

**Inside the Kaisha:
Demystifying Japanese Business Behavior**

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Chapter 1

The Making of a Salaryman

Freshly graduated from a top Japanese university, a fledgling salaryman is about to begin an intensive socialization process that will model for him how he is expected to behave in the company he joins. This initiation is meant to mold him into his company's man--a Toyota man or a Fuji man or a Nomura man--for life. He learns to meet the expectations of a specific company, and many of the subtle lessons he absorbs are unique to that company. For this reason, when a Westerner discusses "principles of Japanese management" with an audience of salarymen, he encounters a host of company-specific exceptions to any particular concept. Does this mean that no two Japanese managers have a comparable experience of corporate life?

Our interviews confirm that no two companies impart exactly the same lessons or ways of interpreting situations to their new middle managers. Yet the making of a salaryman is a story full of similarities that overwhelm the differences cutting across companies. Most salarymen working for large corporations absorb similar lessons and are shaped in similar ways for two reasons. First, by the time they graduate from college, they are all successful survivors of a rigid and grueling socialization process. The innate attitudes characteristic of salarymen are deeply implanted before they start their careers. Second, despite local differences, large Japanese enterprises use very similar methods to impart their values to new employees.

Consequently, this chapter will tell you the story of how a salaryman is made by describing the experiences of a composite character we'll call "Hiro." Hiro is everyman; we have drawn snippets of his story from many individuals employed by different companies, whose tales overlap far more than they diverge. Hiro's progress through the Japanese educational system and into corporate life is meant to illustrate from an insider's perspective how a typical salaryman's mental world is shaped. Chapter 2 picks out some recurring aspects of this perspective that help explain the mechanisms that drive Hiro's behavior.

From elementary school to college

Hiro grew up in the Tokyo-Osaka corridor that contains most of Japan's population. He is the son of middle-class parents who wanted him to follow the ideal model of Japanese society, creating a context that would allow him to make a desirable life in Japan. For many years, Japanese parents have been asked in national surveys what career they wish their sons to pursue. Becoming a government official has always been their first choice; their second choice is becoming a salaryman.

Hiro's parents never sat down with him and talked about his joining a particular company. Nobody says to a child, for example, "Someday you will go to work for Mitsubishi Bank if you just do these things." His parents simply told him that he would be safe and secure if he went into a corporation. His parents knew, and Hiro picked up, that there is only one way forward, one right process to follow.

In the United States, for instance, someone can spend years pursuing his talent and interest in drawing, but during or even after college, he can change his mind and decide to go into business. There are many different paths to becoming an executive in Western societies, particularly in the United States, but this is not true of Japan. If you meet a Japanese salaryman, you know with certainty that his career did not suddenly happen; he can be a salaryman only because he has been on the right track for a long time.

The ladder starts in primary school

To join a large Japanese corporation as a junior executive, Hiro had to be a new graduate of a top-ranked Japanese college. He knew he would be disqualified immediately if he did not join a *kaisha* directly after graduation, if he attended a college outside the elite circle, or if he failed to graduate at all. To get into the right college, he had to work hard to get into a "good" high school (grades ten to twelve). A good high school is simply one with a high percentage of graduates who enter top-ranked colleges. The ticket to such a high school is a "good" junior high school (grades seven to nine), again defined as one that channels a high percentage of its graduates to good high schools.

One way to get into a good junior high school is to enter a preparatory school. Many Japanese students go to public elementary schools through the sixth grade, but some also attend private after-hours preparatory schools, which typically start in fourth grade. Admission to such preparatory schools is based on the results of an examination. In Hiro's day, the early 1970s, it was still unusual for elementary school students to attend a preparatory school. By 1985, however, 16.5 percent of them were enrolled in such schools, a figure that grew to 23.6 percent by 1993.¹ To many Japanese, it seems that the competition to enter the charmed pathway begins earlier and earlier as the years pass.

