Corporate Leaders in Japan: Fact and Folklore

Kazuhiro Mishina *Kobe University*
Emiko Hino *Fukuyama University*

This paper refutes the folklore of the Japanese company built upon front-line employees and middle-class managers. The folklore most likely originated from the realities that prevailed during the 1980s, and gained general acceptance through the 1990s. In fact, the data that reflects Japan's reality as of 1995 and 2010 are consistent with the folklore, but the data of 1965 and 1980 are inconsistent with the folklore. The paper thus concludes that the folklore fails to take into account the founding period of Japanese companies. It further establishes that the role the hands-on, top executives played during the founding period of a company is far greater than normally believed. The folklore arises because researchers almost always equate the Japanese company with the largest of the companies in the country. It is worth noting that even the top executives of the largest Japanese companies remained in their positions well over ten years during the founding period. Through these analyses, this paper refutes a popularly held belief about Japanese companies.

I. Introduction

Top management is conspicuously absent from the depictions of the Japanese company. The absence of top management, one may well argue, defines the Japanese company. When James Abegglen called attention to the uniqueness of the Japanese company in 1958, he highlighted three characteristics as particularly noteworthy: (i) lifetime employment, (ii) seniority system, and (iii) enterprise labor union. This characterization has since reinforced the view that the Japanese company struck a new relationship with employees and, thereby, opened a better way to prompt skill formation on the part of employees regardless of the colors of their collar. It is not surprising, then, that both labor economists and business scholars alike concentrate research on the lowest and/or middle layer of the Japanese company (Itami 1987; Koike 1991; Clark and Fujimoto 1991; Kanai, Yonekura, and Numagami 1994; Nonaka and Takeuchi 1995; Kagono 1997).

There is a stream of top management studies in Japan (Urabe 1956; Tsuchiya 1959; Takahashi 1977; Shimizu 1983), but they remain on the side line in the overall literature of the Japanese company.

Mishina (2004) challenged the tradition, presenting new evidence. He assembled the profitability data of the Japanese company, adjusting for the changes in the fiscal year and the value of money, over the 40-year period from 1960 to 1999, and cast serious doubt on the presumption that the Japanese company had delivered superior performance. Interestingly, as his data shows, the decline in the profitability goes hand in hand with the changes in the nature of top management. It is only ironic that the Japanese company has been in deep trouble all the while the literature articulating its superiority was mushrooming.

This paper reviews Japan's post-war period with new data, and sheds light on the fact and folklore concerning the Japanese company. We do not use the word "new data" lightly. In what follows, we distinguish two interpretations of the Japanese company so as to isolate fact from folklore.

Oddly enough, the Japanese company seems such an obvious notion that it has long defied definition. When it comes to companies registered in Japan, they are too diverse to form a meaningful group in any sense whatsoever. Accordingly, researchers select a very small subset of the companies registered in Japan based on their own judgment and, sometimes, the convenience of data collection. There is no single body of substance, "the Japanese company" as a result.

When the notion of "the Japanese company" is casually used, it most likely refers to large companies that are regularly followed by mass media. We call this interpretation the imaginary Japanese company. To the contrary, the Japanese company in reality consists of both large and small. We assembled a group of all public companies in a specific industry, and call this the real-life Japanese company. Should we set up a matrix with different industries extending horizontally and different sales bands extending vertically, the two interpretations correspond to a row or a column of this matrix and together cover the whole. We hope this set-up pinpoints the origin of the folklore surrounding "the Japanese company."

II. Methods

We select a group of top fifty industrial companies in terms of sales as the imaginary Japanese company, and a group of public companies in the electronics industry as the real-life Japanese company. The latter group is limited to the electronics companies that are listed on the first section of the Tokyo, Osaka or Nagoya Stock Exchange[1] in the year 2000. Each group is scrutinized at four time points: 1965, 1980, 1995, and 2010. We try to identify one chief executive of each company at each point in time and analyze the background and the tenure of the chief executive.

1. Four Time Points

We choose four time points from 1965 to 2010 at 15 year intervals. 1965 was in the midst of the period of high economic growth. A trade dispute between Japan and the United States was intensifying in 1980. 1995 saw the flagging economy after the collapse of the economic bubble. The Japanese economy entered a period of economic expansion in February 2002, enjoying the longest economic boom in history until the fall of Lehman in November 2008. 2010 was the point of time that saw the sign of recovery from the economic crisis. This paper is based on the research conducted in 2010.[2] We examine the data in reverse

---

[1] Tokyo, Osaka and Nagoya Stock Exchanges are the three major stock exchanges in Japan.

[2] We conducted a research with the same approach as this paper in 2010 and wrote a paper in Jap-

gear from 2010 back to 1965.

