

# THE JAPANESE BUSINESS NOVEL: A RESOURCE FOR GIVING FINANCE AN INTERNATIONAL FLAVOR

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## Abstract

*In an increasingly global society, it is good for business students should be exposed to ways of doing business in other countries. The Japanese business novel provides a tool for instructors to use to demonstrate cultural differences between the Japanese and American way of doing business. The Japanese business novels also allow instructors to bring core finance topics into class, as seen from a Japanese business perspective. The novels or short stories can be assigned readings for students and then discussed in class, teaching finance and its various international aspects.*

## INTRODUCTION

Business schools must address the increasing globalization of business in their curriculum. Students can give ready evidence of increased globalization - ask students who have traveled abroad if they have seen McDonald's, and most will say they have seen the golden arches wherever they have gone. McDonald's, like many "American" companies, receives more than half of its revenues from abroad. Introducing students to other cultures and other ways of doing business can help prepare them for a world in which it is increasingly difficult to find an "all-American" company. One way to bring the international experience into a course is to use examples of business practices in other countries and compare and contrast them to practices in U.S. companies.

A literary genre in Japan that does not have a direct counterpart in the U.S. is the Japanese business novel. The first Japanese business novel was written in the 17<sup>th</sup> century by Ihara Saikaku, an Osaka merchant who wrote "The Japanese Storehouse; or, the Millionaire's Gospel Modernized." Modern Japanese business novels entered the literary mainstream in 1957 with Shiroyama Saburo's story, "Export." The Japanese term for this genre is "kezai shosetsu," literally translated as economy novel. Sub-genres include enterprise, bank and information novels. A number of Japanese executives have fictionalized business practices and institutions in novels and comic strips. Business novels have gained in popularity, and have been dramatized as movies and television series. Tamae Prindle, translator of Ikko Shimizu's business novels said "the distinctive feature of these novels is their 'immediacy to the business world.' The stories expose the internal mechanisms of business transactions and the mentality of the people involved, making technical information accessible to a lay audience and convincing even to economists." [Prindle,1989] Perhaps the closest English language examples are Arthur Hailey's novels Wheels about the auto industry and Money Changers about the banking industry and Stephen Frey's business thrillers.

## THE DIFFERENCES BETWEEN THE JAPANESE AND AMERICAN BUSINESS NOVELS

In an interview, Shinya Arai, executive vice president of Summit, Inc. and director of Sumitomo Corp., who writes fiction under the pen name of Satoshi Azuchi, said, “Corporate culture is hard to understand simply through reading economic theories or academic analyses. It must be especially difficult to understand why Japanese work so hard. This is where a business novel steps in.”<sup>1</sup> He continued:

“When one compares ‘give’ (what a person contributes in terms of his work performance), with ‘take’ (what he gains in income and benefits from the company) there really isn’t much correlation between hard work and its reward. I think it says something about our corporate culture and psychological climate, when somebody kills himself for such a small gain or loss. [Shinya’s book, Tales of a Shoshoman begins with a story of a Japanese businessman who commits suicide because he failed to be promoted when his peers in his company were promoted.] Behind this, there lies something special, which includes values verging on religious or spiritual ones. Without describing these aspects, the Japanese employee cannot be thoroughly understood by foreign readers. Thus business novels are the best means for providing such knowledge.”<sup>2</sup>

Even students who have not specifically studied about Japan or international business may know some of the stereotypes of Japanese business, including the hard-working “salaryman” who is more devoted to the company than to his family, lifetime employment as the reward for the dedicated salaryman and a culture of cooperation and teamwork. Not only are employees expected to reach consensus and work together harmoniously, but major corporations have similar relationships with other companies – a keiretsu, or group of companies working together to produce a quality final product.

Loyalty is important. Taichi Sakaiya, a business novelist, noted “the vast majority of Japanese are overwhelmingly, almost poignantly, responsible and loyal to their organizations. They are rarely absent from work, and strikes are remarkably rare” [Sakaiya, 1993]. This loyalty has been attributed to the feudal system, characterized by the loyalty of the samurai to their lords; however, it is likely that lifetime employment practices have more recent origins. “Lifetime employment policies, often attributed to samurai loyalty to the lord, actually grew out of the period of labor unrest in the 1950s, developed by corporations seeking stability and loyalty in their workforce. Seniority-based reward structures are related to lifetime employment. Also in support of company stability, the Japanese labor market is characterized by company or enterprise unions, with little industry-wide interaction or bargaining power” [Renshaw, 1999]. Renshaw also noted that “linked to lifetime employment is the issue of seniority-based pay and promotions. Productivity of white collar workers in Japan lags behind that in

other industrialized countries, even though manufacturing productivity is high. It is estimated that four million office workers are not really needed; they are ‘in-house unemployed.’”<sup>3</sup>

