

Language Benefits and Language Costs in Japanese-style Management

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Abstract

This paper investigates the effects of the choices made by Japanese multinationals between Japanese and English as their corporate language. Ethnocentric management style and traditional Japanese communication incur great costs for Japanese corporations, particularly in utilizing global human resources. But they also bring benefits in highly competitive manufacturing operations. This research calls attention to the importance of language as a managerial issue.

Keywords : Japanese management, language benefits, language costs, bilingual management, language policies of Japanese companies

1. Introduction

Despite its profound impact on corporate management, the choice of working language has been largely ignored as a research topic until recently. Because communication is considered such a fundamental factor in structuring an organization (Barnard, 1938), arguments about managerial behavior are usually based on the assumption that language communication functions naturally and spontaneously. However, in non-English-speaking countries, the choice of a corporate language actually has serious consequences for the performance in international management because English has become the lingua franca of global business. Particularly after the unification of European markets and the growth of newly industrialized countries including China, there are growing interests among researchers in the field of management studies about the role of language in corporate management (Marshcan, R., Welch, D., and Welch, L., 1997; Buckley, Carter, Clegg and Tan, 2005; Welch, D., Welch, L. and Piekkari, 2001; Welch, D., Welch, L. and Piekkari, 2005; Zander, 2005; Henderson, 2005, etc.). These researchers choose such topics as social knowledge transfer, headquarter-foreign subsidiary relations, subsidiary-subsidary rela-

tions, international negotiation, and controls, coordination, integration within multinational companies. Welch, D., Welch, L. and Piekkari (2005) says, "In a sense, language is almost the essence of international business. It is a sometimes awkward, sometimes impenetrable, sometimes irritating reminder of what may be involved in crossing foreign cultures and managing in a cross-cultural environment" (p.11). This research examines this rather uncultivated subject as it applies to the management of Japanese multinational companies.

For multinationals in non-English speaking countries, the English competency of their employees can be viewed as an essential ingredient of international competitiveness (Yoshihara, Okabe, and Sawaki, 2001). Corporations rich in managerial language capacities have significant advantages over those that do not. Japanese companies, in particular, are lagging behind multinationals of other non-English speaking countries in utilizing English-based information and therefore international talents. Japanese corporate executives are aware of the importance of English for their companies, but are not very actively involved in developing a bilingual managerial staff and are complacent about the rather low English ability of most of their employees (Yoshihara, Okabe and Sawaki, 2001). Why is bilingual management not advancing more rapidly in Japanese companies? This research started with this question. The search for answers revealed some critical aspects of the relationship between language policy and management performance in Japanese corporations. By "bilingual management", I mean management of companies in both the Japanese and English languages sufficiently to enable Japanese and non-Japanese employees to work together.

The goal of this research is to help both researchers and business people to recognize the importance of language choices by Japanese corporate management and also to provide them with some useful suggestions for corporate language strategies. Throughout the discussion, the research relies on a survey of secondary literature, a review of some of the findings of past questionnaire surveys, and interviews with managers of Japanese, American, European, South Korean, and Taiwanese companies.¹⁾

2. The Importance of English for Japanese Companies

(1) English as the Language of Global Business

The Economist magazine predicted that, by 2050, about half of the world's population would be more or less proficient in English.²⁾ Its use is expanding because of the so-called network effect, which means that, as more people learn a language, the more useful it becomes; and the more useful it is, the more people want to learn it. A noted American economist, Paul Krugman, mentioned in a much debated article in *Fortune* magazine that nations where English is spoken have higher economic growth rates

than do non-English-speaking nations (1999, p.29). Goddal (1997) mentioned in his report for the British Council in 1997 that those countries in which English is a first or second language had a clear economic advantage over non-English-language countries. His study presented a model which calculated the value of production done in various languages by allocating the GDP in each country in 1994 proportionally to the languages spoken there. It turned out that the “gross language product” (GLP) for all English-language production added together was \$7,815 billion US, almost double production done in any other language.³⁾ Another more recent study conducted in 2004 showed that English accounted for 29.3% of the World’s “GDP by language”, followed by Chinese (12.5%), Japanese (7%), Spanish (6.5%), and German (5.5%) (Davis, 2003).⁴⁾

Among CEOs of foreign-affiliated companies in Japan who responded to a recent research survey, 98.6 7% said that English was a prerequisite for their business.⁵⁾ In the EU, English competency is a prerequisite for becoming a manager in large multinational companies. Even in non-English-speaking countries, many top business schools give their classes in English. To give only a few examples out of many, the German tire company Continental, the Dutch electronics concern Philips, and the Swedish car manufacturer Volvo all use English as a company language.⁶⁾ ABB, a large engineering company created after a merger between a Swiss company and a Swedish one in 1988, now uses English as an official language even in meetings between only Swedish executives.⁷⁾ In Asia, too, English is a requirement for entering elite positions in both business and politics, and young people strive to master the language. A full 90% of the overseas branches of the corporations of the member nations of ASEAN use English as a common language.⁸⁾ In South Korea, large companies such as Samsung, Daewoo, Hyundai, LG International, and SK Global all require a very high English-skill level as measured by the Test of English for International Communication (TOEIC), a globally used business English test, for recruitment and promotion.⁹⁾ Schools in China have been emphasizing English education because they consider the language to be a vehicle for economic development.¹⁰⁾ In Taiwan, too, high-tech companies in Hsin-chu, a “Silicon Valley” outside of Taipei, use lots of English in their daily work.¹¹⁾ Acer, a large Taiwanese personal computer manufacturer, made English an official language in January 2005.¹²⁾

Such efforts by companies to shift to bilingual management are intended not only to increase international business but also to strengthen internal managerial resources by making it easier to hire people from different cultural backgrounds and to coordinate managerial information already in English. Particularly in Europe, top corporate management is often composed of people of several different nationalities. At Procter & Gamble 40% of executives are non-Americans; among three vice chairpersons one is from Germany and the other is from Tanzania.¹³⁾ At the Swiss Reinsurance Company, for

instance, only six out of sixteen executive managers come from Switzerland; the rest are from eight other countries.¹⁴⁾ The company hires highly qualified business people from all over the world, regardless of their nationalities or native tongues, because their business prioritizes very high skills in finance ahead of nationality. Arker Kvaerner, a large Norwegian shipbuilding and engineering company, hires Swedish, Finnish, and British general managers in addition to Norwegian ones for its six business divisions; in fact, a New Zealander is responsible for personnel affairs.¹⁵⁾ It uses English in most meetings in its headquarters, which are located in London. Both global talents and English-based information are such crucial resources for management today that the accumulation of English competency in a company must be considered as a competitive advantage, particularly for companies in non-English-speaking countries.