The literature articulating superiority of the Japanese company was published intensively between 1980 and 1995. *Jinpon Shugi Kigyo* (Itami), which depicted the characteristics of the Japanese company was published in 1987, in the midst of the bubble economy. Koike published *Shigoto no Keizaigaku*, a prominent work with the experimental study of the lowest layer of the Japanese company. Clark and Fujimoto published *Product Development Performance* in 1991. Middle up-down management, which is believed to be one of the unique features of the Japanese company, was shed light on by Nonaka in 1990 in *Chishiki Sozo no Keiei*. Kanai, Yonekura and Numagami published a book with the very word "middle" in its title in 1994 (*Sozosuru Midoru*).

2. Two Groups of the Japanese Company

The top fifty industrial companies in terms of sales[3] and all the electronics companies listed on the first section of the three major markets are the research objects.[4] We limit the scope of the research to industrial companies because the industrial sector played a leading role in the economic growth of Japan and occupied the central position in the literature of the Japanese company. The reason for choosing the electronics industry is that it was one of the strongest fields of Japan and the decline of the performance of the electronics companies overlaps the decline of the performance of the industrial sector as a whole. If we were to choose one industry to represent Japanese industries, the electronics industry would be the most appropriate.

We add two other conditions for selecting the companies in the electronics industry: (i) Joined the first or the second section of at least one of the three major markets by 1980, (ii) Listed on the first section market continually from 2000 to 2010. The conditions about the stock markets are set because sufficient information is not available with regard to the unlisted companies.

The influence of excluding unlisted companies from the top fifty companies list is little. Most of the large companies in Japan are publicly held. Although some companies were delisted by becoming subsidiary companies (often a subsidiary of a holding company), the parent (or holding) companies usually continue to be listed.

The influence of excluding unlisted companies from the electronics companies list is

---

anese. We have modified the company lists and the data based on the latest information.

[3] Sales of the year 1965 are defined as the sales of the fiscal year that ends between June 1965 and May 1966, and the same definition is applied to the sales of the other three time points.

[4] The industrial sector includes industries such as Food, Textile, Pulp and paper, Chemical, Petroleum and coal products, Rubber products, Glass and ceramic products, Steel, Non-ferrous metal, Metal products, Machinery, Electronic equipment, Transportation equipment, Precision equipment, or Other products. Companies classified in the above industries in *Yukashoken Hokokusho Yoran 2000* (Directory of Annual Securities Report 2000) are the starting point of the research. Electronic companies in this paper consist of the companies classified into the Electronic equipment industry and Precision equipment industry in the directory.

not little. Any conditions requiring the company to be publicly held eliminate most of the electronics companies, because only a few hundred out of more than 25,000 electronics companies are publicly held. This is not a serious problem as most of the companies eliminated are too small and we are interested in the companies with a certain presence in the Japanese economy. What we really need to be aware of is the effect of the condition of “listed by 1980.” We extracted 128 companies for the year 2000, much less than 163 companies chosen by Mishina (2004). Mishina (2004) added a condition, availability of 10-year data, instead of the condition of the timing the company was listed. The gap between 128 and 163 is not small.

However, it might be better to eliminate unlisted companies, as they tend to be new and new companies did not play a major role in the literature of the Japanese company. Furthermore, we would like to distinguish the transformation of the existing companies from the mere effect of the addition of newly listed companies after 1980.

We call the companies of the second group as “all public companies in the electronics industry,” or simply “electronics companies.”

3. The Final Lists

The number of companies in the top fifty companies list is 50 at each point in time, as is obvious from the definition. The number of companies on the electronics companies list was 128 in 1980 and 1995. Twenty-three companies were unlisted in 1960 and nineteen companies had been delisted before 2010.

Some electronics companies are large enough to be included in the top fifty companies list. In 2010, for example, fourteen companies were on the both lists. This fact justifies our choice of the electronics industry as a representative industry. Although the overlap might seem weird, it is not appropriate to eliminate electronics companies from the list of large Japanese companies or to eliminate large electronics companies from the list of Japanese electronics companies. The contrast of the two groups assembled by different perspectives is of our concern, not the comparison of two mutually exclusive groups.

4. Identification of Chief Executive

We identified one chief executive of each company at each point in time. In general, president (*shacho*, in Japanese) makes the final decision in Japan, although it is not required by law to have a president and there are some exceptional companies without a president. Some companies have a chairman (*kaicho*, in Japanese). The chairman in Japan is an honorary post for past presidents and retires in a few years in most cases. The chairman sometimes supports the president and/or becomes a member of external economic groups. In some exceptional companies, however, the chairman makes the final decision in spite of the presence of a president. Some companies have come to have a CEO, especially after 2000. The CEO is deemed to be an equivalent to the president, in reality, in most cases, and in this paper as well. It is impossible to measure the power of the president and the chairman to make final decisions. Instead of measuring the power itself, we identify chief executives based on their backgrounds.

The procedure for identifying a chief executive is described below. Step 2 is valid only when the chief executive is not determined by step 1. Step 3 is valid only when the chief executive is not determined by either step 1 or step 2.

