



CORPORATE PLANNING PRACTICES IN JAPANESE MULTINATIONALS

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Corporate Planning Practices
in Japanese Multinationals¹

Corporate planning practices in 19 Japanese multinationals are examined in terms of a set of theoretical premises for corporate planning. Deviations of the existing practices from the premises are identified and partly explained by socio-cultural characteristics peculiar to Japanese management. Perspective for change is also discussed.

This study defines a set of theoretical premises for corporate planning and evaluates the state of corporate planning in 19 large Japanese firms within those defined premises. Divergences between the defined premises and the existing planning practices are, in turn, partly explained by certain socio-cultural characteristics peculiar to Japanese management and partly by other non-cultural variables.

The sudden and rapid expansion of Japanese overseas direct investment since the 1960's has resulted in new challenges to corporate planning in Japan. Corporate planning decisions increasingly have had to take account of multinationally diversified opportunities, events, and consequences; information flows have increased geometrically in amount, diversity, and ambiguity; and communication barriers have developed because of the differences in time, language, and culture which are characteristic of multinational environments. Similarly, the relationships among the international divisions, product divisions, plants, corporate staff sections and overseas subsidiaries of Japanese corporations have become increasingly complex. All of these external and internal changes have created pressure on management to deal with increasingly more complex relationships of a greater number of variables over a longer time horizon. These pressures, in turn, have led to a recognition of the necessity for the development of corporate planning.

The initial enthusiasm for long-range corporate planning in Japan goes back to the early 1960's and centers on Keizai Doyukai (the Japan Committee of Economic Development) (Noda, 1969). This early zeal was part of the Japanese management modernization movement which expended tremendous effort to import modern management methods, mainly from the U.S.A.

Many Japanese firms instituted or reinvigorated corporate planning activities during this period (Kohno, 1967).

When one country attempts to adopt a management method that has been developed for another, an interplay between the two cultural rationales inevitably occurs. Corporate planning in the West is essentially a "rational" endeavor to set and achieve a feasible purpose most "efficiently", where both "rational" and "efficiently" are defined in terms of the values of Western culture (Weber, 1949; Parsons, 1952). Thus, in the West, the prime emphasis to date has been on the logical, deductive, scientific aspects of the process (Branch, 1966). When these original premises of Western corporate planning are interpreted and put into practice within the Japanese cultural environment, interactions between the two cultures create various problems which are interesting from the international and comparative management perspectives. It should be pointed out here, however, that the completeness of corporate planning is contingent upon many variables, only some of which are cultural. The problems are especially complex because the concept and practice of planning itself are not new in Japan.

Since there still is no generally-accepted theory of corporate planning (Steiner, 1969; Branch, 1966; Kohno, 1966), the first task of this paper is to define a set of theoretical premises which can serve as an adequate basis for an examination of the state of Japanese corporate planning.

SOME FUNDAMENTAL PREMISES OF CORPORATE PLANNING

The fundamental premises of corporate planning are defined here by specifying the crucial dimensions of a set of essential ingredients in the corporate planning process. The set of essential ingredients includes: objective, means,

implementation, and planning organization. It should be cautioned in the outset, however, that the set of premises that will be defined here is not intended to be definitive or exhaustive. There may be other premises, such as environmental monitoring, but for the present purposes we have limited ourselves to the following based on these four ingredients.

a) The Objective:

The objective represents the state of affairs which the firm aspires to achieve. The gap between the existing state of affairs and the state of affairs to which the firm aspires, however, is not necessarily complex enough to justify the cost of planning. Thus, not all objectives require planning.

The crucial dimension of the objective is its feasibility. When the feasibility is less than obvious because of the time span involved, the amount and diversity of resources required, or the uncertainty associated with any relevant events, the gap may be said to be complex and the objective requires planning. Here planning is viewed as a systematic effort to improve feasibility of a high-level objective. The feasibility assessment may force a redefinition of an initial aspiration since only a feasible objective is meaningful to a serious decision-maker.