(2) Costs of the Language Policies of Japanese Companies

Despite the global trends towards bilingual management, most Japanese companies are managed mainly by Japanese officers who use only Japanese in most of their work (Yoshihara, 1996; Ishida, 1999). Based on the classification by Heenan and Perlmutter (1997), Japanese multinationals display the characteristics of ethnocentric management, even though Japanese corporations extend globally. According to Yoshihara's research in 1996, only 20% of Japanese multinational companies hired local CEOs in their overseas subsidiaries (Yoshihara, 1996). This situation has not changed so much. In China today, for instance, 99% of the CEOs of Japanese subsidiary companies are Japanese expatriates, although the US and European companies hire 30% to 40% of the CEOs from China or from Chinese-speaking communities in Singapore, Hong Kong, Canada, and the US.¹⁶⁾

For Japanese multinational corporations, an immense volume of communication is exchanged only among Japanese employees and therefore only in the Japanese language, whether between headquarters in Japan and overseas subsidiaries or within those subsidiaries (Yoshihara, 1992, 1994, 1996, 2001; Yoshihara, Okabe, and Sawaki, 2001). This includes managerial information about many important topics such as the development of new markets and customers, construction plans for new factories, changes of business partners, personnel changes, and measures to deal with unexpected contingencies. About 75% of Japanese companies use mostly Japanese in their telephone conversations between their headquarters and overseas subsidiaries, and only about 10% of Japanese companies use English more often than Japanese.¹⁷⁾

This situation is partly due to the lack of English abilities of these Japanese business executives. The average TOEFL score of Japanese examinees is 491, which is the lowest for major East Asian countries,

significantly lower scores for Chinese examinees (555) or for South Korean ones (543).¹⁸⁾ The average TOEIC score of Japanese business people is about 460, which is far lower than the minimum score of 650 necessary for doing business in English.¹⁹⁾

Such exclusively Japanese communication creates barriers for dealings with non-Japanese businesses, and thus creates additional costs. Florian Coulmas, a sociolinguistics and economics scholar, says, “Its [language’s] crucial importance follows from the facts that economic activity consists to a very considerable degree in communication, and that essential parts of economic communication are linguistic in nature.” (Coulmas, 1992, p.138). He also says, “all economic activities are based on communication and communication brings on costs” (Coulmas, 1992, p.138). This paper will analyze these language costs for Japanese companies.

Translation and Interpretation Fees

According to the Japan Translation Federation, Japanese companies and governmental agencies spend as much as ¥400 billion (or \$3.3 billion US) annually for outside translation work.²⁰⁾ For interpreting, one consecutive interpreter for one seven-hour day costs ¥45,000 (or about \$394 US) and two or three simultaneous interpreters cost as much as ¥300,000 (or about \$2,627 US) per day.²¹⁾

Expenses for Hiring Japanese-Speaking Locals

It is more difficult and expensive to hire overseas employees who are fluent in Japanese than those fluent in English. For instance, Japanese subsidiaries in China spend lots of money to hire Japanese-speaking locals. The average monthly starting salary for a Chinese employee who is fresh out of college is around ¥20,000 yen (or about \$175 US) ; but those with experience of university study in Japan get about ¥80,000 (or about \$700 US) per month. Those who have one or two years of experience in a Japanese company can get as much as ¥100,000 (or about \$876 US) per month.²²⁾

Expenses for Japanese Expatriates

Japanese multinational companies send many expatriate managers to overseas subsidiaries to guarantee accurate communication with the headquarters in Japan. It costs about ¥100 million (or about \$853,000 US) to station one Japanese manager with family and workplace assistance in the US or the EU. To take another example from Japanese subsidiaries in China, it usually costs around ¥30 million yen (or \$256,000 US) per year for even a lower-level manager plus family and assistants. By contrast, the annual salary for a Chinese manager with an MBA is around ¥5 million (or about \$43,000 US) per year.²³⁾ This

means that Japanese companies could hire six highly-qualified Chinese-English bilingual locals for the same amount of money that they spend on just one Japanese expatriate family.

A Chinese subsidiary of a Japanese company manufacturing household goods employs on average about 30 Japanese expatriates, while its US competitor in China has only two or three US expatriates among an otherwise all-local Chinese managerial staff. The US subsidiary has several times the sales volume of the Japanese one.²⁴⁾

Barriers to Outsourcing

Many companies in high-wage countries are now trying to cut their personnel expenses by outsourcing jobs, such as those of software engineers and call-center assistants, to overseas countries where the labor costs are much cheaper. While it usually costs between \$150,000 US and \$180,000 US to hire an engineer in the Silicon Valley, an Indian engineer in Pune, outside of Bombay where Indian high-tech companies are concentrated, costs about \$30,000 US, including expenses for training and laboratories.²⁵⁾ Although Japanese engineers are in very short supply and are more costly than engineers in the US, most Japanese companies cannot turn to outsourcing abroad. They have no choice other than to keep paying high salaries to Japanese engineers.