Step 1: If the president or chairman is the founder of the company, that person is identified as the chief executive. If both the president and chairman are cofounders, the chairman is chosen.

Step 2: If the president or chairman is a member of the founding family, that person is identified as the chief executive except for one case. The founding family chairman with no experience as president is eliminated because of the honorary nature of the position. The definition of the member of the founding family is explained in the next section. If both the president and chairman are members of the founding family with president experience, the chairman is chosen as chief executive.

Step 3: President is identified as chief executive.

5. Types of Chief Executives

We classify chief executives based on their background.

a. Founder: The person who is known as the founder of the company or the person who played a similar role.

b. Founding family member: The member of the founding family with president experience or the person whose families or relatives were the past president of the company.

c. Insider: The person hired by the company within 1 year of graduation or by the age of 30.

d. Quasi-insider: The person hired by the company after more than 1 year passed since graduation and at the age of 31 or older. The person who had been hired less than 1 year before appointment as an executive is excluded.

e. Outsider: The person who was appointed as an executive with no or less than 1-year experience as an employee. Outsiders are further classified into three categories.

e-1. From the parent company: The person who was dispatched from a company in the same group or a Keiretsu company, mainly from the parent company.

e-2. From a supervising agency: The person who had been a public official or at a similar position.

e-3. From an unrelated organization: The person who was invited to the company as a professional manager from an unrelated organization.

The major source of information for classification is *Yukashoken Hokokusho* (Annual Securities Report). Classifying chief executives into c, d or e-3 was sometimes difficult and we adopted the following procedure.

If a chief executive had experience as an executive of another company, the chief executive is classified as "outsider from an unrelated organization (e-3)." It is possible that the person must have been classified as "quasi-insider." However, it could be extremely rare that a person becomes an employee of company X after being an executive of company Y, except for the short-term employment in company X before the next election of executives of company X. There is a trade-off between misidentifying "quasi-insider" chief executives for "outsider from an unrelated company" chief executives and excluding some chief executives non-randomly from the database. We judged the effect of the latter choice would be more serious.

There were eight chief executives who could not be classified even after investigating several sources of information. They are basically excluded from the analysis and the tenure classification is written in the margin of Tables 1 to 8.

6. Tenure of Chief Executives

Average tenure is not calculated in this paper for two reasons. First, the tendency that the tenure of the president had been becoming shorter is already pointed out by Itami (1995), Tanaka and Morishima (2004) and Mishina (2004). Repetition is not fruitful. Second, as is known from past research, the variance of tenure is large and the average of the widely dispersed data is meaningless in this paper. For example, the average of a group consisting of "one president with 24-year tenure and two presidents with 3-year tenure" and the average of a group consisting of "three presidents with 10-year tenure" are both 10 years, although the situation is different between those two groups. Grabbing the whole picture is important, without being deluded by the average figures. We classified the chief executives as follows.

a. Long tenure chief executive: The person whose tenure as president is equal to or longer than 10 years.
b. Middle tenure chief executive: The person whose tenure as president does not reach 10 years but reaches 10 years when the tenure as president and the tenure as chairman are added.
c. Short tenure chief executive: The person whose tenure is less than 10 years even if the tenure as president and the tenure as chairman are added.

Many of the chief executives of the year 2010 are still holding the position at the moment of writing and, therefore, their tenure is not fixed. We calculated tentative tenure, supposing they retired in August 2012.[5] The tentative tenure is shorter than the actual tenure. It is possible to misclassify "middle tenure" or "long tenure" chief executives as a "short tenure" chief executive. Our concern is how serious that error could be.

[5] As to some exceptional cases, we could not obtain the information on the status of chief executives in August 2012 or later. We assumed they were still at the position if the chief executive was at the position in the latest Annual Securities Report and not reported as retired in the *Nihon Keizai Shinbun* (a leading economic newspaper in Japan).

