

BUSINESS ETHICS: A JAPANESE VIEW

Iwao Taka

Abstract: Although "fairness" and "social responsibilities" form part of the business ethics agenda of Japanese corporations, the meaning of these terms must be understood in the context of the distinctive Japanese approach to ethics. In Japan, ethics is inextricably bound up with religious dimension (two normative environments) and social dimension (framework of concentric circles). The normative environments, influenced by Confucianism, Buddhism, and other traditional and modern Japanese religions, emphasize that not only individuals but also groups have their own spirit (numen) which is connected to the ultimate reality. The framework of concentric circles lets moral agents apply different ethical rules to the respective circles. The dynamics of these religious and social dimensions lead to a different view of both individuals and corporations from that dominant in the West.

1. *Business Ethics in Japan*

What are considered to be ethical issues by the Japanese business community? The easiest way to answer this question is to look at the annual reports of major Japanese business associations. Although there are several business associations in Japan, I will rely on the recent annual report of *Keizai Doyukai* (Japan Association of Corporate Executives), partly because this association is seen as being in the forefront of business ethics in Japan, and partly because the other influential business associations such as *Keidanren* (Japan Federation of Economic Organizations) are developing similar ideas about business ethics.¹

In the 1989 report of *Doyukai*, chairman Takashi Ishihara placed emphasis on "fairness," saying "Fairness is an important standard in solving international conflicts in which Japan gets involved. Japan, because of its economic power, is required to be "fair" with increasing severity. On account of this, both corporations and their executives have to consider more seriously what is fair and unfair in a business context."²

Based on the concept of fairness, he pointed out two types of responsibilities that corporations and corporate executives must fulfill. The first type includes basic responsibilities such as fulfilling duties for customers, employees, and stockholders, contributing to the community, and making the corporations useful and meaningful in society.³

The second type consists of pressing responsibilities that corporations have to recognize. As for this type, he identified the following five responsibilities.

First, for the purpose of developing a free society, we should behave in an orderly manner and in a fair way, taking into consideration not only legal but also moral aspects of our behavior.... Second, we have to clarify corporate philosophies and purposes, formulate norms of business practices with as little delay as possible, and follow them faithfully.... Third, it is imperative for us to moderate the aggressiveness that has been thought of as usual in business activities. Corporations, especially big ones, should absolutely refrain from doing anything which is against good sense and common interests.... Fourth, we should contribute to a formation of a better society as its members.... Corporations are obliged to contribute positively to the better welfare and cultural development of society. This is now regarded as a proper responsibility of corporations. Fifth, we must consider more seriously our ways of business from the international point of view, as long as we do business in the international arena. For example, Japanese transnational corporations should understand real needs of host countries, and take carefully-thought-out measures for social contribution to them. We are strongly expected to show the credos which the international society can understand and support, and it is obligatory for us to create a new corporate philosophy which declares the international contribution in a clear-cut manner.⁴

With these remarks regarding "fairness" and "social responsibilities" (especially the emphasis placed on "fairness") in mind, one might conclude that ethical standards of the Japanese business community are almost the same as those of western countries. Before jumping to this conclusion, however, I shall consider traditional ethical standards of the Japanese business community. From the viewpoint of these standards, I intend to discuss how the Japanese business community conceives American business practices, and finally to show what ethical issues face the Japanese community.

II. Two Normative Environments—Religious Dimension

In order to evaluate the traditional ethical standards of the Japanese business community, it is necessary to describe the Japanese cultural context or background. When it comes to cultural or ethical background, we can classify Japanese conscious and unconscious beliefs into a "religious dimension" and a "social dimension," in that Japanese culture cannot be understood well in terms of only one of the two dimensions. While the former is closely combined with a metaphysical concept or an idea of human salvation, the latter is based on how Japanese observe or conceive their social environment. Stated otherwise, while the former is "ideal-oriented," the latter is "real-oriented."

First, the religious dimension. This dimension supplies a variety of concrete norms of behavior to the Japanese in relation to the ultimate reality. As a consequence, I shall call this dimension the "normative environment."

By this I mean the environment in which most events and things acquire their own meanings pertaining to something beyond the tangible or secular world.⁵ Following this definition, there are mainly two influential normative environments in Japan: the "transcendental normative environment" and the "group normative environment."⁶

1. *Transcendental Normative Environment*

One of the famous Japanese didactic poems says, "Although there are many paths at the foot of a mountain, they all lead us in the direction of the same moon seen at the top of the mountain." This poem gives us an ontological equivalent of "variety equals one." To put it in another way, though there are innumerable phenomena in this tangible world, each individual phenomenon has its own "numen" (soul, spirit, reason-d'être, or spiritual energy), and its numen is ultimately connected with the unique numen of the universe. In Japan, this ultimate reality is often called "natural life force," "great life force of the universe," "*michi*" (path of righteousness), "*ri*" (justice), "*ho*" (dharma, laws), and the like.⁷

"Transcendentalism" is the philosophy that every phenomenon is an expression of the great life force and is ultimately connected with the numen of the universe. It follows that the environment where various concrete norms come to exist may be called the "transcendental normative environment." What is more, the set of these norms is simply called "transcendental logic."⁸

In this transcendental environment, everyone has an equal personal numen. This idea has been philosophically supported or strengthened by Confucianism and Buddhism. That is to say, in the case of neo-Confucianism⁹, people are assumed to have a microcosm within themselves, and are considered condensed expressions of the universe (macrocosm). Their inner universe is expected to be able to connect with the outer universe.¹⁰

In the case of Buddhism, every living creature is said to have an equal Buddhahood, a Buddhahood which is very similar with the idea of numen and microcosm. Buddhism has long taught, "Although there are differences among living creatures, there is no difference among human beings. What makes human beings different is only their name."¹¹

In addition, however, under the transcendental normative environment, not only individuals but also jobs, positions, organizations, rituals, and other events and things incorporate their own "numina." Needless to say, these numina are also expected to be associated with the numen of the universe.

Deities of Shintoism, Buddhism, and the Japanese new religions, which have long been considered objects of worship, are often called the "great life force of the universe," or regarded as expressions of that force. In this respect, the life force can be sacred and religious. On the other hand, however, many Japanese people have unconsciously accepted this way of thinking without belonging to any specific religious sect. In this case, it is rather secular, non-religious, and atheistic. Whether it is holy or secular, the significant feature of Japan is that this transcendental normative environment has been influential and has been shared by Japanese people.¹²

2. *Meaning of Work in the Transcendental Environment*

Inasmuch as Japanese people live in such a normative environment, the meaning of work for them becomes unique. That is to say, work is understood to be a self-expression of the great life force. Work is believed to have its own numen

so that work is one of the ways to reach something beyond the secular world or the ultimate reality. Accordingly, Japanese people unconsciously and sometimes consciously try to unify themselves with the great life force by concentrating on their own work.¹³

This propensity can be found vividly in the Japanese tendency to view seemingly-trivial activities—such as arranging flowers, making tea, practicing martial arts, or studying calligraphy—as ideal ways to complete their personality (or the ideal ways to go beyond the tangible world). Becoming an expert in a field is likely to be thought of as reaching the stage of *kami* (a godlike state). Whatever job people take, if they reach the *kami* stage or even if they make a strong effort to reach it, they will be respected by others.

M. Imai has concluded that whereas Western managers place priority on innovation, Japanese managers and workers put emphasis on *Kaizen* (continuous improvement of products, of ways to work, and of decision-making processes). While innovation can be done intermittently only by a mere handful of elites in a society, *Kaizen* can be carried on continuously by almost every person.

Technological breakthroughs in the West are generally thought to take a Ph.D., but there are only three Ph.D.s on the engineering staff at one of Japan's most successfully innovative companies—Honda Motor. One is founder Soichiro Honda, whose Ph.D. is an honorary degree, and the other two are no longer active within the company. At Honda, technological improvement does not seem to require a Ph.D.¹⁴

The transcendental normative environment has contributed to the formation of this Japanese propensity to place emphasis on *Kaizen*. Work has been an important path for Japanese people to reach the numen of the universe. Thus, they dislike skimping on their work, and instead love to improve their products, ways of working, or the decision-making processes. These Japanese attitudes are closely linked with the work ethics in the transcendental normative environment. Kyogoku describes this as follows:

In marked contrast with an occidental behavioral principle of "Pray to God, and work!" at the cloister, in Japan, "Work, that is a prayer!" became a principle. In this context, devotion of one's time and energy to work, concentration on work to such a degree that one is absorbed in the improvement of work without sparing oneself, and perfectionism of "a demon for work," became institutional traditions of Japan.¹⁵

In this way, the transcendental environment has supplied many hard workers to the Japanese labor market, providing an ethical basis for "diligence." Nonetheless, it has not created extremely individualistic people who pursue only their own short-term interests. Because they have hoped for job security and life security in the secular world, they have subjectively tried to coordinate their behavior so as to keep harmonious relations with others in the group. Within this subjective coordination, and having the long-term perspective in mind, they pursue their own purposes.