Hiro's first lesson in prep school was nonacademic. Before classes began on his first day, he remembers entering the classroom, dropping off his school bag, and leaving to run a quick errand. Upon returning, he found that his classmates had taken his bag and turned it in to a teacher, reporting that somebody they didn't know had left a bag in the room.

Everyone else in the class had been together since fourth grade. Even as children, they had a strong sense of being a group, not only because they had been studying together for two years, but because they already viewed themselves as an elite, set apart from others destined to follow a different path. Hiro found himself able to keep up with them and even excel, but he never forgot the feeling that highly intelligent students who joined the race late were already treated like outsiders, even before the race officially began in junior high school.

Hiro went to extra classes four weeknights plus Saturday evenings every week for a year. Every Sunday, along with 2,000 students from different preparatory schools, he took a test, after which every student was ranked from first to last according to test score. Most children studied past midnight, believing that this was the only way to pass the extremely competitive examinations administered by elite junior high schools.

Hiro's first choice was a junior high school associated with one of the top ten high schools in Japan, ranked according to the number of students in each class admitted to Tokyo University, the apex of Japanese education. He knew exactly which schools to target because many leading Japanese magazines produce special issues ranking high schools according to the percentage of students who pass the entrance examinations of Japan's most prestigious colleges. Hiro passed the examination of his first-choice junior high school, putting him on the path to its associated high school, which spared him another grueling round of examinations after ninth grade.

Prestigious membership matters most

In his poem *Paradise Lost*, John Milton quotes Satan as saying that it is better to reign in Hell than serve in Heaven. In Japanese high schools, precisely the opposite is true. Hiro found himself near the bottom of his class of 180 throughout junior high and high school, but absorbed the important lesson that membership in a prestigious organization is everything in Japan. Constant examination and feedback told Hiro where he was ranked within his class, but the scores were not published, and he was treated no differently than other students. To outsiders, all that mattered was that he attended a very prestigious high school whose ranking was known to all. Without question, in terms of prestige and career prospects, it was better to bring up the rear at such a place than to be first at a high school that didn't get many students into Tokyo University.

Hiro found himself surrounded by very bright classmates. Yet, for all their brightness, it seemed to Hiro that they had no clear idea how they would use their talents. Once, during open discussion in a weekly homeroom class, Hiro raised the question "Why do you want to go to Tokyo University?" Hiro's class was in the eleventh grade, a year away from selecting a college, yet very few of his peers had clear reasons for making that choice. One student told Hiro that he wanted to be a government bureaucrat, which meant that he "must" graduate from the University of Tokyo (colloquially called "Todai"). Others said that Todai was the most selective, and therefore it had to be the best. Yet these students had no idea which departments or professors had the strongest reputations and cared little what would happen after they got into the school. The answer that seemed most authentic

to Hiro was "I know that Tokyo University attracts the best students from all of Japan, which shows it has the best facility and faculty, and I can also make friends with those outstanding students."

Like hundreds of thousands of other students, Hiro took a "sham" examination at the end of high school to decide which university examination to take. His score suggested that he would not get into the Tokyo University, so he entered one of the colleges in the elite tier behind Todai. This severely diminished his chances of becoming a high-level government bureaucrat but left him well positioned to become a salaryman at the end of four years. Like other Japanese university students, he focused more on extracurricular activities than on academic work. Japanese collegians seldom strive to achieve high academic ranking the way they did in secondary school, because they know that what they learn will seldom be tied directly to their future jobs. They do study, but not as intensively as before, because the goal is more ambiguous. Doing well in high school clearly leads to college acceptance, but university students have no clear idea how their studies may help them in their careers. Grades don't count for much in job hunting, unless one is either at the very top or very bottom of one's class. Extracurricular activities, on the other hand, show that a student is cooperative and team oriented, and making captain or vice captain of a team signals that he is accepted by the group.