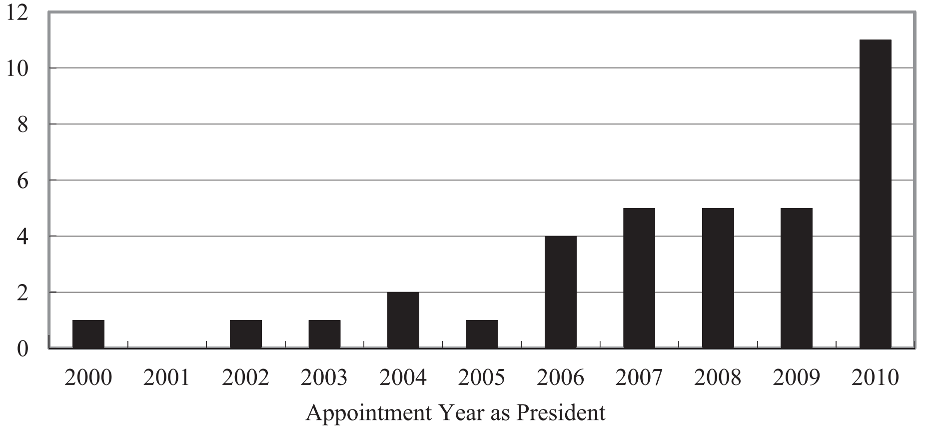

Figure 1. Number of Chief Executives

We start from a hypothesis that "the tenure of every chief executive was 10 years with no bias of the appointment year." A histogram of the number of chief executives appointed on each year should show uniform distribution. In reality, however, the histogram using the actual data of "insider" chief executives in top fifty companies shows negatively skewed distribution (Figure 1).[6] The chief executives are mostly appointed in 2010, followed by 2009, 2008 and 2007. This looks far different from the hypothesized situation. Furthermore, the result of the t-test was significant at 1% level, comparing the hypothesized appointment year and the actual appointment year. The average of the former is 2005.5 by definition and that of the latter is 2007.4. The possibility of misclassifying the "middle tenure" chief executive or "long tenure" chief executive as "short tenure" chief executive is assumed to be low. We obtained similar results as to electronics companies.

III. Results

1. Tables

Tables shown on pages 16 and 17 are matrixes of the background classification and the tenure classification of chief executives. The figures are the number of the chief executives corresponding to each cell. The cell with the largest number is black and white reversed and the cell with the second largest number is halftone dotted. The tenure classification of the eight people whom we could not identify background classification are written below each table.

The expressions of "outsiders from the" and "outsiders from a" are abbreviated. For example, "parent company" is short for "outsiders from the parent company."

[6] We focused on "insider" because most of the chief executives still in position are "insider."

2. 2010

(1) Top Fifty Companies (Table 1)

Tenure: As is already mentioned, tenure classification of chief executives in 2010 is tentative. Only five out of forty-one "short tenure" chief executives have actually retired. Four chief executives are still in chairman position and hence may be classified as "middle tenure" in the future. Thirty-two chief executives are still in president position and hence may be classified as "middle tenure" or "long tenure." However, it is difficult to assume that many of the present chairmen or presidents will finally be classified as "middle tenure" or "long tenure," based on the distribution of the year they were appointed as president.

Background: 72% of chief executives are "insider" and 16% are "founding family member." No chief executive was "founder," "quasi-insider" or "supervising agency."

(2) All Public Companies in the Electronics Industry (Table 2)

Tenure: Fifteen out of eighty "short tenure" chief executives have actually retired. Eight chief executives are still in the chairman position and fifty-seven chief executives are still in the president position. The distribution of the year they were appointed as president is also biased in the electronics industry. With regard to "insider," fifty-six out of sixty-seven chief executives were appointed between 2006 and 2010. This is far from the hypothesis that "the tenure of every chief executive was 10 years with no bias of the appointment year." A hypothesis that "the tenure of every chief executive was 5 years with no bias of the appointment year" fits the data better.

Background: 61% of chief executives are "insider" and 20% are "founding family member." "Parent company" chief executives account for 9% and chief executives classified as other backgrounds are rare.

(3) Comparison of Two Company Groups

There are three common features in both groups. First, "insider" chief executives are the majority. Second, it is expected that most of "insider" chief executives currently in position will be classified as "short tenure" after all. Third, there are some "founding family member" chief executives but no or few "founder" chief executives. Generational change from founders had completed in nearly all the companies and a few companies were still run by founding family members.

(4) Consistency with the Folklore

"Insider" is the majority in both groups and most of them are expected to be "short tenure." The standard career of the chief executive in 2010 is: hired by the company soon after graduation, face competition among homogeneous colleagues for a long period of time, winner becomes the president but leaves the company after several years. The absence of top management from the depictions of the Japanese company may be natural, as chief executives have spent most of their career as front-line employees or middle-class managers and stay only a short time at the top layer.

3. 1995

(1) Top Fifty Companies (Table 3)

Tenure: 52% of chief executives belong to “short tenure” and 30% belong to “middle tenure,” which means “long tenure” chief executives are less than 20%.

Background: 82% of chief executives are “insider” and 12% are “founding family member.” No chief executive was “founder,” “parent company” or “supervising agency.”

Combination: The largest cluster is “insider and short tenure” (42%), followed by “insider and middle tenure” (28%). Half of the “founding family member” chief executives belong to “long tenure.” “Founding family member” chief executives may tend to be in position for a certain period of time, given the fact that one of two “founding family member and short tenure” chief executives has died at the age of 56 and there is only one out of five “founding family member” chief executives who actually retired before ten years. The few chief executives in other background categories were all “short tenure.”

(2) All Public Companies in the Electronics Industry (Table 4)

Tenure: 47% of chief executives belong to “short tenure,” followed closely by “long tenure” (43%).

Background: 38% of chief executives are “insider,” followed by “founding family member” (20%) and “parent company” (20%).

