NOTE

THE JAPANESE FAMILY: AN INSTITUTIONAL LOGIC FOR JAPANESE CORPORATE NETWORKS AND JAPANESE MANAGEMENT

ANITA D. BHAPPU
Southern Methodist University

Although the existence of Japanese corporate networks and Japanese management practices has been substantiated in the management literature, explanations for their origins are lacking. I illustrate that the Japanese family provides an institutional logic for Japanese corporate networks and Japanese management practices. Furthermore, the historical actions of individuals in Japanese corporations are indicative of a strategy to sustain and nurture their social capital—a strategy that might explain the historical persistence of this family logic.

Japanese corporate networks and Japanese management practices have received considerable attention in the management literature (e.g., Abo, 1994; Cohen, 1993; Fruin, 1992; Gerlach, 1992a,b; Gerlach & Lincoln, 1992; Graham, 1993; Hazama, 1997; Keys, Denton, & Miller, 1994; Kilduff, Funk, & Mehra, 1997; Lincoln & Kalleberg, 1990; Lucier, Cangemi, & Kowalski, 1992; Lundberg & Peterson, 1994; Marsh, 1992; McNamara & Hayashi, 1994; Rhody & Tang, 1995; Turnbull, Oliver, & Wilkinson, 1992; Young, 1992). Several scholars (Fruin, 1992; Gerlach, 1992a,b; Gerlach & Lincoln, 1992) have examined the distinctive network patterns of Japanese industrial organizations. At the same time, others (Kilduff et al., 1997; Lincoln & Kalleberg, 1990; Lucier et al., 1992; Lundberg & Peterson, 1994) have focused on understanding the underlying psychological framework that links Japanese employees to their work organizations. Although this literature clearly substantiates the existence of Japanese corporate networks and Japanese management practices, there are few explanations for the origins of these structures and practices. It is essential that we account for the historical significance of Japanese corporate networks and Japanese management practices, because "a successful social analysis cannot take social structures as given, but rather must be able to account for their origins and their persistence" (Aldrich, 1982: 282).

Since the historical origins of Japanese firms are well documented in the anthropology literature on Japan, my primary goal here is to draw attention to this body of knowledge in a way that facilitates its integration into management scholars' analyses of Japanese firms. I illustrate that the Japanese family is an institutional logic for Japanese corporate networks and Japanese management practices.

Institutional logics have been defined as an array of material practices and symbolic constructions that constitute organizing principles guiding activity within a field. It is recognized that society is composed of multiple institutional logics that are available to individuals and organizations as bases for action (Galvin, 1999: 4).

My approach is similar to one used by Eleanor Westney (1987), who applied an institutional perspective to three Japanese organizations to explain how they emulated Western organizational forms in the development of their own organizations. Whereas Westney (1987) focused on Japanese innovations that produced departures from the intended Western organizational models, my focus is on the persistence of Japanese organizational models in the face of widespread efforts to emulate Western organizational models in Japan. Thus, this note is closer to
and rests heavily on the work of Chie Nakane (1970), one of the first scholars to assert that Japanese firms have historical links to the Japanese family.

THE JAPANESE FAMILY

Nakane (1970) and others (e.g., Kitano, 1970; Kumagai, 1992) have asserted that the behavioral and structural patterns observed in Japanese industrial organizations are rooted in the construct of ie. "The Chinese character for ie signifies people under one roof, showing the roof at the top and the people at the bottom of the character" (Kumagai, 1992:181). ie is both tangible and intangible: it represents the tangible possessions of a group of people and the intangible organization of a family to which these people belong. In other words, the ie is the material assets of the family, as well as its prestige, class, and ranking in society.

The ie system dates back to the feudal Edo era (1600–1868). This family system was embedded in the context of a larger feudal system (Kitano, 1970; Kumagai, 1992). Japanese feudalism was different from the Western feudalism practiced in many parts of Europe or that practiced in China (Nagai & Bennett, 1953; Nakane, 1970). Whereas feudalism in Europe was based on the "rights and duties" defined by the relations of the lord and vassal, feudalism in China was based on the Confucian dominance-submission relations between the family patriarch and his family members. The feudal family system in Japan possessed some elements of the dominance-submission pattern found in China but also had features of the European rights and duties conception. Rights and duties in the Japanese family were learned and practiced as the concepts of ko and on—ko referring to duty to parents and on referring to the reciprocal obligations between family members.

