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SCHOOL OF ECONOMICS AND BUSINESS

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**ASSESSING THE ECONOMIC AND BUSINESS IMPACT OF
WESTERN BUSINESS CULTURE
ADOPTION IN JAPANESE FIRMS**

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AUTHORSHIP STATEMENT

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LIST OF ABBREVIATIONS

sl. – Slovene

EU – (sl. Evropska unija); European Union

JBC – (sl. Japonska poslovna kultura); JBC

WBC – (sl. vzhodna poslovna kultura); WBC

IPO – (sl. prvotna javna ponudba delnic); Initial Public Offering

ROI – (sl. donosnost naložbe); Return on Investment

NPV – (sl. neto sedanja vrednost); Net Present Value

1 INTRODUCTION

The Japanese's Business world is a vast landscape filled with famous giants and significant companies such as Toyota Motor Corporation, Sony Corp., Honda Motor Co. Ltd., Canon Inc., Nintendo Co. Ltd., and numerous others. However, Japan has seen one of the most globally devastating economic phenomena's known as "The Lost Decade". After a phenomenal boom prior to the 1990's Japan's economy and subsequently its currency, the Yen entered a period of prolonged economic downturn referred to as the Lost Decade. Economists have speculated and modelled various explanations and causes for this economic phenomenon, including but not limited to, the burst of the asset price bubble, a banking crisis, deflation, an aging population, structural problems, policy mistakes, global factors, and a lack of innovation and competitiveness.

1.1 Problem Definition

However, Economists failed to completely explain the phenomena. Especially Japanese economist who struggle to determine the causation behind the economic slump and correlation to Yen deflation. The main problem of their approaches was not incorporating cultural impacts on economy, which this thesis suggests to explore as a factorial causation for the economic slump experienced by Japan's Economy.

1.2 Expected Results

This thesis aims to demonstrate that the integration of Western Business Culture (WBC) into Japanese Business Culture (JBC) can significantly improve the economic performance, innovation, and global competitiveness of Japanese firms.

Aiming to look at improved financial performance, as expecting Japanese firms adopting WBC are expected to show improved financial metrics, such as increased revenue growth, higher ROI, and better NPV. For instance, Sony's adoption of WBC may lead to sustained revenue growth and higher profitability compared to periods before such integration.

As well expecting consequential enhanced innovation. Firms like Sony and SoftBank are anticipated to exhibit greater innovation in their products and services. This might include advancements in technology, development of new product lines, and successful entry into new markets. Furthermore, the incorporation of WBC is expected to foster a culture of creativity and risk-taking, leading to ground-breaking innovations similar to Sony's launch of the PS5 and SoftBank's investments in AI and robotics.

The integration of WBC is expected to provide Japanese firms, additionally with a competitive edge in the global market. This can be evidenced by increased market share, successful global expansions, and improved brand recognition.

SoftBank's strategic investments and acquisitions, facilitated by WBC practices, are likely to enhance its competitiveness and global footprint. The shift towards a hybrid culture, combining the best practices of WBC and JBC, is expected to result in more efficient management practices, better employee engagement, and a more agile organizational structure.

This transformation is anticipated to address the limitations of traditional JBC, such as rigid hierarchies and risk aversion, thereby promoting a more dynamic and responsive business environment.

1.3 Hypothesis

JBC is defined as specifically relationship oriented in comparison to WBC, hereby referred to as WBC, is individualistic and task orientated.

With a -0.5% birth rate and a larger portion of the aged population than anywhere else on Earth Japan struggles with the devaluation of its currency, rising labour issues and supply chain issues in its production. Japan has used China as a base for its manufacturing for a considerable amount of time with its trade roots reaching as far back as the 17th century. However, this focus which provided a solution to the labour shortage and helped Japan's producers stay competitive both domestically and abroad while also providing an already existing and expensive market for its Japanese products has backfired or rather soured with time due to labour price increases and tension with China's aggression and sanctions affecting production, exports and imports.

The goal of this thesis is to evaluate and assess how the integration of WBC into JBC influences economic performance, innovation, and competitiveness of Japanese firms. The evaluation of these criteria will be conducted through case studies of Sony and Softbank, focusing on the changes in management practices, and financial outcomes that result from the adoption of WBC.

2 HISTORY OF JAPANESE ECONOMY

The beginning of the modern Japanese economy began humbly and can be attributed to the period from 1868 to 1912 known as the Meiji Restoration (Hunter, 1989). This period of Japanese history was driven by adopting modernization and the development of the Japanese industrialisation movement. In efforts to compete with the trade in the Western world, Japan

sought to adapt Western technologies and establishing a strong and stable government. The industries which marked the Japanese market during that period were of strong textile and mercenary basis (Hunter, 1989).

After the Meiji period, the Taisho economic period begun till 1926 with significant boosts in Japan's international trade and industry growth (Tipton, 2002). Japan even achieved the status of becoming a creditor nation in the wake of the first World War. This expedient growth was marked by a multitude of social and political changes within the structure of Japan's governments.

This period, however, was relatively short lived-in comparison to its predecessor Meiji and it is following the Showa period. The Showa Period marked the in-between between the two great wars and which saw the Great Depression crippling Japanese economy and leading to military ventures as a means of acquiring resources. In 1939 the Manchurian invasion sought to alleviate the economic pressures and boosted the economy with the heavy industrialisation with focus on armaments (Gluck, 1985).

2.1 Post-World War Two Economy

Following the devastation of World War Two, the post-war reconstruction plans which was spearheaded by the Allied Occupation saw land reforms and the dissolution of Zaibatsus, the large Japanese industrial conglomerates of that time (Dower, 1999). The consequences of the War were far and wide and are what created the JBC as we know it today. The lack of safety and dwindling number of employable workforces meant concepts of unity, safety and seniority prevailed as many young and trained personal were killed in the war. The 1950's and 70's like in America and Europe signalled a period of rapid economic growth fuelled by the new industrial policies and technological innovations which lead to an increase in exports (Johnson, 1982).

The key industries that become vital for Japan during this time were electronics, automotive and steel. By the 1960s Japan become the second economy in the world in size and was set as a leader in the Bubble Economy of the 80s. The asset price bubble was characterised by the implosion in real estate and stock market speculations. The peak in land stock prices was observed to be declining by the end of the 1980s (Hoshi, 2001).

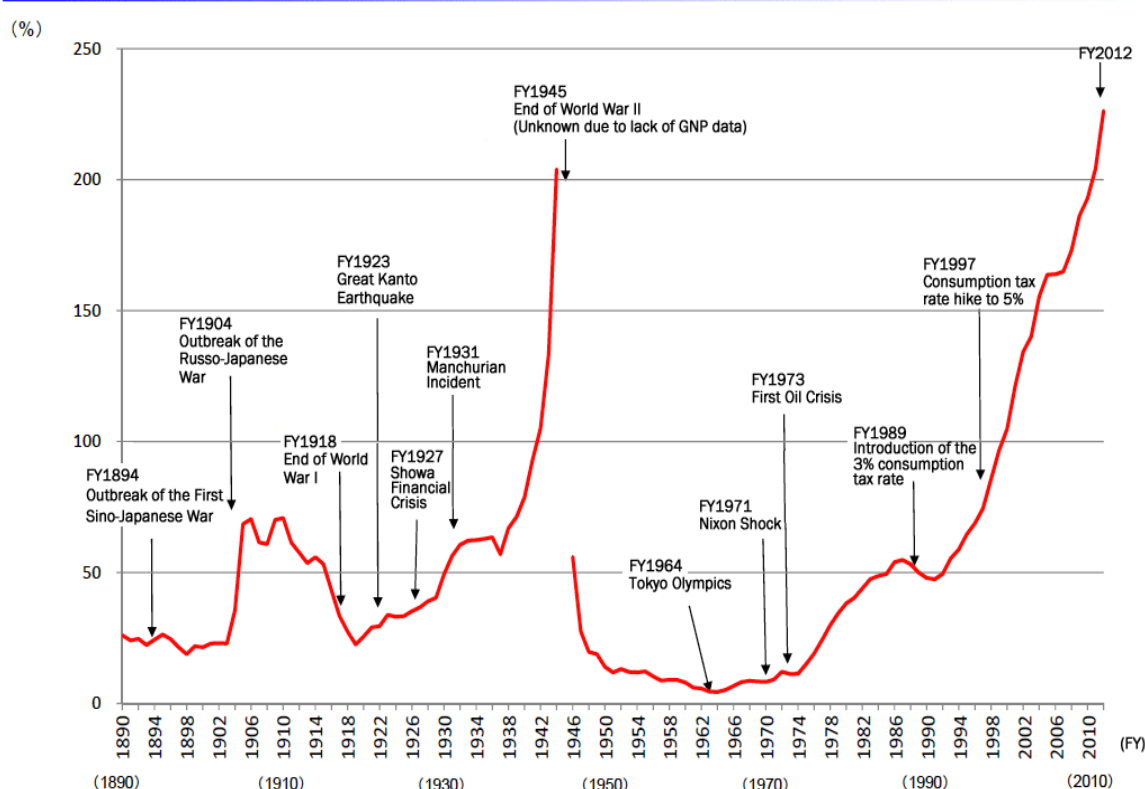
2.2 Lost Decade

The Bubble burst with 1991 and hailed a prolonged period of economic stagnation and deflation. Banking and other businesses had to face massive debts which lead to management and financial crisis. With economic growth minimal the Japanese government had to attempt to stimulate the economy. With the 2000s the structural reforms in place by the Japanese