Combination: The largest cluster is “insider and short tenure” with 20% share, while not a few “insider” chief executives belong to “long tenure.” The second largest cluster is “parent company and short tenure,” most of “parent company” chief executives fitting into this cluster. Although the two largest clusters are both in the “short tenure” column, the third to fifth largest clusters are in the “long tenure” column. All but one “founder” chief executive belongs to “long tenure.” The exceptional chief executive was one of the cofounders of the company and another cofounder who played the leading role had been the president for more than 30 years. The only one “founding family member and short tenure” chief executive was the person mentioned in the top fifty section, who died at the age of 56. In general, “founder” and “founding family member” chief executives tend to be in position for a long time.

(3) Comparison of Two Company Groups and Comparison with 2010

Tenure: In both company groups, the proportions of “long tenure” chief executives and “middle tenure” chief executives are higher and the proportion of “short tenure” chief executives is lower in 1995 compared to 2010. “Short tenure” chief executives account for about half of the chief executives in each company group, while the

Table 1. Classication of Chief Executives (2010, Top Fifty)

	Long tenure	Middle tenure	Short tenure	Total
Founder	0	0	0	0
Founding family member	5	1	2	8
Insider	1	1	34	36
Quasi-insider	0	0	0	0
Parent company	0	0	4	4
Supervising agency	0	0	0	0
Unrelated organization	1	0	1	2
Total	7	2	41	50

Table 3. Classication of Chief Executives (1995, Top Fifty)

	Long tenure	Middle tenure	Short tenure	Total
Founder	0	0	0	0
Founding family member	3	1	2	6
Insider	6	14	21	41
Quasi-insider	0	0	1	1
Parent company	0	0	0	0
Supervising agency	0	0	0	0
Unrelated organization	0	0	2	2
Total	9	15	26	50

Table 5. Classication of Chief Executives (1980, Top Fifty)

	Long tenure	Middle tenure	Short tenure	Total
Founder	2	0	0	2
Founding family member	8	0	0	8
Insider	10	15	8	33
Quasi-insider	1	2	1	4
Parent company	0	0	0	0
Supervising agency	0	1	0	1
Unrelated organization	1	0	0	1
Total	22	18	9	49

One short tenure chief executive unclassified.

Table 7. Classication of Chief Executives (1965, Top Fifty)

	Long tenure	Middle tenure	Short tenure	Total
Founder	4	0	0	4
Founding family member	8	0	0	8
Insider	15	8	2	25
Quasi-insider	4	0	1	5
Parent company	1	0	2	3
Supervising agency	1	0	0	1
Unrelated organization	2	1	1	4
Total	35	9	6	50

Table 2. Classication of Chief Executives (2010, Electronics)

	Long tenure	Middle tenure	Short tenure	Total
Founder	1	1	0	2
Founding family member	19	1	2	22
Insider	5	1	61	67
Quasi-insider	0	0	1	1
Parent company	0	1	9	10
Supervising agency	0	0	3	3
Unrelated organization	0	0	4	4
Total	25	4	80	109

Table 4. Classication of Chief Executives (1995, Electronics)

	Long tenure	Middle tenure	Short tenure	Total
Founder	13	0	1	14
Founding family member	22	3	1	26
Insider	17	5	26	48
Quasi-insider	1	0	2	3
Parent company	1	2	23	26
Supervising agency	0	2	6	8
Unrelated organization	1	0	1	2
Total	55	12	60	127

One middle tenure chief executive unclassified.

Table 6. Classication of Chief Executives (1980, Electronics)

	Long tenure	Middle tenure	Short tenure	Total
Founder	32	1	0	33
Founding family member	17	1	0	18
Insider	11	3	9	23
Quasi-insider	4	0	3	7
Parent company	7	6	13	26
Supervising agency	7	3	4	14
Unrelated organization	2	1	1	4
Total	80	15	30	125

Three long tenure chief executives unclassified.

Table 8. Classication of Chief Executives (1965, Electronics)

	Long tenure	Middle tenure	Short tenure	Total
Founder	48	1	1	50
Founding family member	8	0	0	8
Insider	8	2	1	11
Quasi-insider	2	0	0	2
Parent company	8	5	3	16
Supervising agency	4	0	2	6
Unrelated organization	4	3	2	9
Total	82	11	9	102

Two long tenure chief executives and one short tenure chief executive unclassified.

proportion of "long tenure" chief executives is much higher in the electronics industry than in top fifty companies.

Background: The distribution of background of chief executives in top fifty companies in 1995 is similar to that of 2010. Most of them are "insider" followed by much less "founding family" with other category chief executives being rare. The distribution of background of chief executives of electronics companies is somewhat different between 1995 and 2010. The proportion of "insider" is the highest among all the background categories in both years, but the figure is much smaller in 1995. On the other hand, the rate of "founder" and "parent company" chief executives are much higher in 1995.