Joy Hendry noted that “one of the chief characteristics of Japanese companies is that they tend to take over much more of their employees’ lives than companies elsewhere are wont to do...They seek to foster company loyalty before specific skills, for if the business of the company undergoes drastic change, they might expect their employees to turn their hands to quite different occupations.<sup>4</sup> In this way they are able to offer considerable security of employment, and since pay increases with years of service, as well as with seniority of work, it is common for men to stay in the same company all their lives” [Hendry, 1987]. Concerning the generalist nature of Japanese employees, Eugene Dattel noted that there is more emphasis on the group effort, with employees expected to help out where needed: “The generalist system has many strengths. For example, it is certainly beneficial for the senior management of Japanese manufacturing companies to have experience in production, design, marketing, finance, and overseas business. Being in so many departments fosters connections throughout the company” [Dattel, 1994].

Lifetime employment, which is declining because of competitive pressures, applied primarily to employees of large corporations. Most Japanese work for small or medium-sized corporations. These companies may be suppliers of large corporations, and when job and production cuts are economically necessary, it is the smaller subcontractors that feel the brunt of cost cuts.<sup>5</sup>

In spite of their employees’ reputation for hard work, Japanese corporations in some ways are not as efficient as their Western counterparts. The long hours may not be all work – there may be mandatory evening and weekend social events and long meetings. In “The Baby Boom Generation,” for example, the hero Tomiko endures endless meetings before his convenience store proposal is finally approved. No one seems to be empowered to make a decision – the group must politely and cooperatively reach a consensus. Sakaiya notes “the country spends little of its money or personnel on anything other than the economy, and the bulk of the population is in the prime of its working lives. Yet despite these optimum conditions, the real product per worker hour is far lower than in America and western Germany. It is lower even than France, Britain and Spain” [Sakaiya, 1993]. Japan excels in producing high quality, inexpensive industrial products, but has inefficient agricultural and distribution industries. Sakaiya said:

“The severity of this imbalance – mass-production industries that overwhelm the rest of the world with their volume and efficiency alongside distribution and knowledge-value creation industries mired in inefficiency and waste is the key to understanding modern Japan...Why the difference? At its simplest level, it is because the attitudes and culture that permeate the entire fabric of Japanese society are conducive to standardized mass production manufacturing but inappropriate for any other kind of industry or social activity.”<sup>6</sup>

## JAPANESE BUSINESS COMICS

Comics (manga, which refers to cartoons, narrative strips and animated films) are more popular in Japan than in the U.S., and read by adults as well as adolescents. Manga have been used extensively in education, publicity and promotion.

Japan, Inc., a comic book version of an economics textbook published by the Japanese version of the Wall Street Journal, is an example of informative or explanatory manga. Author Shotaro Ishinomori said “if people don’t understand (the book), they can read the comic version to understand complicated issues easily and quickly while having fun.”<sup>7</sup> The introduction to Bringing Home the Sushi notes “from the standpoint of expressive technique, Japan, Inc. was not significant; explanatory diagrams had already been utilized in children’s educational manga for half a century, and this technique was simply adopted by Ishinomori to explain economic principles to adults” [Silverman, 1995]. Even the Japanese Defense Agency has entered the comic book business with a manga about Mirai, a college student who gets a tour of the armed forces, including its role in Iraq and defense of Japan.

All of the characters in Japan, Inc. are employed by Mitsutomo Trading Company. A young office worker, Kudo, espouses honesty, fairness and social responsibility in business. The villain, Tsuguwa, will stop at nothing to advance himself and the company. Akiyama is an older employee who mentors Kudo, while Toda backs Tsuguwa. Amamiya is an office lady who worships Kudo and Ueda is a bumbling office assistant who desires Amamiya. In his introduction, Peter Duus said:

“The book emphasizes Japan’s economic problems and vulnerability. Many Japanese, even comic strip artists, see Japan as a beleaguered economy, weak in resources and dependent on the outside world for survival...A sense of national self pity, undoubtedly nurtured by an unrelenting struggle to catch up with the Western economies and by memories of wartime and postwar devastation, has been one of the principal psychological underpinnings of Japan’s postwar economic achievements. It has also made Japanese sensitive to what they see as unfair and vindictive attitudes of foreigners, not all of them Americans necessarily, who resent these achievements. In the final analysis, the message of the book is that the success of the Japanese economy will not depend on resource endowments or political management but on business practices that are ethical, socially responsible, and forward-looking.”