An objective (e.g., a 15 per cent annual rate of growth in net profit) has a hierarchical structure consisting of subobjectives (i.e., nodes in PERT). These subobjectives are composed into time-phased programs of action to achieve the objective. Thus, the feasibility of the objective reflects the feasibility of the subobjectives. Objectives may be strategic objectives or operating objectives depending upon the nature of the programs required. Operating objectives may be achieved basically by continuous extension of past programs while strategic objectives require discontinuous change in these programs. Therefore, feasibility of the latter is less obvious than

that of the former, thus implying that the latter requires more planning. Objectives also may be long-range or short-range, depending upon the time span required for their achievement. As the time span increases, the need for planning usually grows. However, the level of planning technology² limits a planning span.

b) Means:

The second essential ingredient of corporate planning is the prescription of the means by which to achieve the objective. The means are specified by programs of action that are expected to achieve the objective (e.g., Steiner & Cannon, 1966). One crucial dimension of programs is consistency. The means prescribed for the attainment of a given objective must be consistent with each other on the two dimensions of time and function, as discussed by Ackoff (1970). We must add another dimension, however, for multinational planning -- that of space.

Time dimension: To achieve high-level objectives, various interdependent actions in the time sequence must be consistent with each other. Interdependence in the time dimension implies that the achievement of an objective at a future time n depends upon action at time $n-1$, which in turn depends upon action at time $n-2$, etc., which in turn depends upon action at time 0 or at present. In other words, to achieve the objective at time n most efficiently, all the preceding actions must be mutually consistent and conducive to achievement of that objective. This principle applies within each short-range plan and each long-range plan as well as among all plans of different spans in the temporal chain. All actions in the future obviously depend upon the present action, but the present action must also depend upon the anticipated future actions if a cumulative effect toward achievement of an objective is to materialize. For this reason, a plan is said to be a set of anticipatory

decisions that make today's decisions and actions meaningful in relation to a future objective. One plans for the future to make meaningful decisions today (Drucker, 1959).

Time-phased programs of consistent actions can be produced only in view of the present environment and present forecasting for the future. This means that as the "present" keeps changing with time, so do the programs of action. It also means that planning in part depends upon forecasting technology. A plan is, after all, a program by which to fill a gap between aspirations and actual conditions at a future point in time. The assessment both of actual conditions in the future and of the effects of a program designed to alter these conditions in the direction of aspirations requires forecasting. Forecasting is, therefore, an important tool for planning and good forecasting should increase the degree of consistency of actions in a time sequence.

Functional dimension: This dimension involves the functional divisions of labour within the organization. Usually these include R and D, production, marketing, finance, personnel, etc. The extent and nature of functional interdependence necessary in planning depend upon the organizational development of the firm. In any stage of organizational development, however, total corporate planning cannot meaningfully survive without consistency of decisions and actions among different functional activities.

Spatial or geographic dimension: If a firm exists in only one location, the problem in this dimension is reduced to the minimum. If, however, the firm has subsidiaries and/or branches in different locations, consistency in decisions and actions in these locations becomes problematic in relation to achieving the corporate objective. For a multinational corporation with subsidiaries and branches in many different countries the geographical consistency problem develops into a complex strategic problem.

In sum, a well-developed corporate plan is a program to develop internally consistent decisions and actions in relation to time, function, and space in order to improve the feasibility of the corporate objective. The extent to which consistency is achieved in the three dimensions is a function of the levels of aspiration, creativity, and planning skills within the organization and of internal and external constraints. However, the answer to the fundamental question as to whether corporate planning exists in an organization must involve an assessment of the degree to which there is a concerted effort to strive for such consistency.

c) Implementation:

After a set of objectives and programs (i.e., plans) has been formulated, implementation becomes essential in the planning process. The crucial dimension of implementation is its legitimacy. Legitimacy may be measured by the degree to which the implementation of plans provides a basis for managerial control within the organization. If the planning process becomes central in the management process, the implementation of plans may become an essential element in the process of control.