Combination: The largest cluster of top fifty companies is "insider and short tenure" in both years, though the percentage is lower in 1995. The second largest cluster in 1995 is "insider and middle tenure," with a far higher percentage compared to 2010. The largest cluster in electronics companies is "insider and short tenure" in 1995. This cluster is the largest not only in electronics companies in 2010 but also in top fifty companies in 1995 and 2010. However, the percentage is much lower in the electronics companies in 1995. It is less than half that of 2010. The second largest cluster in electronics companies is "parent company and short tenure," with the proportion more than doubled that of 2010. Information on "parent company" chief executives highlights differences between two Japanese company groups. In 1995, there are no "parent company" chief executives in top fifty companies, while they account for 20% in electronics companies. Nineteen out of twenty-six "parent company" chief executives were sent from companies on the top fifty companies list. Top fifty companies tend to be the companies that send top management to other companies, rather than the companies that are sent top management.

(4) Consistency with the Folklore

The data of both company groups are consistent with folklore, although the consistency is weaker in the electronics industry.

The presence of "insider" is even greater in 1995 than in 2010 in top fifty companies. 51% of "insider" chief executives (42% of all chief executive) retired before ten years had passed, including the tenure as chairman. Although 28% of all chief executives belong to "insider and middle tenure," it is unlikely that many of them had great power after retiring as president within ten years.

In the electronics industry, nearly half of the chief executives had retired within ten years. The proportion of "insider and short tenure" chief executives in electronics companies is 20%, lower than that in top fifty companies and that of electronics companies in 2010 but is still keeping a certain proportion. In addition, 18% belong to "parent company and short tenure." Chief executives sent from parent companies are generally less experienced than middle managers of subsidiary companies, often less than employees in their 20s. Furthermore, it is likely that not a few of them may have poor ability and experience to become chief executives. Some of them had little chance of promotion in the parent companies and were sent to subsidiary companies. These chief executives may leave the impression of weak chief executives.

4. 1980

(1) Top Fifty Companies (Table 5)

Tenure: 45% of chief executives belong to “long tenure” and 37% belong to “middle tenure,” which means “short tenure” chief executives are less than 20%.

Background: Two-thirds of chief executives are “insider.” There is a 51 percentage point gap between the proportion of “insider” and that of the second largest category, “founding family member” (16%).

Combination: The largest cluster is “insider and middle tenure” (31%). The second is “insider and long tenure” (20%), followed closely by “insider and short tenure” (16%) and “founding family member and long tenure” (16%). Two “founder” chief executives and eight “founding family member” chief executives all belonged to “long tenure.”

(2) All Public Companies in the Electronics Industry (Table 6)

Tenure: 64% of chief executives belong to “long tenure” and 24% belong to “short tenure.” “Middle tenure” chief executives were only 12%.

Background: 26% of chief executives are “founder,” followed closely by “parent company” chief executives (21%). The proportion of “insider” is 18%.

Combination: The largest cluster is “founders and long tenure” with 26% share and the second largest cluster is “founding family member and long tenure” (14%). All but one “founder” chief executive and one “founding family member” chief executive were “long tenure.” Nearly 40% of electronics companies were lead by “founder” or “founding family member” chief executives over a long period of time.

(3) Comparison of Two Company Groups and Comparison with 1995

Tenure: In both company groups, tenure tends to be longer in 1980 compared to 1995. The proportion of “long tenure” reaches 45% in top fifty companies and 64% in electronics companies. The proportion of “short tenure” in 1980 was nearly one-third of the proportion in 1995 in top fifty companies and about half of the proportion in 1995 in electronics companies.

Background: The distribution of background of chief executives has not drastically changed between 1980 and 1995 in top fifty companies. “Insider” has already accounted for two-thirds of chief executives in 1980 and increased to four-fifth in 1995.

However, “founder” was still in position in 1980 while there was none in 1995. The distribution in electronics companies in 1980 differs from that of 1995. The majority was “founder” in 1980 instead of “insider” in 1995. The proportion of “insider” in

1980 was half that of 1995. The rate of "founder" and "founding family member" has reversed between 1980 and 1995.

Combination: "Insider and middle tenure" shapes the largest cluster with 31% share of top fifty companies in 1980, instead of "insider and short tenure" in 1995 with 42% share. The proportion of "insider and short tenure" in 1980 is much lower than that of 1995 and the proportion of "insider and long tenure" in 1980, consisting the second largest cluster, is higher than that of 1995. The largest cluster in electronics companies is "founder and long tenure" in 1980, which is far different from the largest cluster in 1995, "insider and short tenure." The second largest cluster has also shifted from the "long tenure" column in 1980 to the "short tenure" column in 1995. There are two reasons for the higher proportion of "long tenure" in 1980 compared to 1995. The first reason is the higher rate of "founder" or "founding family member" chief executives, those who tend to lead the company for an extraordinarily long time. The second reason is high proportion of "long tenure" chief executives among "insider" chief executives, which is not the case in 1995.

