## Introduction

## Further Validation of Japanese-Style Career Development System

In-house career is narrowly interpreted as time paths of "diversity of work" (horizontal career) and "promotion of position or grade" (vertical career) in which individual employees have in their companies. Therefore, career development system is a rule system which governs time paths of organizational members' horizontal and vertical careers so that productivity in the workplace and full enterprise competitiveness can be improved. Many of such rules have been autonomously made in the real operations while there are some clearly-stated ones such as labor regulations and labor-management agreement. Therefore, "Japanese-style" system changes with time. This special edition of Japan Labor Review is intended to further verify characteristics and functions of Japanese-Style Career Development Systems (JCDS) obtained from career studies (mainly in the 1980s) for regular employees of Japanese core businesses through five papers starting from critical considerations against "common belief" of JCDS.

Looking back on generation and settlement processes of JCDS. On the Job Training (OJT) system which consciously develops workers' skills through job transfers inside and outside workplaces was partially introduced in Japanese manufacturing industry after World War II. According to Norio Hisamoto who reviewed previous historical experimental studies on skill development system for iron and steel industry, a cross-trained worker policy has been established from about 1965.<sup>1</sup> That is, blue-collar employees at that time were encouraged to become regular employees, conscious utilization of OJT, work place training and the need for training were emphasized and cross-trained worker and high skill systems were established on the basis of medium- to long-range outlook with tensions with daily quantitative personnel management. The outline of JCDS seeking both deep and wide skills at the same time under the wide career development was then determined. One reason behind that labor accepted JCDS based on such cross-trained worker policy is, although social consensus to avoid regular employees' dismissal was essential, that government, labor and management focused on employment during the depression caused by oil crisis occurred at the end of 1973, the custom of long-term stable employment was strengthened, and a series of submitted bills to restrict dismissal for the purposes of reorganization played a role to strengthen social norms of employment security.<sup>2</sup>

However, such original form of JCDS was not designed by managers at that time with strategic intent. As Takahiro Fujimoto who thoroughly surveyed and analyzed the evolution process of Toyota Motor Corporation's production system said, the institutional control of in-house excess/rigid division of labor such as cross-trained worker system, multi-process handling, wide job classification, skill-based pay and revision of operation

<sup>&</sup>lt;sup>1</sup> Norio Hisamoto, "Noryoku Kaihatsu [Skill development]," in *Nihonteki Koyo Sistemu* [Japanese-style employment system], ed. Michio Nitta and Hisamoto Norio, 107-61 (Tokyo: Nakanishiya Shuppan, 2008).

<sup>&</sup>lt;sup>2</sup> Michio Nitta, "Koyo no Ryoteki Kanri"[Quantitative Employment Management], in *Nihonteki Koyo Sistemu* (see note 1), 27-71.

standard was a kind of "chance hit": since production sites were constantly short-handed due to continued expansion of production output under quantitatively limited input of management resources such as personnel and capital, Japanese companies could not introduce a segmented division of labor like Western companies even if they wanted to.<sup>3</sup> That is, generation and settlement of JCDS were not based on prior rational decision making but an emergent evolution process which is largely influenced by historical environmental restrictions, unintended knowledge transfer, etc. The evolution ability in which labor and management work together to make "tentative solution" under the historical restraint condition a competitive system afterwards was a driving force behind the development of Japanese companies including Toyota.

Thus, JCDS received world attention as a source of world competitive leadership from the 1970s to 1980s. JCDS was Japan's own form which combines a horizontal coordination such as precise tuning by sharing information with peers or relevant departments and a wide-range career development based on a merit-based incentive system ([job performing] ability-based grade system) which is intended to obtain "intellectual skills" in a mutually complementary manner.<sup>4</sup> According to Kazuo Koike who conducted a series of researches on labor career at production sites, "intellectual skills" are characteristics of Japanese operators' own skills.<sup>5</sup> Particularly, they are know-how of dealing with "unusual operation," i.e., changes and problems. At Japanese production sites, it is more often that operators, direct workers, deal with problems to solve rather than technicians or engineers who are experts in problem processing. As a result, the skill distribution becomes "middle-thick type" in which there are many operators with intellectual skills. He also insisted that if operators have certain knowledge level and motivation, Japanese-style "integrated system" in which operators at sites carry out wide-range duties is better than "separate system" in which operators' duties are limited from the perspective of cost of division of labor and their motivation. The method to obtain these intellectual skills was extensive OJT.