Waste of Human Resources

Companies sometimes ask for translating and interpreting from internal employees who have high English abilities. Those employees with high English abilities usually are also above-average business people because most of them have acquired English while attending business schools in the US or working on overseas assignments. However, they cannot concentrate on their own jobs when they get too many requests to assist with English; it requires too much of their time and energy. This is one of the main reasons why many Japanese MBA holders resign from their companies and move to foreign affiliates in Japan (Kim, 2002). Japanese companies then lose their investment in tuition, overseas study allowances, and on-leave salaries for these employees, which average more than \$200,000 US per degree.²⁶⁾ Such a waste of human resources is common in both headquarters and overseas offices.

Loss of Expertise of Non-Japanese Workers

Because non-Japanese employees of Japanese companies are excluded from information sharing in Japanese, they often begin to lose motivation after working for only a few years.²⁷⁾ Even those with Japanese language abilities are often considered primarily as language specialists and are given limited

opportunities for promotion, which results in a very high turnover rate.

This problem is made worse because replacement is difficult. Japanese companies are no longer very popular among overseas college students. For instance, in Malaysia, Japanese corporations used to employ 70% of Malaysian university graduates. Now, the rate of employment of Malaysian college graduates by Japanese companies is down to only around 10%.²⁸⁾ In China, too, according to a survey conducted by the research company China HR in 2003, only three Japanese companies - Sony, Matsushita, and Toyota - were listed among the top 50 most popular companies for college students.²⁹⁾ In the year 2004, no Japanese company was listed. By contrast, the US and European companies such as IBM, Microsoft, Proctor and Gamble, General Electric, Motorola, and Siemens were six of the top ten most popular companies. Because of unpopularity in Asian job markets, Japanese companies have to compete intensely among themselves for the small number of Japanese-speaking locals.³⁰⁾

Language costs are mostly opportunity costs concerning Japanese companies' inability to effectively utilize human and information resources due to their inadequate adaptation to the English language. Language cost should be a serious concern for Japanese companies.

(3) Recognition and Reactions by Japanese Companies

During the past few years, some Japanese multinational companies have begun to think about English language problems more seriously. Large companies such as Toyota, Hitachi, Fujitsu, Panasonic, Komatsu, Canon, and Nissan now require certain levels of TOEIC scores for recruitment or promotion.³¹⁾ However, their requirements of between 500 and 600 points for both recruitment and promotion are not as high as those of large South Korean firms, which require between 550 and 650 points out of 990 for promotion and more than 900 points for new recruitment. As of 2003, Samsung employed 129 MBA holders, and 20% of its executive managers had either an MA or a Ph.D. from overseas universities. By stark contrast, only 1% to 2% of Japanese board members can speak English.³²⁾

English was forced upon employees of companies such as Nissan and Aozora Bank when these companies hired non-Japanese executives after entering into junior partner relationships with overseas companies. All the employees of these companies are now struggling to master English for the sake of keeping their jobs. Such cases will likely increase in the future. At the same time, a very limited number of Japanese companies have started making efforts to use English more in their internal corporate communications. Sumida Corporation, a manufacturer of electronic components, and Shimano, a manufacturer of bicycle parts, have both made English an official corporate language. However, these are still

exceptional cases, and the outcomes in these two companies are still far below corporate goals. The average TOEIC score of the employees of Sumida employees is only 400, which is even lower than the national average of about 460.³³⁾

According to a questionnaire survey in 1999, 85.7% of top executives of large Japanese companies recognize the importance of English ability among their employees.³⁴⁾ However, in response to the question about whether they think that they should make English a corporate language in addition to Japanese, on a scale of 1 to 5 the average of the answers was only 3.01, which indicates that they were only slightly positive about the idea. Only a limited number of companies incorporate English ability in their personnel evaluations. According to another survey in 2000, only 16 companies, or 5.1% of all the respondents, regarded English ability as a significant part of an employee's overall abilities and 27 more companies or an additional 8.5% were considering including it.³⁵⁾ Corporate budgets for language training are also limited; Panasonic spends only several hundred million yen - a few million dollars - and Nissan spends a trivial three hundred million yen (or about \$2.6 million US).³⁶⁾ What is the reason for bilingual management not advancing more quickly in Japan? First, we should look at related research efforts to find keys for answering this question.

3. Factors Preventing Bilingual Management in Japanese Companies

(1) Review of Related Studies

Yoshihara (1992, 1994) conducted a survey using a questionnaire and interviews to prove that information processing and decision-making in Japanese multinationals are executed mostly by Japanese employees in the Japanese language. By information processing and decision-making, he meant communication both inside overseas subsidiaries and between those overseas subsidiaries and the headquarters in Japan. He also compared manufacturing and non-manufacturing sectors and found that the latter is more heavily dependent on Japanese employees and the Japanese language. However, he did not explain the differences between manufacturing and non-manufacturing sectors nor provide specific ideas for developing bilingual management.

But Yoshihara (1996) did explain the correlation between the globalization of Japanese companies and their working languages. Corporate strategies of Japanese companies have evolved through several stages: increasing exports after World War Two; a shift towards overseas production after the Plaza Accord in 1985; and, more recently, a movement towards overseas research and development. On the other hand, the style of management itself has not changed over this period. According to his questionnaire research findings in 1996, the percentage of non-Japanese managers in Japanese headquarters

was as low as 4%, and the percentage of overseas offices with local CEOs was only about 20%. By contrast, corporations of other industrialized countries usually staff their foreign subsidiaries with a majority of local CEOs. This research revealed that Japanese companies are retaining Japanese-style management at home by emphasizing internal accumulation of managerial resources, such as people and information, and are exporting this style internationally. It also found that language is a bottleneck for the globalization of Japanese management.

Yoshihara, Okabe, and Sawaki (2001) constructed a model (Figure 1) which shows the impact of Japanese corporate management and language policy upon the corporation as a whole. It was based on interviews and questionnaires. Because language costs incurred by the lack of English ability lead to inferior performance in international management, the total English ability of a company is an important managerial resource. A corporation can build up its language capacities through investments in language lessons, overseas study, and other measures. However, this model does not pay any attention to the relationship between language policy and Japanese-style management nor to the benefits of using the Japanese language.

