Postwar Reform in Enterprise Management

Managerial Revolution from Above and the Emergence of the “Japanese-type” Firm

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THE ENTERPRISES THAT were the mainstays of Japan's postwar high economic growth were, with the exception of a few founder-type enterprises such as Toyota, Sony, and Honda, managerial enterprises that to a great extent dispersed stocks among many stockholders and whose management was in the hands of salaried managers who rose to managerial positions from within the companies themselves. Most of today's top 200 companies, or the enterprises forming those horizontal Japanese enterprise groups attracting worldwide attention as “keiretsu,” are this type of managerial enterprise. At what point in time, one might ask, did these managerial enterprises become firmly established in Japan?

Even though it has frequently been stressed that the elevation of salaried managers in the zaibatsu enterprises and large spinning enterprises that led economic growth in prewar days spearheaded this move to such enterprises,¹ prewar enterprises were controlled by

¹ Hidemasa Morikawa, *Zaibatsu: The Rise and Fall of Family Groups in Japan* (Tokyo: University of Tokyo Press, 1992); H. Morikawa, “The Increasing Power of Salaried Managers in Japan's Large Corporations,” in *Managing Industrial Enterprise: Cases from Japan's Prewar Experience*, Wm D. Wray, ed. (Cambridge: Harvard University Press), 1989.

the stockholders, who exercised a major influence on management. Of the fifty largest manufacturing companies in 1937, for example, 23, or nearly half, of them were in the hands of owner managers. Even where salaried managers were entrusted with management by the stockholders, their managerial activities were restricted by the stock market (in the case of spinning enterprises) or by constant monitoring by the large stockholders (the *zaibatsu honsha*, or holding company).

This enterprise structure underwent an important change in line with the development of wartime economic controls. The rapid growth of related enterprises concomitant with the expansion in the munitions industry led to reliance on external capital for raising funds and the dispersion of stocks, and at the same time it lowered the status of the (large) stockholders. The spread of enterprise control exemplified by the Munitions Companies Law limited the profits of stockholders and strengthened the position of enterprise managers.²

Still, what made the emergence of managerial enterprises a definitive and widespread phenomenon were the postwar reforms. The postwar measures, aimed at economic democratization, dissolved holding companies, dispersed stocks, and purged senior managers; they did not merely accelerate changes that had started during the war, they also had a far greater impact on enterprise structure and management. The measures to purge financial circles, in particular, were quite different from the other measures (which for the most part only accelerated trends begun during the war) in that they were completely exogenous. By means of these various measures, the prewar enterprise structure and style of management, in which owners were comparatively powerful, disappeared, and the rule became managerial enterprises run by salaried managers who came up from the ranks and who were independent of stockholders' control. In a true sense the postwar reforms had the character of a managerial revolution from above.

² During the war a change in enterprise goals was advocated, from the pursuit of profits to maximizing production, and measures were taken to limit dividends and the authority of stockholders' meetings. See: Hideaki Miyajima, "Senji keizaika no jiyūshugi keizairon to tōsei keizairon" [Liberal economics versus controlled economics in the wartime economy], *Shirizu Nihon kin-gendai shi 3: Gendai shakai e no tenkei* [Modern and contemporary Japanese history series, no. 3: The transformation to contemporary society] (Tokyo: Iwanami Shoten, 1993); and Tetsuji Okazaki, "Wartime Planned Economy and Corporations," *Journal of Japanese and International Economies*, vol. 7, no. 2, 1993.

Furthermore, the process of this managerial revolution from above was at the same time also the process in which the prototypes of the Japanese-style enterprise were formed. Cooperative labor-management relations that have as their foundation enterprise unions, keiretsu financing going hand-in-hand with mutual monitoring (or the main-bank system), mutual holding of stocks, the presidents' clubs that allowed exchange of information among managers in the same enterprise group³—these and other stereotype features of Japanese enterprise and enterprise structures can be seen as features that emerged in the process of overcoming the long chain of crises in the postwar period of revival. In the process of overcoming the institutionalization of labor unions that resulted from postwar reforms and the labor offensives that arose in consequence, young salaried managers up from the ranks made harmonious labor-management relations a fixture in their new managerial philosophies. And the structural features listed above can be interpreted as things that took shape as a system of collaborative compensation for the managerial inadequacies of these young salaried managers (who till then had had practically no opportunities to accumulate experience as managers) and of active support to help management establish itself.

The present study purports to focus on the zaibatsu-related enterprises that formed the core of prewar Japan's industrial world and trace the process of postwar reform (the "managerial revolution from above") in order to shed light on the process in which the Japanese-style managerial enterprises became established.

In the second and third sections I shall look at the purge of the financial world and identify the features of the new brand of managers that took over after the purge. In the fourth section I shall show how the young managers overcame postwar crises and how, in the process, a system was formed that supported their efforts at becoming established. In the concluding section, a brief summary is given of how all this fitted in with the period of high economic growth.

³ See Hiroshi Okumura, "Enterprise Groups in Japan," *Journal of Finance*, no. 147, 1986; Masahiko Aoki, *Information, Incentives and Bargaining in the Japanese Economy* (Cambridge: Cambridge University Press, 1988); and Michael L. Gerlach, *Alliance Capitalism: The Social Organization of Japanese Business* (Berkeley: University of California Press, 1992).

PREWAR MANAGERS AND THE PURGES

The Big Three zaibatsu (Mitsui, Mitsubishi, and Sumitomo) and the “new zaibatsu” that sprouted rapidly during the 1920s and 1930s enjoyed further rapid growth during World War II. The concentration of paid-up capital in affiliates of the Big Three and of the Big Ten zaibatsu (listed in Table 2) immediately after the war had risen from 11.2% and 15.1% respectively to 25.1% and 35.2% respectively.⁴

Each of these zaibatsu groupings, despite differences in regard to the manner and intensity of control, had at the very top a holding company that consisted of a completely one-family-owned company, and was vertically organized so that affiliated enterprises and subsidiaries were vertically integrated through stock ownership. In this setup, the constitution of the managerial ranks in the directly affiliated enterprises (most of whose issued stocks were owned by the *honsha*, or holding company), and the relationship their management activities had with the holding company, can be summarized, in a very generalized way, as follows.

First of all, the top offices in the enterprises—those of chairman of the board and president of the company—were occupied by members of the zaibatsu family or directors of the holding company, and the directors of the holding company concurrently served as managing directors and auditors of the affiliates. Table 1 shows how this worked in the case of the Mitsubishi zaibatsu. Koyata Iwasaki, the president of the Mitsubishi *honsha* (Mitsubishi & Co.), concurrently served as director of nine affiliated companies. (Similarly, in the case of Sumitomo, Shunnosuke Furuta, managing director of the Sumitomo *honsha*, was chairman of nine affiliates.)

Secondly, the management of all the companies was consequently such that, though there were standing directors (also referred to often as executive directors), the right of personnel management remained with the holding company. The hiring and deployment of employ-

⁴ The most inclusive and detailed treatment of the scale, investment areas, and stock holdings of the zaibatsu during the war can be found in the introductory chapter of *Shōwa zaisei shi—shūsen kara kōwa made, 2 dokusen kinshi* [Shōwa financial history: from the end of the war to conclusion of the peace treaty, 2 antimonopoly measures], Finance Ministry Financial History Office, ed. (Tokyo: Tōyō Keizai Shinpōsha, 1982).

