

Management style of firms in japan and us - thesis proposal example

[Business](#), [Management](#)



Management Style of firms in Japan and US

Research Proposal Management Style of firms in Japan and US - Effects on the financial performance of firms and the remuneration of managers

Background The differentiation of management style between US and Japanese firms is primarily related to their culture. In Japan, in the context of the 'kaisha' principle, employees of all levels are considered as 'part of the firm's cost structure' (Steers et al. 2010, p. 173); this results to the effort of Japanese firms to keep their employees in the long term. This trend is opposed with the practice of Western firms, which are likely to seek for employment schemes of a particular, usually short-term, duration (Steers et al. 2010). The above phenomenon is also highlighted in the study of Keeley (2001), which emphasizes on the importance of 'worker loyalty and paternalism' (Keeley, 2001, p. 29) for Japanese firms; at the same time, it is made clear that such values do not characterize the Western corporations which are based on the rules of the 'capitalism-industrial society' (Keeley, 2001, p. 29). Another aspect of the Japanese management style is presented in the study of McMillan (1996); in the above study it is noted that in Japanese firms, in opposition to the Western firms, the criteria for hiring top management staff are not always related to the candidates' skills and level of education. Rather, emphasis is given on their ability to develop effective strategic plans (McMillan 1996). The different characteristics of US and Japanese management styles, as indicatively presented above, have different consequences and implications for firms and managers in US and Japan. In this context, it has been proved that the financial performance of US and Japanese firms is highly affected by their management style; same

assumptions have been made in regard to the remuneration of managers in US and Japanese firms. The specific phenomenon has been highlighted in the literature; in accordance with Pycraft (2000) the performance of Japanese firms is influenced by the Japanese management style; the above relationship is explained as follows: in Japanese firms 'shop floor staff is empowered' (Pycraft 2000, p. 534) in order to support more effectively the firm's operations. However, this practice leads to the high dependency of the firm on its staff (Pycraft 2000). On the other hand, Rugman et al. (2006) notes that there were Japanese firms, like Toyota, Canon and Sony, which managed to escape the effects of current recession - at least up to a significant point - by 'reducing the Japanese management style across their departments' (Rugman et al. 2006, p. 518); the above fact proves the direct relationship between management style and firm performance. Regarding the remuneration of managers and its dependency on the management style, the following views have been developed: Imai et al. (1994) noted that in Japanese firms emphasis is given on the performance of employees; in fact, it is made clear that the remuneration of employees, i. e. of managers also, in Japanese firms is based on these employees' 'abilities and achievements, in the context of the 'nenko' wage system' (Imai et al. 1994, p. 206), i. e. the employee is rewarded in accordance with his performance and not the performance of the firm; on the contrary, in US firms the remuneration of managers is not standardized, being depended on the performance of the firm at each particular period of time (Denison 2001). As a result, employees in Japanese firms have higher salaries from their US counterparts (Ballon 1992, p. 97), a fact which is explained by Mills (1995) by

referring to the high support offered by the Japanese government to the Japanese firms - while in US firms such support is not standardized or guaranteed (Mills 1995, p. 38). Denison (2001) gives a different explanation of the above phenomenon: Japanese firms tend ' to cooperate with only one bank for all their activities' (Denison 2001, p. 17). This practice reduces the risks of potential failures in investments and allows Japanese firms to support more effectively their employees.

2. Objectives Current study is expected to address the following issues:

- Which are the main characteristics of management style in USA and Japan
- Which are the benefits and drawbacks of the US management style compared to that of Japan
- How the financial performance of Japanese and American firms is affected by their management style
- Which are the implications of the USA and the Japanese management style for the remuneration of managers
- Which are the challenges related to the development of US and Japanese management style
- How could the US and the Japanese management style support more effectively the financial performance of firms in US and Japan.

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