Several important issues still remain to be investigated more deeply to find factors preventing bilingual management. Is Japanese-style management related to peculiarities of the Japanese language? Are there any advantages to maintaining exclusive use of the Japanese language? Why is there a difference in language usage between manufacturing and non-manufacturing sectors? In this paper, we would like to focus mostly on the first and second issues. Later, we will briefly address the third issue to supplement our arguments.

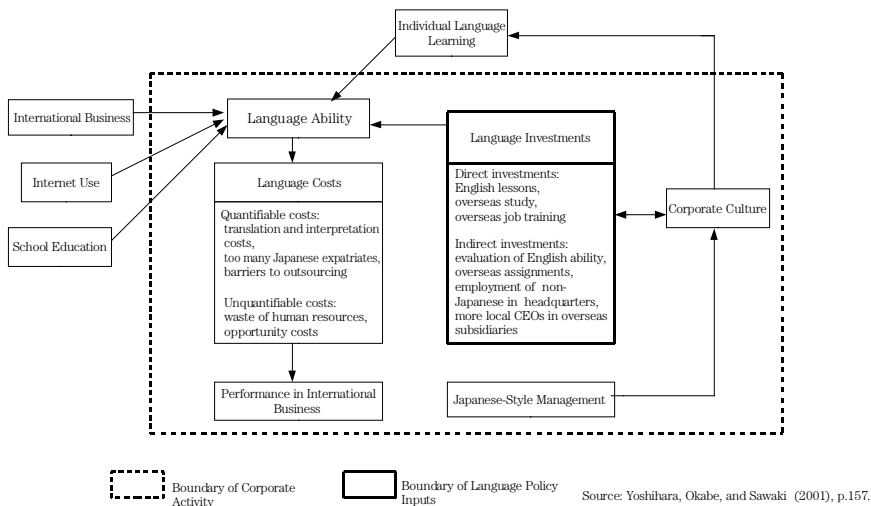


Figure 1. Impacts of Language Policy Inputs upon Japanese Corporations

(2) The Japanese Language and the Japanese Style of Internal Communication

The experience of the Mitsui Corporation, one of Japan's largest trading companies, throws an interesting light on the difficulties for Japanese companies trying to advance their own globalization and bilingual management.³⁷⁾

In the 1960s, Mitsui built up a subsidiary in the United States with Japanese as its initial corporate language. Later, it tried to introduce English as its corporate language in that subsidiary for the sake of three American managers within a mostly Japanese group of about forty managers. However, it turned out that in English-language meetings the Japanese managers did not speak as they had in Japanese-language meetings, and that the formal meetings therefore became almost meaningless. So, the company decided to switch back to using Japanese and then distributing English-language minutes to American managers after meetings.

It seems that even cosmopolitan business people working in international commercial companies and living in the US have difficulties in communicating in English. At least two interrelated factors explain this problem. One is the difficulty of English for Japanese people in general, which is a linguistic factor. Difficulty in learning English is a common problem for Japanese people. Some linguistics and communications researchers focus on problems of English language education in Japanese schools and on linguistic differences between Japanese and English as two chief causes. Although there are many diverse arguments about the unique linguistic features of the Japanese language, we can at least agree that English is distant from Japanese and quite difficult for Japanese people to master.

Another factor making it difficult for Japanese and non-Japanese to work together is differences in styles of organizational communication. Researchers on Japanese-style management agree that Japanese organizations have a uniquely cooperative style of information sharing. Each member of the organization is willing to share his or her knowledge and ideas with other members based on their long-term relationships.

Edward T. Hall (1976), a communications scholar, explains that communication in Japanese organizations is of "high context", meaning that it is very context-dependent. He says (Ibid, p.91), "A high-context (HC) communication or message is one in which most of the information is either in the physical context or internalized in the person, while very little is in the coded, explicit, transmitted part of the message." On the contrary, organizations in Western nations are of "low context," and most information is explicitly coded. The advantage of high-context communication is its efficiency in information sharing. As he says (Ibid, p.101), "In general, HC communication, in contrast to LC, is economical, fast, efficient, and satisfying." However, its disadvantage is that outsiders cannot easily become members of a

group and share information equally. Based on Hall's argument, Yasumuro (in Ikegami, Ueno and Yasumuro, eds., 1981, p.124) makes the following remark about Japanese organizations: "...their boundaries are rigidly demarcated by whether information is shared or not."³⁸⁾

Thus, the information-sharing style of Japanese organizations is organization-specific and is closed to outsiders. As a result, it takes a great amount of time for outsiders to understand the context of a Japanese organization. If a newcomer does not speak Japanese, it is much more difficult for him or her to understand the context. Even Japanese who change organizations have to make strenuous efforts to change their styles of communication.

At the previously discussed Mitsui subsidiary in the US, the American managers were probably not accustomed to the information-sharing style of this Japanese corporation with its assumptions of high-context understanding. On the other hand, the Japanese expatriates must have brought their organizational behavior from Mitsui's headquarters in Japan into the US subsidiary. The Americans were virtually non-members of the organization according to Yasumuro's argument, and the two groups were separated in information exchanges. In summary, the difficulty of English-Japanese communication combines with the closeness of Japanese organizations to produce massive communication barriers for Japanese companies and any English-language business partners.

(3) Benefits of Using the Japanese Language

We have seen why it is difficult to implement bilingual management even if companies want to do so. However, a questionnaire revealed that most companies do not really want to shift to bilingual management and do not try to take substantial steps towards developing it.³⁹⁾ Why do they not feel inclined to do so? One of the South Korean executives interviewed by the author remarked that because Japan has a big domestic market, Japanese companies in general probably do not feel as much urgency as South Korean companies do to expand their businesses overseas. This executive mentioned only Japan's consumer market. Additionally, the Japanese labor market is quite sizable, so Japanese companies can easily obtain plenty of capable business people inside Japan. This obviously contributes to corporate passivity. However, besides such factors external to an individual company, there are other factors internal to Japanese companies.