Table 1. Personnel Interlocks in the Mitsubishi Zaibatsu, 1945

	Koyata Iwasaki	Hikoyata Iwasaki	Kazuo Funada	Tōru Hirai	Harunosuke Suzuki	Takeo Katō	Sōbun Yamamuro	Shinzō Mitsuhashi	Koshiro Shiba	Kamesaburō Ikeda	Shintarō Motoyoshi	Sentarō Komura	Komakichi Miyazaki	Kanzō Tanaka	Toshie Suzuki	Hideya Maruyama	Yoshio Hatano
Holding company	P	VP	MD	MD	MD	SD	SD	SD	D	D	D	D	D	D	A	A	A
M Heavy Inds	D	D	D		A	A	A				P	A	A				
M Trust	D	D			A	D	D								A		
M Trading	D	D	D		A	A	A			D	D	P					
M Oil				D						D		D					
M Electrical Machinery	D	D	D		A		A				D	D	P	D			D
Tokyo Marine & Fire Ins	D		D			D	A								D	D	
Meiji Life Ins			D			D									D	D	
M Chem. Mach.				D						D			P				
M Steamship					A									D			
M Paper Mills						A											
Japan Kentetsu Industries					D						D		D				
Japan Aluminum Works			D							D		P					
Japan Optical Industries				A					C		D		D				D
M Chemical Industries	D			D	A	A	A			P		D					
M Bank		D	D			P	D										
M Mining	D	D	D		A	A	A			D		P		A			
M Steel	D			D	A	D					P	D	D				
M Warehouse	D		D											A			
M Estate Co.				D			P										
No. concurrent posts	10	7	10	7	10	11	9	2	2	6	7	8	7	7	4	3	3

Code: P = president; VP = vice president; C = chairman of the board; MD = managing director; SD= standing (permanent) director; D = director; A = auditor.

Sources: Mochikabu Seiri Inkai [Holding Company Liquidation Commission], *Nihon zaibatsu to sono kaitai* [Japan's zaibatsu and their dissolution], supplement, *Yondaizaibatsu kei shuyō kaisha jinteki kōryūzu* [Tables of personnel exchanges among principal companies within the four largest zaibatsu groups]; Eleanor M. Hadley (Keishi Ohara and Michiko Ariga, trans.), *Nihon zaibatsu no kaitai to saihensei* [The dissolution and reorganization of Japan's zaibatsu] (Tōyō Keizai Shinpōsha, 1973).

ees in all affiliated companies was completely in the hands of the holding company, and though this prerogative was weakened during the war, at least the holding company's authority over the positions of director and above in affiliates remained a common feature of all the zaibatsu.

Thirdly, all affiliates were required: 1) to obtain permission from the holding company beforehand for any important items such as plant investment or the introduction of a new project, and 2) to let the holding company see in advance any proposals to be put before general meetings of stockholders and to report to the holding company on their institutional business. Of the above two obligations, the first gradually became only a hollow shell as a result of the giant growth of affiliated enterprises during the war and the expansion in economic controls, but the monitoring implied in the second obligation was carried on throughout the war.

The General Headquarters of the Supreme Commander for the Allied Powers (GHQ-SCAP) felt, when it set about dissolving the zaibatsu, that the zaibatsu holding companies exercised powerful control, but in reality, from the 1930s and through the war years, decentralization of authority among zaibatsu enterprises had evolved and concrete decisions about plant investment, expansion into new sectors, and arrangements for planning production and sales at different business periods were being entrusted to the managerial ranks. The holding companies exercised the right of personnel management only in those cases in which business results deteriorated as a result of managerial actions or there were adverse effects on the zaibatsu as a whole. That stock ownership formed the ultimate foundation for this right of personnel management, and that concurrent position-holding (interlocking of positions) served as a basis for monitoring the activities of the managers, represented the real extent of holding company control from around the mid-1930s.⁵

GHQ-SCAP, however, mistakenly assessed the above arrangements as a form of very strict control. On the basis of this appraisal it

⁵ For more material on developments during this period, see Jurō Hashimoto and Haruhito Takeda, eds., *Nihon keizai no hatten to kigyō shūdan* [The development of the Japanese economy and enterprise groups], chapters 3 (on the move of zaibatsu towards becoming combines, by Jurō Hashimoto) and 4 (on the wartime economy and the zaibatsu, by Minoru Sawai). On Mitsubishi, see Yasuo Mishima, *The Mitsubishi: Its Challenge and Strategy* (JAI Press, 1989).

demanding a thorough eradication of the personal-control network within the zaibatsu. The actual measures began in October 1945 after the Occupation Forces enunciated the policy that "all zaibatsu family members serving as officials in connected companies, as well as all those who are tinged with being representatives of zaibatsu *honsha* or zaibatsu-related people, and others of various shades of zaibatsu coloring are to resign from their positions."⁶ In the following November the zaibatsu were dissolved and zaibatsu family members and holding company officials who were holding interlocking positions in zaibatsu-affiliated enterprises were made to resign all such positions. The holding company officials shown in Table 1 were all made to resign their positions in affiliate enterprises.

From the end of 1946 GHQ-SCAP set about purging a wider range of businessmen than that covered by the earlier measures aimed at removing zaibatsu-related officials. Immediately after the Occupation began, GHQ had ordered the purge of military personnel who had been in charge of war operations, extreme nationalists, and influential members of the Imperial Rule Assistance Association, and it followed this up by carrying out, in January 1947, a purge of those managers who had directed large enterprises during the war. This was popularly known as the business purge.

Technically, this measure was carried out by way of a wider interpretation of the 4 January 1946 memorandum issued by the GHQ, demanding the removal of 1) "officials of financing and development organizations that played a part in Japan's expansionism" and of 2) "militarists and ultranationalists," and it was applied to all those who held "public office" (1. president or vice president; 2. chairman or vice chairman; 3. managing directors, standing directors; 4. standing auditor) in the "principal" enterprises prior to 2 September 1945.

The "principal enterprises" were defined so as to include: 1) large companies capitalized at ¥100,000,000 or more; 2) large companies recognized as concentrations of extreme economic power; and

⁶ Much of the material for this section, including citations, is taken from chap. 1, section 2, of *Shōwa zaisei shi*, cited in note 4, from *Nihon zaibatsu to sono kaitai* [Japan's zaibatsu and their dissolution], ed. by the Holding Company Liquidation Commission, 1951, from Eleanor Hadley, *Antitrust in Japan* (Princeton: Princeton University Press, 1970), chap. 5, and from T. A. Bisson, *Zaibatsu Dissolution in Japan* (Berkeley: University of California Press, 1954).

3) monopolistic companies in the areas of productive goods production, transport, and communications. The directive was applied to 238 companies, and approximately 2,000 managers were removed from office. To grasp the impact of this measure, one might imagine the effect if the managers (from presidents down to standing directors) of all the enterprises forming part of today's six largest enterprise groups, or the top enterprises in every industry, were removed from office at one stroke. It was a truly drastic measure, wide-sweeping in its effects.

Although production finally began to show signs of recovery in the latter half of 1947 through the adoption of the priority production system, Japan's economy remained in a state of chaos. Inflation continued at a brisk tempo. The labor movement increased in ferocity, building up to a situation verging on civil revolution. A suppression order from GHQ-SCAP had to be invoked in order to avert the general strike planned for 1 February.

Also, as a result of the discontinuance of wartime indemnity (claims against the government held by individual enterprises as a result of wartime munitions production), the financial state of these enterprises deteriorated, and the partitioning of the large enterprises became an increasingly likely possibility. It was under such circumstances that the wide-sweeping purge measures were taken.⁷

The purge of businessmen did not stop there. In the eyes of GHQ-SCAP, even though the changeover of managers from directly related enterprises had gone ahead smoothly as a result of the purge of public office holders, there remained several unsatisfactory facets to the removal of people who, though not members of the zaibatsu families by blood, were nevertheless registered as members of the zaibatsu families, as well as of people who were connected with the zaibatsu. In the case of the Mitsui zaibatsu, for example, the public office purge directive had affected only 23 of the 75 companies in which the Mitsui holding company held stocks, so that the managers of 52 companies still held their positions. For this reason, in January 1948 the Law for Termination of Zaibatsu Family Control was established,

⁷ For more on the macroeconomic conditions at the time, see Takafusa Nakamura, *The Postwar Japanese Economy: Growth and Structure* (Tokyo: University of Tokyo Press, 1981); and Kōichi Hamada and Munehisa Kasuya, "Reconstruction and Stabilization of the Postwar Japanese Economy," in *Postwar Economic Reconstruction and Lessons for the East Today*, R. Dornbush and W. Nolling, eds. (Cambridge: MIT Press, 1993).