The process of control may be analyzed into directing, monitoring, evaluating, and correcting action within the organization. Direction now involves informing, leading, and motivating executors of the programs of action. Implementation of a plan always depends upon the goodwill and cooperation of individual executors and executing groups in the organization. Therefore, motivational consideration should be an essential part of corporate planning (Ramsden, 1973). Note here that culture begins to play a role as soon as motivational elements are involved. Monitoring has two phases: one is to check whether the actions taken by an executor correspond to the actions prescribed in the program; the other is to identify any gaps between

performance achieved and performance planned. In either phase, divergencies must be either eliminated or they must be analyzed and evaluated for corrective action on either the objective or on the program or on both. Personnel evaluation accompanies this entire implementation process.

d) The Planning Organization:

The formulation and implementation of plans necessitate a planning organization. Therefore, the three premises identified above jointly define the crucial dimension of the planning organization -- its responsiveness. The planning organization may be examined in terms of its structural attributes that will be responsive to the requirements of the preceding premises (Steiner & Cannon, 1966). First, the final responsibility for corporate planning must rest with top management in order for top-managerial objectives to be formulated within the realm of corporate planning. Second, planning organization also should penetrate the entire organizational structure in order for programs of actions to be consistent in all dimensions. Third, this penetrativeness is essential also if the control process is to be based on corporate planning.

CORPORATE PLANNING IN JAPANESE MULTINATIONALS

The premises outlined above formed the basis for an examination of corporate planning practices in 19 Japanese corporations engaged in multi-national business. Data were collected through interviews in Tokyo and Osaka. The sample consisted of the largest international investors in each of Japan's most capital-exporting industries including three in general machinery, three in electrical machinery, two in chemicals, three in textiles, six in trading, one in transportation machinery and one in foods. These firms' levels

Insert Table 1 about here

of multinational business involvement are shown by Table 1. In Table 1, general trading houses have been set apart so that their extreme values do not distort the picture in some areas. Every firm was well within the recognized definition of the multinational corporation according to at least one of the three criteria discussed by Aharoni (1971).

a) The Objective

Every firm in the sample had a short-range budget plan for the span of six months to a year. Fifteen of the 19 firms (79%) had intermediate objectives (twelve used a three year and three used a two-year time horizon). Eleven firms (58%) had long-range objectives (ten used a five-year horizon and one firm was engaged in 10-year planning).

Insert Table 2 about here

Excepting the short-range plans which are operational for the accounting period, the review and renewal pattern of a considerable proportion of the sample indicated a lack of feasibility assessment in objective-setting, thus ignoring to take notice of the first premise of planning. More than a third of those who said they were "engaged in intermediate planning" did not review or renew their objectives and programs until the end of the entire cycle of two or three years. The same was true of more than half of those who said they were "engaged in long-range planning." These plans were generally meant to be strategic in nature, but, clearly, no plan remains strategically sound or optimal for some three to five years under conditions of rapid environmental change. The statements of several interviewees, nevertheless, implied a persistent belief in some firms that the 5-year objective should remain valid for five years. Some of these firms stopped their intermediate- and long-range planning in the early 1970's when international monetary arrangements

began changing drastically and when petroleum supply and price entered a period of great uncertainty. Several of these planners were also critical of long-range planning during the interviews.

Two interpretations are possible. One is that these firms did not adopt the basic concept of planning, namely, that planning is undertaken essentially to determine what should be done "today", while the point in time called "today" is constantly changing. The other is that they had not developed the planning technology to cope with variables whose values change rapidly or erratically.

Another even more serious divergence from the feasibility premise was that in only five instances out of fifteen was the intermediate objective accompanied by clearly-stated strategic programs of action. Such programs were even fewer in the case of firms with long-range objectives. Long-range objectives, in particular, were conceived independently of programs, either as a set of wishful quantitative goals or as a set of broad policy guidelines. One planning officer said that corporate planning at his company consisted of identifying major problems and of creating an atmosphere conducive to the development of creative ideas and hard work within the company. This statement indicates that top management and the corporate staff formulated strategic objectives without careful feasibility assessment and hoped that individual strategic projects might emerge from below and from various units within the organization. These individual projects were not necessarily coordinated into an overall strategic plan, because individual plans could not be truly united without a top-managerial strategic framework. No evidence existed to prove that this was a direct outcome of the Ringi system,³ but the piecemeal character of Ringi was manifest in the phenomenon (Yoshino, 1968, Yamashiro, 1967; Sethi, 1975). Further, one can interpret the lack of an

overall plan to coordinate individual projects as a peculiarly Japanese pattern of top management leadership. Japanese leadership is renowned for its paternalistic traits where emphasis is on the leader's social ability to emotionally relate to his subordinates rather than on his individual functionality (Hazama, 1971; Tsuda, 1973).

b) Program formulation

Though many of the firms did not formulate programs of action explicitly, they usually had ideas and informal plans, particularly at the departmental level. With programs of action thus loosely defined, the functional and chronological consistencies in different units of the organization may be estimated by examining the bottom-up aggregation process vs. the top-down directive process.