3. Group Normative Environment

The second or group normative environment necessarily derives from this transcendental normative environment, insofar as the latter gives special *raison d'être* not only to individuals and their work, but also to their groups. As a result of the transcendental environment, every group holds its own numen. The group acquires this *raison d'être*, as long as it guarantees the life of its members and helps them fulfill their potentials.

But once a group acquires its *raison d'être*, it insists upon its survival. An environment in which norms regarding the existence and prosperity of the group appear and affect its members is called the "group normative environment," and the set of the norms in this environment is called "group logic."

In Japan, the typical groups have been: *ie* (family), *mura* (local community), and *kuni* (nation). After World War II, although the influence of *ie* and *kuni* on their members has been radically weakened, one cannot completely ignore their influence. *Mura* has also lost much power over its member, but *kaisha* (business organization) has taken over many functions of *mura*, in addition to some functions of *ie*. These groups are assumed to have their own numen: *ie* holds the souls of one's ancestors, *mura* relates to a *genius loci* (tutelary deity), *kaisha* keeps its corporate tradition (or culture), and *kuni* has Imperial Ancestors' soul.

Pre-World War II, when Japanese leaders made a mistake in politics, business, military, etc., they used to say, "I don't know how to apologize to my nation." Even today, Japanese are likely to say, "I don't know how to apologize to my parents and ancestors," or "I don't know what excuse to make for my corporation and society," when they make trouble for others or society. These facts strongly suggest that Japanese people unconsciously hold the belief that the groups have their own *raison d'être* (numen) beyond that of the individual members.

Groupism and a group-oriented propensity, which have often been pointed out as Japanese characteristics, stem from this group normative environment.

III. Ethical Dilemma and the Implications of Ishihara's Remarks

Japanese often face an ethical dilemma arising from the fact that they live simultaneously in the two different influential normative environments. In the transcendental environment, groups and individuals are regarded as equal numina and equal expressions of the great life force. In the group environment, however, a group (and its representatives) is considered to be superior to its ordinary members, mainly because while the group is expected to be able to connect with the numen of the universe in a direct way, the members are not related to the force in the same way. The only way for the members to connect with the life force is through the activities of their group.

1. The Ethical Dilemma of Living Between Two Environments

Depending on which normative environment is more relevant in a given context, the group stands either above or on an equal footing with its members. Generally speaking, as long as harmonious human relations within a group can

be maintained, discretion is allowed to individuals. In this situation, the transcendental logic is dominant.

But once an individual begins asking for much more discretion than the group can allow, or the group starts requiring of individuals much more selfless devotion than they are willing to give, ethical tension arises between the two environments. In most cases, the members are expected to follow the requirements of the group, justified by the group logic. An alternative, although this rarely happens, is for an individual to leave the group, a behavior which may be justified by the transcendental logic.¹⁶

The assertion or gesture by a group leader to persuade subordinate members to follow, is called *tatemaie* (formal rule). *Tatemaie* chiefly arises from the need of the group to adapt itself to its external environment. In order to adjust itself, the group asks its members to accept changes necessary for the group's survival. In this moment, the group insists upon *tatemaie*. On the other hand, the assertion or gesture by the members to refuse *tatemaie*, is called *honno* (real motive). *Honno* mainly comes from a desire to let the subordinates' numen express itself in a free way.

Usually, a serious confrontation between *tatemaie* and *honno* is avoided, because both the leader and subordinates dislike face-to-face discussions or antagonistic relations.¹⁷ Stated otherwise, the members (the leader and the subordinates) tend to give great weight to harmonious relations within the group. Because of this, the leader might change his or her expectation toward the subordinates, or the subordinates might refrain from pursuing their direct self-interest. In either case, the final decision-maker is unlikely to identify whose assertion was adopted, or who was right in the decision-making, since an emphasis on who was correct or right in the group often disturbs its harmony.¹⁸

Simply described, this ambiguous decision-making is done in the following way. The group lets the subordinates confirm a priority of group-centeredness, and requires their selfless devotion. This requirement is generally accepted without reserve in the group normative environment. But if the subordinate individuals do not really want to follow the group orders, they "make a wry face," "look displeased," "become sulky," or the like, instead of revealing their opinions clearly. These attitudes are fundamentally different from formal decision-making procedures. In this case, taking efficiency and the harmonious relation of the group into consideration, the group "gives up compelling," "relaxes discipline," or "allows *amae*" of the subordinates.¹⁹

If the failure to follow the norms endangers the survival of the group, the leader repeatedly asks the members to follow the order. In this case, at first, the leader says "I really understand your feeling," in order to show that he or she truly sympathizes with the members. And then he or she adds, "This is not for the sake of me, but for the sake of our group." Such persuasion tends to be accepted, because almost everybody implicitly believes that the group has its own numen and the group survival will bring benefits to all of them in the long run.²⁰

2. Ishihara's Remarks as *Tatemaie*

On the basis of this understanding, if we look back at the remarks by the Japanese business association, we can easily understand that the remarks bear the characteristics of *tatemae*. This is due to the fact that they are made in relation to foreign countries or to the "outer world." Once the remarks have taken a status of *tatemae*, to wit, acquired numen in the transcendental normative environment, they begin to exert enormous influence on each member of the business community.

Of course, as long as *tatemae* of the business community is not in accord with *honne* (real motives) of the individual corporations (or individuals), *tatemae* of the business association can hardly be practiced by the individual corporations on an everyday basis. Nonetheless, when a serious ethical dilemma comes out in the international business context or in relations between the "inner world" and the "outer world," *tatemae* plays an important role in solving the dilemma. Thus, this *tatemae* stands above *honne* of the individual corporations in the group normative environment.

For these reasons, Ishihara's remarks mentioned at the beginning of this paper have a substantial implication for business ethics in Japan. Especially, because he (or *Doyukai*) regards "fairness" as an important standard in solving international conflicts, the member corporations are required to follow positively the spirit of "fairness" in business.

But even if the Japanese business community admits that "fairness" is the most important ethical standard, and even if the member corporations try to follow it, if the concept of "fairness" is different from that of Western countries or the United States, this standard might not solve the international conflicts so efficiently as the Japanese business community expects.

Before considering this point, however, I would like to look at the other dimension, namely "the social dimension," because "the religious dimension" cannot produce a complete picture of the Japanese ethical background. By describing how the Japanese actually conceive of their social environment and how they attach the traditional ethics to this conceived environment, I will complement the picture of the ethical background drawn from the religious perspective.

IV. *Ethics of Concentric Circles—Social Dimension*

Due to human bounded cognitive rationality or cultural heritage, Japanese moral agents, whether individuals or corporations, tend to conceptualize the social environment in a centrifugal order similar to a water ring. Although there are many individuals, groups, and organizations which taken together constitute the overall social environment, the Japanese are likely to categorize them into four concentric circles: family, fellows, Japan, and the world.²¹ On the basis of this way of thinking, Japanese people and organizations are likely to attribute different ethics or moral practices to each circle. Let us look at the concentric circles of individuals and of corporations respectively.

1. *The Concentric Circles of Individuals*

First, the family circle is basically composed of the parent-child relationship, sometimes including close and intimate relatives such as grandparents, grand-

children, uncles, or aunts. The prototype of this circle is a relation between benevolence by a mother to accept almost all behaviors of her children, and excessive dependence of the children on their mother. Because of this, reserved attitudes are not expected in this circle.²² In addition, the canon of this circle is "harmonious unity," so that when some confrontations appear in this circle, in the end every member is apt to follow the opinion of the head of the family, even if that opinion seems to be irrational at first glance. As the other members think that following the opinion will bring them benefits in the long run, they will follow the family leader's opinion.