Often, Japanese companies do not care very much about adopting English in order to utilize non-Japanese talents if they are able to get what they need from Japanese employees. Corporate activities are divided into operations at lower organizational levels and management or strategy planning at higher levels. The former refers to day-to-day activities by ordinary employees in such domains as develop-

ment, purchasing, manufacturing and sale, while the latter refers to strategic planning or decision-making by the managers for those operations or for the company as a whole. Japanese companies, in general, have outstanding competence in operational activities, but their strategic planning is often of a lower quality (Mishina, 2002). What role does the Japanese language play in lower-level corporate operations?

Improvements in operations, which are particularly crucial for Japanese manufacturing companies, are developed by lower-level employees, who have strong commitments to their organizations based on long-term employment and intimate human relationships (Abegglen, 1985). Most companies have suggestion systems or quality control (QC) circles in which employees try to improve the daily operations of their work groups by sharing information, knowledge, and ideas with each other. These ideas are discussed in work groups in a very candid manner and many of them are brought up to higher-level supervisors to be implemented. These practices are made possible only because employees can talk freely in their own language.

Similar collaborative practices are seen in product development. At Honda and Canon, for example, members of a project team are expected to freely give their opinions and ideas in frequently held meetings regardless of their titles or careers. So, new ideas emerge constantly and quickly. Nonaka and Takeuchi (1995) argued that ideas for innovative product development are usually created through in-depth dialogues among organizational members. Important tacit knowledge, including individually acquired know-how, ideas, and skills, can be communicated to other engineers in candid dialogue with a lot of informal and figurative language used as metaphors and analogies. Such high-context linguistic expression is extremely unlikely unless the engineers use Japanese.

To describe Japanese operations in manufacturing and product development, the term “*monozukuri*” is often used among Japanese business people. The term is usually translated as “manufacturing”. But it also connotes a system of constant improvement in manufacturing, an approach to technological development, a way of sharing information, and a particular outlook of the people involved in these processes. The word is used in the manufacturing of certain products in which Japan has competitive advantages, such as automobiles, household appliances, and office equipment. These products are manufactured by integrating advanced technology and knowledge through in-depth communication and coordination among a manufacturer’s different departments or between a manufacturer and its suppliers (Fujimoto, Takeishi, and Aoshima, 2001). On the other hand, Japanese companies are much less successful in competition in products, such as computers, which are manufactured just by rote assembly of module components gathered from different suppliers around the world without much or any modification by Japanese employees. Japanese companies seem to excel best when they can utilize group com-

munication among their own Japanese employees.

The benefits of using the Japanese language in “monozukuri” are also seen in overseas subsidiaries.⁴⁰⁾ For example, Panasonic Taiwan, a Taiwanese subsidiary of Panasonic has greatly benefited from the Japanese language abilities of its Taiwanese engineers. The company recruits locals with substantial Japanese ability and gives them Japanese lessons in Taiwan and job training in Japan. It also distributes to all the employees books written by its founder in Japanese for the purpose of their using it as a language text and as a means for the company to teach its corporate philosophy at the same time. Yasuteru Fujii, the president of Panasonic Taiwan, remarks that the Japanese language ability of his company’s local engineers is a core competence of the firm. The company develops and manufactures household electrical appliances and components for audio products. The most important stage in manufacturing these consumer goods is making steel casts which are then used by the company for large production runs. The technology for this operation has been transferred from Japanese to local engineers. In this process, both parties have been able to communicate easily in the Japanese language based on their shared understanding of their company’s disciplines in order to adapt the original Japanese technology for manufacturing in Taiwan. In these various ways, using Japanese provides great advantages in manufacturing operations even overseas. This is a benefit of keeping Japanese as the corporate language of these Japanese companies.

4. Discussion

(1) The Costs and Benefits of the Japanese Language: Two Sides of the Same Coin

The difficulty of Japanese-English communication and the peculiar closeness of Japanese organizations are major reasons for the difficulty for Japanese corporations to develop bilingual management. However, at the same time, these factors can also function favorably for Japanese companies in the following ways. First, exactly because of linguistic and cultural barriers, Japanese manufacturing advantages are seldom imitated successfully by overseas competitors. Important managerial information, such as tacit knowledge, know-how, specific ideas, and techniques, are not easily transferred outside of Japanese organizations. Secondly, various features of the Japanese language combined with those of Japanese organizations make for quite efficient information sharing among Japanese workers. Thirdly, the stability of Japanese organizations is assured because of shared language and organizational understanding. We can say that language costs and benefits are fused together like two sides of the same coin.

For the globalization of Japanese corporations, communication barriers resulting from the Japanese language and organizational style should be torn down. However, for the protection of management

information and the maintenance of organizational stability, the status quo is quite beneficial. Thus, Japanese companies face a dilemma regarding the choice of their working language.

(2) Separating Management and Operations

In operations, Japanese companies probably gain more by using Japanese to maximize efficiency and improvements than they would by using English to better tap non-Japanese human resources. This scenario is most true for manufacturing companies. On the other hand, for managerial activities such as strategy meetings, companies should consider shifting to bilingual management. At the aforementioned Sumida Corporation, which is developing bilingual management, operations are still basically done in Japanese. For instance, product development is done by Japanese engineers in the Japanese language, and manufacturing and marketing are done in both Japanese and local languages. On the other hand, upper management is conducted mostly in English. Meetings of the highest-level managers and those in managerial planning departments are carried on in English. Meetings in the sales department in Hong Kong are also done in English because its general manager is a Hong Kong Chinese.

Most Japanese manufacturing companies are supported by lower-level employees who commit themselves to improving their work and to making up for any deficiencies in management. Upper-level managers spend most of their time in coordinating subordinates, but usually do not offer much leadership in implementing long-term strategies. This situation has been accepted by companies because, even with their managerial weaknesses, they have still been able to compete successfully in global markets as long as their products have competitive advantages. However, facing intensifying global competition, they now have to start strengthening their management abilities by involving non-Japanese talents.