The salaryman's job hunt

Hiro's job hunt started unexpectedly the June before his senior year of college. He received a telephone call at home from a friend who had graduated the year before and had gone to work for a top Japanese financial institution we will call "Ringo Bank." Hiro was unprepared for the call, because at the time, most Japanese companies had entered into a noncompulsory agreement to start the official recruiting season after October 1. The friend asked if Hiro would be interested in working for a bank. When Hiro replied yes, the two had dinner and discussed what the young banker was doing at Ringo. Hiro was encouraged to talk with a few other Ringo managers who had graduated from his university, and, one by one, appointments were set up for him.

Gradually Hiro realized that his interviewing process at Ringo had begun. Like other banks, Ringo used its alumni network to contact about a hundred potential candidates, ask each one out socially, talk about anything just to size the student up, then very informally cut down the numbers. Ringo was culling applicants without telling them they were involved in a selection process. Within a week or so after his initial contact with Ringo, Hiro received calls from several banks and security houses, asking if he might be interested in their companies. Always, the initial approach was made by an alumnus of his university, some of whom he already knew, whereas others were strangers. The point was not necessarily to tap into Hiro's circle of trusted friends; a school tie was good enough to initiate a relationship. In fact, one of Hiro's closest friends was also at Ringo, but for its own reasons, the bank chose to approach him first through a more distant acquaintance.

Today Hiro is surprised, looking back at this experience, at how casually he and his classmates went about making one of the most important decisions of their lives. Everyone fully expected to stay with his first employer for life, but no one took control of the process to ensure that he would end up with the best match. Hiro didn't really prefer the financial services industry to any other, but the year he graduated, banking and securities companies were the most aggressive recruiters. He was very interested in working outside Japan but never made up a resume, never looked for banks active in international markets, and never initiated a contact with a recruiter. Ultimately, his choice of an employer hinged much more on whom he happened to know than on any objective comparison of the different firms pursuing him.

Hiro quickly found himself quite busy meeting many alumni of many different companies. Usually these meetings took place away from company offices, because the recruiters did not want to be obvious about ignoring the voluntary October 1 start date. After about a month of meeting with Ringo Bank managers who were alumni of his university, he was invited to meet with a manager who was not a graduate of Hiro's school. Hiro thought this signaled the beginning of the formal interview process, but, unbeknownst to him, his recruitment was almost over at that point.

After this meeting, Hiro was taken aside by a close friend who had entered college with Hiro but graduated a year earlier and taken a position with Ringo. This friend asked Hiro if he wanted to join the bank. Hiro was torn. He liked Ringo Bank, but he wanted to work overseas and had met with several managers of another bank that specialized in international business. He honestly described his feelings to his friend, who replied. "Unless you promise that you will join us, we won't be able to offer you a job." Before Ringo made a formal offer to Hiro, he was free to talk with as many potential employers as he liked, and he listened to everyone who approached him in order to avoid risk. Now, however, the game had changed. Japanese banks do not want to be compared, and only a fool would try to attract as many offers as possible before picking one, as a Westerner might. Dodging Ringo's offer would show the wrong attitude and embarrass the bank.

Hiro was given several days to make up his mind. Everyone understood that this was a decision expected to last for decades, and they didn't view his desire to think over an offer for a few days as a sign of weak commitment, as long as he did not talk with other companies while he weighed his choice. Hiro had a strong desire to work overseas and felt the other bank would give him better prospects for landing such a posting. But a fact of Japanese life is that nobody could promise Hiro a position outside Japan. Until he receives his first assignment, a new salaryman doesn't know what he will be asked to do for his new employer. In the end, Hiro chose Ringo because he had a trusted friend senior to him there, but not at the other bank. He called his friend to say he would like to join Ringo and immediately afterward received a formal job offer. Hiro's job search ended less than two months after that first telephone call in June.