In the first circle, members are expected to practice the virtue of filial piety, since filial piety is viewed either as the ideal way to satisfy the generous self-devotion of parents (and ancestors) to their descendants, or as a form of repayment of ethical debts to parents.²³

Second is the fellow circle, which includes friends, colleagues, distant relatives and the like. This circle for the ordinary Japanese is likely to be composed of the superiors and colleagues of his or her workplace. In this circle, material or spiritual benefits and debts are balanced in various ways in the long run. "Long-term reciprocal relations" are dominant. Reserved attitudes are required here. R. Benedict characterized this trait as "shame culture."²⁴

Third, is the Japan circle called "the wide society." In this third circle, people become strangers so that they neither care about their appearance in others' eyes nor do they criticize others' behaviors. Because they do not have close relationships with one another, reserved attitudes are not expected in this circle either. Although agents behave more freely and aggressively here than in the fellow circle, they do acknowledge that a "long-term reciprocal ethics" is important in Japanese society.

Last, the international society surrounds the three circles mentioned above. This largest circle means "a wide world," overseas, or foreign countries. For the ordinary Japanese, this is thought of as a chaotic sphere, which threatens the cosmos of the inner circles. Because of its chaos or difference, however, the world circle makes people take contradictory attitudes: closing attitudes and opening attitudes.

If people regard the chaos as something risky, they will try to close the door of the inner circles against the world; if it is seen as a source of civilization or a focus of admiration, they will open the doors of the inner circles to the world. The main reason why studying abroad has long been considered an important step to climb the career ladder in Japan is closely related to the opening attitudes.

2. The Concentric Circles of Corporations

Just as individuals understand their social environment as concentric circles, so groups such as corporations have a similar tendency to characterize their environment. For the sake of simplicity, I shall classify the corporate environment into four circles: quasi-family, fellows, Japan, and the world.

First, corporations have a quasi-family circle. Of course, though corporations do not have any blood relationships, they might still have closely related busi-

ness partners. For example, parent, sister, or affiliated companies can be those partners. "Vertical *keiretsu*" (Vertically integrated industrial groups like Toyota, Hitachi, or Matsushita groups) might be a typical example of the quasi-family circle. In this circle we find something similar to the parent-child relationship.²⁵

The main corporate members (about 20 to 30 companies in each group) of "horizontal *keiretsu*" (industrial groups such as Mitsubishi, Mitsui, Sumitomo, Dai Ichi Kangyo, Fuyo, and Sanwa groups) might be viewed as quasi-family members. Nonetheless, most of the cross-shareholding corporations in the horizontal *keiretsu* should be placed in the second circle, because their relations are less intimate than commonly understood.

In the second circle, each corporation has its own main bank, fellow traders, distant affiliated firms, employees, steady customers, and the like. If the corporation or its executives belong to some outside associations like *Nihon Jidousha Kogyo Kai* (Japanese Auto Manufacturers Association), *Doyukai* (Japan Association of Corporate Executives), *Keidanren* (Japan Federation of Economic Organizations), etc., the other members of such outside associations might constitute part of the second circle of the corporation. And if the corporation is influential enough to affect Japanese politics or administration, the Japanese governmental agencies or ministries, and political parties might constitute part of this circle.²⁶

Recognition within the fellow circle requires that there must be a balance between benefits and debts in the long run. On account of this, if a corporation does not offer enough benefits to counterbalance its debts to others in this circle, the corporation will be expelled from the circle, being criticized for neither understanding nor appreciating the benefits given it by others. On the other hand, if the corporation can successfully balance benefits and debts or keep the balance in the black, it will preferentially receive many favorable opportunities from other companies or interest groups. For these reasons, every corporation worries about the balance sheet of benefits and debts in the fellow circle.

This way of recognizing the business context is closely related to original Confucianism, in that Confucianism allows people to treat others in proportion to the intimacy of their relations. Unlike Christianity, Confucianism does not encourage people to love one another equally. It rather inspires people to love or treat others differentially on the grounds that, if people try to treat everybody equally in a social context, they will often face various conflicts among interests. This does not mean that Confucianism asserts that people should deny love to unacquainted people. The main point of this idea is that, although people have to treat all others as human beings, they should love intensely those with whom they are most intimate; those who cannot love this way cannot love strangers either. I can call this "the differential principle" in Confucianism.²⁷ Influenced or justified by this differential principle, Japanese corporations also classify their business environment in this way.

In the Japan circle, the fellow circle ethics is substantially replaced by "the principle of free competition." Competitors, unrelated-corporations, ordinary

stockholders, consumers, (for ordinary corporations, the Japanese government constitutes part of this circle) and so forth, all fall within this circle. Yet almost all corporations in this circle know well that the long-term reciprocal ethics is extremely important in constructing and maintaining their business relations, because of their similar cultural background. This point makes the third circle different from the world circle.

In the fourth or world circle, corporations positively follow "the principle of free competition," subject to the judicial system, with less worrying about their traditional reputations. Roughly speaking, the behavioral imperatives for corporations turn out to be producing or supplying high quality and low price products, dominating much more market share, and using the law to resolve serious contractual problems.

As in the case of the individuals, the world circle is conceived as a relatively chaotic sphere causing corporate attitudes to become contradictory. On the one hand, Japanese corporations tend to exclude foreign counterparts that do not understand the extant Japanese business practices, hoping to maintain the normative order of its own business community. Notwithstanding these closing attitudes, on the other hand, they yearn after foreign technologies, know-how, products, and services which are expected to help corporations to be successful and competitive in the Japanese and world market. In particular, western technologies have long been objects of admiration for Japanese companies. This tendency vividly shows their global attitudes.²⁸

3. Dynamics of the Concentric Circles

Now that I have roughly described the static relations among the concentric circles (of individuals and of corporations), I need to show the dynamic relations among these circles, that is to say, how these circles are interrelated. Generally speaking, the relations are similar to those of "operation base and battlefield."

For example, when the second circle of an individual is recognized as a battlefield, the first circle takes on the role of operation base. When there is severe competition among the members of the second circle, individuals look for peace of mind from their first circle. I cannot show the same picture in relations between the first and second circles of corporations as clearly as in those of individuals, due to the fact that a corporation does not have similar feelings toward its quasi-family members as does an individual.

But when it comes to Japan as a whole, I can draw almost the same picture between the first/second and third circles of corporations as in those of individuals. At this level, while Japan is viewed as a battlefield, an individual person or an individual corporation expects that both the first and second circles of each of them will serve the role of an operation base. These multilayered inner circles can be called "multiple operation bases." When the fourth is understood as a battlefield, however, this third circle also turns into one of the multiple operation bases (conversely, I can postulate the existence of "the multiple battlefields").

In order to describe these complicated relations in a parsimonious light, I shall limit my discussion to the relations between the members of an "ideal big Japa-

nese corporation" and its business environment. By a "big Japanese corporation," I mean the "idealized very influential organization" in an industry that places priority on the interests of employees, and holds a long-term strategic perspective. By "operation base" in this context, I mean the place where the members can relax, charge their energy, and develop action programs to be applied to the business environment. Whether the corporation can be such a base or not heavily depends on its members' abilities with respect to human relations: their ability to sympathize or understand other members' feelings, their ability to put themselves in the others' position, their ability to internalize other members' expectations toward them, and the like.

It has been said that in Japanese corporations, many people have such abilities. For instance, E. Hamaguchi has called people with these abilities "the contextu-als" in contrast with "the individuals."

An "individual" is not a simple unit or element of a society, but a positive and subjective member. This so-called "individual-centered model of man" is the typical human model of the western society.

This model, however, is clearly different from the Japanese model. The Japanese human model is a "being between people" or an internalized being in its relations. This can be called "the contextual" in contrast with the individual.²⁹

To be sure, these abilities have also positively contributed to the performance of Japanese corporations. The corporations have not rigidly divided work into pieces and distributed them to each employee so as to clarify the responsibilities each has to take. The corporations have rather let employees work together so that the contextual members make up for the deficiencies of one another allowing the quality of products and efficiency of performance to be surprisingly improved.³⁰

On the contrary, the business environment as a "battlefield" is reckoned to be a strenuous sphere, where "the law of the jungle" is the dominant ethical principle.³¹ In the market, the principle of free competition replaces the ethics expected in an operation base (quasi-family and fellow circles). What is more, this principle of free competition is justified by the transcendental logic, because, as I have described earlier, in the transcendental environment, work is one of the most important "ways" or "paths" to reach something sacred or the ultimate reality. In this way, "the principle of free competition" in the battlefield and "the transcendental logic" are coincidentally combined to encourage people to work hard, an encouragement which results in survival and the development of the corporation.