(3) Differences between the Manufacturing Sector and the Service Sector

When we compare the manufacturing and non-manufacturing sectors in the Japanese economy, we realize that the former is quite competitive due to its very high productivity while the latter is much less productive and competitive.⁴¹⁾ The service sector includes industries such as finance, commerce, retailing, transportation, consulting, job placement, education, entertainment, and tourism. Although these service industries are expanding in all industrialized countries, very few Japanese service companies compete outside of Japan. Because service companies are basically supposed to provide detailed information to their clients, their businesses are generally highly dependent on human resources and their services are highly dependent on language. As long as these companies are managed by Japanese people using the Japanese language, the scale of their businesses is limited because their services are pro-

vided mostly in Japanese and are targeted mostly at Japanese customers.⁴²⁾ By contrast, as mentioned before, companies in the EU in particular are now more aggressively hiring people with desired expertise and business capabilities regardless of their nationalities to maintain corporate international competitiveness. Japanese service companies need to shift towards bilingual management to grow and compete with European, North American, and even Anglophone Asian companies in global markets.

(4) Linkage between the Japanese Language and Japanese-Style Management

Japanese-style management is based on the internal accumulation of human and information resources over a long period of time. Itami (1987) argues that human networks are the chief strength of Japanese organizations in which information and decision-making are shared among all employees. Such a managerial style is closely linked to the use of the Japanese language.

Any move towards bilingual strategic decision-making requires an understanding of the function of language at a deep level. The following comments from interviews with international business persons are quite insightful. A former vice-president of Sumitomo Chemical, Akio Kobayashi, who had a long career in overseas businesses, said, “We seem to have different perceptions depending on whether we use Japanese or English.”⁴³⁾ A former officer at a large Japanese commercial company said, “English is appropriate for communicating clear-cut matters. However, when I refer to someone’s responsibilities and obligations, or objectives, I feel rather uncomfortable using English because I feel like I am speaking too strongly. If a matter is complicated and open for multiple options, and I cannot say exactly either “Yes” or “No”, the Japanese language is much more useful [for me]. I think that English has limits in such contexts.”⁴⁴⁾ On the contrary, a female bilingual officer working for a large American securities company commented that it is easier for her to say “No” in English than in Japanese.⁴⁵⁾ Additionally, in a magazine interview, Minoru Makihara, a bilingual former president of Mitsubishi Corporation, comments, “... when I try to make things clear, English is more appropriate especially for writing. Japanese writing often is ambiguous even if you think your ideas are clear ... English is probably more appropriate for business.”⁴⁶⁾

All these comments imply that there are differences in usage between English and Japanese and that the Japanese language is suited for Japanese organizations and a Japanese decision-making style which emphasize harmony, information-sharing, and consensus-building. These comments also lead us to recognize that language is not just a communication tool but that it also helps to shape human concepts and thoughts. There is a much-debated hypothesis in linguistic philosophy or cognitive linguistics which is called the Sapir-Whorf hypothesis. Among other arguments, it says that humans construct and

express reality through the use of language (Carroll, ed., 1956), meaning that people think in their own mother tongues and, therefore, that their concepts and views of the world are shaped by the language that they use. If we were to agree with this theory, we could say that the Japanese language is implanted in Japanese management and that the linkage between the language and the national management style makes it difficult to practice bilingualism without jeopardizing the peculiarly close and collaborative mode of Japanese management.

5. Conclusion

Japanese companies using only Japanese incur tremendous costs, particularly in terms of losing potential international business opportunities and human resources. However, they also realize language benefits by protecting managerial information, maintaining organizational stability, and effectively sharing information. Such benefits are most extensive in operational activities. Thus, Japanese companies have contradictory interests in their choices of languages. However, from a macro point of view about how to successfully compete globally, they need to use more English at least for upper managerial activities in order to reduce opportunity costs. Towards that end, each company should develop its own language strategy fitted to its specific needs and features.

In doing so, companies may draw some ideas from the case of JENS, a subsidiary of Japan Telecom.⁴⁷⁾ The company has hired a female bilingual CEO, Mizuho Takai, and both Japanese and American office workers. When, at staff meetings, American employees report only the conclusions of earlier decision-making processes, Takai cuts in and asks the Americans to explain the processes used to reach their conclusions by saying that Japanese colleagues want to know the details of the decision-making. She does not judge which style of decision-making is right or wrong but tries to mediate between the two models to get to a compromise point where both parties can work comfortably and efficiently. Thus, she switches between Japanese and English as dual working languages by skillfully adjusting to different communication styles customary in each language.

The author would also like to suggest the strengthening of corporate English programs. Employees could be given one or two hour lectures about how language affects various aspects of management. Then, they could be trained to articulate their opinions without using typical but ambiguous Japanese expressions and instead to build their arguments in universally understandable ways. They may need to practice novel skills first in Japanese. By acquiring some basic knowledge of and skills in bilingual communication, they may be able to change their styles for carrying on discussions to those in which non-Japanese employees can also participate.

This paper has tried to present various language issues for Japanese companies quite comprehensively. The author believes that this research can help both other researchers and corporate executives to think more seriously about the choice of corporate languages and to start developing explicit language strategies. In the future, this study will be further developed to cover two additional topics. The first will be an examination of the effects of the internet on corporate communications and language use and whether modern information technology is making it possible to transfer Japanese-style management overseas.⁴⁸⁾ The second will survey specific corporations in the service sector to compare them with others in the manufacturing sector. Considering the fact that the service sector is expanding in most industrialized countries, it is time for Japanese managers to think about the feasibility of bilingual management for Japanese service companies.

Companies that provided interviews

Japanese companies: Horiba, Itochu, Japan Telecom, Kanematsu Corporation, Kao Corporation, Komatsu Ltd., Nippon Electric Company (NEC), Matsushita Battery Industrial Co. Ltd., Mitsui Corporation, Mitsubishi Corporation, Nippon Yusen Kaisha, Nomura Holdings America, Panasonic, Panasonic USA, Panasonic Taiwan, Sony, SMK, Sumida Corporation, Sumitomo Chemical, Sumitomo Corporation, Toyota, and one anonymous telecommunications company.