The book is organized into five main subject areas: trade friction, countering the rise of the yen, industrial structure, deficit finance and monetary revolution, each about 60 pages long.

Bringing Home the Sushi includes a series of cartoons about car manufacturer Chrysler Corporation, headed by Lee Iacocca and relates the

adventures of Japan's most famous fictional salaryman, Kosuka Shima. It demonstrates that American business practices can be misunderstood in Japan and visa versa. For example, in one set of cartoons, the protagonist is a woman manager who uses her femininity to close deals. What might be considered sexual harassment in the U.S. is portrayed as part of doing business in Japan.

## TEACHING TOPICS IN BUSINESS NOVELS

Business novels can be used to illustrate Japanese business practices, which can be compared to American business practices. Changes in both country's businesses can also be highlighted through discussion of Japanese business novels.

### *Banking*

The banking business is discussed in Ikko Shimizu's "Silver Sanctuary," a story of a banker who feels betrayed by his assistant who gives out account information to a competitor bank. This story can be used in conjunction with a discussion of the Japanese securities scandal in 1991. In 1991, the Ministry of Finance, which governs Japanese financial institutions, faced criticism for setting securities at artificially high rates. Some banks guaranteed to cover trading losses of select large customers in order to attract their business.

### *Union Activity*

Unlike U.S. labor unions that may take an adversarial role against management, large company Japanese unions tend to be company unions which work with management. According to Sakaiya, "Japanese corporations have grown strongly, with little labor unrest and have often been able to institute technological changes and management restructurings with company-wide involvement. The aggregate of many such companies has provided the growth and productive force that has made the Japanese economy as a whole so internationally competitive."<sup>8</sup> Sakaiya's novella, "Keiretsu", where the union partners with management, illustrates this. When a union chief grew too powerful, management banded together to eliminate its influence.

### *Inventory Control*

The Japanese pioneered the kanban, or just-in-time inventory control system. Under this system, suppliers provide exactly the amount of product that is needed, when it is needed. The burden this places on auto parts suppliers is detailed in "Keiretsu." This system has been used with some success in U.S. businesses as well. Students can be asked to consider what impact this would have on a seasonal business, such as a toy manufacturer, for example, if the large toy retailers insisted that toy manufacturers deliver only what is needed when it is needed (in the case of toy sales, for the Christmas season).

### *Quality Demands*

Sakaiya notes that Japanese-style management is best suited for manufacturing standardized products:

"Standardization of the gamut of commercial products, facilities, and services decreases the number of commercial services, narrows the scope of consumer choice, and thereby creates an

environment more advantageous to mass production of standardized products. When companies tried to diversify their products and services in the eighties, their changes were limited largely to the color and shape of the containers and other cosmetic matters...Concentrating hard work on a limited object proved that a worker was a good person. Attention to detail became intense, even when the results could not be seen. Workers became obsessed with parts that had nothing to do with either the function or appearance of the product. Unlike the 'meister' tradition of Germany, in Japanese 'craftsman art' or 'artisanship' tradition the creator points to some utterly meaningless feature as evidence of his hard work. Even today, the finish of the inside of a garment, the wood grain of a dish, or the reverse side of a weld are important in the Japanese market. Many foreign products deficient in these details cannot be sold in Japan."<sup>9</sup>

Some quality concerns may be relaxed in the interests of increasing competition. Sony Corp.'s present day concerns provide an example of this. Sony, once an electronics leader, is struggling to regain its pre-eminence. As Sony moves from consumer electronics to entertainment, it is working to be more responsive to market needs. A Wall Street Journal article detailed Sony's work to design a new DVD recorder/videogame machine, the PSX. The article noted:

"As they helped design the PSX, the videogame engineers got a taste of the obsessive attention to quality and detail that Sony put into its traditional electronics products. Every feature had to be tested and retested according to Sony's written protocol – for example, recording a program while various combinations of other functions were running at the same time. The engineers soon saw they wouldn't be able to test everything in time. Mr. Kutaragi (newly promoted head of Sony's home electronics division) decided that features like faster DVD recording could be added in software updates that customers could download from a disc or the Internet. It was an approach familiar enough in the personal-computer world but almost unheard of in consumer electronics. One Sony engineer not involved in the project called the tactic 'a disgrace.'"<sup>10</sup>