Wealth, power, market share, competitive advantage, or other results acquired in this business context become important scales to measure the degree of the members' efforts to proceed on the "path" to the ultimate stage. And based on these scales, contributors are praised within the operation base, namely in a corporation, in an industrial group, or in Japan.

For example, the Japanese government, administrative agencies, or ministries have so far endorsed the efforts of corporations under the present *Tenno* system (the Emperor System of Japan). The decoration and the Order of Precedence at the Imperial Court have been given to corporate executives who have contributed to the development of the Japanese economy.

Theoretically speaking, it is very hard to compare the performance of various corporations in different industries of a nation, simply because each industry has its own scale or own philosophy to measure performance. In the case of Japan, however, the annual decoration and attendance at the Imperial Court plays the role of a unitary ranking scale, applied to every industry as well as non-business-related fields. Since the Japanese mass-media makes the annual decoration and attendance public, the Japanese people know well who or which corporations are praiseworthy winners.³²

4. *The Group Environment and the Concentric Circles*

Now that I have explained both the group normative environment and the concentric circles of corporations, I should make clear the relationship between the group normative environment and the concentric circles. According to the group logic, each group has its own numen and has different social status. For example, even if the R&D unit of corporation A has its own numen, the status of the unit is lower than that of A itself. The status of A is also lower than that of the leading company B in the same industry. The status of B is lower than that of the Japanese government. But if I observe their relations from the viewpoint of concentric circles, these groups can be members of the same fellow circle of corporation C. Namely, the R&D unit of corporation A, company B, and the government can constitute part of the fellow circle of C. Therefore, even if they are in the same fellow circle, it does not mean that all members have equal status in the group normative environment.

For these reasons, reciprocal relations within the fellow circle are varied according to the members' status in the group normative environment. For instance, because, in most cases, the Japanese government is regarded as a powerful agent in the fellow circle of large corporation C, C makes efforts to maintain its good relations with the government and is likely to depend on the government.

The main reason why *gyosei-shido* (administrative guidance) has so far worked well in Japan comes from this dependent trait of the corporation and from the fact that the administrative agencies or ministries have a very important status in the second circle of the large Japanese corporations.

Each Japanese corporation also maintains relations with the business associations such as *Keidanren* and *Doyukai*. Once an authoritative business association declares *tatemaie*, the member corporations make efforts to follow the formal rules, even though they might have some doubts about *tatemaie*, simply because those associations hold socially or politically higher status in the group normative environment.

V. *Japanese Recognition of the American Business Community*

Because Japanese follow the transcendental logic, group logic, and concentric circles' ethics, their way of observing other business societies might appear to be idiosyncratic. And this idiosyncrasy might bring serious misunderstanding to trading partners such as the United States, European industrialized countries, Asian NIEs, and the other developing countries.

Because of this, I would like to clarify how Japanese conceive the American business community: how the American business community is seen in the eyes of the Japanese business people who adopt the two normative logics and the concentric circles' ethics.

1. Job Discrimination and the Transcendental Logic

First, as noted earlier, in the transcendental normative environment, whatever job people take, they are believed to reach the same goal or the same level of human development. Because of this logic, Japanese are unlikely to evaluate others in terms of their "job" (specialty). They would rather evaluate one another in terms of their "attitudes" toward work.

To be concrete, it is not important for Japanese to maintain the principle of the division of labor. Of importance is the process and the result of work. If people cannot attain goals in the existing framework of the division of labor, they are likely to try other alternatives which have not been clearly defined in the existing framework. This kind of positive attitude toward work is highly appreciated in Japan.

On the contrary, a society such as the United States, where jobs are strictly divided, is perceived as not only inefficient but also discriminatory in Japanese eyes. To be sure, this society might hold a belief that the division of labor makes itself efficient or makes it possible for diverse people to utilize their own abilities. The Japanese business community, however, is likely to assume that people's reluctance to help others' work in the same group is based on job discrimination.

In America, in a large retail shop, for instance, often those who sell a heavy consumer product are reluctant to carry it for the customer. They have a specific person, whose job is just to carry goods, do so. If the person is busy with other goods, the salespeople will ask the customer to wait until the person is finished carrying the other goods.

Similarly, those who manage a large shop typically do not clean up the street in front of their shop. They let a janitor do so. Even if they find garbage there, when the janitor has not come yet, they are likely to wait for the janitor. This kind of attitude of salespeople or managers is regarded as inefficient and discriminatory by Japanese.³³

2. Employees' Interest and the Group Logic

Second, in the group normative environment, the group is believed to hold its own numen and expected to guarantee the members' life. That is to say, a corporation is thought to exist for its employees rather than for its shareholders.³⁴

Because of this logic, the Japanese business community ethically questions American general attitudes toward the company where many accept the ideas that 1) a company is owned by its shareholders, 2) executives should lay off the employees whenever the layoff brings benefits to the shareholders, 3) executives should buy other companies and sell part of their own company whenever such a strategy brings benefits to the shareholders, etc.

Of course, even in Japan, shareholders are legal owners of a company so that the shareholders might use their legal power to change the company in a favorable way for themselves. Therefore, many Japanese corporations have invented a legitimate way to exclude the legal rights of shareholders, i.e. "cross-shareholding." This is the practice in which a corporation allows trusted companies to hold its own shares, and in return the corporation holds their shares. By holding shares of one another and refraining from appealing to the shareholders' rights, they make it possible to manage the companies for the sake of the employees.³⁵ Because this cross-shareholding is based on mutual acceptance, any attempts to break this corporate consortium from the outside, whether Japanese or foreigners, are often stymied by the consortium of the member corporations.

For example, in April 1989, Boone Company, controlled by T. Boone Pickens, bought a 20 percent stake in Koito Manufacturing, Japanese auto parts maker. In 1990, Pickens increased it to 25 percent, becoming Koito's largest single shareholder.³⁶ But because Pickens asked for seats on Koito's board for himself as well as three Boone Company associates, and requested an increase in Koito's annual dividend, he was labeled as a "greenmailer" in the Japanese business community. As a result, the other consortium members cooperatively protected Koito from the Pickens' attack.³⁷

Although Pickens claimed that his exclusion epitomized unfair Japanese corporate tactics, his behavior was no doubt seen as unethical in the eyes of the Japanese business community, because of the group normative logic. In addition, the layoff of employees and the high salaries of American executives are also regarded as unethical by the Japanese business community. It is well known that President Bush's trip to Japan in early 1992 exacerbated the issue of executive pay in America.³⁸

In Japan, when executives face serious difficulties, they first reduce their own benefits, then dividends and other costs, and, after that, employees' salary or wage.³⁹ If the situation is extremely hard to overcome with these measures, they sell assets and only as a last resort do they lay off workers. Even in this case, the executives often find and offer new job opportunities for those who are laid off, taking care of their family's life.⁴⁰

Because of this, Japanese executives criticize the American business climate in which only salaries of executives keep rising, even while they lay off employees (especially in the 1980s). This criticism is also based on the Japanese group normative logic.

3. Claims Against the Japanese Market and the Concentric Circles' Ethics

As I have noted above, because of the framework of concentric circles, especially of the ethics of the fellow circle, foreign corporations often face difficulties entering the Japanese market. Although Japanese admit that the market is very hard to enter, a majority of them believe that it is still possible to accomplish entry.⁴¹

Even if the Japanese market has many business-related practices such as semi-annual gifts, entertainment, cross-shareholding, "triangular relationship" among

business, bureaucracy, and the Liberal Democratic Party, the long-term relationship is formed mainly through a series of business transactions.

That is to say, the most important factor in doing business is whether suppliers can respond to the assemblers' requests for quality, cost, the date of delivery, and the like, or on how producers can respond to the retailers' or wholesalers' expectations.⁴²

In the case of consumer electronics (a typical example of the vertical *keiretsu*), if the existing suppliers cannot respond to the requests sufficiently, the assemblers are likely to reduce the amount of the order to the suppliers, while starting new transactions with new part makers. In this case, the assemblers might help the suppliers improve the designing or manufacturing processes several times. But when the suppliers still cannot meet the expectations about the product, the assemblers terminate the business relationship with them.⁴³ The same goes for the suppliers. Suppliers often belong to various cooperative associations of different assemblers which might be competing against one another.⁴⁴

Even relations within the horizontal *keiretsu* are not absolute obstacles for outsiders. For example, the latest Japanese Fair Trade Commission's survey shows that ratio of cross-shareholding of the six *keiretsu* has declined consistently from 25.48 percent to 21.61 percent (from 1981 to 1988).⁴⁵ In addition to this, the ratio of transactions among the member corporations has clearly declined,⁴⁶ and the ratio of common directors has been on the decline too.⁴⁷ Just as corporate survival is important for ordinary companies, it is also important for the horizontal *keiretsu*. Whenever new transactions will clearly contribute to the corporate development, the corporation is willing to find new business partners.