Table 2. Effects of the Law for Termination of Zaibatsu Family Control, 1948 (Units: people, companies)

Zaibatsu	No. affected by purge			Breakdown of companies targeted for resignations						
	Same family register	Past officials	Total	Direct affils.	Quasi-direct affiliates	Associate cos.	Restricted cos.	Subsidiary cos.	Connected cos.	Successor cos.
Mitsui	46	1,036	405	23	18	15	46	239	61	3
Mitsubishi	25	538	249	14	13	8	10	142	61	1
Sumitomo	24	554	238	14	10	13	9	111	74	7
Yasuda	65	262	110	4	6	4	16	43	36	1
Nissan	5	604	210	4	19	26	33	64	63	1
Ôkura	13	129	77	1	3	4	24	33	12	0
Furukawa	15	191	88	1	4	6	9	27	40	1
Asano	25	111	83	1	4	2	2	65	9	0
Fuji	19	65	174	1	2	2	62	29	78	0
Nomura	18	135	48	1	3	6	10	18	9	1
Totals	255	3,625	1,682	64	82	86	221	771	443	15

Notes:

1. Classification as direct affiliate, quasi-direct affiliate, and associate company was made by government authorities on the basis of the scale of business operations and the degree of economic management. Thus this classification differs from that made within the zaibatsu themselves.
2. Restricted companies are enterprises designated as such by the Company Restriction Decree (Imperial Decree 657), which regulated changes in the status quo of targeted enterprises as a preliminary to dissolution of the zaibatsu.
3. Subsidiary companies and connected companies were so defined by Imperial Decree 567. The former are companies, 10% or more of whose issued stocks are held by one of the designated (i.e., restricted) companies (holding companies). The latter are enterprises, 10% or more of whose stocks are held by a designated company, by a company of whose stocks a designated company holds 10% or more, or by a subsidiary company of either of these two types of companies.
4. Successor companies are companies so determined by the Prime Minister.
5. The officials to be removed were: in the case of direct affiliates, all officials; in the case of quasi-direct affiliates, standing directors and above; in the case of subsidiary companies, the highest representative officials; for the other companies, only those incriminated by evidence.

Sources: same as for Table 1.

and its objective (Art. 1) was “to eradicate [the personal tie which has served influentially for the formation and maintenance of the Zaibatsu enterprises, thereby promoting a sound development of the Japanese economy on the democratic basis.”

This law divided zaibatsu subsidiaries into seven categories on the basis of distance from the *honsha*, or holding company, as shown in Table 2, and it prescribed that officials be removed in accordance with this classification. There was a great deal of overlapping in those affected by this law and the previous purge legislation (750 people), and the law forced only 145 people to resign. Still, as shown in Table 2, what is important is that the law was applicable to 3,625 people who had previous experience as managers. The reason is that this law added the directors of direct affiliates and officials from restricted companies and under, companies that operated on a relatively small scale, and as a result, before the law was enforced those to whom it was applicable resigned in large numbers. In this way the law filled in the lacunae of the earlier purge measure and made it completely impossible for people on zaibatsu family registers and zaibatsu-related people to be restored to “public offices.”

WIDE-SWEEPING CHANGE OF THE MANAGERIAL GUARD

The result of the above measures was a progressive replacement, in stages, of managers in Japan's big-business circles. The first stage was from the end of 1945 to mid-1946; at this stage the officials of the zaibatsu holding companies were removed from their interlocking positions, and the people who were the real top managers in subsidiary firms voluntarily resigned. The subsidiary firms thereupon promoted those who were at the top of the list of standing directors to presidents, and the rest of the directors were promoted in due order; at the same time they elevated branch office heads, division heads, and assistant division heads to being directors and set about the task of rebuilding their organizations.

But since these new managers of the old zaibatsu enterprises were at the start of 1946 almost all affected by the Public Office Purge Directive (which was applicable to anyone who had been a standing director or above prior to 2 September 1945), or were affected by the provisions of the Law for Termination of Zaibatsu Family Control (in direct affiliates, all officials who held office prior to the end of

November 1945), in early 1947 a second stage of manager replacement took place.

Now, as a result of such a sequence of measures, the selection and appointment of people to become managers sometimes took very unusual forms. For example, Shigeru Kawata of Nippon Kōkan (Japan Steel Pipe) was forced to announce himself as the new president at a general meeting of stockholders because his predecessor, who by rights was to have proposed him to those attending the meeting, was not allowed to attend the meeting because he had been purged.⁸ And at Kawasaki Heavy Industries, after all officials from standing director and above were purged, Yatarō Nishiyama and the four other new managers were unable to decide which of them should be president, so, until the hiving off of Kawasaki Steel, they ran the company in a sort of collegial system, with each of them holding representative authority in their own areas of expertise.

Similarly, at Mitsubishi Electrical Machinery, where the presidency was left vacant and two people with experience as standing directors attended to running the business, eventually the recommendation of the labor union was sought in order to decide on a president. "Since that was the first time anything like this had happened in the history of Mitsubishi, we figured it would be impossible to rebuild the company without the cooperation of all the employees," recounts Shin'ichi Takasugi (appointed to the presidency on the recommendation of the union), reminiscing many years later. Episodes like this were the natural consequence of the absence of anybody to exercise, if even only as a formality, the right of personnel management, and this in turn was the result of the fact that all stocks, which served as the foundation for the right of personnel management, had been transferred to the Holding Companies Liquidation Commission.

In this fashion, from mid-1948 through the beginning of 1948 the new managers in zaibatsu enterprises formed a completely new group of faces, with those who had just become directors in the first stage now at the top, and those who had been in the division-head class during the war promoted to directorships. In the great majority of cases there remained not a single official who had served as a

⁸ Unless otherwise noted, the recollections of new managers in the section below rely upon the volumes in the series *Watakushi no nirekisho—keizaijin* [My career: businessmen] (Tokyo: Nihon Keizai Shinbunsha, 1980).

Table 3. Backgrounds of New Managers and Interlocks after the Peace Treaty Came into Effect