government had helped set up a successful revitalization effort and through gradual economic recovery the growth level was maintained modestly below pre-Bubble era (Vogel, 2006).

Japanese Economy History's Impact on the Development of JBC cannot be overlooked as it is crucial in understanding the conditions which stimulated the development of the factors which now predominate and even hinder the innovation of Japan's centuries and giants which have expressed their need to innovate and adapt.

Figure 1: Changes in Japan's Government Debt as a Share of Nominal GDP, etc. since FY1890



Source: Kazuma, (2015)

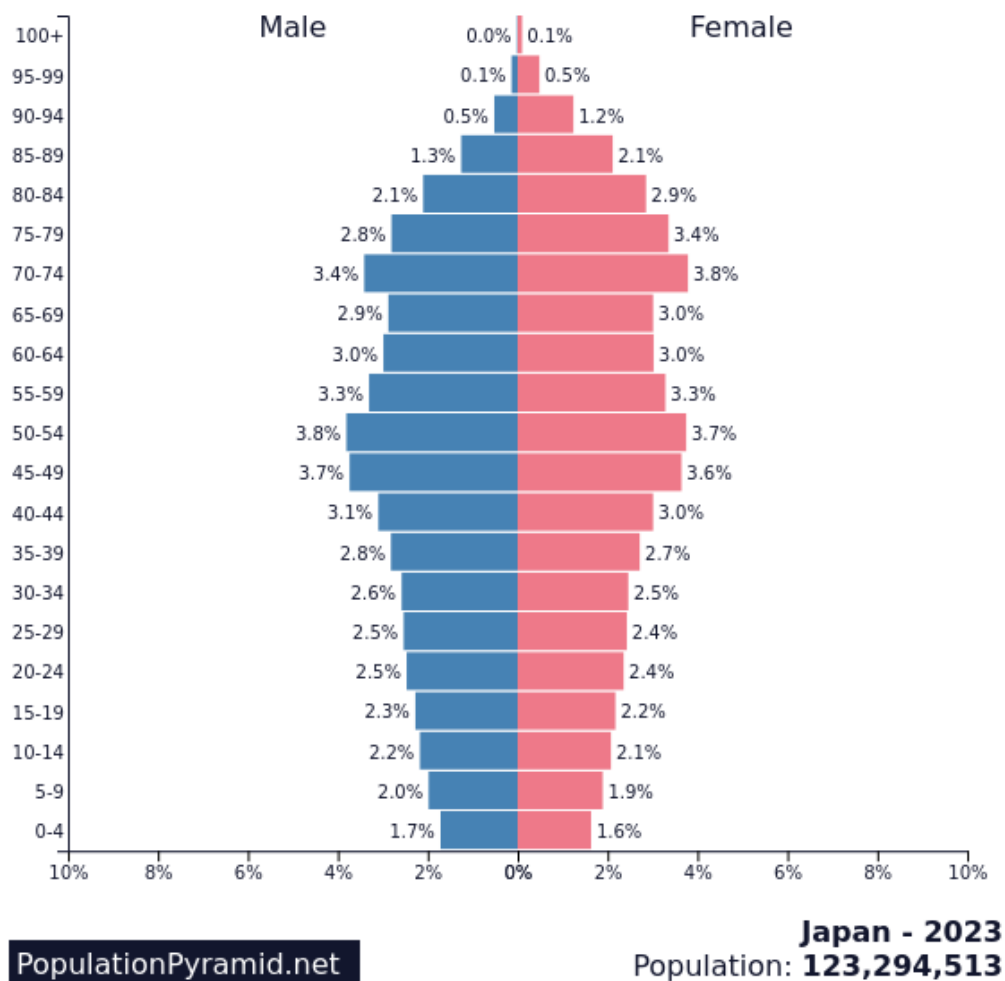
As can be seen on the figure above, the Japanese economy has suffered through a multitude of peaks and drops. A significant player in Japan's economy is their currency the Yen which has been significantly depreciating throughout the country's history and poses a significant issue in modern Japan's economy.

The Yen's depreciation can be traced back to the 1985 Plaza Accord which led to the first of many significant dips of Yen's values and negatively impacted Japan's exporting ability. Of course, the situation began to worsen with the 1990s Asia Financial Crisis, in which Japan's regional economies suffered and threatened Japan's financial future. Through the intervention of the Bank of Japan the currency was moderately stabilized but nonetheless debilitated (Grabowiecki, 2017).

With entering the 2010s the term Abenomics was developed after the then Prime Minister of Japan Shinzo Abe. During his term he intentionally led the yen to deprecation in order to boost exports and help fight deflation (Grabowiecki, 2017). The results of his policies were mixed, with some export growth but limited overall impact.

In short, Japan's government debt has experienced significant fluctuations, with sharp increases during periods of economic stress and attempts at fiscal stimulus. While the Yen has played a crucial denominator and evaluator of Japan's economy state of being.

Figure 2: Japan Population Age Demographic



Source: PopulationPyramid.net (2023).

Japan's population faces an extreme form of aging population with every tenth person being over the age of 80 in Japan (Ng, 2023). The demographic puts pressures on all areas of economy and government, from social security to workforce its impact can be expensive. A cause or consequence of the situation is Japan's low birth rate which continues to contribute to the problem (National Institute of Population and Social Security Research, 2017).

Additionally, this demographic causes an increase in dependency ratio, the ratio of non-working-age population to working-age population. Higher dependency ratios strain public finances and increase the burden on the working-age population.

3 JBC FACTORS

JBC is organically well defined potentially more so than WBC. It is concepts like Kaizen or Wa are ingrained in companies mission statements and power the structure within business. For example, Mazda, like it's Japanese automotive competitors like Toyota, uses traditional JBC concepts and philosophies as part of its corporate culture and work approach. While kaizen (continuous improvement), is widely used, Mazda has taken to the adoption and creation of specific key terms to align with its unique business identity (Nakajima & Sakakibara, 2018).

Like for example the concept of Monotsukuri, or “making things” which encompasses the spirit of craftsmanship and manufacturing excellence. It reflects Mazda's dedication to creating high-quality products through superior design, engineering, and production techniques. The real-life application of the Monotsukuri concept is the production process's methodology which ensures the completion of every vehicle to the standards of quality and performance.

Additionally, it uses concepts such as Jinba Ittai which translates to "horse and rider as one," this concept highlights the harmony and unity between the driver and the vehicle. This is applied through the design of the vehicles in order to enhance the driving mechanics and is a key development principle for Mazda (Nakajima & Sakakibara, 2018).

Furthermore, even more abstract terms like the “soul of motion” can be encapsulated in the concept of Kodo 鼓動. Kodo is a philosophy developed by Mazda to describe the energy and passion of vehicles. It applies this concept seamlessly through its sleek and dynamic designs of its vehicles.

3.1 Seniority System

After the 2nd World War Japan was devastated both economically and emotionally. As such after the tragedy the way the country's industry and businesses worked had to be adapted. The almost miraculous recovery seen by Japan after the world war and into becoming one of the biggest global superpowers of the 20th century is in part due to the systems developed at that time including but not limited to the Seniority and Lifetime employment system.