In fact, the ratio of capital concentrated on the top 100 Japanese corporations has been decreasing. In 1967, the degree of the concentration was 25.6 percent (the ratio of the top 100 corporations' total assets against the total assets of all the Japanese corporations except for financial institutions). Since then, it has declined to 21.4 percent in 1980, to 19.8 percent in 1985, and to 18.3 percent in 1988. This implies that the Japanese market is still dynamic, and suggests that possibilities still remain for economic agents located outside the fellow circle to enter the existing business relationships.⁴⁸

Foreign corporations might claim that because they are located outside Japan, they cannot enter even the Japan circle. On this claim, the Japanese business community is likely to insist that if they understand the "long-term reciprocal ethics," they can enter the Japan circle; and what is more, might be fellows of Japanese influential corporations. As I have described, what makes the Japan circle different from the world circle is that people in the Japan circle know well the importance of this ethics. In fact, successfully enjoying the Japanese market are foreign corporations such as IBM, Johnson & Johnson, McDonald, Apple, and General Mills which have understood well this ethics.⁴⁹

In this respect, realistically, the Japanese business community interprets the criticism by the American counterpart of the Japanese market as unfair and unethical. To put it differently, Japanese believe that if foreign corporations understand the long-term ethics, they will easily be real members of the Japanese business community.

VI. *Ethical Issues of the Japanese Business Community*

I have shown how Japanese people conceive the American business society and its business-related practices from the viewpoint of the two normative environments and the concentric circles. Yet this does not mean that the Japanese business community has no ethical problems. On the contrary, there are many issues it has to solve. What are the ethical issues of the Japanese business community?

In order to reveal some of the issues, I shall confine my interest to the concept of "fairness," mainly because Mr. Ishihara, Chairman of *Doyukai*, placed emphasis on fairness in its report.⁵⁰ When it comes to "fairness," I hypothetically interpret it as "openness," since "fairness" generally implies "treating every agent equally according to the same rule," or "opening the market or organizations for every agent who is willing to follow the same rule." On the basis of this simplified definition, I will cover two levels of ethical issues: "opening the Japanese organizations" and "opening the Japanese market."

Moreover, I will identify three ethical "prime values," which I will use to discuss the issues and possible solutions. By "prime values" I mean the core concepts of the transcendental logic, group logic, and fellow circle's ethics. The main reason why I extract the core concepts is based on a hypothesis that the more generalized the philosophical concepts are, the more internationally or cross-culturally acceptable they are.

1. *Discrimination and the Transcendental Logic*

I will shed light on the organizational issues (opening the Japanese organizations) from the prime value of transcendental logic. The prime value here is "everybody has an equal microcosm." Whether men or women, Japanese or foreigners, hard workers or non-hard workers, everybody has to be treated equally as a person. When I observe the organizational phenomena from the viewpoint of this value, there are at least the following two discriminatory issues.

First, the transcendental logic has worked favorably only for male society. That is, in this normative environment, Japanese women have been expected to actualize their potentials through their household tasks. Those tasks have been regarded as their path toward the goal. Of course, insofar as women voluntarily agree with this thinking, there seems to be no ethical problem. And in fact, a majority of women have accepted this way of living to date. Nonetheless, now that an increasing number of women work at companies and hope to get beyond such chores as making tea to more challenging jobs, the Japanese corporations have no longer been allowed to treat women unequally.⁵¹

Second, the transcendental normative logic itself has often been used to accuse certain workers of laziness. As far as a worker voluntarily strives to fulfill his or her own potential according to the transcendental logic, this presents no ethical problems. Nevertheless, once a person begins to apply the logic to others and evaluate them in terms of their performance, the transcendental logic easily becomes the basis for severe accusations against certain workers.

For example, even if a man really wants to change his job or company, his relatives, colleagues, or acquaintances are unlikely to let him do so, because they unconsciously believe that any job or any company can lead him to the same high stage of human development, if he makes efforts to reach it. Put in a different way, it is believed that despite the differences between the jobs or companies, he can attain the same purpose in either. On account of this, many Japanese say, "once you have decided and started something by yourself, you should not give up until reaching your goal." This is likely to end up justifying a teaching that "enough is as good as a feast."

If the person does not follow this teaching, thereby refusing overtime or transfers, he will jeopardize his promotion and be alienated from his colleagues and bosses, since he is not regarded as a praiseworthy diligent worker. Even if he is making efforts to fulfill his potential in work-unrelated fields, he is not highly appreciated, simply because what he is doing is not related to the company's work.

Analyzing those practices from the viewpoint of the prime value (everybody has equal microcosm), I cannot help concluding that the Japanese business community should alter its organizational climate.

2. Employees' Dependency and the Group Logic

In the group normative environment, groups are regarded as having a higher status than their individual members. Because the members are inclined to take this hierarchical order for granted, they come to be dependent on the groups. And their groups also come to be dependent on the next higher groups.⁵² This dependency of the agents, whether of individuals or groups, brings the following two problems into the Japanese business community. Because of the dependent trait, 1) the individual members of the group refrain from expressing their opinions about ethical issues, and 2) they tend to obey the organizational orders, even if they disagree with them. The first tendency is related to decision-making, while the second affects policy-implementation.

The prime value of the group logic, as I noted earlier, is "As long as a group guarantees the life of its members and helps them fulfill their potentials, the group acquires its reason d'être." Conversely, unless the group meets these conditions, it cannot assert its superiority over its members. Of importance are the conditional clauses so that both "guaranteeing members' life" and "helping members to fulfill their potentials" are understood as the prime value of the group logic.

When I look at the two tendencies mentioned above from the viewpoint of this prime value, they will be translated into the following two ethical issues respectively: 1) Japanese corporations are likely to exclude the employees' participation in ethical decision-making, and 2) in some cases, they might not guarantee the employees' right to life.

The first issue is that the dependent trait ends up excluding different opinions or ideas.⁵³ *A fortiori*, in exchange for job security, the rank and file rarely raise questions about the decisions made by management, even if the decisions are

against their sense of righteousness. In this respect, the rank and file are likely to take no ethical responsibility for the decisions.

What is more, because both authority and responsibility of the individuals are not clearly defined in the Japanese organizations, the individual employees do not regard involvement in wrongdoing as their own responsibility, but rather as the responsibility of the middle management. Even in middle management, however, it is not clear who will take responsibility for wrongdoing. The top management quite often does not know exactly what the employees or middle management are doing in daily business.

Because of this, in the worst case, Japanese corporations might be involved in an unimaginable scale of scandals. One of the latest examples is the compensation by the Japanese securities houses for the losses of their major institutional clients. Most employees of the brokerages (even the major clients) had known well that such a practice was against the spirit of "fairness." Notwithstanding this, they had never expressed their opinions about such compensation and never practiced justice, before the mass-media made the scandals public.⁵⁴ As a result, this dependent trait had lead the Japanese securities industry into a vicious cycle, and brought the Japanese economy into the recession of the early 1990s. This interrelated depression of the securities industry and Japanese economy, in turn, caused the deterioration of employees' working and living conditions.⁵⁵

Second, the dependent trait is inclined to force individual members to devote their time and energy to work. To be sure, the dependency might encourage the individual employees to behave ethically, if the higher groups such as *Doyukai*, *Keidanren*, or the board of directors, seriously proclaim the necessity of business ethics.

At the same time, however, the group normative logic tends to be used to force the individual members to obey their group's orders. That is to say, the prime value, "a group has to guarantee the life of its members and help them fulfill their potentials" will be changed into the following two sentences: "Because a group holds its own reason d'être, its members have to obey the orders." "Only when members follow the orders, can the group guarantee the members' life and the fulfillment of their potential."

As described earlier, if a confrontation appears between the group (*tatema*) and its members (*hon*ne), the leader will repeatedly ask the members to follow the group orders. In most cases, this kind of persuasion ends up being accepted, mainly because almost everybody implicitly believes that the group has its own numen.