Eventually, as he helped Ringo recruit at his alma mater, Hiro came to understand that personal relationships end up governing most salarymen's career choices--not only his. An alumnus acts as senpai (roughly, "mentor") to each job candidate. A senpai can be

anyone senior to the person being courted, though a close, older friend from college days is preferred. The different senpai get together after the first casual approaches and subjectively narrow down the list of candidates to those who apparently fit the company culture best. A candidate is formally recommended by his senpai after he meets with many alumni and gains their informal approval. The candidate's interview with a senior who is not an alumnus of his school is usually a formality. If the senpai is missing something important, the formal decision maker will point this out, but usually the company's decision follows the consensus that has already been formed.

In the end, Hiro chose an employer for life based principally on his trust in a particular senpai. He soon learned that personal relationships also govern the career paths of most would-be salarymen. After he had been with Ringo for several years, Hiro was one of the alumni from his school asked to meet with a particular student. The young student had many personal contacts within the bank and was well liked, so Ringo extended him an informal offer. Another bank also asked him to join their firm, and there his senpai was a former athletic teammate. The candidate listened to both banks, tried to understand their differences, and finally told Ringo, "I will accept your offer, but please let me go back to the other bank to apologize to my senpai." Ringo agreed, and the man never returned. By agreement, all Japanese banks offer the same position and compensation to newly minted college graduates, so the candidate's personal relationship with his senpai had to be what reversed his decision. For Hiro, the moral of the story is that college seniors make one of the most momentous decisions of their life based on who they know in, not what they know about, a company.

Hiro's parents were even happier about his decision to join Ringo than he expected they would be. Graduating from a top college and joining a large, well-known corporation like Ringo brings social recognition. As we have seen, one doesn't get to be a salaryman just by being talented. It takes a long time to join this elite group, and many requirements must be met. Like most of his counterparts, Hiro felt proud of his achievement. Unlike many of his Western counterparts, he could command respect for the rest of his life for this accomplishment, regardless of whether he achieved concrete successes as an executive.

Initiation of a new salaryman

In the beginning, new salaryman trainees are never quite sure how to dress or behave. An easy solution would be to imitate one's senpai's haircut and dress, but a senpai is, by definition, several years senior--the men in Hiro's doki (year group of salarymen entering the bank) had to learn how to dress like first-year trainees, not veteran Ringo men. Hiro's first lesson in the Ringo way: get a new haircut. His senpai had warned him beforehand that a Ringo trainee's hair should be "really, really short," so, like the others in his doki, he showed up for the training program prepared. Later in his career, after he had been posted to a branch bank in the Ringo system, Hiro came to understand the symbolic purpose of Ringo's code. "You are insulting our customers with that long hair!" spluttered

a senior officer there, who sported a crew cut. Ringo men had to wear their hair short as a sign of respect for the bank's customers.

A new haircut was just the beginning. The company directed each trainee to master a seventy-page guide to business manners. Hiro and the others in his year group had to learn how to sit on a chair, where to place their hands while talking with others, how to bow, what posture to assume when standing, how to exchange name cards, how to get on an elevator, where to sit in a car, and where to sit in a train (a context quite different from sitting in a car). New trainees were expected to make mistakes and learn by having them corrected. For example, if a junior employee exited an elevator before a senior one, his mistake was pointed out immediately, and he was expected to feel shame. The purpose of all these rules was basically to keep the new salaryman from looking like an idiot, which would reflect badly on both him and his trainers. For example, someone who did not know where to sit when accompanying a branch manager on a business call would feel intensely embarrassed, so Ringo's minutely prescribed etiquette served to protect trainees from humiliating themselves.

Hiro later discovered that some of these rules seemed common to all kaisha, whereas others were peculiar to Ringo. Yet it never occurred to him or his peers to ask why they should observe rules whose violation would have gone unnoticed outside Ringo. Anyone who asked that kind of question wouldn't last long in a Japanese company. Through sharing the same rules, the employees of a kaisha strengthen the ties that bind them to each other. Those who do not follow the rules are outsiders, and only an insider can meet the expectations of other people, allowing him to function within the organization.