The Seniority system which can be interpreted as the response at that time to the need for retention of a diminished work force as the total military deaths ranged somewhere in the

millions, all of conscription age and therefore working age men lost. The added security and at that time guaranteed increase in skills and knowledge the system worked for the type of Japan which was not yet grappling with an ageing population and the skill and production needed was different.

This system, however, has proved to be only half as effective as other countries' systems, specifically in GDP production per hour. The GDP per hour worked in Japan in 2022 was 42.56 USD while most European countries like Austria, France and Switzerland sit around the USD 80 GDP per hour worked and they're not even at the top of the scale with Ireland at 119.1 USD and Luxembourg with 110 USD (Nakajima & Sakakibara, 2018).

The concept of shushin koyo or 用雇身終 has shown detrimental effects as Japan moves into the 21st century with a lack of digital skills and an observed lack of enthusiasm for globalisation and technological advancement. A real-life example of this would be Tohoku bank which still uses punch technology and requires a passbook to access and withdraw money. This has not been in practice since the 80's in Europe.

Additional aspects of the seniority systems are tate shakai or vertical hierarchy, which is defined by lower-level employees' inputs (who tend to be younger and more in tune with digital trends) being neglected in favour of those who have been in the company longer and thus progressed to higher positions. This causes a devastating loss for the sometimes more radical jumps in digital technology especially since the 90's. The process of slow consensus or nemawashi is also a slowing factor for digitalisation.

Sonkei or 尊敬 is the deep respect for seniority and hierarchy is what I would put as the most vital and crucial traditional value of Japanese companies for foreigners to understand. Having a clear hierarchical structure and a strong emphasis on acting in accordance with the wishes of those in higher position all plays into the role of decision making and difference of superiors to their subordinates.

3.2 **Wa (Harmony)**

Wa when translated from Japanese stands for harmony, and it is a vital aspect of JBC. The main principle of Wa is the maintenance and creation of harmonious environments. Regarding the business context, Wa is engrained in JBC, and it is fostered through and expressed by JBC's emphasis on group harmony, consensus building, and conflict avoidance (Parry, 2006).

Additionally, it should be highlighted how risk averse or harmony driven (Wa concept) the JBC is. The concept of not wanting to "rock the boat" prevails and extend its claws deep into the corporate world. It is a priority for most JBC abiding companies and employees to create

a harmonious work environment with nemawashi and ring sho consensus building with a highlight on conflict avoidance. Such decisions take a longer time to both be made and accepted. Some big corporate magazines like the Medioum go even as far as to claim that when the Japanese say yes it means yes but when they say maybe it means no.

Thirdly the concept of Chusei or 忠誠, meaning loyalty to the company and high amount of dedication is often a scary concept to Japan's European business associates. Where in Europe with its highly regulated vacation times and work times, laws protecting weekends working in Japan where chusei manifests in concepts such as the salary man, inhumane work hours and a completely different perspective it can be daunting for foreigners to consider.

3.3 The Salaryman

The concept of the "salaryman" and the prevalence of overworking in Japan can be attributed to societal pressures that have evolved into societal norms, as well as a deep-seated pride associated with success in Japanese culture. This phenomenon likely originated from a combination of historical hardships and a remarkable economic recovery, which collectively seeded this detrimental practice (Cascade, 2023).

Moreover, Japan's educational system appears to condition its youth for the rigorous demands of the workforce, potentially even more so than the traditional British system designed for factory workers. This system produces individuals who seek harmony through overtime work, prioritizing their professional responsibilities above all else and maintaining the discipline necessary to perform under intense pressure.

An illustrative example of this cultural difference is the Nakajima Library at AIU. In contrast to Slovenia, where the national library operates from 12 PM to 8 PM and lacks late-night study facilities, Japan provides 24-hour study spaces. During a period at AIU, the availability of a third workspace was greatly appreciated by the student body; however, unlike Japanese students, foreign exchange students would leave before midnight to work on personal projects and ensure sufficient sleep and relaxation. In contrast, Japanese students were observed studying and sleeping at their library seats, sometimes staying overnight, and attending classes directly from there. This normalization of extreme dedication, including taking naps in the library, starkly contrasts with European practices.

In Japan, the "point of balance" involves a delicate act of overextending oneself in the name of institutional loyalty, whereas in Europe, the concept of balance, influenced by traditions such as Sunday rest days and limited 24-hour facilities, remains more individualistic. The Japanese work ethic resembles a mudslide, where individuals are conditioned to conform and are swept along without resistance. In contrast, the European work ethic is akin to a river

with a defined direction, allowing individuals to navigate freely, whether moving with the flow, against it, or stepping onto the shore.

3.3.1 Other Minor Concepts

These are other smaller concepts in JBC that contribute to its unique dynamics. As specified before, *nemawashi* is a non-formal method of discreetly setting the groundwork for a project or change proposal by speaking with everyone involved. In a competitive market, this consensus-building strategy may cause decision-making processes to lag, potentially resulting in missed opportunities or delayed responses.

Ringi-sho refers to the bureaucratic process and hierarchical structure that can impede agility and flexibility in a fast-paced corporate environment, leading to severe inefficiencies and hindering the ability to adapt and respond to the market effectively (Sony Corporation of America, 2022).

Kaizen is the concept of always focusing on improving productivity, efficiency, and taking little steps. While incremental improvements are beneficial for long-term quality enhancement, an overemphasis on minor adjustments might overshadow the need for more radical ideas necessary to stay ahead in competitive markets.

Keiretsu involves a group of companies creating and maintaining a functional network of interlocking business relationships and shareholdings. This practice can result in a conglomerate industry giant with an enclosed ecosystem and high barriers to entry. While this structure may better resist external competition, it also stifles internal innovation, competition, and productivity, which are essential for the system's continued function and evolution.

In preparation and during the research for this thesis, a number of observations have been made on the various attitudes towards education and work held by Japanese students from various institutions including AIU, APU, and Tokyo university. The focus was on understanding how the priorly discussed social and cultural concepts manifested in the daily lives of these individuals, and the influence that would have on their future carers and professional behaviour.

A considerable number of classes focused on connecting the agricultural prefectures of Japan to the metropolitan urban centres like Tokyo, Hiroshima, and Osaka. I have spoken to motivated students with political aspirations for Japan who view the future of Japan as one that is united in its entirety. They believe Japan cannot become a global superpower without first achieving sufficient interconnectedness. Only when Japan's youth is properly utilized, the seniority system no longer has a chokehold on JBC culture, and the issues of an aging

population and digital literacy are addressed through AI solutions and daily incorporation, will it be possible to tackle and heal the underlying issues in Japanese society.

While the university enrolment rate remains steady at 2.9 million per year, there is a worrying trend of university unaffordability and a preference for low-entry jobs with on-the-job training and lifetime employment strategies. The Japan Times has reported that university admissions have been decreasing and are predicted to continue to fall by hundreds of thousands. If Japan wants to reclaim its spot among economic empires, it must invest more in the higher education of its youth. In Europe, higher education is considered a human right and costs significantly less compared to APU's staggering 5 million JPY, with additional subsidies, housing, and food to encourage self-competency (South China Morning Post, 2019).

Based on the research conducted on JBC, it is recommended to change a policy in Japan to make higher education free and accessible to everyone. This policy change would increase Japan's competitiveness and address the limitations of JBC. By increasing the competencies of Japan's youth in solving current difficulties and issues, it would create a competitive edge with an educated workforce, enabling the country to maintain a high standard of living resembling of European standards.

4 WBC FACTORS

Unlike JBC, WBC is as slightly less defined field of regulations and pseudo rules governing employees and employers' behaviours. However, significant articles have been written regarding the clash of cultures between businesses attempting to do business in the Japanese market.

4.1 Communication and Individualism

WBC is characterised as favouring a more direct approach to communication with a clear and regularly opinionated or opinion driven approach (Hall, 1976). In comparison to JBC which heavily favours forms of indirect communication and consensus or the afore discussed valuing of Wa above individual opinion or direct task. Furthermore, the context of the individual action and responsibility is taken to a far greater extent by WBC than in JBC. Unlike Wa, individualism in WBC not only seeks to empower but also to endow the individual with responsibility (Hofstede, 1980). Additionally, WBC is task orientated as opposed to JBC who's primary focus is on relationship building. The WBC focuses on speed and efficiency and measures its progress and success quantitatively through tangible outcomes, while JBC focuses more on non-linear progression and intangible or qualitative outcomes (Trompenaars, 1997). Furthermore, the risk-taking propensities that business foster in their respective environments are dichotomously different. The WBC encourages and even promotes new ideas and calculated risks with formal and informal structures like Research

and Development departments as well as informal idea boxes, etc. The rates of innovation are vastly higher in WBC than JBC as cultural factors particularly in the manner which a corporation's culture and structure is run, influence the "innovative" factors and levels of the business (Shane S, 1993).