Affiliation/ grouping	Name of enterprise	Name of pres. in '48	Year of birth	Educational background	Position at war's end	Career code	SD or higher		Code ('53)	Remarks
							Int.	Exp.		
Mitsubishi Direct affils.	M Mining	Michiyuki Hani	1891	TU/econ.	Personnel Div head,	A III			P	Sakuta Takagi 9/50
	M Japan Heavy Inds.	Takashi Rika	1891	TU/mech. eng.	Asst head, Nagoya Engine Mfg	A III			P	Toshi Sakurai 9/52
	Shin M Heavy Inds.	Shinzō Fujii	1903	TU/law	Kobe Shipyard head	A III			SP	
	M Shipbuilding	Kaneo Niwa	1895	TU/mech. eng.	Nagasaki Shipyard head	A III			SP	
	M Elec Machinery	Shin'ichi Takasugi	1892	TU/law	Director 5/45; '43 Bank (Nagoya branch)	B II	4/4	3/4	SP	
	M Chemical Inds.	Tokiichirō Kuwata	1894	TU/apld chem.	Director 9/43; Kurosaki plant head	A II			SP	
	Asahi Glass	Kiichi Watanabe	1894	Meiji Vocat'l/ applied chem.	Director 3/45; Tsurumi plant head	A II			R	Kan'ichi Morimoto chair 2/51, pres. 2/52
Connected company Investment Direct affil.	M Rayon	Masuzō Gashū	1889	TU/agric.	Shinkō Jinken stdg dir '39	A I			SP	
	Japan Optical Ind.	Masao Nagaoka	1897	TU/physics	Director 5/44; glass mfg div head	A II	2/2	0/2	SP	
	Nihon Yūsen M Bank	Shinsuke Asao Sōzō Chigira	1894 1891	TU/law Keiō/finance	Director 5/43 Osaka Branch head	A II A III	5/5	1/5	SP SP	
Mitsui direct affil. Quasi-direct affils. Investment	M Mining	Ryōichi Yamakawa	1891	Kyushu/mining	Eng'g Div head	A III			SP	
	M Shipbuilding	Goichi Katō	1891	TU/law	Shanghai Shipyard head	B III	3/3	0/3	SP	
	M Steamship	Yasuzō Ichii	1898	TU of Comm	General Affairs Div head	A III	3/3	0/3	SP	
	Tōyō Kōatsu	Ikuji Ishige	1895	Tokyo Hi Tech apld chem.	Head, Hikoshima and Ōmura plants	A III		SP		
	Tōyō Rayon	Kikuo Sodeyama	1902	TU/mech	Shiga plant, Eng'g Div head	A III			SP	Former pres. Shigeki Tashiro makes come- back as chairman
Investment	Sanki Eng'g	Masao Yano	1898	TU/eng'g	Nakatsu plant head	A III	2/2	0/2	P	Kumao Yamada 9/50
	Hokkaido Colliery & Steamship	Yoshio Yoshida	1894	Kyoto U/eng'g	Sorachi Inds head	A III	2/3	0/3	P	Katsunosuke Shimada 9/51
	Jpn Steel Mfg Works	Tetsuji Shintani	1900	TU/eng'g	Yokohama Eng'g Works head	A III			SP	

Affiliation/ grouping	Name of enterprise	Name of pres. in '48	Year of birth	Educational background	Position at war's end	Career code	SD or higher		Code ('53)	Remarks
							Int.	Exp.		
Investment	Daidō Steel	Ken'ichirō Ishii	1903	Nagoya Higher Commercial	Director	A II	3/3		P	Shinji Satomura 5/53
	Onoda Cement	Hōroku Andō	1896	TU/eng'g	Director 1/44	A II	4/4	0/4	SP	Taizō Ishizaka 4/49
	Tokyo Shibaura Elec	Kōsaku Shinkai	1887	Physics Tech HS/physics	Director	A II			O	
	Yuasa Storage Battery	Yūichi Yuasa	1906	Kyoto U/law (incompl)	Managing director	D I	2/2	2/2	SP	
	M Bank	Kiichirō Satō	1894	TU/law	Director 9/41	A II			SP	
Sumitomo direct affils.	S Metal Mining	Gaiji Tanaka	1901	Tokyo Commercial	General Mining Affairs Div head	A III	2/2	0/2	SP	Shōzō Hotta 11/52
	S Coal Mining	Toshitsugu Fukunaga	1894	Kyushu U/eng'g	Sumitomo mining engineers head	A III	2/2	0/2	SP	
	S Metal Inds	Juichi Hirota	1899	Kyoto U/eng'g	Wakayama Eng'g Works asst head	A III	2/2	0/2	SP	
	S Elec Inds	Kaname Kishi	1894	Kyoto U/law	Dir 2/44; till '37; S Bank, Onomichi Br. head	B II	3/3	0/3	SP	
	S Chemicals	Seiji Doi	1894	TU/law	Director '42, '43; Welfare Dept in parent co.	B II			SP	
	Nippon Electric	Buei Watanabe	1896	TU/econ	Dir, Gen. Affs Div head	B II	2/2	0/2	SP	
	Nippon Sheet Glass	Fumio Nakamura	1892	Kobe Hi Com'l	President	A I	2/2	1/2	SP	
Connected Direct affil.	S Bank	Takeshi Suzuki	1896	Kyoto U/econ	Head Office manager	A III			P	
Nissan	Japan Mining	Kusuo Okabe	1894	TU/eng'g	Director 5/45; Mining Div head	A III	2/2	1/2	SP	Asahara Genshichi, man'g dir; Katsuji Kawamata
	Hitachi Eng'g Works	Shuzei Kurata	1889	Sendai Hi Ind'l	Kasado plant head	A III			SP	
	Nissan Heavy Inds	Taichi Minoura	1891	TU/law	Director 1/44; till '42 Nippon Yushi	B II	2/3	2/3	R	
Yasuda	Okii Electric	Ryōji Inoue	1896	Naga. Hi Com'l	Standing director	A I	1/3	2/3	P	Suteji Kōbe 9/50
	Fuji Bank	Seiichi Sako	1898	TU/law	Director, asst head of business dept	A II			SP	

Affiliation/ grouping	Name of enterprise	Name of pres. in '48	Year of birth	Educational background	Position at war's end	Career code	SD or higher		Code ('53)	Remarks
							Int.	Exp.		
Asano	Japan Steel Pipe	Shigeru Kawata	1887	TU/pol sci	Director '42; Tsurumi plant head	A II			SP	
	Japan Cement	Hideaki Inoue	1899	TU/eng'g	Director 6/44	A II	3/3	1/3	SP	
Furukawa	F Mining	Eiichi Shinkai	1892	Tokyo Higher Commercial	Director, Accounting 1/4; Div head	A II	4/4	0/4	SP	
Kawasaki	Fuji Elec'l Machinery	Tsunesuke Wada	1887	Kobe Hi Com'l	Man'g director '40	A I	2/2	1/2	SP	
	Kawasaki Iron Mfg	Yatarō Nishiyama	1903	TU/mining & metallurgy	Director '42 (Kawasaki Heavy Inds)	A II			SP	
	Kawasaki Heavy Inds	Toshio Tezuka	1889	TU/law	Director 6/45	A II			SP	
	Daiichi Bank	Masataka Ogino	1893	TU/econ	Director 3/43	A II			P	Inosuke Sakai 3/51
New Zaibatsu	Nippon Chisso Showa Elec Ind.	Wataru Kitayama Setsuzō Hinohara	1906 1903	TU/eng'g TU/law	Asst to head of Kōnan plant, Nippon Suiso, pres.	A III C I	3/3 2/6	1/3 1/6	P O	Isao Ueda 8/50 Jirō Satake 10/53
Independent	Fuji Iron Mfg	Shigeo Nagano	1900	TU/law	Fuji Steel plant head	A III			SP	
	Yawata Iron Mfg	Takashi Miki	1892	TU/law	Director 12/40; Yawata Iron Mfg head	A II			R	Gisuke Watanabe 9/52
	Kobe Steel Mfg	Saburō Machinaga	1891	Osaka Hi Ind'l	Director 2/44	A II	4/4	0/4	R	Chōhei Asada 9/52
	Ishikawajima Heavy Inds	Katsuji Shimojima	1890	Tsukiji Workmen School	Director, Machine Production Div head	A II			O	Toshio Dokō 6/50
	OSK	Takeo Itō	1894	TU/law	Director	A II	4/4	0/4	SP	
	Toyota Motors	Kiichirō Toyoda	1894	TU/mech	Pres. '40	D I			O	Taizō Ishida 7/50
	Shimadzu Works	Yōsuke Suzuki	1887	Tokyo Hi Com'l	Standing dir '24	D I	2/3	3/3	SP	
	Matsushita Electric	Kōnosuke Matsushita	1894	Elem. school	Director, pres. '35	D I	3/3	2/3	SP	
	Kubota Ironworks	Seiichi Kubota	1898	Waseda U /pol econ	Vice-pres.	D I	2/3	3/3	P	Taizō Odawara 3/50
	Hodogaya Chemicals	Otomi Isomura	—	TU/science	Director, pres. '34	D I		1/2	P	Ichirō Yoshida 5/52