Compared to the abstract Western concepts of rights and duties, ko and on have much more concrete meanings. "In the Japanese system, both ko and on are defined specifically for given situations, and as such they become inviolable rules of family relationships" (Nagai & Bennett, 1953: 242–243). The concepts of ko and on are even better understood when contrasted with the Chinese patriarchal concept of ko, a distinctive feature of the Chinese Confucian family system. Ko, as practiced in China, signifies absolute allegiance to serve and honor one's parents, whereas in Japan it is modified to include on, which stresses reciprocity and obligation, rather than obedience. In Japan emphasis is also placed on the equivalence of ko and on.

During the Tokugawa feudal era, dominance or ko of the shogun was exercised indirectly, through the apportionment of land. In exchange for a grant, samurai warriors owed allegiance or on to the shogun. The samurai, in turn, gave peasants the land to farm and derived ko, whereas the peasants showed on by paying rice as tribute to the samurai. Merchants operated on the periphery of this social hierarchy, being involved primarily with monetary transactions. Within each class there were many individual ie who partook in the interactions of ko and on. Within each ie, family members owed allegiance to the ie only by virtue of the ie's bestowing benevolence upon them. As such, there existed a relationship of tension or conflict between the head of the ie and the family members, in spite of the tendencies toward dominance-submission relations between them.

The ie system was strictly observed by the samurai class, with strong emphasis on absolute and unconditional ko. However, in the ie of the lower classes, the "common people," more emphasis was placed on on. These ie functioned more as economic units. They were given family names that corresponded to their occupations. Every family member, including women, children, and the elderly, participated in the productive labor of the ie, in accordance with their ability. Only the physically incompetent were totally dependent on the head of the ie. The strict Confucian notions of ko did not exist here; emphasis, rather, was on cooperation and on. Status within the ie was allocated by the task performed. There was clear differentiation about the balance of ko and on between the head of the ie and each family member. In this way the hierarchical Confucian relations of the samurai class were replaced by coordinate relations of cooperation in the ie of the lower classes.

The family members of these ie included not only kin but also tenants and servants. The headship of the ie was not always passed on to the eldest son in the family. Instead, to guarantee the success of a family, each family selected a male member of superior ability as its head. This could be one of the male siblings, or even
an "adopted son," such as a son-in-law or an apprentice. Succession to the headship of the ie meant that one now had full control of and responsibility for the family business. This type of succession invested both the new head and the rest of the family with defined relationships, each with a degree of social capital.

Within these ie, age and seniority commanded respect, regardless of rank within the family. Sons honored their mother, even though she was of lower gender status than they. Similarly, a daughter-in-law was subservient to her mother-in-law, since she held the lowest status in the ie. In fact, all new members of these ie were treated like apprentices:

Ideally, an apprentice will live with the master's family and take all meals at the household table. Learners are not seen to be natural dependents; there has to be deliberate training for dependency and the arrangement of settings that reinforce this dependency. Thus, there is a new "family" model of dependency for the apprentice, which is comparable to the role of a new bride who moves in with her husband's family. Both must be inducted into the family's unique patterns of daily work and life (Singleton, 1989: 22).

Among the ie of the lower classes, the merchant ie were the structural precursors of modern Japanese corporations. Merchant households frequently established bunke (branch) ie beside the honke (main) ie. This enabled them to expand their distribution channels geographically. It also provided a way for the "corporate" merchant ie to perpetuate itself as an entity from one generation to another. Since only one son could inherit the honke ie, noninheriting sons would have to leave the honke ie to establish bunke ie, which created a relationship of ko and on between the head of the honke ie and the heads of the bunke ie. Whenever possible, the outgoing head of the honke ie would set up the bunke ie through the transfer of land and property so as to avoid conflict between the surviving siblings, since he was responsible for ensuring that the ie passed on intact to the next generation. The strong vertical link between the honke ie and the bunke ie was the central organizing principle of the merchant family.