4.2 Leadership and Hierarchy

Management styles in JBC and WBC differ extensively from each other in both their aims, execution, and delegation of authority. In WBC, the main emphasis is put on maximisation of individual' potential and efficiency while JBC puts focus on the whole (Bass, 1990). "Organisational performance" supersedes group harmony and is what drives leadership and hierarchy structure. The main basis for promotion is performance and not seniority, however, there are strict legal and ethical standards in place in comparison to the rather exploitive JB practices. In Germany for example, it is workers' rights regarding availability to email communication outside of work hours (Busministerium für Arbeit und Soziales, (2020)). Work-life balance is an integral part of WBC, and legally aims to secure and ensure employees professional responsibilities are not infringing on the employees' personal lives (Kossek & Ozeki, 1998).

5 RESULTS OF INTEGRATION OF WBC INTO JBC

5.1 Sony

As discussed in the interview with Professor Sasabuchi, Sony is a famous example of WBC integration into a Japanese firm in Japan. Starting in 2005, with the appointment of Sir Howard Stringer as CEO, marking the first non-Japanese leader of Sony, bringing a Western approach to leadership and decision-making. Similarly, to later discussed Softbank one of the first manoeuvre of a predominantly JBC company when adapting a WBC approach is the adoption of a more decentralized management structure, promoting greater autonomy and faster decision-making between the various business units (Singer, 2006). Furthermore, as reported in the New Yorker in 2006 at the time of Sir Howard Stringers first year as CEO, the tradition of lifetime employment in Japan institutionalised modest salaries and stock options at the time which were commonplace in the US were unheard of in Japan.

An additional welcome change in corporate governance in Sony was the Western practice of transparency and accountability practices drove up shareholder engagement (Ikegami, 2013). Sir Howard Stringers first actions also included increasing the board of directors' members with qualified international candidates and more independent members.

Further on in Sir Howard Stringers WBC revamp, Sony pivoted towards a customer-centric approach to help focus production on user experience rather than solely product and help not only engage but be the producers of global market trends. WBC also included rolling out a new global branding strategy in order to form a unified front on a global scale (Mohr, 2013). Utilising WBC marketing techniques such as the then first developing digital marketing and influencer partnerships.

Changing organisational culture proved to be more challenging for Sony, but with the integration of performance-based incentives they saw significant success in aligning employee loyalty with Sony. Furthermore, Sony encouraged shareholder value focus shifting the focus from product approach to engaging in more strategic partnerships and acquisitions in order to increase market share and technical capabilities. The adoption of Western leadership styles, corporate governance practices, customer-centric innovation, global marketing strategies, and performance-based organizational culture has enabled Sony to navigate the complexities of the global market while retaining its core Japanese values.

5.1.1 Success Metrics

Regarding the consequences of integration of WBC into a JBC company, the financial metrics regarding its success have been significantly positive. Sony has exhibited significant revenue growth and a recovery trend following restructuring at the hands of Sir Howard Stringers. Sony has seen an increase in the company's profitability in markets such as gaming and entertainment where WBC plays a crucial role (Yoshino, 2010).

Innovation was driven by WBC's Research and Development practices at Sony, which in turn helped secure its position as head of markets such as gaming, entertainment, and imaging. Global branding and marketing strategies have strengthened its presence in international markets, enhancing its stock (Mohr, 2013). Collaborations and partnerships with Western firms have expanded Sony's technological capabilities and market reach.

5.1.2 Comparative Analysis: Pre- and Post-WBC Integration

Pre-adoption Sony faced a conservative growth curve and followed the traditional Upsala Model of internationalisation. Followed by the adoption of WBC, Sony faced aggressive expansion and a new customer focus in order to maintain and foster competitiveness in the market. To summarise the integration of WBC has undeniably contributed to Sony's success, particularly in terms of its innovation capabilities, market expansion, and financial performance. This strategic blend has made Sony more adaptable and competitive on a global scale. As well as of course, more profitable, and adaptable to the demands of the global market today.

5.2 SoftBank Case Study

The Investment Bank valued at 54 billion dollars at its latest Initial Public Offering (IPO) (Reuters, 2024) had gained some notoriety due to the risky manoeuvre and investments as conducted under the leadership of Masayoshi Son. His aggressive investment strategy reminiscent of WBC venture capital practices highlighted his career in highlighting the risks and benefits of adopting the extreme end of both scale of WBC and JBC.

Masayoshi Son's dynamic leadership style which reflects the more Western entrepreneurial approach than traditional Japanese conservatism. Softbank's approach has also adopted a more decentralized management style, allowing greater autonomy and faster decision-making at the subsidiary level. Tate Shakai 縦社会, or the concept of Vertical Hierarchy, where lower-level employees (tend to be younger), is a most popular model in JBC but which stuns growth and is the opposite of the approach Softbank wishes to take (Choudhury, 2019). Additional, JBC concepts which can slow down development are Ringi-sho 稟議書, which is the systems of check and levers which causes bureaucratic delays.

Furthermore, proof to suggest Softbank's alienation from the JBC strategy is its investment portfolio. Softbank uses the aggressive expansion and venture capitalist approach as demonstrated by its Vision Fund which has made substantial investments in tech start-ups worldwide with an elevated risk, the higher rewards kind of strategy (Tsuji, 2018). With names like WeWork, Uber and DoorDash, all of which demonstrated this repulsion of the Upsalla Internationalisation model and the promotion of almost extreme Born Globals by the Softbank vision fund (Tsuji, 2018).

Softbank heavily relies on disruptive technologies and business models like WeWork which is vastly more characteristic of WBC Silicon Valley models than traditional Japanese business practices. The company is willing to take significant financial risks, which it has accompanied with a move towards greater transparency and corporate governance structures more akin to companies outside of Japan (Nagata, 2019). It has also gone to great lengths in order to recruit global talent and incorporate diverse cultures and perspectives into its executive team (Nagata, 2019).

Furthermore, Softbank's organisational culture has significant policies and corporate methods such as performance-based incentives with equity-based compensation to align company's employees' interest with the firms unlike the JBC inherent honour system (Mogi, 2018). Softbank also encourages a culture of innovation and entrepreneurship within the company, promoting a start-up-like environment.

5.2.1 Success Metrics

The integration of WBC has undeniably contributed to SoftBank's success, particularly in terms of its aggressive investment strategies, global expansion, and innovative approaches. However, this integration has also introduced higher risks and volatility. Overall, the blend of WBC with traditional Japanese values has positioned SoftBank as a unique and influential player in the global market, driving substantial growth and innovation.

It has influenced its financial performance in securing revenue growth over the years demonstrating the success of its aggressive investment strategy through the Vision Fund. WBC has helped Softbank capitalise on the market significantly, increasing investor confidence and overall market success (Ghosh, 2019). Despite occasional setbacks, SoftBank's overall profitability has been strong, especially in years when its high-risk investments paid off. Additionally, Softbank's approach has created an international presence through the integration of its WBC facilitating its expansion into global markets, making it a major player in technology and telecommunications worldwide (Pollack, 2017).

5.2.2 Comparative Analysis: Pre- and Post-WBC Integration

Pre WBC adoption Softbank had conservative growth, with its focus primarily on domestic markets and Upsalla method advancements. The company adhered more closely to traditional Japanese business practices, with a focus on long-term stability rather than aggressive expansion (Vogel, 2006). Post integration, however, the adoption of WBC led to a more expensive and expansive growth strategy with increased risk taking which while it increased volatility in financial performance it brought in significant returns. Embracing WBC at SoftBank allowed for it to attract global talent and foster a culture of innovation, making it more competitive on the international stage (Nagata, 2019).

This demonstrates WBC adoption strategy, in the case of Softbank is a successful example of how the integration of WBC into JBC structured companies have a significant positive effect on its effectiveness and revenue.