Affiliation/ grouping	Name of enterprise	Name of pres. in '48	Year of birth	Educational bkground	Position at war's end	Career code	SD or higher		Code ('53)	Remarks
							Int.	Exp.		
Textile Industry	Great Japan Spinning	Kichibei Hara	1900	Tōa Dōbun Shoin Commerce	Asst head, Business Div	A III			SP	
	Kanebō	Itoji Mutō	1903	Farnleigh (England)	Director '44	A II			SP	
	Tōyōbō	Kōjirō Abe	1897	Kyoto U/mech	Director '42	A II			SP	
	Teijin	Shinji Mori	1890	Kyoto U/law	Man'g dir	A I			SP	
	Kuraray	Sōichirō Ōhara	1909	TU/econ	Standing dir 5/39	D I			SP	
	Asahi Chemical Ind.	Takeo Kataoka	1902	Keio U/law	Fukuoka office head	A III			SP	

Notes:

1. TU in "Educational background" column stands for Tokyo Imperial University.
2. Career code abbreviations are: A = in-house promotion; B = someone who moved from an affiliated enterprise in 1937 or later; C = someone who has entered a company from outside; D = others, family managers. Roman numerals stand for: I = president, vice president, standing director and above; II = director and above; III = no experience as official.
3. Interlock code: SP = same person; P = promotion; O = appointee from outside; R = restored after the purge.
4. The "SD or higher" column gives the figures for the number of officials of standing director level or above (excluding presidents) as the denominators, and the numerators indicate the number of those officials who were in-house promoted (lefthand column) and the number who had experience as officials (righthand column).
5. The classification of affiliates is made on the basis of internal zaibatsu designations.

Source: compiled from company histories, personnel records, and official records.

director during the war. In other words, there had taken place a wide-sweeping reshuffle in managerial ranks.

Table 3 gives a broader view of this point.⁹ We can see very clearly that, whereas large enterprises in the spinning industry (Dai Nippon Cotton Spinning Co., Toyo Cotton Spinning Co. [Tōyōbō], and Kanegafuchi Cotton Spinning Co. [Kanebō]) and relatively small-scale non-zaibatsu companies in the machine industry such as Matsushita Electric Industrial Co. and Shimadzu Works were able to maintain the continuity in their managerial ranks (Career code D, A II in Table 3), zaibatsu enterprises experienced an all-embracing reshuffle of their managers. If one looks carefully for the special characteristics of the new breed of managers, especially but not exclusively those in the old zaibatsu enterprises, one notes the following three points.

First of all, the new breed of postwar managers, regardless of whether in the old or the new zaibatsu enterprises, were all salaried managers who reached their positions by way of in-house promotion within their respective enterprises (Career code A). Granted, there were some cases in the old zaibatsu enterprises, where personnel exchanges were a common occurrence, of men being transferred from other companies like banks during the war and becoming presidents (Career code B), but these were a small minority (6 cases out of 46), and in all cases at least five years had passed since their transferral.

It was extremely exceptional for a new manager to be a person who had been hired from outside the zaibatsu; the only case (Career code C) was that of Setsuzō Hinohara (former president of Nippon Suisan), who attained notoriety because of the Shōwa Electric Industry Co. scandal.¹⁰ The real core of the new managers consisted of “salaried managers” who had come up from the ranks within their own enterprises.

Nevertheless, since the managers who had been involved in actual decision making in zaibatsu enterprises from the 1920s on were also

⁹ The “official records” of the various companies that were used to compile this table are the documents presented to GHQ by the 325 companies designated by the Law for the Elimination of Excessive Concentrations of Economic Power. These exist in both English and Japanese. The former are kept in the National Archives in Washington.

¹⁰ It was a bribery scandal involving preferential loans from the Reconstruction Finance Bank. It was linked with the fall of the Ashida Cabinet in 1948.

“salaried managers,” further explanation is probably necessary. The important changes were that: 1) as a result of the resignation of the owner-type managers (zaibatsu family members or holding company officials) who had been in the top positions (even if only as a formality sometimes) in the various enterprises, the managerial class was now composed almost entirely of salaried managers; and 2) as a result of the dissolution of the holding companies and the dispersal of stocks, managers in the different enterprises were no longer monitored by the owners and were liberated from the restrictions imposed by considerations of owner benefits (maintenance of the zaibatsu family).

Though salaried managers in prewar zaibatsu enterprises had been entrusted with management by owners (zaibatsu family members) and there had been advances in the delegation of authority, ultimately their managerial activities had been restricted by the benefits of the owners (maintenance of the family assets). In the 1920s in particular, there were cases in which positive steps taken by zaibatsu affiliates to invest in plant or to aim at diversification were delayed or curtailed in accordance with the wishes of an apprehensive holding company; the new breed of managers were liberated from such restrictive influences.¹¹

Secondly, the average age of the new managers granted this new degree of autonomy in management was much lower than before; this trend was most conspicuous among zaibatsu enterprises. As can be seen from Table 3, the average age of company presidents as of 1948 was around 50, with some presidents in zaibatsu direct-affiliate enterprises being as young as the mid-forties. Since it is estimated that the average age of top managers in the largest forty companies at the end of the war was 60, this means that the new managers were on average over ten years younger.¹² Accordingly, seen in terms of their generation, they had in common the fact that they had spent their youth in the days of the Taishō Democracy, the period in Japan before the war that was imbued with the freest and most open-minded of atmospheres. Also, they all had graduated from the law, economics, or engineering faculties of such places as Tokyo Imperial University, Kyoto

¹¹ Morikawa, *Zaibatsu* (see n. 1 above), chap. 5.

¹² Kazuo Noda, “Managerial Change,” in *Postwar Economic Growth in Japan*, R. Komiya, ed. (Berkeley: University of California Press, 1966).

Imperial University, or Tokyo Commercial College during the 1910s or the first half of the 1920s. This was a period during which economic faculties were becoming independent of law faculties in the old imperial universities, and reforms, such as the promotion of Tokyo Higher Commercial School to a commercial college, were taking place in the educational system, with parallel arrangements being made for a more specialized educational system. This means that the backbone of the postwar managerial class consisted of salaried managers who had received the education of a new age.¹³

A third feature that the new breed of managers had in common was that before the end of the war they had all been on the level of plant heads or division heads and had not acquired adequate training as managers. From Table 3 it can be seen that, of the 62 people listed, only thirteen people had experience as a standing director or above (identified by I in the Career code column), of whom a majority of seven belonged to non-zaibatsu enterprises. In the zaibatsu enterprises (not including, therefore, the last sixteen companies listed in Table 3), the number of those who had been directors (identified by II in the same column) came to 20 out of 46, of whom the greater portion were characterized by being the heads of workplaces and who, as is clear from Table 3, were appointed towards the end of the war.

In the cases of another 20 out of the 46 zaibatsu enterprises (or nearly half), we find people with no experience whatsoever as managers before the end of the war being made heads of divisions or plants and the like (identified by II in the Career code column). This is even more noticeable in the standing director class that forms the core of the managerial ranks (the “Standing director or higher” column). This point has not always been adequately adverted to in earlier studies: the ranks of managers heading postwar large enterprises have been filled by division heads and factory heads with shop-floor experience but without any experience as managers.¹⁴

¹³ Yoshitarō Wakimura, “Sengo keiei shi no shuppatsuten: zaibatsu kaitai” [The point of departure of postwar business history: the dissolution of the zaibatsu], *Bijinesu rebyū* [Business review], vol. 32, no. 2, 1983.

¹⁴ The commonly accepted understanding has been one that laid stress on the “original, ambitious” management as a result of the youthfulness of the managers. See Noda, “Managerial Change,” and Nakamura, *The Postwar Japanese Economy*.