In the first paper written by Masaki Tanaka, a quantitative analysis on skill distributions of operators working at iron and steel production lines based on the intellectual skills theory. As a result, it was demonstrated that most of operators' skills are improved to the required level when their length of service reaches about 25 years. This paper's data are based on interviews with engineers and operators in manufacturing departments conducted from 1998 to 2004. In that sense, JCDS's main characteristic, a wide-range career development based on cross-trained worker system, has been continued.

Intellectual skills hold true for white-collar employees. White-collar employees are the same as blue-collar ones in the sense that they deal with changes and uncertainty based on their wide-range expertise. In this case, the promotion to develop intellectual skills is a

<sup>&</sup>lt;sup>3</sup> Takahiro Fujimoto, *The Evolution of a Manufacturing System at Toyota* (New York, Tokyo: Oxford University Press, 1999).

<sup>&</sup>lt;sup>4</sup> For example, Masahiko Aoki, *Information, Incentives and Bargaining in the Japanese Economy* (Cambridge; New York: Cambridge University Press, 1988).

<sup>&</sup>lt;sup>5</sup> For example, Kazuo Koike, "Learning and Incentive Systems in Japanese Industry," in *The Japanese Firm: Sources of Competitive Strength*, ed. Masahiko Aoki and Ronald Dore, 41-65 (Oxford; New York: Oxford University Press, 1994).

system of "promotion of position or grade" (vertical career). Although this is structured by an employee grading system, many of Japanese companies have introduced the ability-based grade system which consists of ability-based grade ladders.

The ability-based grade system has been fully introduced into Japanese companies since General Assembly of Japan Federation of Employers' Associations (JFEA) in 1965. In Noryoku-Shugi Kanri: Sono Riron to Jissen [Merit system: The theory and practice] (JEFA Publications, 1969), JFEA positioned the ability-based grade system as an axis of personnel system, recommended the separation of positions and ability-based grades and insisted that not only performances but also all processes should be evaluated for promotion management and both apparent and potential abilities should be evaluated. If the ability-based grade system is adopted, the promotion structure would consist of two hierarchies, "ladder of position" and "ladder of grade (rank)." The base pay is provided depending on employee's grade, and when the employee is promoted to upper grade, he/she gets a raise. However, if not promoted to upper grade, he/she would not get a raise even if promoted to upper position. In Japanese, the promotion of position and the promotion of grade are separately called "Shoshin" and "Shokaku" respectively based on such separation between treatment and assignment. Since many parts of the pay correspond to the grade, total labor cost management is carried out by controlling the number of employees being promoted to upper grades. The promotion system evaluates whether ability improves as time advances in some way such as personnel evaluation and interview exam. Although there are individual disparities of promotion speed and grades to be reached, employees are supposed to be gradually promoted to upper grades and the promotion is normally one by one. There are also minimum required length of service and standard length of service for promotion. Because, the ability-based grade system is based on man-centered idea that "man creates jobs" and "ability is developed by jobs." This also leads to the perspective of human ability that acquired abilities will not decrease. Therefore, there is no concept of demotion in principle.

Previous studies on promotion of position/grade in white-collar employees' JCDS focused on when the disparity of reaching to a specific grade occurs, and characteristics such as "simultaneous promotion among employees who joined the company at the same time early in their career (seniority promotion)," "late primary selection" and "transfer to tournament selection later in their career" were stylized. Preceding studies, however, did not look out for the relationship with horizontal career which provides the promotion. In the second paper written by Katsuhito Uehara, an integrated analysis of promotion and assignment was conducted and long-term selection process and career development from joining to leaving the company were surveyed using personnel data of college-educated white-collar employees in General Trading Company A. As a result, the time of promotion disparity is certainly late as same as the conclusions of preceding studies. However, regarding the trend of assignment, it was confirmed that the first job transfer after the first assignment has already had significant impact on the order of promotion to manager and the finally reached grade. That is, it was found that there is a "quick selection" how to allocate next jobs in JCDS against the conventional dominant common belief, Japanese company = "slow promotion."

In the third paper written by Tetsuo Nakashima, the reality of career competition was analyzed using personnel micro-data of three second-tier manufacturers (more than 1,000 employees) which adopt the ability-based grade system. It was clarified that; (i) there is a heated competition so-called "knock-out competition" early in their career, and (ii) there is also a competition associated with changes in the order later in their career and there is no end of competition. These are different from the common belief that there is a uniform seniority system early in their career and it transfers to a tournament system later in their career. In JCDS, on a foundation of long-term stable employment system, employees start their career as one group at first, and some are gradually straggling behind the group and they are divided into some groups. They compete with others in their own group, e.g., leading group and the second group. If an employee struggles behind the last group, he/she would compete with the closure of vertical career gate. In JCDS, there is a long-term promotion competition like a career marathon.