### *Japanese Companies in Today's Markets*

The business model that brought Japan pre-eminence in the 1980s and 1990s may not be working as well today. Sony is very much in the news as it moves away from its core electronics business and more into entertainment. A 1999 article chronicles this trend:

"Sony's shift away from electronics symbolizes the larger woes besetting Japan's electric appliance and consumer electronics sector, which, no longer the nation's pace setting industry, is at a crossroads. Japanese manufacturers of these products – which had grown rapidly and expanded dramatically through massive export

of low cost, high quality products – began to lose strength in the 1990s...The decline of electronics companies is especially conspicuous in the high end products such as personal computers, in which the market is dominated by U.S. companies typified by the ‘Wintel’ alliance of Microsoft Corporation’s Windows operating systems and Intel Corporation’s microprocessors.”<sup>11</sup>

More recently, the Wall Street Journal noted that it has been a decade since Sony’s last big hit product, the PlayStation videogame machine. The article stated, “The company that invented the Walkman has played the unfamiliar role of laggard. Sony’s net income in the past four years combined is less than Microsoft Corp. makes in a quarter. Its stock price is the same as it was at the end of 1996.”<sup>12</sup> The article continued that the business is moving to a digital standard:

“More and more gadgets live or die on their semiconductors and software. Companies with a lock on key technologies, such as Microsoft and Intel Corp., thrive, while hardware becomes a commodity with plunging profit margins...Sony’s struggle to remake itself mirrors that of other consumer-electronics makers. They all dread commoditization – the spread of standardized parts that makes it impossible for all but a handful of ruthlessly low-cost producers to survive. That is what happened in personal computers, with Dell Inc. as the chief winner” [Dvorak, 2004]

Sony’s electronics division accounts for 70% of the firm’s revenues. Sony’s restructuring included giving 5,000 employees buyout packages and standardizing parts to help cut costs.

Sony is also concerned with cost cutting. Sony president Ryoji Chubachi “said Sony must try to bolster profitability by improving the collaboration between the divisions that plan, manufacture and sell products. And Mr. Chubachi wants to ‘reduce the layers’ in the chain of command in Sony’s electronics business.”<sup>13</sup> Chubachi is second in command to Sony’s first non-Japanese CEO, Howard Stringer, an American. In his first year as CEO, Stringer wants to cut 10,000 jobs, 7% of Sony’s workforce. Stringer is also working with his Japanese executives on “discarding unprofitable product lines and shaking up a corporate culture long centered around proud, autonomous business units. That give-and-take already has made for a slower, sometimes-muddier decision-making process than is typical in a Western turnaround.”<sup>14</sup>

Many large corporations are downsizing, no longer providing lifetime employment guarantees to its employees. Downsizing has resulted in the death of at least one employee. In 1999, Nonaka Masharu, a salaryman for a large Japanese company for 40 years killed himself with a kitchen knife after he was pressured to quit during a company restructuring program.<sup>15</sup> The article noted that “his tragic death symbolized the erosion of Japan’s paternalistic corporate order in the face of a protracted economic slump and a wave of internationalization...Indeed, the suicide indicated that the ties of loyalty and appreciation that once bound Japanese companies and their employees are being broken.”

Japanese business practices have changed with the times, particularly the long stock market decline and period of very low growth in the 1990s. A Business Week article noted that “After the wrenching contraction of the 1990s, the country is more open than ever to ‘Western-style’ capitalism. Today execs who once sought to capture market share and revenue at the expense of profits are finally embracing shareholder-friendly yardsticks such as high profits margins and low debt ratios.”<sup>16</sup>

#### *Corporate Governance*

Shareholders of keiretsu companies have the reputation of being more concerned with long-term than short-term gains. They keep their shares and are discouraged from selling for quick profits. This is one of the themes of “The Takeover” by Saburo Shiroyama.

### **BRIEF SYNOPSIS OF SELECTED JAPANESE BUSINESS NOVELS AND SHORT STORIES**

#### ***“The Baby Boom Generation” by Taichi Sakaiya***

This is the story of Tomita, a mid-level manager who proposes that his company expand through building convenience stores. The wrong people, untrained and unmotivated, are chosen as the first store managers, and the project fails. At the end of the story, Tomita and his wife are sent to manage a convenience store, without support from the parent company. Tomita loses his pension benefits and gains a store that neither he nor his wife are trained to operate. Class discussion questions could include: What is the capital budgeting process in the A-Electric Company? How does owning a chain of convenience stores fit in with A-Electric’s core business? How should an opportunity like this be valued?