Even if they acknowledge the conditional clause (to guarantee the life of its members and help them fulfill their potentials), the interest of each member is rarely the same. Namely, if a member pursues his own interest in the company, this behavior often hurts the interests of other members. In this case, the other members exert social pressures on the member to comply with the group's aggregate interest. For this reason, in the end, in the group normative environment, the member is likely to give up his own interest and obey the group orders.⁵⁶

One of the typical examples which show this tendency of members to waive their basic rights is *karoshi* (death caused by overwork). In 1991, the Japanese Labor Ministry awarded 33 claims for *karoshi*.⁵⁷ Since it is very hard to prove a direct and quantifiable link between overwork and death, this number is not large enough to clarify the actual working condition, but is certainly large enough to show that there is a possibility of turning the group logic into unconditional obedience.

This corporate climate not only jeopardizes the employees' right to life, but also hampers the healthy human development of the individual members. Because of this, the Japanese business community has to alter this group-centered climate into a democratic ground on which the individuals can express their opinions more frankly than before.

3. *Exclusiveness of the Concentric Circles*

The Japanese conceptualization of the social environment in a centrifugal framework is closely connected with Confucianism (the differential principle): it allows people to treat others in proportion to the intimacy of their relationships. As I touched upon before, however, the main point of this principle is not that people should deny love to strangers, but rather that those who cannot love their most intimate relatives intensely are surely incapable of loving strangers. Stated otherwise, even if the way to achieve a goal is to love differentially, the goal itself is to love everybody. Therefore, "to love everybody" should be regarded as the prime value of the concentric circles' ethics.

If I look at the Japanese market (opening the Japanese market) from the viewpoint of this prime value, there appear to be at least the following two issues. 1) The Japanese business community has to make an effort to help foreigners understand the concept of long-term reciprocal ethics. This effort will bring moral agents of the world circle into the Japan circle. 2) The Japanese community has to give business opportunities to as many newcomers as possible. This effort will bring the newcomers into the fellow circles.

The first issue is how to transfer foreign corporations from the world circle to the Japan circle. As noted, Ishihara recommends that Japanese corporations follow the spirit of "fairness." This "fairness" implies that they treat foreign companies the same as they treat other Japanese firms. To put it differently, the concept of "fairness" encourages the Japanese corporations to apply the same ethical standard to all companies.

Although this is a very important point of "fairness," there is a more crucial problem involved in opening the market. That is how to let newcomers know what the rules are and how the Japanese business community applies the rules. As mentioned before, for the purpose of constructing and maintaining business relationships with a Japanese company (a core company), a foreign firm has to be a fellow of the company. In this fellow circle, every fellow makes efforts to balance benefits and debts with the core company in material and spiritual terms in the long run, since making a long-term balance is the most important ethics. Yet balancing them is too complicated to be attained for the foreign corporation, as long as benefits and debts are rather subjective concepts.

For example, in Japan, if company A trusts the executive of company B and helps B, when B is in the midst of serious financial difficulties, then B will give the most preferential trade status to A after overcoming its difficulties. B will rarely change this policy, even if B finishes repaying its monetary debts to A. Moreover, even if A's products are relatively expensive, as long as the price is not extraordinarily unreasonable, B will continue to purchase A's output. If A's products are not sophisticated enough to meet B's standard, B will often help A to improve A's products in various ways.

If A's help is understood only as financial aid, this close relationship between A and B will not appear reasonable. In Japan, in most cases, B is deeply impressed by the fact that A has trusted B (even if B is in serious difficulties) so that B continues to repay its spiritual debts to A as long as possible. Yet if B were to change this policy soon after repaying the borrowed capital to A, and if it began buying the same but cheaper products from company C, not only A but also other corporations which have been aware of this process from the beginning will regard B as an untrustworthy company in their business community.

"Fairness" in a Japanese sense might involve asking foreign companies to follow the former way of doing business. Nonetheless, foreign companies, especially Americans, do not understand "fairness" this way. Their understanding is rather similar to the latter behavior of B: switching from A to C. This difference of understanding "fairness" between Americans and Japanese undoubtedly causes a series of accusations against each other.

The Japanese business community should not let this happen over and over again. If the community takes the prime value seriously, as the first duty, it has to explain the long-term reciprocal ethics to foreign counterparts in an understandable way. This effort will help the foreigners enter the Japan circle.

But even if they can enter the Japan circle successfully, there still remains another problem. That is how those foreigners, which have been already in the Japan circle, enter the fellow circles of influential Japanese corporations. This is related to the second issue of opening the Japanese market.

Even when foreign companies understand and adopt long-term reciprocal ethics, they might not be able to enter those fellow circles, if they rarely have the chance to show their competitive products or services to the influential corporations. On account of this, as an ethical responsibility, the Japanese corporations should have "access channels" through which every newcomer can equally approach.⁵⁸

To be sure, the "mutual trust" found in the fellow circle should not be blamed for everything. But if the trust-based business relation is tightly combined among a few influential corporations, it tends to exclude newcomers. As long as such a relation is not against the Japanese Antimonopoly Law, it is safe to say that efforts to maintain the relationship are not problematic, because most of the corporations do so according to their free will.⁵⁹ Despite that, if I look at the exclusive tendency of a fellow circle like that of the Japanese distribution system, I cannot help saying that the trust-based relation is a critical obstacle for newcomers.⁶⁰

If the Japanese business community follows the prime value (to love everybody) of the concentric circles' ethics, it has to make an effort to remove the obstacles to entry. One of the ideal ways to do so is to give newcomers more competitive bids than before. Of course, it is not obligatory for Japanese corporations to accept every bidder as a fellow after the tender. If a bidder is not qualified as an ideal business partner in terms of its products or services, Japanese corporations do not need to start transactions with the bidder. But as a minimum ethical requirement, Japanese corporations should have access channels through which every newcomer can equally approach them.

Conclusion

For the purpose of clarifying the fundamental ethical issues of the Japanese business community, I have examined its cultural context or background from the religious and social dimensions. The religious background is composed of the transcendental and group normative environments. The social one consists of the four concentric circles.

After looking at the static and dynamic relations between normative environments and concentric circles, I have shown how the American business community is seen in the eyes of the Japanese business people with the two normative logics and concentric circles' ethics. And I have indicated why some American business practices are regarded as unethical by the Japanese business community.

Finally, I have focused upon the ethical issues rooted in Japan. In order to suggest the ethical directions in which the Japanese business community should proceed, I have extracted the "prime values" of the normative logics and concentric circles' ethics.

I conclude that: 1) From the transcendental prime value, the Japanese business community has to change its discriminatory organizational climate. 2) From the group prime value, it has to alter the group-centered climate into a democratic ground. 3) From the prime value of the concentric circles' ethics, it has to have access channels open to every newcomer.

As is often pointed out, these ethical suggestions might hurt the efficiency or competitiveness of Japanese corporations. Because of this, I have to discuss them in relation to those economic factors, too. What is more, in order to proceed in the direction of the suggestions, each corporation will have to establish its own concrete code of business ethics.

Notes

I wish to thank Prof. Thomas W. Dunfee and Prof. Richard T. DeGeorge, Prof. Thomas Donaldson, and Prof. Norman E. Bowie, for their valuable comments and advice with business ethics and my terminology. I also extend my heartfelt thanks to Miss Mollie B. Zion for her many useful suggestions.

¹The present Chairman of *Doyukai* is Takashi Ishihara (Chairman of Nissan Motor). It is composed of about 1500 executives and a Subcommittee on "Corporate Citizenship" was

established in April, 1990. The present Chairman of *Keidanren* is Gaishi Hiraiwa (Chairman of Tokyo Electric Power). It is composed of about 940 corporate executives and it established a "Committee on Corporate Philanthropy" in February, 1991. The other business associations in Japan have not yet created specialized committees of business ethics.

²Keizai Doyukai, *Heisei Gannendo Teigen Ikensho Shu (Annual Report of 1989: Proposals and Opinions)*, (Tokyo: 1990), p. 91.

³*Ibid.*, p. 92.

⁴*Ibid.*, p. 92-93.

⁵The original idea of the "normative environment" is the "semantic cosmos" proposed by J. Kyogoku. J. Kyogoku, *Nihon no Seiji (Politics of Japan)* (Tokyo: Tokyo University Press, 1983).

⁶J. Kyogoku, *ibid.*, pp. 139-88. H. Abe, M. Shindo and S. Kawato, *Gendai Nihon no Seiji (Politics of Modern Japan)* (Tokyo: Tokyo University Press, 1990), pp. 235-39.