Non-Japanese companies: BASF Taiwan, Daewoo, Hyundai, LG International, Image Taiwan, Macronix International, Michelin Japan, Nihon Tetra Pak K. K., Peugeot Japon, Samsung, Samsung Japan, SK Global, Siemens Japan, UMCIT, Winbond Electronics Corporation, one anonymous American financial institution, and one anonymous German financial institution.

I express gratitude to the referees for their constructive criticisms that helped to improve the manuscript.

Notes

- 1) The names of companies that provided interviews are listed at the end of this paper.
- 2) Economist (2001) "A World Empire by Other Means", *The Economist*, December 22, 361 (8253) : 65-67.
- 3) This model, called the "engco forecasting model," was designed by The English Company (UK) Ltd. Ranking second, third, and fourth were Japanese (about \$4,240 billion US), German (about \$2,455 billion US), and Spanish (about \$1,789 billion US).
- 4) The same researcher also predicts that the GLP for Chinese will grow to 22.8% in 2010 while English will stay at around 28.3%. English and Chinese might come to compete like Windows and McIntosh.

- 5) The survey was conducted by Yoshihara, H., Okabe Y., and Sawaki, S. between January and April, 2000 among CEOs of 1,357 foreign companies in Japan. CEOs of 544, or 41%, of the companies responded to the questionnaire.
- 6) Coulmas, F. (1992) *Language and Economy*, Blackwell: Oxford, England, p.129.
- 7) Futita, S., Taniguchi, T., Sakai, H., and Tanaka, T. (1995) "Mondai wa Nihongo da: Nettowaku Jidai no Kyosoryoku" ["The Problem Is the Japanese Language: Competitiveness in the Age of Networking"], *Nikkei Business*, May 1, p.20.
- 8) Japan Overseas Enterprises Association (1991) "ASEAN Gokakoku no Genchi Hojin no Shanai Koyogo wa Eigo desu" ["In Five ASEAN Member Nations, the Official Language Used in Corporations is English"], *Nichigaijyo Monthly*, January, p.23.
- 9) The author interviewed managers in these five companies at their headquarters in Seoul, South Korea from November 22 to 25, 1999. For college graduates newly recruited to LG and Hyundai, the average TOEIC score in the past few years has been over 900 points. For promotion of current officers, LG, Hyundai, and Daewoo, for instance, require between 550 and 650 points.
- 10) "Chugoku Hukuzatsukei no Mintien" ["The Future of China's Complex Society"] (2002), *Nihon Keizai Shinbun*, January 13, p.1.
- 11) The author interviewed managers in Winbond Electronics Corporation, Macronix International, and UMCIT in Hsin-chu from October 31 to November 4, 2000.
- 12) Yamada, S. (2004) "Kigyō no Keihu: Acer" ["Histories of Companies: Acer"], *Nihon Keizai Shinbun*, October 4, p.9.
- 13) "Takara no Mochikusare wo Husege ["No More Waste of Human Resources"] (2008) *Nikkei Business*, January 21, pp.34-35.
- 14) "Suisu Saihoken: Yakuin Kokusaika Kakudai Nerau" ["Swiss Reinsurance Trying to Internationalize Its Executive Recruitment"] (2003) *Nihon Keizai Shinbun*, November 17, p.8.
- 15) Iguchi, T. (1998) "Noruwei no Zosen Ote Kuberuneru Bokoku Nukedashi Hiyaku" ["Norwegian Shipbuilding Giant Kvaerner Growing out of Mother Country"], *Nihon Keizai Shinbun*, July 6, p.11.
- 16) Goto, Y. (2000) "Keiei no Shiten: Kawaranu Ajia Senryaku" ["A View of Management: An Unchanged Strategy towards Asia"], *Nihon Keizai Shinbun*, December 24, p.7.
- 17) Yoshihara, H. (2001) *Kokusai Keiei [International Management]*, Yuhikaku: Tokyo.
- 18) ETS (2004) *TOEFL Test and Score Data Summary: 2003-04 Test Year Data*, [www document] (<http://www.ets.org/tofl>) (accessed March 12, 2006).
- 19) The Institute for International Business Communication (2004) "TOEIC Tesuto Data & Analysis", ["TOEIC Test Data and Analysis"], p.6.
- 20) "Gyakkyō koso Chansu (5) Tatakau Nihongo: 21 Seiki Shosha no Jyoken" ["Opportunity in the Face of Hardship: The Japanese Language and Prerequisites for Becoming a Winner in 21st Century"] (1999), *Nihon Keizai Shinbun*, May 28, p.1.
- 21) The data are from the website of Simul International (<http://www.simul.co.jp/>) (accessed March 13, 2006). Figures for US dollars in this paper have been converted by the author from the yen to the US dol-