Before we go further, a brief illustration of how the Japanese manufacturing MNC typically organizes itself is in order. The typical hierarchical structure is shown in Figure 1. Though some companies with narrow product

Insert Figure 1 about here

lines are functionally organized (four out of the 19 firms in the sample) the predominant pattern is one of product-based divisions and a separate international division. The product division is a basic profit center in many firms, but in other firms product divisions are grouped. The bases of departments and sections (i.e., functionally-based, geographically-based, etc.) vary a great deal from one firm to another and even from one division to another within the same firm.

About one-half of the companies in the sample formulated their plans essentially by the bottom-up aggregation process. Each section (the section was usually the smallest unit in the organizational hierarchy) compiled its

plan. The department then formulated its plan based on the plans of the sections under its jurisdiction. These departmental plans were aggregated into the divisional plans, which then contributed through groups toward the overall corporate plan. In some firms most leadership came from the divisional or group level and in others from the departmental level. In either case, however, the initial formulation and inter-unit adjustments were not based on an overall framework designed to create maximum consistency in the functional and chronological dimensions. This may be, in part, a reflection of the peculiar group-oriented leadership style characteristic of Japanese firms (Hazama, 1971).

The other half of the firms had both the bottom-up aggregation process and the top-down directive process. These two processes met and merged in the adjustment processes usually administered by the corporate staff, and, finally, the top management approved the synthesized plans. Most of the firms did not have any formal organizational organ, such as a planning committee, to adjust and coordinate the top-down and bottom-up plans, but this function was clearly there, usually in the form of multifaceted informal communication channels. Ample opportunities existed for these firms to achieve inter-unit consistencies.

One problem commonly mentioned in the entire sample was the time-consuming aspect of corporate planning, particularly in the bottom-up process. This problem led to a lack of flexibility in the reviewing/renewing patterns, thus fettering strategic planning to the extent of decisive disfunctioning in some cases. It seems likely that this prohibitive consumption of time was caused in part by the lack of planning technology and in part by the consensus-seeking behaviour typical of Japanese decision-making processes.

c) The Geographical Dimension -- International Operations Planning

Of the 19 firms in the sample, few had a full range of corporate planning procedures for their international operations. Eight firms formulated global strategic objectives in the form of broad guidelines for future development but none, with one possible exception, designed the strategic programs to achieve these objectives. The remaining eleven firms did not have any strategic plans although seven of them did collect one-year plans from overseas subsidiaries.

Japanese subsidiaries overseas are notorious for engaging in time-consuming processes of communication with their head offices before making strategic decisions. This appears to indicate that many firms have not formulated their strategic thoughts into an explicit plan that would enable them to respond to inquiries from abroad about strategic decisions. All the firms, however, did collect short-range fiscal control reports from overseas subsidiaries every month and every fiscal term (usually six months).

There are two possible reasons for the lack of international strategic planning. One is that most Japanese firms are still in the early stages of developing their international manufacturing operations. Overseas manufacturing operations still averaged only 4.2 percent of total worldwide production for the 19 firms and the mode and the median were both 3 percent (though the mean export proportion for the 19 firms was 28 percent, as indicated earlier). As a result, the international division was not a separate profit-center for two-thirds of the manufacturing firms in the sample. In the case of general trading companies, which were 32 percent of the sample, the profit responsibility for foreign subsidiaries was located within each product division.