Figure 3: SoftBank group Corp Stock Price



Source: Google Finance (02.7.2024)

5.3 Comparison of adoption of WBC

5.3.1 Revenue and Growth

Sony and Softbank have both demonstrated significant positive growth after the adoption of WBC. Sony's revenue increased from \$79.19 billion in 2011 (Sony Corporation of America, 2022), to \$86.00 billion in 2024. This is reflected in the positive growth rate of the company of 3.76% (Stock Analysis, 2024). The growth rate indicates that adoption of WBC has had a positive effect on Sony's financial results helping it adapt to global market demand and the diversification of its revenue streams.

SoftBank has demonstrated an even greater increase in its revenue, going from \$27.25 billion in 2011 (Cascade, 2023) to \$58.40 billion in 2023. This represents a compound annual growth rate (CAGR) of 10.2% (Google Finance, n.d.), this indication of high performance indicates the success of WBC adoption and has facilitated SoftBank's aggressive expansion and capitalization on new technology and investments primarily in the sector of AI and robotics (Cascade, 2023).

5.3.2 ROI

The return on investment (ROI) metrics for both companies further highlight the success of WBC integration. With Sony achieving an ROI of 12.17% in 2023 (Investopedia, 2024) and SoftBank achieving an ROI of 7.3% in 2023 (SoftBank Group Report, 2023). This indicates efficient utilization of investments and increased profitability. These metrics help underscore the effectiveness of the current strategic investments and aggressive growth strategies post WBC adoption.

5.3.3 NPV

The current net present values (NPV) for both companies are significant with Sony having an NPV of \$45 billion, and SoftBank having an NPV of \$38 billion. These values suggest strong future cash flows and project a positive long-term financial outlook resulting from the adoption of WBC (Stock Analysis, 2024).

5.3.4 Innovation Metrics

Post-WBC adoption, Sony demonstrated significant products launches and innovation, such as the release of the PlayStation 5 and the strategic acquisitions like Crunchyroll, elevating its market position in digital entertainment and gaming. While SoftBank's focus on AI and robotics has positioned it a global leader in cutting-edge technology sectors, further increasing its growth and innovation capabilities (Stock Analysis, 2024).

5.3.5 Management Practices

Both companies transitioned from traditional Japanese business practices and JBC to a hybrid model incorporating elements of WBC. This has allowed them to adopt global business strategies, improve decision-making process and improve overall efficiency.

5.3.6 Summary of Conclusions

The integration of WBC into Japanese firms such as Sony and SoftBank has led to significant improvements in innovation, financial performance, and overall global competitiveness. The metrics analysed being revenue growth, ROI, CAGAR, and NPV indicate that both companies have greatly benefited from the adoption of WBC (Sony Corporation of America, 2022). The result of this integration has enabled them to expand their market presence, increase investment in new technologies, and improve profitability. The hybrid management practices combining the best elements of both WBC and JBC further contributed to this success, highlighting the advantages of a diversified business approach.

5.4 Study of Differences Between Japanese and Slovenian Distribution Systems

The marketplace has become increasingly interconnected in recent years, making it crucial to understand and study current and future distribution-associated strategies. The Japanese distribution system is renowned for its complexity and its high prioritization of relationships in business, while Slovenia offers a Western perspective which has been shaped by its integration into the European Union and the vastly different socio-economic environment.

The Japanese distribution system is deeply rooted in the country's unique historical and cultural background which has been shaped over decades. It has been developed as a direct result of the living conditions which have persisted in Japan over generations. Throughout centuries Japanese people have created and lived in highly dense population clusters, this resulted in a very unique distribution channels evolving due to the limited space and the proximity of manufacturers wholesalers and retailers the system is characterised by a multi-layered structure.

5.4.1 Historical Overview

A key aspect that influenced the current Japanese market is Keiretsu. Keiretsu in short is a term that refers to a business made up of various companies in the entire supply chain. This includes manufacturers distributors middlemen and, in some cases, financiers. As part of Keiretsu and JBC as a whole, they maintain close relationships with each other, to the extent of having stakes in each other's business while remaining independent business entities from each other despite the close-knit relationships they possess (Liberto, 2019).

Keiretsu is a system that emerged after World War 2 superseding Zaibatsu which was a system characterised by large family-owned conglomerates that dominated the Japanese market. (The Editors of Encyclopaedia Britannica, 2023). Keiretsu has different structures which shape the current Japanese business environment and distribution channels, the main ones being horizontal Keiretsu which is an alliance of different companies led by a bank that provides them with finance, and Vertical Keiretsu which refers to members of a vertical supply chain partnering to reduce inefficiencies, cutting costs in the process. These supply chains and business practices have formed the fundamentals of current Japanese business practices with elements of Keiretsu and Zaibatsu still being present in Japanese companies and in the manner, they conduct business to this day (Liberto, 2019).

At the turn of the 20th century, Keiretsu has been superseded with the emergence of globalization. This can be observed in the example of Nissan Motor Co. Ltd and its acquisition by Renault SA in 1999. Prior to the acquisition, Nisan was engaging in Keiretu with many companies, however after the acquisition, Nisan proceeded to sell its steaks to other companies involved as part of its restructuring. With Renault introducing a more

westernised supply chain into the company this reduced inter-company dependency. Additionally, due to the change, Nissan increased pressure on suppliers to reduce costs. As a result, Renault made Nissan alter their business practices and partnerships, these changes opened opportunities for foreign suppliers to conduct business with Nissan and restructured relations with long-term suppliers (ZACHARY, 2001). This sentiment has been shared by many other companies in Japan favouring a more globalistic approach and the diminishment of Keiretsu's influence in the market.

The modern Japanese climate is vastly different than its past, shaped by the changes in socio-economic and global influences, and adapting to the ever-changing international market. With the emergence of foreign companies and the rise of e-commerce in overseas markets a lot of these trends have made their way onto the Japanese domestic market, leading to the rise of "Big Box" retailers and a highly competitive e-commerce market (TOSHIHIRO, 2019)

To combat these issues the Japanese market is eager to digitise and add new technology into its supply chain. Which includes the optimisation of employee tasks by implementing technology and logistics innovations & and platforms. This adaptation of technology is in part due to the trend of increased globalization on the market leading to higher rates of cooperation and inclusion of foreign firms on the market and the increased utilization of international trade distribution strategies (West, 2022).

5.4.2 Slovenian Distribution System

Slovenia has developed into a distinct and modern market. In contrast to Japan's deeply historically engrained business culture, Slovenia as a country was recognised in 1991 following its independence from Yugoslavia. Since gaining independence Slovenia rapidly developed economically and politically, establishing itself as a stable economic market with high investment potential (Colliers, 2023).

The current market in Slovenia is characterised by a large amount of foreign and domestic firms with a dynamic retail sector with the presence of hypermarkets, malls, and various other retailers offering a large variety of domestic and international products (Slovenia - (Colliers, 2023).

In 2004 Slovenia was accepted by the European Union which made it an official member of the European Union. As a new member of the EU, this meant that Slovenia needed to follow and adopt the EU standards and regulations. The EU has many regulations that pertain to business and conducting international business, which meant the incorporation of EU trade

laws, consumer protection regulations, and competition policies, establishing a level playing field for foreign and domestic businesses (Colliers, 2023).

As an established member of the European Union, this produced increased market reach for Slovenia, providing access to the European market as well as increased foreign interest. This increased trade opportunities presented to Slovenian companies and increased interest from foreign investors due to the protection and opportunities offered by the EU (Colliers, 2023).

The European Union acts as a single market which allows for the free movement of goods, services, money, and people between its members. This arrangement between its members accounts as a singular entity under all its members. A crucial aspect of the EU is the EU budget and the associated authority. The EU Commission delegates the budget to initiatives and projects. As a result, EU integration has facilitated the improvement of Slovenia's transport infrastructure creating the opportunity to create better and more efficient supply chains and distribution networks. EU investment and initiative have extended to the improvement of Slovenia's Logistics facilities, examples being the improvement of pre-existing infrastructure and the development of new logistics hubs. The EU integration also meant that Slovenia is constantly modernising to keep up with EU standards and regulations, notably the modernization of customs and border processes has streamlined the cross-border strategy, reducing delays and costs associated with the transport of goods and increasing efficiency in the distribution process (Colliers, 2023).

All these changes have led to a highly dynamic market where consumer and firm behaviour is highly dependent and interlinked with EU budget allocation, EU consumer trends, and the different actions and trends of the broader European market, with the need for continuous adaptation to legal regulations and dynamic market demand.