The structural entity of the Japanese merchant family with its honke-bunke ie was referred to as the dozuku. The dozuku was the hierarchically organized set of bunke ie around the central axis of the honke ie within a family. Each bunke ie was ranked relative to its genealogical distance from the honke ie. In other words, the dozuku had a pyramidal structure, with rank and status being equal among bunke ie of approximately equal genealogical distance from the honke ie. Bunke ie with direct blood relations to the honke ie were ranked higher than bunke ie of adopted relatives. Relationships within the dozuku were among head of the ie or among the ie entities themselves. The dozuku also embodied the concepts of ko and on between the head of the honke ie and the heads of the bunke ie. As a result, relationships among the ie were more meaningful than those among individual ie members.

Ideally, this was how the corporate family evolved through time. However, the honke-bunke relationships among the various ie changed with shifts in the economic prosperity of households partaking in the family enterprise. By the third generation, bunke ie from the second generation were honke to newer households. The honke ie of the third generation could become more or less equal in status and property, some even breaking away from the original family enterprise. Some honke ie began their own lineage by establishing new enterprises of their own. In other instances ie simply dissolved. Regardless, new honke-bunke relationships were established.

In summary, the Japanese family, whether ie or dozuku, was a corporation with social, economic, and moral aspects. It was characterized by a network of hierarchical ties among people within an ie and among ie within a dozuku. These ties were governed by the principles of ko and on. Recruitment into the corporate family was most often, but not exclusively, by birth, with other common forms being by marriage or adoption (possibly including lower-status individuals, such as servants). These people took the family name. Sons-in-law and adopted sons, who were not relatives, were among those brought into the corporate family. This contrasts with many other societies, such as China, where only kin were included within the corporate family.

In fact, the historical importance of the traditional Japanese dozuku can be seen when one compares it to the kinship system in China (Nagai & Bennett, 1953; Nakane, 1970), which did not have an analogous arrangement for the inheritance of family property and wealth. In the Chinese family
the family property could be divided among the surviving sons of the patriarch at the time of his death. In these cases each son would then set up an independent household. In other cases the brothers continued managing the property, but their sons divided the estate. The lack of the network honke-bunke arrangements resulted in Chinese family businesses that were less durable and more short lived. Since the authority of the Chinese patriarch was only a lifetime phenomenon, Chinese family businesses typically spanned only one or two generations. This was not the case in Japan, where family businesses have thrived through several generations (e.g., Fruin, 1983; Kondo, 1990).

THE FAMILY FIRM

The dozuku was the structural template for the family firm in Japan. The economic enterprise of the honke ie was the family business, with all the bunke ie participating in some functional fashion. In most cases the top managers of the business were members of the honke ie, whereas middle managers were members of the bunke ie. Bunke ie also served to expand the family business by starting new production operations in other geographic areas or by becoming distributors for the honke ie (Fruin, 1983). Often, ie of neighbors who performed vital business functions were adopted into the family as bunke ie (Kondo, 1990). "In any event, the tendency to form these inflated, super-'families' was undoubtedly always present awaiting only the right circumstances to evoke it" (Cornell, 1964: 461).

The dozuku was also the psychological template for the family firm. As the family business grew, it became more common to allocate rank and status within the dozuku on the basis of age and tenure, rather than genealogical distance from the honke ie. This served to highlight the importance of loyalty over rank. Furthermore, the concept of ko was exemplified through commitment to the family business, whereas on was bestowed in the form of lifetime employment. In other words, loyalty characterized both sides in the relationship. Also, within the dozuku cooperation and consensus were stressed over competition.

On another level, the dozuku also functioned as a ceremonial group. The sharing of both spiritual beliefs and attitudes was widespread and not limited to individual ie. It was participation in common rituals that marked the moral character of the dozuku and reinforced the structural entity of the corporate family (Kondo, 1990).