The other possible reason may be an assumption that formal planning can be replaced by the common understanding and credibility nurtured through "corporate enculturation" in the pseudo-gemeinschaft relationship under the

permanent-employment system. Japanese organizations are considered by some sociologists (e.g., Hazama, 1971; Nakane, 1967) as pseudo-Gemeinschafts (as opposed to Gessellschafts) which behave as if they were spontaneously-arising organic social relationships characterized by strong reciprocal bonds of sentiment and kinship (e.g., family). Where the scope and/or uniqueness of the problem goes beyond the reach of the encultured judgement of the headquarters-sent local manager, however, the communication with the head office becomes lengthy and time-consuming.

d) Implementation:

The question here is whether the plan is monitored for effective implementation, performance evaluation, and feedback. Comments by the executives who were interviewed revealed a few deviations from the theoretical premise. Most of the firms in the sample regularly monitored their fiscal budget plans but few had a systematic procedure for monitoring their intermediate- and long-range plans. Even where monitoring did exist it was for the purpose of reviewing to what degree target figures had been achieved and how much of the budget had been expended and not for the purpose of evaluating the performance of individuals, departments, or divisions. Major criteria for performance evaluation came not from plans but from elsewhere, as explained below. Lastly, there was no systematic feedback mechanism in most firms.

Even if a firm does formulate a strategic plan, the usefulness of its planning activities is incomplete unless the plan is used as a basis for control. In fact, for control purposes, each firm had a set of standards based on the firm's past performance averages. These averages were typically expressed in such ratios as either profit or sales relative to debt, or to the number of employees, or to operating expenses, exchange loss relative to sales, and the like. It was the evaluation based on these standards, rather than evaluation

based on planning, that influenced annual bonuses. In the case of a leading electrical manufacturer, operating departments were so unconvinced and unaffected by corporate planning that they almost neglected their plans after they had formulated them. In another instance, in an oligopolistic industry, the operating departments usually spent a great deal of time in formulating three-year strategic plans, but the actual strategic decisions were made mainly in reaction to competitors' actions. A comment at a leading general trading company was that plans are impossible to use as a basis for performance evaluation because environmental changes are too rapid to allow fair evaluation!

There are several reasons for this pattern of Japanese corporate planning and control behaviour. First, since most of the firms had only strategic objectives and no explicit action programs, monitoring was not really relevant except to ascertain whether targets had been attained and whether the existing direction of development was generally in line. The direction of development was, in a way, established each time top management approved or disapproved an individual project proposal. Second, the primary purpose of corporate planning as viewed by some firms was not to formulate strategic programs and to implement them, but (i) to set up targets of endeavour and to draw the future portrait of the company, (ii) to unify managerial thoughts within the organization, and (iii) to create an achievement orientation and motivational effect in the organization. Given such limited, even if legitimate purposes, management had no basis for control and thus could only wait and hope that its aspirations would be fulfilled. The planning process even may have been considered to have ended before monitoring and feedback began. Third, one reason for not using plans as a basis for performance evaluation might have been the difficulty of including in the plans such Gemeinschaft factors as contribution to group harmony and cultivation of certain morale-creating

interpersonal relationships. Fourth, the common belief in the existence of equal capability in everybody implied that, insofar as everyone in the organization was working sincerely, the performance differential was a matter of chance rather than a matter of individual responsibility (Nakane, 1967, 1970). The basic philosophy was that there are good times and bad times for every department or division so that the organization as a whole should be responsible for performance differentials. Given this philosophy, it was unlikely that planning would be used for evaluation. Last, but not least, there was a lack of planning and forecasting technology. In many firms it took so long to plan that management became discouraged about the whole idea of corporate planning in the context of rapid environmental changes. They began to distrust corporate planning in general, not to speak of their distrust of corporate planning as a basis for the determination of individual promotion and bonuses. What seemed to be most difficult for the Japanese firms was to institute a device in their plans that would allow flexibility around those variables that were short-range or unpredictable. There was also a great deal of misunderstanding surrounding the basic concept of corporate planning. For instance, there were some corporate planners who believed that plans were not worthwhile if they needed to be reviewed too often or if they required feedback.

e) Planning Organization:

Planning organization charts seemed in perfect accord with the organizational premise. First, final responsibility for corporate planning lay with the executive council or the management conference in all the firms in the sample. Second, the planning organization coincided with the company's organizational structure in most of the firms. The top-down flow of strategic

objectives, if any, usually originated with the corporate staff, such as the coordination department or other organs close to top management and the bottom-up plans stemmed from virtually every unit throughout the organization. The planning activity was, in that sense, quite organization-wide; again, as theory advocates. Adjustments and coordination of the two flows were conducted first by the divisional staff and then by the corporate staff before submission to the executive council for approval. The fiscal budget plans were usually compiled by the accounting department while the intermediate- and long-range plans were compiled by the coordination department on the corporate staff level.