#### ***“Keiretsu” by Shimizu Ikko***

First published in 1992, “Keiretsu” is about a fictionalized car manufacturer, modeled after Nissan Corp. The story also became a television drama show. “Keiretsu” is the story of Taisai Electric, a first tier Tokyo Motors supplier. Taisai Electric is in turn the parent company of 300 subcontractors, about half of whom are housewives, working part-time. Taisai supplies headlights to car manufacturer Tokyo Motors and was forced to make price cuts required by Tokyo Motors.

As in the story, real world company Nissan announced 30% cuts in supplier prices, a move which resulted in a higher stock price for Nissan. The introduction to “Keiretsu” noted:

“What we do not normally read in the meaning of that 30 percent cut in terms of overwork, lowered wages, children not sent to universities, substandard housing, frustrated careers, and many other aspects of ‘rich Japan, poor Japanese,’ the phrases that many Japanese use to describe their country’s status as the economic superpower of the Pacific...’Keiretsu’ is concerned with exactly these subjects, including how and why the small suppliers of Nissan have no choice other than to accept a 30 percent cut in their



revenues, regardless of the ideology of the ‘free market’ and to live with it as best they can” [Shimizu, 1996]

Japanese car manufacturers at that time outsourced 70% of their parts manufacturing, compared to 30% outsourcing among U.S. car manufacturers, making the Japanese car manufacturers more like assemblers than manufacturers. Carried to the extreme, author Shimizu compares the car manufacturers to “the feudal lords who control some 400 or more ‘suppliers’ each of whom in its turn is also a petty lord over its own ‘suppliers’ and so on, down to the housewives who do piecework in their own homes...The abuse of housewives is what makes dumping possible. The suppliers of each level are sacrificing short term gains for long-term job security” [Shimizu, 1995] The novella paints a picture of a core company that puts its agents into key positions in the supplier firms, manipulating boards of directors and tying the supplier to the core company.

This message was echoed by Jean Renshaw:

“Some Japanese observers comment that Japan is still a feudal society, but that now the lords are corporations. Indeed, it is striking to visit an old cemetery as I did in the hilltop monastery city of Koyasan, and see the evolution from family graveyard plots, especially for samurai and elite families, to the corporation plots, where the largest recent monuments carry the names of corporations with the corporate elite. It is considered an honor to be buried in the corporate gravesite, rather than the family site, at least for some. For others, the family and corporate site are the same” [Renshaw, 1999]

Japanese keiretsu were modeled after the pre-World War II zaibatsu, groups of powerful business combinations. Keiretsu literally means financial lineage, financial clique or industrial conglomerate. (Kei means channel and retsu means line, rank or clique.) The keiretsu is a network of business contracts and organizational relationships. The introduction to “Keiretsu” notes that “the keiretsu system protects members from corporate raiders, promises a steady flow of business, gives access to market and technical information, controls the cost of raw materials and above all, through specialization, keeps the production cost low...Another strength is the quality control for which Japanese industries are notes. As in this novel, contractors bend over backward to pass the parent company’s quality control tests. Also, once admitted to a keiretsu, a firm gains access to wider markets thanks to other members who specialize in marketing.”<sup>17</sup> A survey of keiretsu members complaints included bearing high transportation costs,<sup>18</sup> orders are frequently changed, holidays cannot be set without consulting the core company, and “first thing in the morning” orders mean overtime for the supplier. In the case of Nissan, the model for the fictionalized company in the story, 38 of its first tier parts suppliers belong to its keiretsu. Another 118 parts suppliers do not belong to the keiretsu. First tier suppliers produce functional and design parts, such as seats, lights, shafts and stamp metal. Second tier suppliers do most of the stamping, forging and machining. Nissan has 2,000 second tier keiretsu members and another 3,000 non-members. There are 7,000 to 10,000

third tier contractors, primarily cottage industries, owned and operated by a few family members.