How about career development of R&D professionals which require high degree of professionalism among white-collar employees? There is no common belief of JCDS on relationship between promotion and transfers of R&D professionals. While there are experimental studies that the more employees experience diversified jobs and works, the quicker or the higher they are promoted, some insist that job transfers beyond the business have a negative impact on the promotion. It is also uncertain whether career changers are in a disadvantaged position against promotion or not. In the fourth paper written by Yukiko Murakami, a comparative analysis on the relationship between transfers and promotion of R&D professionals who work for national laboratories focusing on basic research (NLB), those with an emphasis on applied research (NLA), laboratories of private companies in the pharmaceutical industry (PLP) and those in the electric and electronics industries (PLE) was conducted. In PLE where production knowledge is an important organizational output, it was found that since horizontal coordination plays an important role of management personnel, transfers have a positive impact on the promotion. On the other hand, career changers whose length of service is short in the company are in a disadvantaged position against the promotion due to limited opportunities of transfers, in-house communications or project experiences. Japanese companies like PLE have focused on applied researches and have been highly competitive in integrated product architectures, e.g., cars, precision equipment and functional chemical goods. Provided that Japanese industries have a comparative advantage in integrated product architectures in which a delicate allocation balance of parts determined the value of products, career of Japanese R&D professionals would become wider than that of Western countries and lower the probability of career changers' promotion.

As is obvious from above four papers, JCDS's characteristics are; (i) a wide-range career development which promotes the acquisition of intellectual skills (horizontal career), (ii) a quick selection to decide job allocations and a long-term heated promotion competition which obscures the final winner (vertical career) and (iii) an ability-based grade system which supports both careers as an incentive system. At the same time, there is a change of JCDS in industries which focus on basic researches more than applied researches like R&D professionals in a pharmaceutical company that advanced professionals easily function and

mid-career employment is easily used.

In any case, studies on functionality of JCDS have been conducted mainly on the basis of the intellectual skills theory, i.e., experimental studies of hypothesis, "wide-range career development  $\rightarrow$  acquisition of intellectual skills  $\rightarrow$  improved efficiency," have been accumulated. The last paper of this special edition written by Mitsutoshi Hirano, Yasuhiko Uchida and Ryuta Suzuki makes the concept of a new framework which is different from intellectual skills, i.e., a cause-and-effect relationship "wide-range career development  $\rightarrow$ knowledge combination  $\rightarrow$  value creation," and advocates a new descriptive principle of the functionality of JCDS. As a result of career survey on executives of House Foods Corporation, Japanese-style emergent resource-based management style which is different from Western strategic management style which focuses on the time of planning was found. Particularly, the personnel department of the headquarters continuously encourages the development, accumulation and utilization of internal resources all over the company through the career development system, and the corporate changes will be made through the emergent process. That is, this mechanism makes a gap between individual own skills and skills required by roles by conducting technically and attributively discontinuous personnel transfers on purpose and uses the gap as motivation to change roles and create values.

In fact, the personnel department of the headquarters of *House Foods Corporation* is deeply involved in this value-creation process. It is carried out through annual regular personnel transfers in which the personnel department demonstrates its initiative. The grade of the job performing ability-based grade system is also promoted by one depending on the evaluation of abilities and performances of organizational members. In short, the characteristic of *House Foods Corporation*'s career development system is that of JCDS which combines wide-range career development, job performing ability-based grade system and strong personnel department of the headquarters.

Knowledge obtained by papers of this special edition can be summarized that JCDS stylized in the 1980s has evolved keeping the characteristics to the significant extent even now and continuously functioned as a source of Japanese companies' international competitiveness. It has also partially changed, e.g., narrow career development for cultivation of advanced professionals and conversion from ability-based grade system to role-based grade system. It is required for the career development system to combine management such as coordination and strategy formation and other activities in a mutually complementary manner as well as complementarity with the national system such as laws and characteristics of labor markets. Therefore, it is highly unlikely that JCDS changes alone outstandingly. Then, how would further globalization of current business activities and serious global recession since last year impact JCDS? In consideration of JCDS's advanced functionality, whether JCDS's complementary rebuilding against environmental restrictions succeeds or not would have a significant impact on business performances. We should continuously pay attention to JCDS's evolution processes.

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