The planning organization in the head office for international operations, however, showed transitional characteristics. Though every manufacturing company in the sample had an international division, the functions and scope of the responsibilities of these divisions varied greatly from one company to another, and in most cases the planning organization of the international division was fragmented.

PERSPECTIVE -- EMERGING NEEDS AND RESPONSES

When multinationalization of Japanese business reaches a point where the ratio of overseas production to total world-wide production is as substantial as, say, 20 to 30 percent, an increased weight of international business markedly will enhance the need for a full range of corporate planning procedures. The main impetus will probably come from the increasing need for more efficient communication between the Japanese headquarters and localized foreign outposts on the one hand, and turbulence and uncertainty in multinational environments on the other. More specifically, the likely impetus to corporate planning will be a strongly-felt need to produce common visions and understanding (communication of long-range purposes), to motivate planners

overseas (participation in planning), and to control the executors of the plans (communication through the common reference), and thus to decentralize decisions without losing integration in ever-changing environments. Each of these needs implies very specific and clear requirements for each of the essential ingredients of the corporate planning process.

Firstly, strategic objectives must become longer-range and must accommodate a greater number of conflicting goals. The current response to the emerging needs is marked by some inconsistencies. First, some firms have long-range objectives but these objectives often are not supported by feasibility studies and thus the objectives do not go much beyond depicting the agreed future portrait of the firm and/or the targets for its efforts. Second, the style of top management leadership may accommodate conflicting goals but may fail to resolve such conflicts strategically. Most firms are reinforcing this by Ringi-oriented participative management involving the managers in the middle echelon. Since these basic traits of Japanese decision-making structure are deep-rooted in the culture, change may not be forthcoming in the foreseeable future. An increasingly fluid organizational structure will probably develop, however, to utilize the best available human resources in the organization. Another variance is related to the Gemeinschaft ingredients that so far have been largely excluded from the formal part of corporate planning. Although these ingredients will probably remain outside of the planning objectives, they are likely to influence vitally the future patterns of corporate planning in Japan.

Secondly, the impact of the emerging needs upon the formulation of programs of action is likely to lead to requirements for greater flexibility and for the coordination of more actions and more complex intra-organizational relationships. The current response to these emerging needs is not in the

form of corporate planning, but in the form of the development of well-knit communication channels and vertically-linked group orientation under the permanent-employment system. In fact, many firms do not include the formulation of formal strategic programs as an essential part of planning. Where there is no program, flexibility exists. Such flexibility, however, tends to be influenced by short-range pressures rather than by long-range strategic considerations. On the other hand, those firms that do have strategic programs tend to lack flexibility because of their reliance on a bottom-up planning aggregation in which the bottom area behaves quite unsystematically. These problems will probably be alleviated by the improvement of planning technology. To the extent, however, that the lack of enthusiasm for formulating strategic programs stems from the socio-cultural attitude against formal communication and written rules, the development of planning technology may be delayed until the pressures become overwhelming.

Thirdly, structural complexities and communication barriers, particularly between cultures, will become increasingly demanding on control, the third essential ingredient. More actions involved in multiple dimensions would create greater chances of loss of efficiency unless a well-planned common reference is developed. The current response, however, seems poorest in this area. The strategic plan often is not systematically monitored and it seldom provides the basis for evaluating individual or group performance. Since the reason for this is most closely related to the behavioural characteristics of the culture, the existing pattern will resist change strongly. The mounting pressure will come from the need to decentralize international business decisions without losing control from the headquarters and from the increasing use of local personnel in foreign subsidiaries. As foreign subsidiary management becomes localized, communication between the headquarters and the local

management will not be reinforced by the excellent credibility and common understanding that exist between Japanese managers under the permanent-employment system. This will be the greatest challenge to Japanese management.

