

Recent Trends in Business History in Japan

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OVERVIEW OF BUSINESS HISTORY IN JAPAN

One of the characteristics of business history in Japan, as well as in other countries, is its interdisciplinary nature both in studies and scholars. In fact, when the Business History Society of Japan was organized in 1964, main sources of recruitment of members were the four existing academic disciplines dealing with the subject -- socioeconomic history, general history, business administration, and sociology. Corresponding to the variety of its members, the society's activities have been largely those promoting interdisciplinary studies and research as reflected in the topics of the papers presented in the meetings of the society and in the monographs in its journal, *Japan Business History Review*.

The number of business historians, computed from the membership list of the society, is about 540, of which 66 percent are doing work in Japanese studies and 34 percent are in foreign studies. In both categories there are included a few members who are covering more than two countries in an attempt to explore a new field of international comparison or are working with theories and methodologies. Perhaps we have more business historians doing foreign studies than other countries; but this is a peculiar phenomenon of our social sciences inherited from the days when Western civilization was introduced a century ago. However, as to the trends of preference of business historians, there is appearing a new trend. That is to say, just as the foreign specialists are gradually becoming interested in domestic affairs, so the Japanese specialists are more and more interested in foreign affairs; and indeed, in the annual meetings, it is becoming necessary to reconsider our traditional way of doing things, in which we have two sessions, that is, a Japanese session and a foreign session, at the same time in different locations. Presumably, the more deeply we dig into specific subjects of study, the more specialization will increase, on one hand but, on the other, the increasing tendency to be interested

in international comparisons will work as a counterpower to offset the differences in the countries treated, and eventually the borderline between the domestic and the foreign study will be vague.

It is proper here to say a few words about the relationship between business history and the affiliated disciplines from which many of us were recruited. In general, most of us are also members of related societies, such as economic history or management science, and opportunities are often provided to contribute to the development of these related disciplines by throwing light on aspects which had been either neglected or unexplored. But now business history has ceased to be regarded as a subspecies of one of the existing disciplines and has established its own identity in academic circles. In addition to this, in these few years, a second generation is quickly emerging. Contrary to us, the first generation, the members of this group are 100 percent business historians trained in graduate school to become professionals, although it seems to be rather hard for them to acquire the balanced knowledge of various subjects necessary to become all-round business historians.

JAPANESE STUDIES

Recently the six-volume *Studies in the Business History of Japan* was published. The title of each volume, which will give you some idea about the areas of our interest, is as follows:

Entrepreneurship in the Edo Period; Industrialization and Entrepreneurship; Zaibatsu in Japan; Enterprise and the State; Japanese Type Business Management; and Business and Society.

As reflected in the titles in the series, attention has been paid to the long-run entrepreneurial activities of those big businesses which later came to be known as Zaibatsu. Attention has also been given to the various factors influencing business activities, among which the role of the government is recognized as being more important in the countries developed late, such as Japan, than in Western Europe and the US. Incidentally, the role of the government in industrialization and the resulting economic growth was selected as a main theme of the International Conference on Business History held 5-9 January of this year (which I shall mention later). Another area which Japanese business history has been emphasizing is cultural factors in society expressed in such terms as social status, prestige, goal, attitude, and so on, although in the case of Zaibatsu, the family system was taken into account as being one of the most important factors determining the way in which business was managed.

As an example of the current trends of business history in Japan, I would like to introduce you to what we did at the annual meeting of the Business History Society held on 5-6 November 1977, in Kyoto. The general theme of the plenary session was "The Comparative Study of Zaibatsu in History," and five papers were presented.

Following the introductory paper presented by Y. Sakudo, four papers treating specific subjects were read. First was the paper by S. Yasuoka on the comparison between the Japanese Zaibatsu and the family enterprises of other countries, namely, the Rothschilds of Europe and the Du Ponts of the US. His conclusion was as follows:

(1) As to the effort to restrict investors only to family members, there is not much difference. Perhaps it is possible to generalize that as long as enterprises were able to remain self-financing, the owners would try to exclude outsiders and only when they felt it unavoidable to introduce outside funds for various reasons, would they reluctantly offer stock to the public.

(2) Concerning the proprietary rights and the qualifications of partners, there is a great difference. In the Rothschilds, for example, transfer of interests among the family members, such as from father to children, was often observed, while in the case of the big merchants of the Edo period as well as Zaibatsu during and after the Meiji period, no such cases are found. That is to say, in Japan family members were rigidly prohibited from disposing of their interests at their own will. In both the Rothschild and the Du Pont enterprises, partners were generally qualified persons taking responsibility for management, but in the Japanese case, there were often family members with neither the ability nor the will to run businesses despite part-ownership.

(3) To cover such a weakness inherent in family ownership and maintain the business, it was necessary to entrust complete authority to hired managers (whose careers were very like those of Horatio Alger's heroes). However, the relationship between owners and managers was fairly unique. Management authority was usually transferred not by written contract but by rather an informal promise based on personal faith. In return for such reliance of the owners, the managers were expected to devote themselves entirely to maintaining the owners' reputations in their businesses.