5.4.3 Comparative Analysis

Japan incorporates a multi-layered structure with many wholesalers and retailers working together on many levels, with many face-to-face interactions as a result of its heritage. With small retailers still playing a major part in the market.

Slovenia's distribution system stemming from the EU is highly streamlined and optimised for efficiency, with large retailers and wholesalers representing a large portion of the market. Slovenia is also characterised by adopting a variety of foreign and domestic trade practices due to the presence of foreign investors.

In terms of logistics and supply chain, Japan has developed a highly efficient and intricate supply chain due to the dense urban population centres with limited space. While Slovenia

benefits from its geographical location with very population centres, while also benefiting from EU support and incorporating an EU-influenced distribution model.

With regard to global trade and trading with neighbouring countries, Japan is an island nation which forces it to rely only on maritime transport and air freight, for exports and imports. While Slovenia enjoys the geographical advantages of having access to railway networks, and road infrastructure connecting it to neighbouring countries as well as ports, for maritime and air freight.

Due to this import infrastructure in Japan is centred around major ports located in Tokyo, Yokohama, Kobe, Osaka, and Fukuoka, with these ports being responsible for the majority of the exports and imports. While Slovenia due to its smaller GDP, land mass, population, and other factors only has one port located in copper, connecting it to the Adriatic Sea. Due to its favourable geographic placement, Slovenia intersects two pan-European corridors connecting central and eastern Europe, and by utilizing its rail networks it serves as a facilitator of trade connecting eastern and central Europe (Colliers, 2023).

5.4.4 Managing Channel Members and Conflict Resolution

Conflict mitigation is deeply intertwined with the culture of a given country and how daily interactions happen between people. In Japan, channel management and conflict resolution are deeply influenced by the concept of harmony referred to as 'WA'. This concept is deeply entwined into Japanese culture and reflects the preference of channel members to maintain harmonious relations with each other. This concept also displays aspects of Keiretsu as WA results in loyalty between channel members, and cohesive cooperation (EU-Japan Centre, n.d..)

JBC is deeply rooted in societal traditions and the country's history. Japan is dominated by indirect communication, where unlike Western languages and culture, ideas are communicated very subtly with nonverbal communication and reading between the lines being common practices. Conflicts rarely arise as maintaining good relationships 'Ningen Kankei' is a large aspect of JBC. Another important aspect which relates to conflict resolution mainly focusing on conflict prevention and the maintenance of good relations and WA is 'Ringi Seido' and 'Nemawashi' both concepts pertain to establishing consensus prior to any formal meeting/discussion on the topic. Nemawashi is the practice of seeding ideas before and establishing a common consensus that the result will be that people involved will reciprocate the sentiment that has been seeded resulting in quick conflict resolution and agreement on the decision. Although this process is time-consuming as it requires the discussion of the topic with each party separately, this process is indicative of JBC being centred on long-term decision-making planning (EU-Japan Centre, n.d.).

Although JBC offers a very cohesive working environment with conflict and disagreements being scarce various issues plague it. The importance of maintaining WA, long-term orientation, and the high priority on formality result in major disadvantages. Due to the long-term orientation, it takes a long time to come to a decision, and staggering response time to changes in the economic environment. Furthermore, strict hierarchical structures, result in top-down decision-making making which impairs ideas from the bottom of the hierarchy being expressed, opening the business to threats that could have been avoided, and concepts of true feeling ‘Honne’ and maintenance of public facade ‘Tatemae’ foster invisible and repressed conflicts, which can’t be resolved as the other party will not be aware that there is a conflict of interests and ideas (Nocos, 2023).

However, Japan is gradually adapting and incorporating global business practices in order to compete in the international market. This trend is especially evident within Japanese and foreign partnerships.

In contrast to Japan Slovenia embodies a highly Western approach to channel management and conflict resolution. Slovenian channel management is highly aligned with the practices and business cultures of other European countries. This enables for Slovenian businesses to have shared understanding and expectations when negotiating with foreign partners limiting cultural barriers. Contrary to Japan, Slovenia possesses a highly direct culture. Business meetings are very formal and focus on the topic of discussion, with an emphasis on efficiency and competitiveness (Colliers, 2023).

Reflecting Western and European customs conflict resolution is conducted formally and presents a highly structured approach focused on the issue at hand. During conflict resolution between channel members, the resolution will be reached through the use of legal contractual mechanisms, for the purposes of standardisation and efficiency as is customary in Europe. As it pertains to global business practices and interacting with foreign partners Slovenia has adopted international conflict resolution standards, facilitating eases of integration with foreign markets and global supply chains. This combination of principles and adaptability results in a highly formal and standardised system with open communication, and has allowed Slovenian businesses to be highly competitive in compliance with international business norms (Colliers, 2023).

5.4.5 Omnichannel Strategies

In Japan, the omnichannel structure has been deeply influenced by the history of its traditional retail stores. In the present day, e-commerce has made the largest impact on the structure of channels in Japan, with the sentiment shifting focus to integrating online and offline channels for the optimal customer experience and satisfaction. With the increasing demand for e-commerce, retailers are increasing their online presence through the

integration of their stores into websites and mobile apps to complement their physical locations and increase their customer base. However, the Japanese multilayer distribution system poses unique challenges in attaining that goal, as the various levels of retailers and wholesalers cause inefficiencies and reduced speed of order fulfilment (International Trade Administration, 2022).

In the case of Slovenia, due to the young age of the market, they mimic broader European trends, with the rapid adoption of e-commerce, social media marketing, online marketplaces, and other online resources to reach a wider audience. Many firms display a developed modern logistics infrastructure, and most components of the channel are optimally streamlined. Additionally, due to the high agility of the Slovenian market, Slovenian firms have been focusing on the modern customer experience, through using customer data analysis as well as customer relationship management (CRM). These adoptions result in a streamlined efficient system with a high focus on customer satisfaction, by tailoring the experience of each consumer to their needs.

6 CONCLUSION

In this thesis, I investigated the phenomenon of adopting WBC by Japanese firms to assess its positive effects. Through in-person interviews and detailed case studies of Sony and SoftBank, the research demonstrated that integrating WBC practices leads to significant improvements in financial performance, innovation, and global competitiveness. My research question was does WBC have positive impact on JBC in terms of economic and financial result.

One discovery was that the seniority system in JBC faces challenges when introduced to WBC's performance-based incentives and meritocracy. This change boosted productivity and innovation but showed the ability to disrupt traditional loyalty within organizations.

The research also showed that the concept of Wa, or harmony, which values group consensus in JBC, is affected by WBC's direct communication style. While this can enhance decision-making, it demonstrated that it could create tension within teams used to prioritizing group harmony.

During the course of the thesis, I also found that the Salaryman culture, known for long working hours and strong company commitment, contrasts sharply with WBC's emphasis on work-life balance. Implementing WBC practices was shown to increase employee satisfaction and productivity but required a significant mindset shift for both employers and employees.

Traditional JBC practices like Nemawashi and Ringi-sho, which focus on meticulous planning, were also impacted by WBC's agile approach. This shift encouraged rapid decision-making and improved competitiveness at the cost of disrupting established processes.

The findings of this thesis suggest that integrating WBC into JBC can enhance global competitiveness and innovation. However, it requires careful management to balance the strengths of both cultures and address the challenges that arise.

When analysing the case studies, results from Sony and SoftBank showed that integrating WBC into these Japanese firms led to notable improvements. Sony's revenue increased from \$79.19 billion in 2011 to \$86.00 billion in 2024, while SoftBank's revenue grew from \$27.25 billion in 2011 to \$58.40 billion in 2023. This revenue growth demonstrates the positive financial impact of adopting WBC practices, which encouraged greater risk-taking and aggressive expansion.

Return on investment (ROI) also saw improvements, with Sony achieving 12.17% and SoftBank 7.3% in 2023, indicating more effective use of investments and higher profitability. Net present value (NPV) figures for Sony \$45 billion and SoftBank \$38 billion suggest strong long-term financial profitability due to WBC adoption.

Innovation metrics further show the benefits of WBC integration. Sony's product launches, such as the PlayStation 5, and strategic acquisitions like Crunchyroll, have solidified its market position. While SoftBank's focus on AI and robotics has made it a global leader in technology.