The number of "parent company" chief executives is the same as that of 1995, none in top fifty companies and twenty-six in electronics companies. Seventeen out of twenty-six chief executives were sent from the companies on the top fifty companies list. Sixteen out of seventeen were sent from the same company as 1995. As for remaining nine chief executives, three were sent from the same company as 1995. In total, nineteen out of twenty-six electronics companies were governed by the chief executives sent from the same parent company for at least 15 years. "Parent company" chief executives in 1980 tend to be in position for a longer time period than those in 1995, although "short tenure" is the majority among "parent company" chief executives.

(4) Consistency with the Folklore

There is less consistency with the folklore in 1980 compared to 1995 in both company groups and the consistency is much weaker in the electronics industry.

In top fifty companies, "insider" is majority in 1980 and 1995. However, tenure is different between the two time points and chief executives are assumed to have had a greater presence in 1980 than in 1995.

In electronics companies, the picture of 1980 is fairly different from the picture of 1995. About 40% of chief executives are "founder and long tenure" or "founding family member and long tenure." In addition, the proportion of "long tenure" is the highest in all background categories except for "parent company." Even in the "parent company" category, the proportion of "long tenure" is higher compared to 1995.

5. 1965

(1) Top Fifty Companies (Table 7)

Tenure: 70% of chief executives belong to “long tenure,” followed by “middle tenure” (18%). “Short tenure” chief executives were only 12%.

Background: Half of chief executives were “insider,” followed by “founding family member” (16%).

Combination: The largest cluster is “insider and long tenure.” The second largest is “insider and middle tenure” and “founding family member and long tenure.” These three categories altogether account for 62% of all chief executives. The proportion of “long tenure” is the highest in all background categories except for the “parent company” row.

(2) All Public Companies in the Electronics Industry (Table 8)

Tenure: 80% of chief executives belong to “long tenure,” with “middle tenure” and “short tenure” respectively accounting for roughly one-tenth.

Background: Nearly half of the chief executives were “founders” with a huge gap to the second largest category, “parent company” (16%).

Combination: The largest cluster is “founder and long tenure,” reaching as high as 47%. The second largest cluster is “founding family and long tenure,” “insider and long tenure” and “parent company and long tenure,” each accounting for only 8%. The proportion of “long tenure” is the highest in all background categories.

(3) Comparison of Two Company Groups and Comparison with 1980

Tenure: In both company groups, tenure tends to be longer in 1965 compared to 1980. The proportion of “long tenure” reaches 70% of top fifty companies and 80% of electronics companies. The proportion of “middle tenure” in top fifty companies and “short tenure” in electronics companies of 1965 are significantly lower than corresponding numbers of 1980.

Background: The distribution of background of chief executives in electronics companies in 1965 differs substantially from that of 1980. The proportion of “founders” in 1965 is nearly double that of 1980, which is more than double that of 1995. “Insider” in 1965 is 61% of 1980, which is about half of 1995. In top fifty companies, the difference between 1965 and 1980 is not as big as that of electronics companies. The proportion of “insider” has already reached 50% in 1965 and increased by 1980.

Combination: “Insider and long tenure” shapes the largest cluster with 30% share of top fifty companies in 1965, instead of “insider and middle tenure” in 1980 with 31% share. The largest cluster of electronics companies is “founder and long tenure” in both 1965 and 1980, with much higher proportion in 1965.

Three chief executives belonged to “parent companies” in 1965, while there was none in 1980. Ten out of sixteen chief executives belong to “parent companies” in electronics companies that were sent from companies in the top fifty list. Eight out of the ten executives were sent from the same company as 1980. Half of "parent company" chief executives of electronics companies in 1965 were "long tenure," while half of them in 1980 were "short tenure."

(4) Consistency with the Folklore

There seems to be little consistency with the folklore in top fifty companies. "Insider" accounted for half of the chief executives, and the distribution of background categories did not dramatically differ from 1980 or other time points. However, there is a distinct feature in 1965 that 60% of "insider" was "long tenure" and only 8% of "insider" was "short tenure." "Founders" and "founding family member" together constitute about one-fourth all chief executives, all chief executives in these two categories being "long tenure."

There is no consistency with the folklore in the electronics industry. Nearly half of the chief executives were "founder" and far from the image of powerless top management. Not only the "founder" chief executives but also the "founding family member" and "insider" chief executives held the position for a long time.

6. The Origin of the Folklore

(1) Top Fifty Companies vs. All Public Companies in the Electronics Industry

The main difference between the two groups is the proportion of "founder." In the electronics industry, "founder" accounted for half of the chief executives in 1965, one-fourth in 1980, and more than one-tenth even in 1995. In top fifty companies, there were a small number of "founder" chief executives in 1965 and 1980 and none in 1995. One reason may be the ages of the companies. The top fifty companies list includes old companies more than the electronics industry list does and, therefore, less "founder" chief executives remained. The other reason may be the type of the companies. Top management was purged after World War II, and most of them were the founders of big companies, including *Zaibastu*.