At the time of early Japanese industrialization, large-scale family firms that had strong connections with the state were converted into the dominant Japanese industrial organizations—the zaibatsu. The Meiji government, amid Western influence, played a key role in facilitating this process (Gerlach, 1992a; Westney, 1987).

The legal forms of partnership and the joint stock company were ideally geared to many of these family enterprises. They allowed the main and branch families to take varying shares in the family enterprise, while also maintaining the unity of the business. Many of the larger enterprises, those operating in a number of industries, established central organizing agencies to maintain tight family control. Such bodies would sometimes take the form of a holding company which controlled the operating branches of the business. Many of the large and successful family enterprises which owned their own banks were encouraged by the state to channel bank funds into strategic industries. The holding companies coordinated their vast and sprawling interests through a pyramidal structure of majority and minority shareholdings (Scott, 1991: 195–196).

When Japan was defeated in World War II, the Allied Occupation Forces abolished the zaibatsu structure in an attempt to undermine the strong conglomerate networks that controlled the Japanese industrial enterprise.

The most important measures from the point of view of the zaibatsu were the dissolution of the holding companies, the elimination of family assets held in the zaibatsu, the removal of many top executives from first-line subsidiaries, and the breakup of a number of leading zaibatsu companies (Gerlach, 1992a: 100).

What remained were essentially smaller networks of core companies and their subsidiaries that were part of the original zaibatsu.

Although no longer structurally connected by formal organizational ties, these smaller networks began to coordinate their activities by building on social ties that still existed among individuals in the core companies (Gerlach, 1992a). The heads of the core companies continued to meet regularly as a group. As the anti-zaibatsu sentiment diminished, the meetings of heads of the core companies became formalized and institutionalized (Gerlach, 1992a), once again structurally connecting networks of core
companies and their subsidiaries by formal organizational ties. Today, these corporate networks are called keiretsu.

**INSTITUTIONAL LOGICS**

Japanese corporate networks, whether one is referring to the dozukuru, the zaibatsu, or the keiretsu, are economic institutions (Granovetter, 1992). And although the keiretsu of present-day Japan are no longer composed of consanguine family members, their structural embeddedness is similar to that of the dozukuru and the zaibatsu. The honke-bunke arrangements of the dozukuru were evident in the corporate networks of the zaibatsu, as they now are in the keiretsu. The firm in both the zaibatsu and keiretsu is analogous to the ie in the dozukuru, with honke-bunke relationships providing the vertical hierarchy. Central or honke positions are occupied by firms with capital. The honke ie in the dozukuru provided the bunke ie with capital. Similarly, as do banks in the keiretsu, holding companies in the zaibatsu provided capital to core industrial firms in their corporate networks. Relational ties between the individual heads of firms or ie are characterized by principles of ko and on, similar to the ties that existed between ie in the dozukuru. The shared rituals and ceremonies within and between firms or ie are outward expressions of their shared moral character.

In this way the dozukuru is an institutional logic for Japanese corporate networks. Also, by recognizing that the structural template of the dozukuru is but one of many institutional logics apparent in the zaibatsu and keiretsu, one can expect that the structural embeddedness of Japanese organizations varies in resemblance to that of the dozukuru. "At different periods of time, the presence of institutional logics can be dominating or in competition with others" (Galvin, 1999: 7). Since Japanese corporate networks have come to represent the way Japanese organizations should be structured (Gerlach, 1992b), they appear to be a dominating institutional logic with normative influence (Scott, 1995).

Japanese management practices embody the relational embeddedness of Japanese organizations. They are regular patterns of individual behavior found in Japanese organizations, whether one is referring to the dozukuru, the zaibatsu, or the keiretsu. In particular, it is the ko-on relationship between members of the ie that is an institutional logic for Japanese management practices, a logic that exerts both normative and cognitive influences on individuals (Scott, 1995). Just as in the ie, Japanese organizations have an intricate network of supervisors and subordinates, with rank and status distributed by position. Relationships between individuals are characterized by reciprocity and obligation rather than obedience, with emphasis placed on the equivalence of ko and on. The system of pay and promotion rewards seniority within the organizational hierarchy. Achievement is secondary to trust, in keeping with the tradition of the ie. Lifetime employment guarantees are extended to employees as on in exchange for the employees' subordination, ko, to the needs of the organization. Once again, this demonstrates the value that the Japanese place on loyalty over time, in keeping with the tradition of the ie.