Consequently, the new breed of managers may have been enflamed with a desire to rebuild, but on the other hand they were gripped by a strong sense of insecurity. Shuzei Kurata, who had been entrusted by Namihei Odaira with the task of carrying on at Hitachi, for example, would later unabashedly describe his feelings at the time as "being completely and utterly bewildered." Society's appraisal of his performance at that stage was also scathing. One newspaper editorial, after questioning Kurata's competence to be a manager, concluded with the words: "His biggest concern must be his lack of ability to fill a seat too big for him."¹⁵

The first difficulty lying in wait for the new managers was the problem of the Law for the Elimination of Excessive Concentrations of Economic Power. In July 1947 Mitsui Bussan and Mitsubishi Trading Co. had already been divided into almost 200 smaller companies because they had deprived other companies of the chance to enter the field and had monopolized the market, and large enterprises in the manufacturing sector had also been exposed to the danger of being subject to similar partitioning measures. Consequently, the new managers of individual companies felt compelled to pay almost daily visits to GHQ and negotiate so that the impact on their own companies would be as small as possible.

In early 1948, however, America made an about-face in policies, and ultimately only 18 of the 325 companies that had been targeted for partitioning were actually partitioned (including Japan Iron and Steel, Mitsubishi Heavy Industries, Toshiba, and Hitachi), and the terms of the legislation were also far more lenient than had been expected. Still, for the new managers, this difficulty was only the opening curtain.

POSTWAR CRISES AND THE NEW MANAGERS

LABOR DISPUTES: WINNING TRUST AND LABOR COOPERATION

The greatest crisis faced by the postwar new managers was the fierce struggles with labor. Labor unions were formed in all enterprises by way of labor reforms, and the labor campaigns were not merely over claims for higher wages: they evolved rapidly under the influence of

¹⁵ *Nihon Keizai Shinbun* [Japanese Economic News], 29 October 1948.

communist ideology. In addition, after the Dodge Plan of 1949, standoffs between labor and management entered a new phase. When enterprises planned moves toward widescale reduction of personnel for the sake of reorganizing business operations in the midst of growing deflationary pressures, confrontation over these plans became more acute.¹⁶

To handle the difficult task of riding out the disputes that arose in opposition to personnel reduction, the new managers, most of whom had risen to their positions through internal promotion from positions in the workplace, were in one aspect better suited than the prewar managers would have been. Prewar managers had almost no experience whatever of such labor problems, and they would no doubt have been almost incapable of riding out group negotiations going on for days on end. Most of the new managers, on the other hand, were people who had come up from the trouble spots, and not a few of them also had backgrounds in labor relations.

The fact that the new managers maintained relations with the workers through routine contacts on the shop floor contributed to their weathering of the fierce labor disputes and to the formation of harmonious labor-management relations after the disputes were settled. Shuzei Kurata, of Hitachi, had been head of the Kasado plant when the war ended, and Juichi Hirota, of Sumitomo Metal, had been vice president of the Wakayama Ironworks plant.

This is not to say that the new managers succeeded in riding out all of these fierce labor disputes. At Tokyo Shibaura Electric [Tōshiba], where major strikes had broken out intermittently in 1947-48, Taizō Ishizaka, who was familiar with the situation at Tōshiba because he had served as a dummy director there while president of Daiichi Life Insurance Co., was appointed president in April 1949. Similarly, at Toyota Motors, where strikes intensified from the summer of 1950 over personnel reductions, Toyoda Kiichirō was replaced as president by Taizō Ishida, who came from Toyoda Automatic Loom Works with a record of having steered the company through a 21-day strike. Katsuji Kawamata, who was called in from The Industrial Bank of Japan to head Nissan Motor Co., is another example of someone whose skill in handling labor disputes was highly prized.

¹⁶ Andrew Gordon, *The Evolution of Labor Relations in Japan: Heavy Industry, 1853-1955* (Cambridge: Harvard University Press, 1985).

Through dealing with labor disputes, the new managers not only acquired skills in labor management, they also gained the confidence of their own employees and of the general public. In May 1950 Shuzei Kurata finalized his plan to reduce Hitachi's 44,000 employees by 5,555 people; it was a decision that had to be made if Hitachi was to be rebuilt. Such a massive retrenchment brought labor unrest to a head: large groups of external supporters flocked to every Hitachi plant, and hundreds of red flags flapped in the spring breezes. The strikers' tactics turned to violence, whereupon the company declared a lockout at every factory and office, and they reported to the police and laid charges in all cases of trespass and property damage. At one stage the governor of Ibaraki Prefecture requested that Hitachi come to a compromise, maintaining that the livelihoods of people in the prefecture were being endangered, but Kurata flatly refused, saying "There is no room for concessions."

Sometimes disregarding personal danger, Kurata stood up to the strikers with firm determination, and won the trust of his managers; they formed a united front. Confidence was restored within the company. Steering the company through a massive strike of sixty days (a strike duration that still stands as a postwar record), when his ability was publicly being questioned, lifted Kurata's reputation outside the company as well. When, after the dispute was settled, Hitachi's main bank, The Industrial Bank of Japan, arranged a loan amounting to ¥500,000,000, it was obviously showing its high appraisal of Kurata's abilities.

On the other hand, the experience of these severe postwar disputes brought home to the new managers how indispensable it was for business stability to have stable labor-management relations and guaranteed employment. And one of the conditions that made it easier for this realization to take root among the new managers was the way they themselves had reached top management levels through internal promotion.

Katsuji Kawamata, who exercised his great acumen to settle the long dispute at Nissan Heavy Industries, many years later reminisced as follows about the event:

I had the experience of living on a salary; it didn't leave me well off. I can remember hard times. So when the union argued for the necessity of raising productivity, I couldn't help feeling sym-

pathetic towards their honest effort to improve their livelihood within the context of the company's improvement. As a result, Nissan's summer-vacation plant closure, the free distribution of half-pint bottles of milk, the building of facilities such as the gymnasium and meeting hall—yes, even the wages and bonuses—in all these things I felt inclined to agree to what would satisfy the union.¹⁷

It was in such ways that the idea of working towards maximization of enterprise growth in order to provide stable employment and in addition increase laborers' welfare services and wages—in other words, what later was to be called "Japanese-style management"—gradually took hold.¹⁸

FINANCIAL CRISES AND KEIRETSU FINANCING

Besides labor disputes, postwar managers also had to face financial crises. From 1948 through the first months of 1949 enterprises gradually began taking steps towards rebuilding, but their business operations continued to be supported (as regards expenditure) by subsidies to offset prices and (as regards capital) by loans from the Reconstruction Finance Bank. But the "nine principles of economic stability" proclaimed by Joseph Dodge when he arrived in Japan in February 1949 in one stroke swept away these foundations. As a result of fixing a single exchange rate, strictly enforcing a balanced financial policy, and similar measures, Japan's economy did a complete turnaround and underwent strong deflationary pressure. Enterprises all went into the red, and cash fluidity became tight.

It was "keiretsu financing" that played an important role in overcoming this crisis. The five largest banks and The Industrial Bank of Japan, relying also on borrowing from the Bank of Japan, loaned the funds needed by those keiretsu enterprises with which they had been doing business ever since the war, and these loans would act as a sig-

¹⁷ *Watakushi no rirekisho—keizaijin*, vol. 14 (Katsuji Kawamata) (Tokyo: Nihon Keizai Shinbunsha, 1980), p. 244.

