficiency. At the same time, there is evidence that companies have transferred more decisions to lower levels of management, thus responding to the need to make more decisions without the long process of obtaining consensus. It is unclear, however, to what extent these changes have spread throughout the Japanese economy (Witt, 2014).

The labor force in Japan (population over 15 years old comprised of employed and unemployed people) decreased in the 2000's, being associated with the aging of the population, but followed an increasing trend since 2013. In 2018, the labor force was 68.3 million people, up 1.1 million from 2017. Women leave the labor force when they get married or give birth, returning when the children grow up. The number of employed persons has started to increase since 2013, reaching in 2018 to 66.64 million. In the long term, the percentage of people employed in the primary and secondary sectors has decreased, and that of the people employed in the tertiary sector has increased, reaching 72.5% in 2018. Of the 55.96 million employees (minus company executive directors) in 2018, 21.2 million (37.9%) were irregular staff (Statistical Handbook of Japan, 2019).

The unique Japanese human resources practices, which are still ongoing, are considered to be one of the key factors of the country's economic success (Firkola, 2006). Japan is a collectivist culture, so work teams are much like families, accepting differences between individuals, but waiting for them to behave in a certain way. Teams make a clear distinction between members ("uchi") and non-members ("soto"). The Japanese teams are organized vertically, the older members

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having higher power and income and are responsible for socializing and training younger employees, a system called "senpai-kôhai" (senior-junior). Two terms describe very well the motivation and the orientation towards the accomplishment of the Japanese working groups: "Ganbaru" (performing a difficult task regardless of the problems encountered) and "Gaman" (the ability to endure things you cannot change) (Haghirian, 2010).

Lifelong employment, "shushin Koyo" refers to promise rather default than stipulated in contracts, to keep employees regular male employees to retirement age (55 at first, and now around 60 years). According to Iida and Morris (2008), although about a quarter of private firms offered lifetime employment, it has become a normative model for Japanese society, followed by numerous other small and medium-sized enterprises. Lifetime employment brings both benefits and problems to Japanese companies that practice it. It offers stability and security for both the firm and the employees and does not have a negative effect on the motivation at work, due to the group awareness of the Japanese. From an economic point of view, the cost of the companies that practice lifetime employment is relatively high; this may involve unsatisfactory financial performance. This may lead to a lack of interest in providing incentives for innovation, impeding employee efficiency (Bebenroth and Kanai, 2011). It is assumed that changes in this practice would reduce the costs of companies to an acceptable level and a more efficient allocation of human resources. Likely, lifetime employment will gradually decrease as younger generations, who have expressed a preference for a more flexible career, will be hired (Powell, 2016).

The seniority system ("nenko joretsu") "describes the practice of increasing wages or salaries with tenure inside the firm, which correlates with age" (Witt, 2014) and can be found in traditional Japanese firms. When entering the company, all employees start with the same salary, which is raised every year in April. There is no great secret about how much each employee earns, the system being correct and leaving no room for discrimination or envy (Haghirian, 2010). The system is criticized because it can lead to the lack of specialists within the company, as well as because it makes it difficult to combine new talents with experience. Younger employees resist a system that does not reward skills, but rather experience. As a result of globalization, opportunities to work in foreign companies using payroll and promotion systems have increased, attracting young Japanese talent (Powell, 2016).

The trade unions include both workers and administrative staff from a single company. Generally, they have the power to trigger strikes, but rarely do they exercise it, the relationship between the company and the union being rather one of cooperation for a common interest (Haghirian, 2010). The downward trend of trade unions in Japan began in the 1970's and is in line with the world trade union

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movement. The number of business unions in Japan decreased by 21% during 1984-2006. Globalization and sectorial changes in the economy are two factors that have led to this situation, with unions having poor representation in the services sector (Witt, 2014). Also, the role of the trade unions gradually changed, from collective bargaining to consulting. New types of trade unions are emerging as support groups for foreigners and part-time workers.

5. Conclusions

In Japan, culture influences management thinking and practices. Due to unique cultural characteristics, Japanese corporations have succeeded in developing their management practices and styles, some of them becoming international standards and provoking both managers and the Western academic world (Haghirian, 2016). However, managerial thinking and practice in Japan has evolved from a developing economy and mainly based on the industrial sector (in the years after World War II), to a knowledge-based economy in which the service sector prevails. Thus, we presented the changes that took place in the three pillars of Japanese management identified by Abegglen (lifetime employment, seniority based-wages and enterprise unions), as well as other specific management practices.

The Japanese management system was developed in a period of protection of internal markets and in which it was desired to achieve the highest productivity. The situation has changed, with Japan trying to remain one of the leaders of the global economy, based on the fierce competition between nations, liberalization of economic flows and accelerated change in business practices. In contemporary Japan, we can see the extension of flexible labor contracts, performance-based assessment schemes, corporate law reforms, a decline in the strength of trade unions and human resources departments, increased shareholder power, growing individualism among younger generations (Vaszkun and Tsutsui, 2012).

There is a clear need for a dynamic approach in understanding the essential features and challenges of Japanese management. Under the influence of globalization, some changes promoted by the Japanese government in recent years, such as supporting entrepreneurship or designing a new corporate governance code, may be noted. Finally, there remains a dilemma: the degree to which the structural changes promoted in recent years will influence the traditional Japanese management style.

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Author Contributions

FLI and EFR conceived the study together and are responsible for the entire research work, from choosing the topic to documenting, collecting data, developing analysis and interpreting results.

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