In personal observations of a large, industrialized Japanese organization, I have noted that the section unit bears the closest resemblance to the Japanese ie. The section head is analogous to the head of the ie—that is, a father figure. Every member of the section has a specific role, with rank and status based on the function performed. Members of the section owe allegiance to the section head only by virtue of his bestowing benevolence upon them—the equivalence of ko and on. As such, there exists a relationship of tension or conflict between the section head and the individual section members, in spite of the tendencies toward dominance-submission relations between them because of their managerial rank in the organizational hierarchy.

By recognizing that the ko-on relationship is but one of many institutional logics apparent in Japanese organizations, one can also expect that the relational embeddedness of Japanese organizations varies in resemblance to that of the ie.

**CONCLUDING REMARKS**

In this note I have provided a historical account for the origins of Japanese corporate networks and Japanese management practices based on the anthropology literature on Japan. I
have illustrated that the Japanese family is an institutional logic for Japanese corporate networks and Japanese management practices. In doing so, I hope that I have drawn attention to this body of knowledge in a way that facilitates its integration into future analyses of Japanese firms by management scholars.

The question still to be addressed is why the family logic has persisted in Japan. This family logic was never mandated by any institution. In fact, the Japanese government tried to abolish the ie system. Since persistence is an outcome of individuals confirming the value and utility of existing patterns of social action and social structures, the persistence of the family logic is an expression of choice by individuals in Japanese economic organizations. The rationale behind their choice is the preservation of their social capital (Coleman, 1990; Walker, Kogut, & Shan, 1997). “Social capital comes about through changes in the relations among people that facilitate action... It exists in the relations among persons. Just as physical capital and human capital facilitate productive activity, social capital does as well” (Coleman, 1990: S100-S101).

As a strategy, the preservation of social capital embedded in the ko and on relationships of individuals may explain the persistence and collapse of different institutional logics in Japanese economic organizations in the face of changing political and business environments. Indeed, the historical actions of individuals in Japanese economic organizations are indicative of a strategy to sustain and nurture their social capital through changing political and business environments. When the Meiji government, amid Western influence, exerted regulative influence on Japanese economic organizations to emulate Western organizational models, individuals in these organizations found ways to maintain their historical social capital. When the zaibatsu were abolished and their networks of core companies and suppliers no longer were structurally connected by formal ties, individuals in these organizations began to coordinate their activities by building on the social ties that existed between them, in an effort to preserve their social capital.

When one ponders the contributions of this note to the management field, the idea that historical models of social organization, such as the Japanese family, exert considerable cognitive influence on the structural and relational embeddedness of industrial organizations is salient. This is especially important during the cross-cultural transfer of organizational models, when “unintended departures [from the intended organizational model] because of powerful implicit models constitute one source of innovation that is rooted in culture” (Westney, 1987: 27). On a theoretical note, the idea that the strategic actions of individuals—rather than institutional mandates—may explain the historical persistence of an institutional logic is provocative.

Given the current state of the Japanese economy, Japanese economic organizations are once again under considerable pressure to reform their industrial models and economic practices. It will be interesting to see if individuals in these organizations are able to preserve their historical social capital through this next set of impending reforms.

Finally, in order to further our understanding of culture as it relates to management, more work is needed to identify the culturally rooted institutional logics that shape organizations around the world. The structural embeddedness and relational embeddedness of historical social organizations, such as the family, are a good place to start. In doing so, we may find that, across cultures, individuals have different implicit models for organizing their social capital.

REFERENCES


Anita D. Bhappu is an assistant professor of organizational behavior at the Edwin L. Cox School of Business, Southern Methodist University. She received her Ph.D. from the University of Arizona. She also studies the effects of demographic diversity and computer-mediated communication in teams, service delivery, and customer satisfaction.
Copyright of Academy of Management Review is the property of Academy of Management and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.