¹⁸ For a case study of how harmonious labor-management relations took hold in the iron and steel industry, see Seiichirō Yonekura, "Postwar Reform in Management and Industrial Relations," in Juro Teranishi and Yutaka Kosai, eds., *The Japanese Experience of Economic Reforms* (New York: Macmillan, 1993).

nal to other banks to loan money. The keiretsu financing characterized by enterprise financing during the high-growth period, had, therefore, already taken shape at this early phase, when financing by the Reconstruction Finance Bank was halted.¹⁹

The fact that there were many new managers in the old zaibatsu enterprises who had earlier worked in the zaibatsu banks or who had accumulated experience in independent banks must surely have been an important factor in the relationship between the new managers and keiretsu financing. True, there were comparatively few examples of people with backgrounds in banking being appointed presidents (Mitsubishi Electrical Machinery and Sumitomo Electric Manufacturing were the exceptions), but when one goes down to the level of standing director or the equivalent, one finds many more cases of people who had spent the first half of their careers in banks and who had been transferred to their respective companies during the war. Thus the fact that these new managers in the borrower enterprises shared careers that were closely linked with those of the new managers in the banks, who were practically of the same generation, can surely be considered one of the foundations supporting keiretsu financing, in that the banks could rest assured that they could obtain accurate information about the borrowers and that their credit was safe.

Still, not all of the enterprises after the business purge had new managers who had been bankers, and the foundation for the activities of those who had been bankers was to be found in the enterprise, not in the banks. As a result, along with their loans the banks also despatched officials to join the new manager teams. Almost universally during this period, particularly when their own financing ratio was high or the sum loaned was large, the banks despatched their own officials to the enterprises to whom they made the loans. The following two points must be stressed in regard to these despatches of bank officials.

First of all, the purpose behind the banks' despatch of officials was not that they exert any influence on the business activities of the bor-

¹⁹ A detailed description of the formation of keiretsu financing can be found in Hideaki Miyajima, "Zaibatsu kaitai" [Zaibatsu dissolution], chap. 5 in *Nihon keizai no hatten to kigyō shūdan* (see n. 5 above); also in Juro Teranishi, "Emergence of Loan Syndication in Wartime Japan: An Investigation into the Historical Origin of the Main Bank System," in *Japanese Main Bank system and Its Relevance for Developing Market and Transforming Socialist Economics*, M. Aoki and Hugh Patrick, eds. (Oxford University Press, forthcoming).

rower enterprise; the aim basically was to monitor activities for the sake of credit security. The Industrial Bank of Japan, representing the group of financial institutions that helped fund Hitachi, would send a standing director in 1950, but this did not result in any influence on Kurata's leadership.

Despatch of an official also served as a signal from the main bank to other banks. The most classical illustration of this point would probably be the despatch of officials from the Dai-Ichi Bank to Kawasaki Steel, which had been in the forefront in developments in the post-war iron and steel industry. Led by Yatarō Nishiyama, Kawasaki Steel had planned an ambitious coherent iron-and-steel manufacturing plant, but in 1953, when its Number One Blast Furnace began operations, it fell into a funding stalemate. At that stage, despite the fact that Dai-Ichi Bank had already despatched one standing director to Kawasaki Steel, it sent another person to assist, one of its own standing directors, Shigeki Ōmori, whose managerial position at Kawasaki Steel was that of chairman of the board, so that he ranked above Nishiyama. At first glance this would seem to be a move to curb the activities of Nishiyama, who was given to risk taking. But according to the bank's president, Inosuke Sakai, the aim of despatching this official was not that of revising any of Nishiyama's plans, but rather that of "giving proof to other banks that Dai-Ichi was serious in its efforts and setting an outer framework within which Nishiyama, who was somewhat reckless when it came to accounting, could operate." It was for the same reason that Ōmori, a close friend of Nishiyama from their days together at the Kobe branch of the bank, was chosen, and in actual fact no revisions were made to Nishiyama's expansion plans even after Ōmori was despatched there.²⁰

Nevertheless, and this is the second point, when earnings of the enterprise to which money was lent deteriorated, or when it became clear that the new management team lacked managerial ability, the banks actually intervened in personnel matters. There were not a few cases of such intervention in personnel matters during the period of revival after the war. Thus, for example, during the Korean War boom, when wartime-demand enterprises gradually showed improved results, Mitsubishi Japan Heavy Industries earnings were

²⁰ Tekkō Shinbunsha [The iron and steel newspaper company], ed., *Tekkō kyojin den—Nishiyama Yatarō* [Giants of the iron and steel industry: Yatarō Nishiyama], 1971, p. 638.

falling; to counter this, Mitsubishi Bank put pressure to bear on top management to step down, and at the same time it despatched a standing director. Likewise, a bank had a hand in the appointment of Taizō Ishizaka as president of Tōshiba. As was mentioned earlier, Tōshiba was involved in rather serious labor disputes in 1947-48, and when the disputes intensified at the end of 1948, it was Kiichirō Satō, of the Imperial Bank (later known as Mitsui Bank), the largest creditor, who strongly urged Ishizaka, who had relinquished all positions of responsibility at Dai-Ichi Life Insurance and was holding down a sinecure position there, to accept the nomination that led to his presidency at Tōshiba. Another case that might be included here is that of Katsuji Kawamata's promotion to managing director at Nissan, as it involved a bank's recommendation regarding personnel matters.²¹

FORMATION OF PRESIDENTS' CLUBS AND MUTUAL HOLDINGS

As we have seen, the replacement of managers as a result of postwar reforms was the most drastic in the zaibatsu enterprises, and the consequence of this was that the new managers lacked sufficient experience and their store of managerial skills was relatively inadequate. In addition, the increase in the number of all enterprises because of the carving up of enterprises in accordance with the Elimination of Excessive Concentrations of Economic Power Law (Mitsubishi's three heavy industries: New Mitsubishi Heavy Industries, Mitsubishi Japan Heavy Industries, Mitsubishi Shipbuilding; Mitsubishi Mine; Mitsubishi Mining, Sumitomo Mining) and because of voluntary divisions resulting from the enterprise Reconstruction and Reorganization Law (Mitsubishi Chemical Industries and Mitsubishi Steel) was another condition exacerbating the inexperience of the new managers.

It thus happened that the managers of the old zaibatsu enterprises, because they were without a big store of managerial skills, all

²¹ Detailed information on despatching of officials and bank intervention in personnel matters during this period can be found in "Ginkō no shihaiyoku no kyōka to zaibatsu saihensei no hōkō" [Strengthening of bank control and directions in zaibatsu reorganization], *Tōyō keizai shinpōsha* 24 October 1953 and "Zaibatsu saihensei to kin'yū shihaiyoku no jittai" [Facts about zaibatsu reorganization and financial control], *Tōyō keizai shinpōsha*, 1 January 1954.

started to form presidents' clubs around the time of the signing of the peace treaty. Mitsubishi enterprises were among the earliest: already in 1947 there was a groundswell of support for the idea that "they could steer through the postwar difficulties if all the companies cooperate," and the presidents of the heavy industries, electric machinery, mining, and bank companies held unofficial meetings, which later came to be known as the Friday Club.²² In similar fashion the information exchange organ of the managers of the eight Furukawa-related companies, the Sansuikai [Third-Wednesday Club], was formed in 1949. And it was about the same time that the Sumitomo Hakusuikai [Pure Water Club] and the Mitsui Getsuyōkai [Monday Club] were formed.

Two of the important conditions for forming these presidents' clubs among enterprises freed from control by the *honsha*, or holding company, would be the fact that the new managers had been hired by the zaibatsu holding company more or less in the same year, and the fact that they would have shared substantially the same backgrounds and would have deepened mutual links by means of personnel exchanges between companies within the zaibatsu. The formation of Sumitomo's Hakusuikai at the suggestion of Masaharu Doi, president of Sumitomo Chemical, is symbolic of this context: Doi, who was to take over the helm of Sumitomo Chemical after the war, had been engaged in the assignment of personnel to affiliates from the time he first entered the holding company and was assigned to the personnel office, until his transfer to Sumitomo Chemical in 1943.