The culture detailed in “Keiretsu” is changing. Nissan has its first non-Japanese CEO, Carlos Ghosn, a Brazilian, who took the post after serving as executive vice president of Renault, which owns 45% of Nissan shares. Ghosn laid off employees and closed plants. A Smart Money article noted, “Straightforward tactics like that are not the easiest thing for a foreigner to pull off in Japan, a country intensely protective of its corporate traditions.”<sup>19</sup> In particular, suppliers were targets for cost cutting measures, with Nissan globalizing its parts suppliers. Ghosn also had the problem of making Nissan executives understand the precarious financial position Nissan was in. A Business Week article noted that “such large companies were viewed as simply too big to fail. If the keiretsu-linked banks didn’t rush to the rescue, most execs figured, then the government would. In reality, though, a decade of economic stagnation had frayed such insider ties severely.”<sup>20</sup> Ghosn’s dramatic changes in the Nissan organization are detailed in his autobiography, Shift: Inside Nissan’s Historic Revival.

Areas in “Keiretsu” to highlight for class discussion include:

Page 92. This section highlights the dependence of suppliers on the core company. Taisei Lighting depends on Tokyo Motors (TM) for 55% of its business. What are the financial advantages and disadvantages of this dependence? How would this be quantified in a valuation of either TM or Taisei Lighting?

Pages 93-9. This section details 12 supplier decisions which must be approved by TM. Which of these decisions will have the greatest financial impact on Taisei?

Pages 118-120, 192, 202 This section talks about the core company’s one way price reductions, never price increases, for suppliers. It brings up the 1985 yen appreciation crisis brought on by the Plaza Agreement between the U.S., Canada, England, Germany, France, Italy and Japan. Page 202, in particular, goes into details of the agreements in which the yen appreciated from 190 yen to the dollar to 120 yen to the dollar. What was the 1985 accord? What impact did it have on the relative valuation of currencies? How would the appreciation of the yen adversely impacted Japanese car manufacturers?

Pages 141-142, 236. These sections highlight salary differentials between employees of the core company and its suppliers. What impact will this have on the costs and employees of each organization?

Page 162. This section discusses the nature of Japanese manufacturers as equipment-intensive vs. labor intensive. Japan faced a labor shortage after World War II and relied on mechanization to increase production. This in turn introduces the suppliers’ problems in obtaining enough capital to fuel the equipment purchases. Taisei is hoping to float overseas bonds to both raise capital and reduce TM’s ownership percentage of its stock.

Pages 196-7. This section talks about the suppliers’ difficulty in setting prices when key marketing department positions are held by TM’s nominees.

Page 265. This section discusses corporate governance problems, including insider trading, the need for information dissemination to shareholders, and the

illegal maneuverings which cause Taisei's founder, Shigeya, to lose his chairmanship.

***“Silver Sanctuary” by Shimizu Ikko***

First published in 1969, this is the story of a banker who feels betrayed by his office assistant who gives information about wealthy customers to a competitor. The translator's introduction noted that this story and “Ibis Cage” “document the unintended consequences of the terms and nature of the work the Japanese industrial structure imposes on its citizens” [Shimizu, 1996]. “Silver Sanctuary” looks at interpersonal relationships and inter-institutional relationships in the Japanese banking business. Yoko, the protagonist of the story, gives herself to the many men in her life, for little reward. She does not follow the more typical path at the time of high school, work until marriage, and possible return to the labor market in generally low skilled, low paying jobs after the children are grown.

***“Ibis Cage” by Shimizu Ikko***

“Ibis Cage” is the story of a geisha in training, a young woman trained from childhood for a profession that will give her to older men and leave no room for personal relationships. The ibis is a rare bird, and symbolizes the decline of the geisha profession. The story also looks at the commercial aspects of the sex industry. The translator notes, “‘The Ibis Cage’ is about old versus young, man versus woman, cash versus flesh, innocence versus façade, and hope versus reality. The story brings to the surface the subtle corruption fomenting below tightly structured social practices. It is a valuable page in the history of Japanese culture” [Shimizu, 1996].

***“Shoshaman: A Tale of Corporate Japan” by Arai Shinya***

Shinya's novel begins with the suicide of a Nissei Corporation employee who is passed over for promotion. The hero of the novel, Nakasato Michio, is the first of his peers to be promoted to Management Grade One in a company ceremony. The novel first moves back in time to show how Nakasato attained his favored position in the company and finally, how Nakasato chooses to finish out his career.

Page 36-7. This section explains how a risky venture that Nissei is considering is valued. How is risk taken into account in the valuation? Are the corporate executives' return expectations reasonable? What are the dangers and benefits of venturing into an unknown business field?