⁷J. Kyogoku, *op. cit.*, pp. 137-38. The philosophy of the great life force is explained in detail in M. Tsushima, *et al.*, "*Shinshukyo niokeru Seimeishugiteki Kyusaikan*" (Life-oriented Salvation in the Japanese New Religions), *Shiso (Thoughts)* (Nov., 1979), pp. 92-115.

⁸The closest translation of the Japanese term is "uni-variety normative environment." The concept, a difficult one even for the Japanese, does not translate easily into English. I am using the term, "transcendental" in its sense of placing emphasis on "the primacy of the spiritual and intuitive over the material and empirical" from the definition of "transcendentalism" in *Webster III New International Dictionary*. Prof. Thomas W. Dunfee kindly suggested to me the term, "transcendental normative environment."

⁹Taoism criticized Confucianism, saying that Confucianism had constructed an artificial society. For Taoism, formulating manners and requiring people to learn them meant making an artificial society. Taoism regarded this society as immoral. Buddhism also exerted its influence on ordinary people, establishing its own cosmology and metaphysics which Confucianism lacked. Confucians, therefore, aiming at strengthening its influence on common people, developed and elaborated its cosmology and metaphysics in 11th century. It was "neo-Confucianism" or the doctrines of Chu-tzu (1130-1200) that underwent these philosophical changes. K. Miura, *Shushi (Chu-tzu)* (Tokyo: Kodansha, 1979), pp. 35-263. N. Kaji, *Jukyo towa Nanika (What is Confucianism)* (Tokyo: Chuokoronsha, 1990), pp. 170-217.

¹⁰K. Miura, *op. cit.*, p. 28.

¹¹K. Fujita, *Jinsei to Bukkyo (Life and Buddhism)* (Tokyo: Kosei Shuppansha, 1970), p. 54.

¹²J. Kyogoku, *op. cit.*, p. 164.

¹³S. Yamamoto found a prototype of the spirit of Japanese capitalism in the Buddhism of Seisan Suzuki (1579-1620). Yet, the logic is almost the same. That is, all people, whether peasants, merchants, priests, or warriors, can enter Nirvana, if they concentrate on their own calling with sincerity and faithfulness. S. Yamamoto, *Nihon Shihonshugi no Seishun (Spirit of the Japanese Capitalism)* (Tokyo: Kobunsha, 1979), pp. 118-41.

¹⁴M. Imai, *Kaizen* (New York: McGraw-Hill Publishing Company, 1986), p. 34.

¹⁵J. Kyogoku, *op. cit.*, pp. 182-83.

¹⁶In 1991 (from March, 1991 to February, 1992), 2.77 million Japanese changed jobs. Although this figure is the highest since 1984, the figure accounts for only 4.4 percent of the labor force. *The Philadelphia Inquirer* (July 25, 1992).

¹⁷One of the typical ways to avoid face-to-face confrontation is "*Nemawashi*." This is taken by those who want to propose some new ideas to the group. They explain the content of the ideas in detail and in advance to the conservatives, for the purpose of both eliminating

their doubt and anxiety about the new proposal, and also to get the conservatives' understanding, compliance, and support.

¹⁸According to *Nihon Minzoku to Nihon Bunka* (*Japanese People and Culture*), the origin of this propensity is found in *Kojiki* (*The Legendary Stories of Old Japan*) as follows: "Compared with Christian mythology, Japanese mythology shows its vivid characteristic. In Christianity, the world is completely synthesized with the absolute God who stands at the central point. A standard of good and evil is made clear there. On the contrary, in Japanese mythology, although *Amaterasu* and *Susanou* (Japanese ancient goddess and god) are opposing each other, *Kojiki* did not show the absolute standard (central position) of good and evil. After all, opposition between them comes to balance. If we call the structure of Christian mythology a centrally-unified-type, we can call that of the Japanese *chuku kinko* (balanced-vacuum) type." N. Egami, *Nihon Minzoku to Nihon Bunka* (Tokyo; Yamakawa Shuppansha, 1989), pp. 430-31.

¹⁹J. Kyogoku, *op. cit.*, p. 161

²⁰*Ibid.*, pp. 161-62.

²¹*Ibid.*, pp. 191-94. This kind of framework of social conception is also used by T. Doi. T. Doi, *Amae no Kozo* (*Structure of Amae*) (Tokyo; Kobundo, 1971), pp. 33-37.

²²T. Doi, *ibid.*, pp. 38-43.

²³It is said that the original idea of this philosophy came from Confucianism, because Confucianism placed emphasis on a virtue of filial piety. But the virtue of filial piety has long been extended and made sophisticated in such a way as to include various virtues not only toward parents and ancestors but also toward nature, social benefactors, descendants, and so forth. Namely, neo-Confucianism has considered that the universe, the natural environment, ancestors, and the community allow a person to live on this earth. The person can never enjoy innumerable favors unless they support his or her existence and life. Therefore the person has to give benefits willingly to society, offspring, and others as a token of his or her gratitude to nature and benefactors. N. Kaji, *op. cit.*, pp. 51-86, and pp. 185-210. This ethical idea is also said to have been nurtured or strengthened by Buddhism. Buddhism says that what makes it possible for a person to live is not due to his or her own power, but due to others' support and sacrifice. If we look back to the past, we can say that every person's life depends on his or her parents, grandparents and other ancestors. If we look around our society, we cannot help admitting that not only other people surrounding the person but also many animals and plants support his or her life. Buddhism regards these benefits as ethical debts the person owes, and therefore insists on the necessity to repay these debts to nature, society, descendants, and the like. K. Fujita, *op. cit.*, pp. 84-112.

²⁴R. Benedict, *The Chrysanthemum and the Sword: Patterns of Japanese Culture* (New York: Meridian, 1946).

²⁵K. Imai, and R. Komiya, *Nihon no Kigyo* (*Japanese Corporations*) (Tokyo: Tokyo University Press, 1989), pp. 131-58.

²⁶As for the triangular relationship among Japanese business leaders, bureaucrats, Liberal Democrats, see F. K. Upham, *Law and Social Change in Postwar Japan* (Harvard University Press, 1987), pp. 14-16.

²⁷N. Kaji, *op. cit.*, pp. 70-77. Y. Yuasa, "Shakai Seiji Shiso" (Chinese Philosophy of Social Politics), *Shiso Gairon* (*Summary of Chinese Philosophy*), edited by Akatsuka, Kanaya, Fukunaga, and Yamanoi (Tokyo; Taishukan Shoten, 1968), p. 307.

²⁸When Sony, Kyocera, or other newcomers faced difficulties in entering an existing Japanese market, they tried to succeed in doing business in the international market, especially in the American market. Once they succeeded in that market, they were highly

appreciated and welcomed by big companies at home in Japan. These historical facts show vivid examples of opening attitudes of Japanese corporations. I. Taka, "*Kigyoka no Shinnen Taikei to Soshiki no Kyuseicho* (Belief System of Entrepreneurs and Rapid Growth of Organizations)," *Waseda University Shokei Ronshu* (No. 44, 1983), pp. 1-24.

²⁹E. Hamaguchi, "*Nihon Rashisa*" no Saihakken (*Rediscovery of Japaneseness*) (Tokyo; Kodansha, 1988), pp. 66-67.

³⁰Hamaguchi calls this trait "outside-in." Hamaguchi, E., *ibid.*, pp. 305-16. And Imai calls it "market-in." M. Imai, *op. cit.*, pp. 52-54.

³¹J. Kyogoku, *op. cit.*, p. 218.

³²*Ibid.*, p. 222.

³³Although I do not deny that there is also a discrimination based on specialty in the Japanese society, the discrimination in Japan seems to be less serious than that in America.

³⁴According to a survey, 80 percent of respondents (104 employees of publicly traded companies) think that a corporation should be for its employees, and 77 percent think that a corporation actually exists for its employees (multiple answers). *Nikkei Sangyo Shinbun* (April 23, 1990).

³⁵This practice was basically formed for a purpose of defending Japanese industries from foreign threats. But at the same time, Japanese people thought this threat might destroy the employee-centered management. T. Tsuruta, *Sengo Nihon no Sangyo Seisaku* (*Industrial Policies of Post-War Japan*) (Nihon Keizai Shinbunsha, 1982), pp. 121-30.