Fourthly, planning organizations will be further challenged by the new needs to improve structural efficiency. The man-centric orientation, in which positions are defined not in terms of tasks but in terms of their relative status, will perhaps persist. However, it is unlikely this will hinder organizational development if the need for corporate planning is strongly felt.

Meanwhile, there is another key factor that will determine the future of corporate planning in Japan. That is the technology of planning and forecasting. Since such technology is a technical rule rather than a formal or informal rule of the society (Hall, 1959), advanced planning and forecasting skills will be accepted readily as far as their technical side is concerned. In particular, planning innovations which improve the current time-consuming bottom-up process are likely to improve the ability of the planning process to keep pace with rapid environmental change and, thus, they will improve the general credibility of long-range planning. Many of the current incogruities that arise from formal and informal rules of the culture may be alleviated by technical innovations. For instance, many of the problems that are currently matters of taste and opinion and, as such, require consensus-seeking procedures, will change into technical matters, so that the group-oriented range of activities may be reduced in size. The role of planning in relation to performance evaluation may also be expanded as the credibility of the planning process itself improves.

In the short and intermediate run corporate planning procedures likely will continue to be developed and adjusted in subservience to the much more slowly-changing cultural characteristics of Japanese corporate management.

But in the long run some Japanese socio-cultural characteristics may become subservient to the needs for efficiency and may change in their forms of manifestation, though the basic values of the culture underlying the behavioural characteristics will take even longer to change. Once major signs of change emerge, change will most likely accelerate within a relatively short period. This prediction is based on an observation that most of the socio-cultural characteristics involved are so interdependently rooted that it is highly unlikely that one or just a few characteristics can change without causing a chain reaction in the society.

FOOTNOTES

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²Planning technology here refers to knowledge, skills, and organization needed for corporate planning. It includes both hardware and software to collect, analyze, and organize information in forecasting and in formulating plans. For the multinational firm, it also involves integrating a great number of interdependent plans encompassing the three dimensions of products, managerial functions, and geographical areas.

³Ringi is a decision process which has been widely used in Japan, though its use is currently somewhat more limited. In Ringi, middle echelon managers propose certain decisions, which are then circulated to other relevant units within the organization for their approval and share of responsibility before they are approved by top management. Ringi helps create a consensus and complements paternalistic leadership. Ringi proposals, however, tend to be problem-oriented and less than organization-wide in outlook.

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TABLE 1

Multinational Business Involvement of the 19 Corporations

(As of 1973-3)

| | Worldwide Sales (\$ mn) | Export/ Sales Ratio (%) | Overseas Manufac- ture/Sales Ratio (%) | Overseas Manufac- uring experience (years) | Overseas Plants (number) | Total Invest- ment Balance (\$ mn) |
|-----------------------------|-------------------------------|----------------------------------|--|--|--------------------------------|--|
| 13 Manufacturers | | | | | | |
| Range | 230-5000 | 2-39 | 1-12 | 5-50 | 2-31 | 3.5-52 |
| Average | 2,157 | 19.6 | 5 | 16.4 | 12.4 | 23 |
| 6 General Trading Houses | | | | | | |
| Range | 5445-19,019 | 18-46 | 2-8.8 | 10-17 | 20-114 | 32.7-280 |
| Average | 12,679 | 36.5 | 3.8 | 13.8 | 67.3 | 164 |