Page 47. This section looks at shady motives for acquisition. Nissei is considering entering the U.S. food business through the acquisition of American Gourmet Company. There are indications that the U.S. division of Nissei supports the acquisition in order to unload excess inventory before it is required to take a loss on the inventory. What are good and bad reasons for acquisitions? On what should the acquisition decision be based?

Page 52. This section discusses the desire for quality among American consumers vs. Japanese consumers. Nakasato considers this an opportunity for Nissei to add value by providing quality service.

Page 55. This section details how the potential American Gourmet acquisition is valued. It points out the importance of growth in determining the final value.

Page 63. This section discusses principles in Adam Smith's The Wealth of Nations, in particular division of labor. Nakasato is proposing a grocery store assembly line to handle food processing, and his idea is opposed by his superiors who consider this too far out of line with the firm's core operations.

***The Takeover by Saburo Shiroyama***

This novel looks at a hostile takeover of Akashiya, a Japanese department store by Fumimaro Aoi, an upstart businessman who specializes in takeovers. Aoi works hard to accumulate sufficient stock to gain control, while Akashiya management and its union work together to prevent the takeover. After a fierce, multi-year battle, the department store is taken over, but by a competitor of Aoi.

Page 7. This section talks about the principle of maximizing shareholder wealth. Share values for the department store are being bid up because of the takeover attempt.

Page 60, 142, and 162. When Aoi first begins accumulating shares, the company considers greenmail – buying out his shares at substantial profit to Aoi. Aoi refuses because he wants to gain control of the store and manage it in his way.

Page 139, and 212-213. In order to continue buying shares, Aoi must borrow money at very high interest rates. As more conventional sources of money dry up, he turns to very high interest loans from money lenders.

Page 144. The section shows how share price reacts to supply and demand. As the takeover battle rages, there are fewer and fewer shares available at any price.

Page 194. This section discusses how it is easier for a minority shareholder to gain a voice in corporate governance with cumulative voting.

***“Made in Japan” by Saburo Shiroyama***

This is the story of the change in Japanese business products in the decades following World War II. In the 1950s, “made in Japan” was associated with low quality, cheap products, and Japanese manufacturers did all that they could to avoid the stamp, “Made in Japan.” This is the story of a quality Japanese thermometer manufacturer which might face bankruptcy unless it can convince U.S. consumers that its “made in Japan” product is higher quality than thermometers produced by American manufacturers.

Page 4 – This section talks about price wars and pricing policies. The Japanese manufacturer is attempting to overcome crippling tariffs and competition from a low-quality Japanese manufacturer which is dumping its product on the U.S. market.

Pages 6, 11-12, 22 These sections are discussions of tariffs and quotas and their impact on businesses, both Japanese and American.

***“Kinjo the Corporate Bouncer” by Saburo Shiroyama***

This story is about Kinjo, an aging sokaiya, or corporate bouncer. The corporate bouncers controlled Japanese shareholder meetings making sure that only agenda items that management wants are discussed. It paints a very different picture of a shareholders' meeting than a typical U.S. corporation meeting. Meetings tend to be very short; in fact, Kinjo measures his success in the shortness of the meetings. Kinjo is losing his ability to influence shareholders affairs because of his declining health. Students can contrast the difference

between the shareholder meeting described in this story with the way a typical shareholder meeting is run in the U.S.

***“In Los Angeles” by Saburo Shiroyama***

This is a story of changing management styles in the Los Angeles office of a Japanese trading company. The newly appointed manager is unable to adapt to changing business conditions in America. His successor is a successful manager, but one who longs to return to Japan. Students can discuss what has changed in the management of the Los Angeles office and why adapting to change is difficult.

***“From Paris” by Ryo Takasugi***

This story illustrates the vagaries of personnel assignments. Komiya is stuck in the Paris office, a posting he no longer wants because a major client wants him there to act as her tour guide when she visits Paris. He convinces her to allow him to be posted to Japan. Thinking that this means he will be offered a job in her company, the personnel department sets him up to take the fall for a bad business decision made by his predecessor in the job. When the job offer with the client company doesn't materialize, Komiya is exiled to a position in Tanzania. Pages 122-3. This section talks about commodity futures and the risks of commodities trading. It illustrates how a poor decision can have a lasting impact on the firm's fortunes.

***“Giants and Toys” by Takeshi Kaiko***

This story explores the advertising business – a company's search for a fresh face to serve as spokesperson for the product. The story was made into a movie in 1958, which has been released for U.S. audiences with English subtitles.