In terms of business culture both companies transitioned to a hybrid model, blending traditional Japanese practices with WBC, resulting in better decision-making and overall efficiency. This approach allowed Sony and SoftBank to adapt to global market demands, improve competitiveness, and achieve sustained international success.

This thesis had argued that the adoption of WBC can bring significant positive economic effects to Japanese firms. The key findings from this thesis are, that historical analysis of Japan's economy demonstrates the critical impact of cultural factors on business practices and economic outcomes.

While this thesis provides a comprehensive overview, further research is needed to explore the long-term effects of WBC integration on different sectors of the Japanese economy. The success of firms depends on a multitude of factors, including market conditions, technological advancements, regulatory environments, and global economic trends. Although I believe that WBC is a key factor in driving innovation and competitiveness, it is important to recognize that it is not the sole determinant of success. Additional studies should

consider the interplay between WBC and other critical variables to provide a more nuanced understanding of its impact on the Japanese economy.

In conclusion, Japanese firms should consider a hybrid approach, selectively integrating WBC practices that align with their core values and operational strengths. The future success of Japanese firms will likely depend on their ability to balance traditional values with the innovative and dynamic aspects of WBC. Ultimately, the strategic integration of WBC presents an opportunity for Japanese firms to rejuvenate their economic presence and achieve sustained global success.

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APPENDICES

Appendix 1: Povzetek (Summary in Slovene language)

Diplomska naloga raziskuje vpliv integracije zahodne poslovne kulture v japonsko poslovno kulturo za izboljšanje gospodarske učinkovitosti, inovacij in globalne konkurenčnosti. Japonsko 'izgubljeno desetletje' je poudarilo potrebo po novih strategijah, ki presegajo tradicionalne ekonomske modele, ki pogosto zanemarjajo kulturne vplive.

Skozi študije primerov podjetij Sony in SoftBank raziskava kaže, da lahko sprejetje praks zahodne poslovne kulture, kot so spodbude, ki temeljijo na uspešnosti in meritokraciji, izboljša produktivnost in inovacije, vendar lahko poruši tradicionalne sisteme zvestobe. Neposreden komunikacijski slog zahodne poslovne kulture izboljša sprejemanje odločitev, vendar lahko ustvari napetosti v timih, ki so navajeni dajati prednost skupinski harmoniji. Prehod k ravnotežju med delom in zasebnim življenjem je v nasprotju z japonsko kulturo 'salaryman', kar zahteva pomembne prilagoditve za boljše zadovoljstvo in produktivnost zaposlenih.

Ugotovitve kažejo, da integracija zahodne poslovne kulture v japonsko poslovno kulturo spodbuja hibridno poslovno kulturo, ki združuje prednosti obeh pristopov. Ta hibridni model lahko oživi japonska podjetja in poveča njihovo globalno konkurenčnost ter inovativnost. Vendar pa zahteva skrbno upravljanje za uravnoteženje prednosti obeh kultur in reševanje izzivov, ki izhajajo iz njihove integracije.

V zaključku ta diplomska naloga trdi, da selektivno sprejetje praks zahodne poslovne kulture, usklajenih z osnovnimi japonskimi vrednotami, predstavlja priložnost za japonska podjetja, da ponovno oživijo svojo gospodarsko prisotnost in dosežejo trajnosten globalni uspeh. Priporoča se nadaljnje raziskovanje dolgoročnih učinkov integracije zahodne poslovne kulture v različnih sektorjih japonskega gospodarstva, pri čemer je treba priznati, da je zahodna poslovna kultura ključni dejavnik pri spodbujanju inovacij in konkurenčnosti, vendar ni edini dejavnik uspeha.

Appendix 2: Interview with Professor Kazushi Sasabuchi

Interview was conducted on the 19th of December at 13:00JST at the Akita International University premises. The interviewee consented verbally before the beginning of the recording and through email beforehand.

Summary: The interview focuses on how Japanese firms are incorporating Western business practices. Professor Sasabuchi discusses the challenges of measuring the success of these integrations because of Japan's deep-rooted traditional business culture. He provides examples of changes in leadership styles, performance evaluations, and employee engagement strategies. The professor states that globalization has had a positive impact, and that there is a need for educational reforms to increase creativity. Despite the slow pace of change, companies like Uniqlo have successfully adapted to new practices. The conversation also touches on the resistance to change within Japanese firms and the crucial role of government regulations in driving these transformations.

Follows the transcript of the available recording:

- **Arsenii Arakelov:** Okay, I guess it worked a bit late. Can you please repeat?
- **Professor Sasabuchi:** Okay. Regarding the question number one, it is very difficult to measure the effectiveness by numerical numbers of by installing Western cultures in Japanese companies. However, Japanese companies are very much westernized in the operations.
- **Arsenii Arakelov:** Okay. Then did the answer to your question?
- **Professor Sasabuchi:** Yes, okay.
- **Arsenii Arakelov:** So that was going to be hard to contrast and compare like, what the effects are. But based on your experience in the companies, you have worked at, how have Western business practices been adapted when integrated into Japanese firms? Can you provide any specific examples, examples for what?
- **Professor Sasabuchi:** How Western business practices have been adapted when integrated into Japanese firms? How did they integrate Japanese Western business practices and adapted them to the Japanese workplace?
- **Arsenii Arakelov:** Japanese workplace, so especially in the subsidiaries and foreign branches, in the overseas, they install their culture in the national in that nation. So, they practice the Western culture in the for the, for the subsidiaries and the foreign branches?
- **Professor Sasabuchi:** Very well. Then they install those practices into Japan head office, then head office, make them generalize into their branches in domestic branches and sell forks.
- **Arsenii Arakelov:** Right. But when it comes to more traditional this for Question Three already, how does more traditional management in Japan which has been influenced by practices such as keiretsu and Zai bots over the centuries? Like how are people that grew up in that business environment and developed in it go adapting to these new changes that are being introduced into the companies?

- **Professor Sasabuchi:** Yeah, that's a good question. So, formally, or you can see as a halo key hierarchy as you presented in our class, that is one thing, but we use the Japanese culture among the communications among those fear Iraqis every day as they use Japanese culture Japanese, Japanese communication culture. So that makes them complicated to differentiate Western culture and Japanese culture.
- **Arsenii Arakelov:** Thank you very much for answering that question. But how has the introduction of Western business practice influenced leadership as in the hierarchy in newer firms may be any examples you know, firms that have been switched to western style hierarchy as in the example of Nissan being bought out by an old car.
- **Professor Sasabuchi:** Yep, you focus on a very good point leadership is very different as you land in a class in a western culture leader is a leader a follower is a follower, then if we assume the one team, the fall was very specialized in the Western cultures. However, in Japan, they are not specialized. So that means they make much of the cooperations among team among team members. That means the leaders responsibility is kind of organize the harmony or atmosphere of those team or those team members. Okay, that's a totally different from the west leadership, Japanese leadership style.
- **Arsenii Arakelov:** But when it comes to dealing with average everyday employees, in what ways have the Western human resource practices like performance evaluation and employee engagement strategies been adopted or modified in Japanese companies?
- **Professor Sasabuchi:** That's a good question. So in the past means, or 50 years ago or more. They don't evaluate employees by using numerical numbers. Just focus on their ability or potential liabilities. However, currently, when we evaluate employees, we will use numerical numbers. At the beginning of the semester, we set the goals by numerical numbers, then we evaluate the employees by the ratio of achievements of the initial goals. We said at the beginning of the semester, like that.
- **Arsenii Arakelov:** And discussing how we're dealing with average everyday employees of the company, how's the integration of WBC into companies which already incorporated into their structure effected innovation and creativity within them?
- **Professor Sasabuchi:** That's, that's also a very good question. Because average employees does not decolonize the Western culture or Japanese culture, they just follow the rules of the company, then the top management set some sense of the Western culture into their rules, then employees automatically follow the Western culture without recognizing this is a subculture.
- **Arsenii Arakelov:** But how has that influenced creativity has there been any cases where it increased because of it, or people were more open to share their ideas with the higher ups
- **Professor Sasabuchi:** Honestly speaking, if they have the creativity, Japan have not experienced loss of 30 years. As we learned in the class, the education system is very much uniformed. The education system does not make much of the creativity just learn just so Germany's only God does not have the creativity, I guess. So, of course, Japanese are very, very much good at improving something, if something exists, which has

problems or issues, they can improve it, but they cannot create from the zero, they are not good at creating the things from zero.