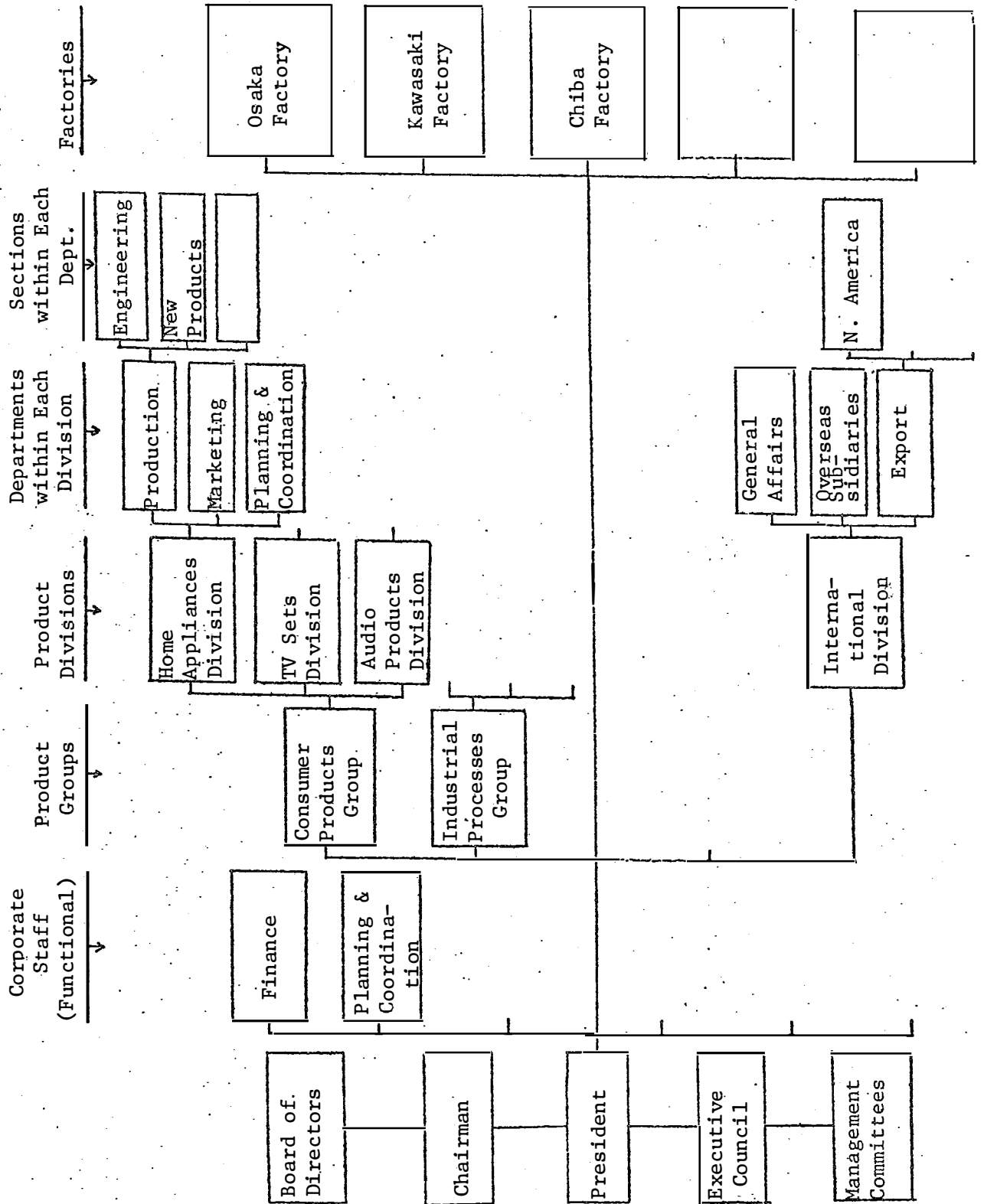
TABLE 2

Review and Renewal Patterns in Japanese Corporations'
 Short, Intermediate, and Long-range Planning

| Objective | Period | No. of firms engaged (out of 19 firms) | % | Review period | Renewal period |
|-------------------|------------------------|--|-----|---|--|
| Short | $\frac{1}{2}$ ~ 1 year | 19 | 100 | 19 firms: every $\frac{1}{2}$ year or less | 19 firms: every fiscal period ($\frac{1}{2}$ or 1 year) |
| Inter- mediate | 2 ~ 3 years | 15 | 79 | 10 firms: every $\frac{1}{2}$ to 1 year 5 firms: every 3 years | 8 firms: every year or as needed 7 firms: every 3 years |
| Long- range | 5 years | 11 | 58 | 7 firms: every year or as needed 4 firms: every 5 years | 7 firms: every year or as needed 4 firms: every 5 years |

FIGURE 1

The Typical Organizational Hierarchy of the Japanese MNC



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