Then, how were decisions made in Zaibatsu enterprises? In his paper, H. Morikawa treated this problem in relation to the strategy of diversification widely adopted by them. According to his analysis, in such Zaibatsu enterprises as Mitsui, Sumitomo and Furukawa, almost all the important strategic decisions were made through a "bottom-up" of suggestions, although there were a few instances of a "top-down" process. In other words, a sys-

tem of decisionmaking from the "bottom-up" was institutionalized. That is, suggestions calling for serious decisions were usually brought up by employees, to which the directors of the Zaibatsu family had to respond. Morikawa explained this in terms of the scarcity of human resources. In the early part of the Meiki era, when Japan began industrializing her economy, the supply of engineers with higher education as well as acquaintance with modern technology was limited; and these scarce engineers wished to demonstrate their ability in their professional fields. In addition, they viewed their activities as paving the way not only to the technological advancement of the business, but also toward increasing the national wealth and strength. In order to achieve these dual objects, they eagerly pushed forward new business ventures based on the imported technology. Thus by taking advantage of the limited nature of the supply, they were able to put strong pressure on timid directors to accept their suggestions for new ventures. Morikawa also said that the reason the Zaibatsu enterprises adopted a strategy of diversification can be explained in the same context; for it was more economical for the enterprises to apply the technical abilities of the few engineers available in as many ventures as possible.

The next paper was about control of corporations. Can the same trends shown in *The Modern Corporation and Private Property* by Berle and Means be observed in Japanese corporations? This was the subject presented by H. Masaki. Following the American case, Masaki analysed the 200 largest Japanese corporations in 1936 and found that while 44 percent of the largest American ones in 1929 were under managerial control, about 60 percent of the Japanese ones were controlled by their owners, though the fact that about 40 percent were managerially controlled should not be overlooked. Concerning trends, he said that Japanese corporations were clearly going in the same direction as the American. However, he mentioned a peculiarity in the Japanese case. That is, while the non-Zaibatsu or new-Zaibatsu type enterprises were under the control of either professional managers or owner-managers, in the established old Zaibatsu concentration of control was increasing, and it seems to have acted as a counter-revolutionary force opposed to the "corporate revolution." This can be explained in terms of the closed character of finance of Zaibatsu enterprise.

The final paper was another comparison between American and Japanese businesses by M. Tsuchiya. He analyzed the differences between the two by using two frameworks, the economic opportunity and the factors restricting expansion. As to the first issue, he said that in America economic opportunity for establishing big business came with the formation of a national market and the resulting mergers of competing enterprises, or with the development of new products for the national market; while in Japan, it was

found in the substitution of domestic products for imported ones of the same sort which took place after the formation of a national market for them. Therefore, in America only those who could acquire a competitive position in the business of established products or who could foresee a potential demand for new products were able to grasp economic opportunities, while in Japan, the ability of entrepreneurs to make use of existing economic opportunities rather than that of recognizing them was far more important. On the second issue, Tsuchiya mentioned the financial ability of enterprises as being the most decisive factor. It is true that the availability of original funds was a determining factor for business inauguration. However, once started, the extent to which additional funds were available was a restricting factor for business expansion. In America investment bankers such as J. P. Morgan were able to accumulate large fortunes when the capital market was still immature. In contrast, in Japan Zaibatsu could expand their businesses because of their self-financing ability by possessing their own banking businesses. As another restricting factor for expansion, he mentioned the problem of managing large-scale enterprises.

FOREIGN STUDIES

So far as historical studies on the foreign countries are concerned, there is a rather long history. Especially in the field of economic history, from which a large number of business historians were recruited, much information has been accumulated. From the early part of the 1930s to the end of World War II, partly because of government suppression against the critical studies on Japanese capitalism, and partly because the interest of scholars was turned to seeking ways to modernize Japan, the process of economic development in Western European countries was intensively studied, resulting in the formation of a new field, comparative economic history. However, until up to the end of the 1950s, the scope of this group seemed to be limited to rather a narrow and specific segment of the economy as shown by the fact that at one time studies on the processes involved in "transition from feudalism to capitalism" were the most popular fields. Their research tended to end at the point when the Industrial Revolution began. Nevertheless, the historian's interest has been shifting recently to the economy of the 19th and the 20th centuries and the scope of studies is widening. With the emerging of business history as a separate discipline, historical studies of foreign economies began to expand both in extent and intensity of material covered.

Among the contributions of those doing foreign studies has been the introduction to Japanese scholars of work done abroad.

Although it was in the 1930s that the pioneer work of N. S. B. Gras was first introduced to Japan, from the 1950s on, the pace of importation of material about both business and entrepreneurial history has greatly increased, providing stimuli for economic historians, and eventually leading to the formation of the Business History Society of Japan.

Another contribution of students of foreign studies is the translation of books published in foreign countries, making them available for general readers. Presently there is a long list of Japanese editions of foreign books, although the subjects depend upon the personal interest of the translators rather than any kind of system. In addition, all the translators are not necessarily equipped with perfect ability in both foreign languages and the specific field of study. Which book should be translated and who should have the responsibility for translation is a problem to be solved in the future.