## **APPENDIX 1**

### **FURTHER SUGGESTIONS FOR USING JAPANESE BUSINESS NOVELS AND COMICS**

1. Assign students to read several Japanese comic strips and create their own U.S. business comic strip.
2. Ask students to turn a section of the finance textbook used by the instructor into an instructional comic, as Japan, Inc. has done with an economics textbook.
3. Hold a movie class with “Disclosure,” based on a Michael Crichton novel about sexual harassment in a Japanese company operating in the U.S. Or, show “Gung Ho,” a movie with Michael Keaton about operating a Japanese-style car manufacturing plant in the U.S.

### **SUGGESTED CLASSES FOR USE OF JAPANESE BUSINESS NOVEL MATERIAL**

1. In a large introductory, undergraduate finance class as an extra credit project.
  - a. Creating comic strips, reading excerpts from novels and answering questions. This can be done with a minimum of class time. I have used these as extra credit projects, with about 10 minutes of lecture time explaining some of differences between Japanese and American business practices
2. In an intermediate graduate or undergraduate finance class, have students read a short story and answer study questions in a short paper.

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4. Dawson, Chester, "The Wild, Wild East," Business Week, March 21, 2005, page 33
5. Dvorak, Phred, "Restart Button: Videogame Whiz Reprograms Sony After 10-year Funk," Wall Street Journal, September 2, 2004, page A1
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17. "Tale of a Shoshaman," Japan Update, April 1992, pages 10-13
18. "Tough Love Brings Nissan Back from Brink," SmartMoney, November 2004, pages 36-39.
19. Yasuaki, Oshika, "Sony Out to Reinvent Itself," Japan Quarterly, July-September 1999, 47-53

## ENDNOTES

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- <sup>1</sup> “Tale of a Shoshaman,” Japan Update, April 1992, page 11.
- <sup>2</sup> Ibid., page 12.
- <sup>3</sup> Renshaw., page 186.
- <sup>4</sup> This is the subject of a short story by Taichi Sakaiya, “The Baby Boom Generation.” In his story, his hero, a hard-working mid-level corporate executive, is required to become manager of a “mom and pop” store in a rural area, a task that he and his wife are spectacularly unsuited for.
- <sup>5</sup> The poor treatment of a subcontractor by a large car manufacturer is the subject of “Keiretsu,” a novella published in Ikko Shimizu’s Dark Side of Japanese Business.
- <sup>6</sup> Sakaiya, What is Japan., page 34-35.
- <sup>7</sup> Ishinomori, Shotaro, Japan, Inc., Berkeley, University of California Press, 1988, introduction by Peter Duus.
- <sup>8</sup> Ibid., page 40.
- <sup>9</sup> Ibid., page 227.
- <sup>10</sup> Dvorak, Phred, “Restart Button: Videogame Whiz Reprograms Sony After 10-year Funk,” Wall Street Journal, September 2, 2004, page A1
- <sup>11</sup> Yasuaki, Oshiika, “Sony Out to Reinvent Itself,” Japan Quarterly, July-September 1999, page 50.
- <sup>12</sup> Dvorak, Phred, “Restart Button: Videogame Whiz Reprograms Sony After 10-year Funk,” Wall Street Journal, September 2, 2004, page A1
- <sup>13</sup> Dvorak, Phred, “Sony’s Chubachi Sets His Sights on Cost Cutting,” Wall Street Journal, March 25, 2005, page B1.
- <sup>14</sup> Phred Dvorak, “Culture Clash Crimps Sony CEO,” Wall Street Journal, September 24-25, 2005, page A6.
- <sup>15</sup> Atsushi, Yamada, “Death of a Salaryman,” Japan Quarterly, July-September 1999 page 40.
- <sup>16</sup> Dawson, Chester, “The Wild, Wild East,” Business Week, March 21, 2005, page 33.
- <sup>17</sup> Shimizu., page 88.
- <sup>18</sup> Part of the transportation costs may result from just-in-time inventory control. Trucks are continually delivering supplies as needed.
- <sup>19</sup> “Tough Love Brings Nissan Back From Brink,” SmartMoney, November 2004, page 36.
- <sup>20</sup> Bremner, Brian, “The Gaijin Who Saved Nissan,” Business Week, January 17, 2005, page 18.
- <sup>21</sup> This bibliography includes all of the Japanese business novels translated into English that I could find. There are many more novels and stories available in Japanese.