- **Arsenii Arakelov:** And talking about continuing on the topic of culture, how important and how much will there be a resistance, if we take an old company which is struggling financially, and try to improve it by introducing maybe a different business structure to increase adaptability? Like, well, how much will be the resistance from employees in conducting that?
- **Professor Sasabuchi:** Ma, honestly speaking, they have a very strong power to resist to the change. So from my experience, I am I, I am a person who loves changing the event or systems in the company, I faced on several difficulties by resisting the employees, they are very conservative. They don't want to change their job. What the responsibility.
- **Arsenii Arakelov:** Thank you for asking that question. Now. What is the most significant challenges Japanese firms face when incorporating into the global market and economy? Because when we consider that we have quite a low adaptability rates combined with a low efficiency of working, but as well you have employees which are overworking constantly, like how does that compare to the global economy
- **Professor Sasabuchi:** the most important which shouldn't be the creativity, we need to be creative. We need to create new things, new systems, new products, new services, we have to do that. However, at this moment, we cannot do it. Because of the lack of the creativity, that's why we make much of the diversity we have to hire this various people, whereas the people who has various backgrounds.
- **Arsenii Arakelov:** so, you would say that too, in order to mainly change the aspects and integrate change into businesses today in Japan, it would be have to mentally fundamentally stem from the education system to begin with,
- **Professor Sasabuchi:** right, that's right.
- **Arsenii Arakelov:** Let me just how has globalization has it been a positive effect or a negative impact in changing the culture in Japan.
- **Professor Sasabuchi:** and for Japan, it should be a positive effect because isolated island, so we have to contract to the other countries. That is our destiny. So we have to conducted to every countries then expand our to expand our economy. We have to contract to other countries in that globalization is very positive for Japanese economy.
- **Arsenii Arakelov:** And now back to the topic that you mentioned that there's a lot of the needed to include people with outside experience, how do cross cultural teams with within Japan these companies function differently when Western business practices are introduced at
- **Professor Sasabuchi:** first the company domestic companies should start from the describing the job descriptions, they have to clearly mentioned about the responsibility of each person and also each divisions in the organization, they have to identify the responsibility of the departments in the organization. After that, they have to hire various people who has it various background.

- **Arsenii Arakelov:** Thank you very much. And when it comes to change management, what strategies have been most effective in managing the change associated with integrating Western business practices in Japanese corporate environments.
- **Professor Sasabuchi:** Currently, we have the hero Hero Card Systems in the company, however, we need a flood organization to close communication between managers and the staffs there, we have to keep the safe environment to make opinions the flat organization like a cell in the body cells, we have to create many flat organizations in the company.
- **Arsenii Arakelov:** And when it comes back to the topic of financial performance, from your experience, do you have any example where you saw one company which included and changed faster and adapted to the new strategies and incorporate different business culture compared to a traditional company?
- **Professor Sasabuchi:** Yes, if I pick up the one company Uniqlo, the fast retailing Uniqlo owner Uniqlo is a successful company to adapt to new cultures. So, if we look at their financial performances, they are growing very well.
- **Arsenii Arakelov:** What would be an example of a company that didn't do so, well, when it comes to
- **Professor Sasabuchi:** you can see many companies traditional companies, who pick up the Japanese finance or companies any of them that show us the good performances,
- **Arsenii Arakelov:** but in the scenario that none of the companies actually do end up incorporating it, if the system remains as it is right now, how do you think they this will affect the economy in the next 20 3040 years
- **Professor Sasabuchi:** after either all Japanese companies notice that they have to change their systems? So, they are now changing? But I have a question for the speed of the change. So some company is very much speedy II however the most of them are very slow from my viewpoints they have to make their are changing speed more
- **Arsenii Arakelov:** and what are the Japanese opinions just random like average civilians on that many businesses are now adopting Western business practices into their companies as well as being more representative and staying away from the classical hierarchical structure
- **Professor Sasabuchi:** probably most of the Japanese thinks that very conservative change. So top management should more than to make a much more changes
- **Arsenii Arakelov:** and when it comes to do not only like successful stories where a company was suffering and then it incorporated one of the strategies in order to survive and actually become successful
- **Professor Sasabuchi:** repeat it again. What do you want to know?
- **Arsenii Arakelov:** Do you know any success stories where a company switched up its management structure and incorporated different business practices and then as a result it went up in revenue and survived

- **Professor Sasabuchi:** Sony Yes, I if I pick up the company that Toyota Motor company that is one of them. And also saw the management start changing. I don't come up with but I will let you know later after I decide something right. Okay, okay, thank
- **Arsenii Arakelov:** you very much, right? And as from your personal career, where you have worked at, what advice would you give to both Western and Japanese firms, or which kind of culture they should foster.
- **Professor Sasabuchi:** So I only Western culture very much honestly speak. So I have nothing to say to the Western cultures, for Japanese companies, we have to be more transparent of the management, we should have accountability for outside of the company. So, Japanese companies has a tendency to conceal the negative things. However, they should disclose everything honestly, to outside people, then obtain the appeals.
- **Arsenii Arakelov:** And in terms of what elements would you be, would you have it as a pure switch over from one culture to another, where you would have an integration and a mixture of team? Which set of characteristics would you keep and which one you would avoid?
- **Professor Sasabuchi:** If it's possible mixture should be the best? However, if it's not, we have to integrate one culture to the other.
- **Arsenii Arakelov:** And do you have any story from your personal career where you have had experience with dealing with it with maybe any transition from business culture to business culture, and how that affected you?
- **Professor Sasabuchi:** When I was in the New York branch, I changed a lot. Then I tried to install those cultures into our head obviously, in Japan, I failed at this very much.
- **Arsenii Arakelov:** And how what was the reason for the failure? Because discs. But so in when, how Japanese businesses taught in regular schools, not a specifically the EU, are they still teaching the classical traditional style of JBC?
- **Professor Sasabuchi:** Excellent. Would you repeat it again?
- **Arsenii Arakelov:** When it comes to other universities, and building a new generation, when it comes to a potential education, are they still teaching traditional and classical Japanese hierarchical structure, as in encouraging students to go out and join the companies with that lounge?
- **Professor Sasabuchi:** Mob? The purpose of my class is that to for Japanese students, they have to know the Western culture, much more Japanese culture, because I know they are educated in the Japanese culture. So I emphasize the differences between this and culture is a business culture and JBC, then they should know. So if I teach the other university students, I'll do the same. I lived okay. But
- **Arsenii Arakelov:** what about other professors? When it comes to just the regular Japanese university? How would they what are their opinions? Would they prefer to teach about classical JBC sticking with tradition? Or would they like the students to adapt and evolve?

- **Professor Sasabuchi:** Now basically, they stance on the traditional JBC, I believe, because they don't know the outside business culture, because they are now in the university, so they have no chance to see the business cultures.
- **Arsenii Arakelov:** And what do you think would be the biggest impact to make in that? Companies here would adapt the way of thinking and they would switch over to the other different kinds of culture?
- **Professor Sasabuchi:** I'm sorry, Would you repeat it again,
- **Arsenii Arakelov:** my throat is a bit dry. Sorry, apologies. So we'll have a drink.
- **Professor Sasabuchi:** When it comes to change in the country, what do you think would be the event which causes Japan to actually be a bit more active and agile, instead of slowly adapting? And not making sure like what event could happen economically?
- **Arsenii Arakelov:** Fortunately, currently, Japanese companies are forced by the government's government city regulations to change them to promote their changes. So, in other words, companies are waiting for the chance to change. They don't notice by themselves. So if government set some regulations, they will immediately change about it.
- **Professor Sasabuchi:** So this means that the government has a big portion, whereas traditional nature impacts the things that are happening. And this is all my questions. Thank you very much. And if you have anything else to share with me, I would be very appreciated.
- **Arsenii Arakelov:** And if you have any more questions, don't hesitate to send me by email. I will either reply to you as soon as I can. So actually, some students who return to their home country still sends me an email because of, they have to write a C thesis. So I've provided several materials to them. So please continue to this communication. Even your, your home country.
- **Professor Sasabuchi:** Don't do very much for this opportunity.
- **Arsenii Arakelov:** Okay. Thank you very much.
- **Professor Sasabuchi:** Thank you very much for your time and have a good day.
- **Arsenii Arakelov:** You too.
- **Professor Sasabuchi:** Thank you very much.