³⁶W. C. Kester, *Japanese Takeovers: The Global Contest for Corporate Control* (Cambridge: Harvard Business School Press, 1991), pp. 258-59.

³⁷*Mainichi Daily News* (May 15, 1990).

³⁸According to the United Shareholders Association, in 1991, corporate profits fell by 7 percent, while pay of chief executives advanced an average 7 percent. *The Philadelphia Inquirer* (February 16, 1992).

³⁹R. Iwata has pointed out that when Japanese corporations face radical increases or decreases of the work load, they have coordinated 1) the amount of overtime work, 2) the number of the orders to their subcontractors, and 3) the number of their reserved employees such as female and part-time work force. R. Iwata, *Nihon no Keiei Soshiki* (*Japanese Management Organizations*) (Tokyo; Koudansha, 1985), pp. 62-68.

⁴⁰The income gap between executives and employees has been relatively narrow. For example, in 1988, the average president's annual salary of the main Japanese corporations was about \$230,000, which was only 7 times as much as that of the new employee. *Nihon Keizai Shinbunsha, op. cit.*, pp. 190-91

⁴¹The Japanese Fair Trade Commission, "*Kigyokan Torihiki ni kansuru Chosa* (Research on Corporate Transactions)" (Tokyo: JFTC, June 1991). The Japanese Fair Trade Commission, "*Kigyo Shudan no Jittai nituite* (Research on Corporate Groups)" (Tokyo: JFTC, Feb. 1992). These latest reports conclude that Japanese business practices and corporate groups are not monopolistic.

⁴²According to a FTC report, most of the foreign electronic part makers give up too easily in their attempts to start a new business with the Japanese assemblers, once they are rejected. They are reluctant to ask the assemblers about the problems their products have. In the case of Japanese part makers, they ask many times about it, and make efforts to improve their products. Through this interaction, they become trustworthy partners of the assemblers. The Japanese Fair Trade Commission, "*Kigyokan Torihiki ni kansuru Chosa* (Research on Corporate Transactions)" (June 1991), p. 44.

⁴³Not only in consumer electronics, but also in ship-buildings, synthetic textiles, and gas, continuous transactions can be found as a characteristic. But this does not mean that newcomers are excluded. If they are excellent at product quality or cost, they can be new contractors. The Japanese Fair Trade Commission, *Annual Report of The Japanese Fair Trade Commission: White Paper of Antimonopoly* (Tokyo: JFTC, 1991), pp. 88-92.

⁴⁴The Japanese Fair Trade Commission, "Kigyokan Torihiki ni kansuru Chosa (Research on Corporate Transactions)" (June 1991), pp. 36-41.

⁴⁵*Ibid.*, p. 15. This ratio is "the total of the ratios of the number of issued stocks owned by the other group corporations against the total number of the issued stocks divided by the number of group corporations."

⁴⁶From 1981 to 1988, the ratio of sales for the same group corporations declined from 10.8 percent to 7.28 percent, the ratio of purchases from the same group corporations declined from 11.7 percent to 8.10 percent, respectively. The Japanese Fair Trade Commission, "Kigyō Shudan no Jittai Nituite (Research on Corporate Groups)" (Feb. 1992), p. 31.

⁴⁷*Ibid.*, p. 93. From 1981 to 1988, the ratio of group corporations which accept directors from the rest of the same group of corporations declined from 69.79 percent to 62.26 percent.

⁴⁸The Japanese Fair Trade Commission, *Annual Report of The Japanese Fair Trade Commission: White Paper of Antimonopoly* (1991), pp. 76-85. As for the American market, on the contrary, it is said that the capital concentration on the top 100 has been stable. I. Taka, and W. Laufer, "Japan and Social Control: New Perspectives on Trade with a Mediator-Centered Society," *International Association for Business and Society: 1993 Proceedings* (San Diego: March 1993), p. 146. T. Nanbu, "Nichibei Sangyo Soshiki no Dotai Hikaku (Dynamic Comparison of the Japanese and American Industries)," *Nihon Kigyo no Dynamizum (Dynamism of Japanese Corporations)*, ed. by H. Uzawa (Tokyo University Press, 1991), pp. 19-23.

⁴⁹Recently IBM, Toshiba, and Siemens announced a three-way collaboration to develop a memory chip. Challenging this alliance, Advanced Micro Devices and Fujitsu announced a joint venture to develop a new type of chip. They can be regarded as latest examples of foreign companies' efforts to enter Japanese fellow circles. *The New York Times* (July 14, 1992). And also 30 percent of foreign interest groups such as corporations in Japan hold retired Japanese bureaucrats and give them high positions. In contrast only 19 percent of Japanese counterparts employ them. Y. Tsujinaka, *Rieki Shudan (Interest Group)* (Tokyo: Tokyo University Press, 1988), pp. 196-97.

⁵⁰Not only *Doyukai*, but also *Keidanren* places emphasis on "fairness." Mr. Gaishi Hiraiwa, chairman of *Keidanren*, insists that "it is essential that we establish fair rules and systems of the kind that can be understood by everyone." *Keidanren Review on Japanese Economy* (No. 131, Oct. 1991), p. 2.

⁵¹This logic also seems to be applied to only the Japanese people. In the recession of the early 1990s, the Japanese major companies, which once employed many Japanese South Americans (e.g., Brazilians) in the time of economic boom, have begun laying them off. To be sure, since most of them are part-time workers, the Japanese corporations might be able to treat them as a buffer against the business cycle. But if I look at this practice from the viewpoint of the transcendental prime value, this appears discriminatory.

⁵²Nonetheless, this dependent trait does not mean the complete dependence of Japanese corporations on the Japanese government. Just as individuals live in the transcendental normative environment, so corporations live in the transcendental environment. Therefore, if agencies act excessively to require the corporations to follow administrative orders, relations between the agencies and corporations come into conflict. T. Tsuruta, *op. cit.*, pp. 201-10.

⁵³In fact, in the same annual report, in the light of this trait, *Doyukai* proposed the following three reforms to Japanese corporations. 1) "We should contribute to the world with the spirit of noblesse oblige." 2) "We have to be able to express our way of thinking in an adequate and easily understandable manner." 3) "We must understand and accept a variety of values and behavioral manners of other people." Keizai Doyukai, *op. cit.*, pp. 156-57.

⁵⁴H. Okumura, "Shoken Sukyandaru de Towareteirumono (What are Real Problems in the Securities Scandals)," *The Keizai Seminar* (No. 443, Dec. 1991, pp. 17-22).

⁵⁵Of course, it is often said that Japanese workers or employees more positively participate in the corporate decision-making than the counterparts of the other countries. But what the Japanese can suggest is limited to the routine work.

⁵⁶According to a *Keidanren*'s survey, 96.8 percent of respondents (managers) say "Efforts should be made to reduce working hours and respect personal freedom in light of the growing tendency to seek leisure and comfort." *Keidanren Review on Japanese Economy*, *op. cit.*, p. 3.

⁵⁷*The Philadelphia Inquirer* (Jan. 16, 1992).

⁵⁸In fact, G. Hiraiwa has suggested "economic activities based not on fair rules but on Japanese customs and practices that emphasize interpersonal relationship, such as unspoken communication and tacit mutual understanding, no longer hold water even in Japan." *Keidanren Review on Japanese Economy*, *op. cit.*, p. 2.

⁵⁹A. Negishi, "*Kigyo Keiretsu no Ho Kozo* (Legal Structure of Industrial Groups)," *Kigyo Keiretsu to Ho (Industrial Groups and Law)*, A. Negishi, Y. Tsuji, K. Yokokawa, & M. Kishida (Tokyo: Sanseido, 1990), pp. 1-68.

⁶⁰We should not forget that the trust-based relation sometimes tends to be illegal. For example, recently a Japanese parcel-delivery firm, Sagawa Kyubin, through its Tokyo subsidiary, gave about \$4 billion in loans and guarantees to several corporations, without receiving interest payments, for the purpose of establishing and maintaining a favorable fellow circle. Unquestionably, this is illegal. Moreover, Sagawa Kyubin is believed to have given more than 100 politicians (one in seven members of the Diet) some handouts, in order to make political friends in the fellow circle, expecting that the political friends would help Sagawa to expand its business in the long run. This case also shows that the tendency to construct and maintain long-term reciprocal relations could be illegal. *The Economist* (Feb. 1-7, 1992), p. 38.

Copyright of Business Ethics Quarterly is the property of Philosophy Documentation Center and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.