Formed on these foundations, the presidents' clubs simultaneously performed two functions. As can be deduced from the circumstances in which they were formed, they served as information exchange organs for the new managers facing difficult conditions after the war, and they also served as organs to complement their managerial skills. As for this complementing of managerial skills, in the period between 1948 and 1953 it was important to obtain the advice of senior managers. In the unofficial meetings of Mitsubishi-related company presidents referred to above, Toshio Ishiguro, former head of the General Affairs Division of the *honsha*, is said to have taken part in the exchange of information from the various companies. And in

²² Bunpei Ōtsuki, *Watakushi no Mitsubishi shōwa shi* [My history of Mitsubishi during the Shōwa period] (Tokyo: Tōyō Keizai Shinpōsha, 1987), p. 72.

the Furukawa Sansuikai meetings Yorisumi Furukawa, Suekichi Nakagawa, and other directors of the old zaibatsu *honsha* were in attendance.

Zaibatsu enterprises that had experienced punitive measures against the *honsha* and family holdings faced very serious crises of business autonomy after the Dodge Plan, because of the collapse of the stock market from October 1949. If zaibatsu stocks were to be released while interest rates were climbing under the Dodge Plan, stock prices would naturally plummet. The result was that the new managers, who had been freed from the control of the *honsha*, now found themselves facing a situation that had been almost unthinkable before the war: cornering of stocks and takeovers. For example, at Fuji Electric Machinery, where the stocks held by Siemens (30% of issued stocks) were being transferred to a committee from a third country, some foreigners were seeking a transfer of the shares held by this third-country committee. Again, the Mitsui-related Taishō Marine Insurance and the two companies Yōwa Real Estate and Kaitō Real Estate, which had been established and exclusively owned by the real estate division of the Mitsubishi *honsha* (Mitsubishi & Co.), became the targets of large-scale cornering of stocks. To borrow the words of Hideo Edo, of Mitsui Real Estate, which likewise was the target of a cornering operation, the situation was one that put “fear and trembling” into top management.²³

Before the signing of the peace treaty, when the holding of stocks in companies within the same keiretsu were strictly forbidden, the companies had adopted the device of commissioning banks from other keiretsu and third parties to hold their stocks, so as to assure stable stockholders in ways that nearly amounted to holding of their own stocks, but after the peace treaty, when these restrictions were lifted, they met the problem by mutual holding of stocks. Thus the prototype of the mutual holding of stocks that has gained attention today as a special feature of Japanese enterprise was formed in the process of disposing of zaibatsu-related stocks right after the war.

In these cases, the core of the mutual holding of stocks in each group was the financial organ, and the presidents' clubs performed

²³ Hideo Edo, *Watakushi no Mitsui shōwa shi* [My history of Mitsui during the Shōwa period] (Tōyō Keizai Shinpōsha, 1985), pp. 71-71; also, *Watakushi no rirekisho—keizaijin 14* (Tsunesuke Wada), p. 244.

the role of fine-tuning in this defensive action. In the Furukawa group, for example, Dai-Ichi Bank dipped into its abundant coffers to supply individual companies with the funds for purchasing stocks, while the people attending the Sansuikai adjusted the amount to be bought by each company. The same was true of the Mitsubishi group: Mitsubishi Bank supplied the funds for buying stocks, and individual companies cooperated in buying back others' stocks. As a result, the percentage of mutual holdings in each group in 1953, though low in the Mitsui group, was up to the 10-15% level in the Mitsubishi and Sumitomo groups. The percentage of holdings by companies within the same group was particularly high for enterprises that had been the target of stock cornering; thus, 35.3% of Mitsubishi Estate (formed by amalgamation of Kaitō Real Estate and Yōwa Real Estate in 1953), 29.9% of Taishō Marine Insurance, and 27.1% of Fuji Electric Machinery were held by other companies in their respective groups. The crisis in managerial autonomy faced by enterprises as a result of the stock-disposal program of GHQ-SCAP was averted by such measures as these.²⁴

CONCLUSION

With the effectuation of the San Francisco Peace Treaty in April 1953, Japan recovered its independence. A review of the "public office" purge had already begun in 1950 and the Law for the Termination of Zaibatsu Law had lapsed even before the peace treaty came into effect. It thus became possible for prewar managers to make a comeback to managerial ranks. And yet examples of prewar managers who had been restored to managerial positions by the end of 1953 were remarkably few in number. As can be seen from Table 3, roughly 85% of the managers at the end of 1953 were: 1) managers who had been in charge during the rebuilding period and were still in charge (Continuity code SP, 43 cases out of the 62); and 2) directors who had been promoted to managerial ranks at the completion of the rebuilding period (Continuity code P, 7 cases). Only a small

²⁴ For more details on mutual holdings, see Miyajima, "Zaibatsu kaitai," and Yomiuri Shinbunsha Keizaibu [Yomiuri Newspaper Economics Section, *Shin: Zaibatsu monogatari* [The new zaibatsu story] (Tokyo, 1956), p. 55.

number of prewar managers made comebacks (Continuity code R).²⁵

This paucity of restored managers is in stark contrast with what happened in regard to political figures, who also had been purged out of "public office." In the latter case, men like Takuzan Ishibashi and Nobusuke Kishi one after another reappeared in the political arena after 1950. Various reasons can be thought of to explain why business comebacks were so difficult: the foundation for owning stocks, which would have made a comeback possible, had been lost when stockholding relationships had been dissolved; from five to seven years had passed since the purges had taken place, and the former managers had grown too old; the business problems that had to be faced after the war were of a completely different nature from those of prewar times and exceeded the range of knowledge and experience of the old managers. As a result most of the old managers did not wish to return, and the new managers were loath to add them to their management teams after the purge. Within the Sumitomo group of enterprises, for example, it was mutually agreed at a Hakusuikai meeting that the senior managers who had been purged would not be appointed to official positions such as chairman, consultant, advisor, or the like.²⁶

The new managerial teams that would lead Japan's big business in the later period of high economic growth were, therefore, firmly entrenched by around 1953. They consisted of people who either took over as presidents after the purge measures were enforced, or were first added to the ranks of directors at that time and then later were appointed to the top positions when their abilities had been recognized. In the process of five long years of overcoming labor disputes, financial crises, and one major problem after another, they had gradually accumulated managerial skills and gained the confidence of their workers and the general public. Even though the five years or so that elapsed after the purges meant that they would be into their mid-fifties, they were still quite young enough to shoulder administrative power for a long term. And, because their careers evolved through internal

²⁵ Chōhei Asada, of Kobe Steel, and Shigeki Tashiro, of Toray (as chairman of the board) were not simple cases of comebacks by prewar managers, because in both instances they were managers with a strong engineering background, and it was because of this expertise that they were restored.

²⁶ Hisashi Tsuda, *Watakusshi no Sumitomo Shōwa shi* [My history of Sumitomo in the Shōwa period] (Tokyo: Tōyō Keizai Shinpōsha, 1985), pp. 7–12.

promotion, all of them had more than a fair share of entrepreneurial spirit, and all of them firmly adopted as their basic labor management strategy a line of labor-management cooperation.

That is not all. The system that formed the foundation for complementing their lack of managerial skill in the difficult days after the war and for helping them weather all those crises also formed the foundation that would advance the enterprises that they helped rebuild. Keiretsu financing coupled with monitoring based on the despatch of officials became the condition that supported the financial aspect of the new managers' aggressive investment in plant and equipment. The guarantee of autonomy of the managers through mutual holding of stocks made it possible for the new managers to take managerial actions from a long-term perspective, without fear of any disruptive influence from the stock market. And the presidents' clubs, operated on the assumption that each company's management was independent, made it possible for companies to exchange information that would be difficult to come by if each of them operated individually, and they also helped to eliminate uncertainty. The new managerial teams that had weathered the postwar crises, using as their foundation these intermediate structures that had been formed in the process of postwar rebuilding, would go on after the mid-fifties to embark on business activities sparked by a strong, mature, aggressive entrepreneurial spirit.