One of the factors restricting foreign studies is the shortage of materials available, and it used to be the rule that the effort put into the search and the luck in finding material determined the quality of a work. However, with the development of reprint technology as well as of the reprint business, the barriers to collecting materials have largely disappeared except in the case of original sources such as company records or personal papers. But again, here in Japan, the library system, regardless of whether public or university, does not work well and information concerning location of materials is scanty. As a result, published material is uneconomically purchased by many different institutions, but rare books are often not to be found except by accident.

For the student of foreign studies, one of the most convenient secondary sources of information is a company history, although some are well prepared and very useful while others are poorly written and totally useless. Anyhow, the recognition of the importance of company histories published in foreign countries has led the Business History Society in Japan to launch a program to provide its members with information on their availability in the main libraries. We sent a questionnaire to the members asking to check them in their libraries. Eventually a massive amount of information was gathered, so now editors are in the process of compiling it to make a catalog indicating locations, which will be published in the near future under the title of *A Catalogue of Business and Entrepreneurial History of Foreign Countries* as a memorial publication of the society's 10th anniversary.

INTERNATIONAL EXCHANGE

Sponsored by the Taniguchi Foundation, the Business History Society of Japan has been holding international conferences on business history known as the Fuji Conference for the past five years. Although the first series ended with this year, the second series will start next year and continue for another five years. Inviting a few business historians from abroad as well as foreign students studying in Japan, the conferences have been held in the early part of the year at the foot of Mount Fuji. The purpose of the conferences is to promote comparative studies on business history as well as to deepen mutual understanding through communication. The general themes of the past five years have been as follows:

Strategy and Structure of Big Business, Social Order and Entrepreneurship, Marketing and Business Finance, Labor and Management, and Business and Government.

During these conferences, there was much discussion about the differences and similarities between businesses in various countries, but in most cases, the main issue was comparison between Japanese business and that of the West including the US and not a few things were made clear in the discussions. Take the seniority system or the life-time employment system, for example. Japanese business historians have regarded them as being peculiar characteristics of Japanese business based on our own social structure, but many foreign participants did not think so and presented evidences of the same systems in firms of their own countries, although it was accepted that in the Japanese businesses there are some peculiar features in the relationship between employers and employees as well as employees themselves, which lead to increased efficiency of the enterprise as a whole.

Without a doubt these international conferences have contributed a great deal to raising our academic standards by acting as a stimulus to business historians. Nevertheless, there seems to be a so-called communication gap between the foreign participants and us, mainly because of the linguistic difficulties. Perhaps foreign participants would have liked to know more about Japanese business characterized by the Zaibatsu-type big businesses than they actually acquired, and unfortunately our group did not seem to be able to persuade foreigners to consider deeply the contentions presented in our papers. We should try to improve communications in the future.

METHODOLOGIES

As mentioned before, regardless of whether Japanese study or foreign study, the interest of Japanese business historians

is becoming directed toward international comparisons. Just as the former look at cases of foreign countries from the Japanese point of view, so the latter study foreign affairs by keeping in mind the reality of Japanese business history, although this does not mean that we can neglect studies made by foreign scholars. Rather we must be very careful to keep up on the trends of business history abroad for both improvement in methodology and new material.

Together with such a trend, specialization within the discipline is proceeding further. In fact, such segments of the study as the process of decisionmaking in the firm; relationship between strategy and management structure; cultural factors determining the character of business as well as that of the entrepreneur; the government role in industrialization; business diversification and its historical meaning, are becoming specific fields of research calling for more intensive studies.

Finally, I would like to say a few words on the methodology. When economic history was prevailing in historical studies, the Marxian theory of economic development involved in the chapters of *Das Kapital* and other works was widely adopted as a tool for analysis, and this theory was thought useful as long as the historians' object was to find feudalistic elements in Japanese society and to show the way toward modernized society. Together with Marxian theory, that of Max Weber has been adopted by some business historians as well as economic historians and his *Die protestantische Ethik und der Geist des Kapitalismus* is even now one of the most popular textbooks for students of business and economic history. For various reasons, the theory of neoclassic economics seems not to suit Japanese business historians' taste, although they often treat problems which might be better explained by adopting the marginal concept. However, the new economic history developed in the US appears to be gradually influencing traditional economic history in Japan.

For business historians, by the very nature of "hybrid" in discipline, a wider range of theories has been available, and in fact, in our historical analysis of business enterprises, the effectiveness of various theories developed by scholars such as Alexander Gerschenkron and Alfred D. Chandler is being tested in the attempt to develop a theory of general business history. Perhaps what we have to do in our effort is to train ourselves to build our own model or hypothesis to be tested by historical evidence. At the same time, it is necessary to develop better means of communicating with foreign scholars so that our work will be evaluated or criticized according to international standards. For this reason, the recent joint venture of J. Hirschmeier and T. Yui in writing *The Development of Japanese Business, 1600-1973* (1975) and some other efforts by the Japanese business histo-

rians are promising tendencies. Also for the same reason, we hope that the Fuji Conferences and their proceedings being published in English will be an ice-breaking function.