The folklore of the Japanese company missing top management may be based on the observation of large companies only. Top fifty companies in this paper are well known in Japan. However, in reality, there are small and large companies and old and new companies in Japan. We may fail to understand the Japanese company if we rely on the image created based on large companies.

(2) Four Time Points

Tenure has become shorter in both groups. Tenure of chief executives in top fifty companies became shorter and shorter, from most of them being "long" in 1965, "long" or "middle" in 1980 to "middle" or "short" in 1995. In the electronics industry, the proportion of "short tenure" chief executives exceeded that of "long tenure" between 1980 and 1995.

There were two major changes in top fifty companies. The proportion of "insider" has increased from 50% to 82% in 1995. Among "insider" chief executives, the proportion of "long tenure" has decreased from 60% in 1965 to 15% in 1995. Twenty-one out of forty-one "insider" chief executives were "short tenure" in 1995. It is visually shown as the shift of the black and white reversed cell from left to right in the "insider" row.

One of the largest features of the electronics industry is the greater presence of "founder" chief executives. However, the proportion of "founder" had been continuously and drastically decreased between 1965, 1980 and 1995. In 2010, only two "founder" chief executives were in position. Although the proportion of "founding family member" had increased during the period, it did not increase between 1995 and 2010. It was the proportion of "insider" that has increased while the proportion of "founder" has decreased. "Insider" accounts for 61% of chief executives in 2010. From 1965 to 2010, the reversed cell and the dotted cell have approximately shifted from top left to middle right.

The literature of the Japanese company mushroomed between 1980 and 1995. During the period, tenure of "insider" had become shorter in top fifty companies and "insider and short tenure" chief executives had increased even in the electronics industry. Both changes could have enhanced the plausibility of the folklore.

IV. Conclusion

Japanese companies laid a foundation for international expansion during the 1960s and early 1970s. With the exception of the largest of the companies, it was the founders who led the companies during this period, and these leaders reigned for more than ten years, and so did the leaders of the largest companies at the time. By the time the Japanese management called attention from academia, the situation had changed dramatically. It is unfortunate that the misleading perception spread after the change gained popularity. The fact remains that top management, far from being absent, played a dominant role when the Japanese company took shape after the war.

The point of this paper is not to deny the merit of Japanese human resources policies—periodical reshuffling and slow promotion. The point is to cast a doubt on the merit of the same policies when they are applied indiscriminately without any regard to the pipeline of top management. Japanese companies might as well step into the next stage of evolution should they properly recognize the role, as well as the development path, of top management.

References

Abegglen, James C. 1958. *The Japanese factory.* Glencoe, Ill.: Free Press.

Clark, Kim B., and Takahiro Fujimoto. 1991. *Product development performance.* Boston, MA: Harvard Business School Press.

Itami, Hiroyuki. 1987. *Jinpon shugi kigyo* [People-oriented companies]. Tokyo: Chikuma Shobo.

———. 1995. Sengo nihon no toppu managimento [Japanese top management after World

War II]. In *Nihon keieishi 5: Kodo seicho wo koete* [History of Japanese management vol. 5: Beyond the high growth economy], ed. Hidemasa Morikawa and Seiichiro Yonekura. Tokyo: Iwanami Shoten.

Kagono, Tadao. 1997. *Nihon gata keiei no fukken* [Restoration of Japanese style management]. Kyoto: PHP Kenkyusho.

Kanai, Toshihiro, Seiichiro Yonekura, and Tsuyoshi Numagami. 1994. *Sozo suru midoru* [Creative middle]. Tokyo: Yuhikaku.

Koike, Kazuo. 1991. *Shigoto no keizaigaku* [The economics of work]. Tokyo: Toyo Keizai Shinposha.

Mishina, Kazuhiro. 2004. *Senryaku fuzen no ronri* [The logic of strategy failure]. Tokyo: Toyo Kaizai Shinposha.

Nonaka, Ikujiro. 1990. *Chishiki sozo no keiei* [Management by knowledge creation]. Tokyo: Nihon Keizai Shinbunsha.

Nonaka, Ikujiro, and Hirotaka Takeuchi. 1995. *The knowledge-creating company.* New York: Oxford University Press.

Shimizu, Ryuei. 1983. *Keieisha noryokuron* [On management ability]. Tokyo: Chikura Shobo.

Takahashi, Kamekichi. 1977. *Nihon no kigyo, keieisha hattatsushi* [Japanese companies, history of the development of top management]. Tokyo: Toyo Keizai Shinposha.

Tanaka, Kazuhiro, and Motohiro Morishima. 2004. Sengo nihon no keieisha gunzo [Profiles of top executives in postwar Japanese companies]. *Hitotsubashi Business Review* 52, no. 2: 30–48.

Tsuchiya, Takao. 1959. *Nihon no keieisha seishin* [The spirit of Japanese management]. Tokyo: Keizai Oraisha.

Urabe, Kuniyoshi. 1956. *Keieisha* [Top management]. Tokyo: Daiyamonodsha.