- lar based on the exchange rate as of March 13, 2006, when \$1 US was equal to ¥117.3.
- 22) Nikkei Business “Howaitokara ga Tarinai, Funinki na Nikkei Kigyo, Tenshokusha mo Zokushutsu” [“Lack of White Collar Workers, Unpopularity of Japanese Companies, and Loss of Local Employees”] (2005), *Nikkei Business*, January 17, pp.38-41.
 - 23) *Ibid.*
 - 24) *Ibid.*
 - 25) Hatta, R. (2004) “Sogyo Saishin Jijyo, Shirikon Bare, Kyukyoku no Gurobaruka” [“New Trends in Startups in the Silicon Valley, the Ultimate in Globalization”], *Nihon Keizai Shinbun*, March 22, p.15.
 - 26) Kim, A. (2002) *Haken MBA no Taishoku: Nihon Kigyo ni okeru MBA Hakenseido no Kenkyu* [Loss of Corporate-Sponsored MBA: A Study of Results of Japanese Corporate Sponsorship for MBA Students in the US], Gakubunsha: Tokyo, p.45.
 - 27) Nojima, T. (2003) “Kyoken to Hatten, Mahatiru no Nijyuninen, Shin Nichi Hanei to Genkai” [“Power and Prosperity: Twenty-Two Years of Pro-Japanese Prosperity under Mahathir Mohamad and Its Limits”], *Asahi Shinbun*, October 27, p.4.
 - 28) *Ibid.*
 - 29) Shukan Toyokeizai (2003), “Ki ga Tsukeba Raibaru wa Gaikokuujin” [“A Foreigner Could Become Your Rival”], *Shukan Toyokeizai*, April 19, p.91.
 - 30) “Howaito Kara ga Tarinai, Funinki na Nikkei Kigyo, Tenshokusha mo zokushutsu” [“Lack of White Collar Workers, Unpopularity of Japanese Companies, and Loss of Many Locals Employees”] (2005), *Nikkei Business*, January 17, pp.38-41.
 - 31) Yamakawa, T., Nishito, T., and Harube, R. (2001) “Midoru Saisei Keikaku: Eigo, IT, Keiei Senseu 22 Seiki Rida wa Ko Sodateru” [“Plan for Revitalizing Middle Management: Leaders for the 21st Century are Developed with Emphasis on English, IT Competency, and Management Ability”], *Nikkei Business*, April 2, pp.132-136.
 - 32) Nezu, T. (2003) “Nihonkeizai Teimei wa Keieisha no Noryoku Ketsujyo ga Genin: MBA Kyoiku to Keieisha Shijyo no Ikusei wo” [“The Degradation of the Japanese Economy due to Lack of Managerial Ability: The Necessity of MBA Education and a Labor Market for Managers”], *Business Research*, April, pp.6-13.
 - 33) Yoshihara, H., Okabe, Y., and Sawaki, S. (2001) *Eigo de Keiei suru Jidai* [The Age of Managing Japanese Companies in English], Tokyo: Authors, p.151.
 - 34) The survey was conducted by Yoshihara, H., Okabe, Y., and Sawaki in 1999 among CEOs of 1,340 Japanese companies listed in the first section of the Tokyo Stock Exchange. Executives of 298, or 22%, of the companies responded to the questionnaire.
 - 35) Yoshihara, H., Okabe, Y., and Sawaki, S., *Kokusai Keiei to Gogaku Kenshu ni Kansuru Anketo Chosa Shukeihyo* [Report on the Survey Questionnaire about International Management and Language Training Programs] (2000), Tokyo: Authors. The survey methods are the same as those used in the above survey.
 - 36) Presuming that Panasonic’s budget for language training was five hundred million yen, the amount would be equivalent to 0.01% of its consolidated domestic sales or between ¥3,000 and ¥4,000 per employee - between \$26 and \$34 US.

- 37) Hanaoka, K. (1994) "Beikoku Mitsuibussan Kogaisha no Beijin Atsume Jiyu Kattatsu no Keiei Manabu" ["Mitsui's Subsidiary in the US: Learning Free and Active Management from Americans"], *Nikkei Business*, January 31, pp.41-43.
- 38) Yasumuro, K., "Nihonteki Keiei to Genchika Seisaku" ["Japanese-Style Management and Local Hiring"], in K. Ikegami, A. Ueno, and K. Yasumuro (eds.) (1986) *Nihon Kigyo no Takokusekiteki Tenkai* [The Multinationalization of Japanese Companies] (pp.118-162). Tokyo: Yuhikaku, p.124.
- 39) See Note 40 above.
- 40) The author visited Panasonic Taiwan in Taipei on June 28, 2004.
- 41) McKinsey Global Institute (2000) "Why the Japanese Economy Is Not Growing?" (2000, July). [www document] <http://www.mckinsey.com/mgi/publications/japan/index.asp> (accessed February 19, 2006)
- 42) Yoshihara and Hoshino (2003) researched major Japanese trading companies such as the Mitsubishi and Mitsui trading houses. They found that in their trading, either a seller or a buyer and often both are Japanese companies and that they almost never broker trade between buyers and sellers who are non-Japanese.
- 43) The author interviewed Akio Kobayashi at the headquarters of Sumitomo Chemical on January 25, 2000.
- 44) Yoshihara, H., Okabe, Y., and Sawaki, S. (2001) *Eigo de Keiei suru Jidai* [Japanese Corporate Management in the Japanese Language], Tokyo: Yuhikaku, p.20.
- 45) *Ibid*, p.8.
- 46) Nihon Boekikai Geppo (2000) "Intanetto Jidai no Shosha to Eigo: Makihara Minoru Mitsubishi Shoji Kaicho ni Kiku" ["Commercial Companies and English in the Age of the Internet: An Interview with Minoru Makihara, Chairperson of Mitsubishi Corporation"], *Nihon Boekikai Geppo*, August and September, pp.23-28.
- 47) Harube, R. (2003) "Takai Mizuho Shi, JENS Shacho, Tsushin Gyokai no Aranami ni Ikiru" ["JENS President Mizuho Takai - Living with Supercompetition in the Telecommunications Industry"], *Nikkei Business*, January 6, pp.6-12.
- 48) See, for example, Fujiwara (2005). She looked at the case of Denso, a Japanese manufacturer of automobile components, and proved that in production control of Japanese companies even non-routine information can be transferred to overseas factories by using information technology.

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日本企業における言語ベネフィットと言語コスト

岡 部 曜 子

要 旨

本論は、日本企業が英語と日本語のいずれの言語で経営を行うかによって、経営上のパフォーマンスに異なる影響が及ぼされることを議論するものである。日本企業の国際経営は日本人中心に日本語で行われている。このことは、特に、優秀な非日本人材の活用が阻害されるという点で多大なコストとなっている。しかし、一方で、日本企業が国際優位性を維持する生産などのオペレーションにおいては、日本語を使うことのメリットがある。本研究では、日本企業が日本語で経営することのメリットとデメリットを「言語ベネフィット」および「言語コスト」という概念で捉え、言語が重要な経営課題であることに注意を喚起する。

キーワード：日本的経営、言語ベネフィット、言語コスト、バイリンガル経営、日本企業の言語政策