Employees don't choose job assignments

On the last day of the training program, each member of Hiro's doki was assigned to a branch bank. Before then, Hiro had no idea where he would go and had no chance to request a particular posting. Banks seem to be somewhat extreme in this respect; some of Hiro's contemporaries in other companies have told him that they can request specific assignments, although their wishes are often ignored.

Like many Japanese companies, Ringo manages job assignments this way for two reasons. First, a firm has to allocate limited resources to existing positions. It can't leave positions empty because nobody wants them, nor can it easily reduce the number of salarymen it hires, to match supply with demand. Were a firm to reduce its recruiting rate at a particular university, both the school and its alumni might feel insulted. Second, very few salarymen would leave a company because they are assigned jobs they don't want. The great majority of salarymen suffer through at least one posting they dislike, because they have nowhere else to go.

Although many Western managers in a similar situation would quit and find a new job, quitting over a transfer would be socially unacceptable for a salaryman. He would be

seen as selfish, unwilling to sacrifice for the greater good of a group. A salaryman who quit his job would also find it nearly impossible to move to another Japanese company in midcareer. He could join a foreign company but would lose both social status and his guarantee of lifetime employment. Japanese wives, too, understand that transfers must be accepted. Even today it is common for husbands to accept a temporary separation from their families, in order to keep their children from having to change schools.

Company dormitories shape company men

Hiro's graduation from the training program into his first position was marked by his move into a twenty-square-meter dormitory room assigned to him by the company. Ringo salarymen must live in a dormitory or with their parents until they are married or turn thirty years old. Formally, Ringo told the employees that living in the dormitory was necessary for security reasons, because the salarymen were managing money and therefore needed surveillance. For the same reason, dormitory residents were not allowed to own cars. Pragmatically, the dormitory serves to keep bachelor salarymen under control and to further their education. It is customary for a young salaryman to share a room in the dormitory with a senpai: over the years, Hiro learned a lot about doing business from various older colleagues in the dormitory.

When Hiro arrived at the dormitory, he found that everyone had already been assigned a room and a roommate. The first evening, the dormitory manager told the new arrivals that they had the option to leave the dormitory and live with their parents. It was obvious, however, that he frowned on the idea and didn't expect anyone to take him up on the offer, because room assignments had been finalized the day before.

Hiro grew to enjoy dormitory life. Ringo sponsored vigorous sports competitions among dormitories, and the young salarymen grew close by playing together, drinking together, and learning together. One member of Hiro's doki quit Ringo years later to go to business school in America, eventually finding a job with a foreign bank. Hiro's friend says that he still maintains good relationships with his old comrades from the dormitory despite his departure from Ringo, because of the bonds they forged while living together.

However, dormitory life afforded Hiro very little privacy. The residents had to return to the dormitory by 11:00 PM. unless they were working overtime; no one could stay out overnight without telling the dormitory manager where he could be found. The young salarymen were under watch all day, 365 days a year. Early in his career, Hiro was told by a senior officer of the bank that Ringo men had to be on alert twenty-four hours a day--after all, that was what it meant to work for a Japanese company. Hiro felt that, in the dormitory, this was more than just a figure of speech.

As a consequence of this lifestyle, Ringo's young salarymen found it difficult to meet women. Like about a third of his classmates, Hiro met his future wife during college. Another third of the men in Hiro's year group are still bachelors, well into their thirties,

while about a third married people they met through friends or the office, because they had few opportunities to find potential partners any other way. A significant number of Hiro's colleagues married "office ladies" who worked for Ringo, though such liaisons had to be kept secret from everyone except the salaryman's boss. When such a couple married, the woman had to leave Ringo because the bank has a rule against spouses working in the same office.

Hiro greatly liked his senpai roommate, who taught him many lessons. For example, Ringo used a formal document to initiate new credit lines, and it turned out there was a specific way to fill out each blank in the form. No one at Hiro's branch showed him how to complete the form, so his senpai demonstrated the way to write a correct proposal. The senior-junior relationship between the roommates was unambiguous, even though the two were the same age. Hiro's colleague had joined Ringo a year earlier, in this context, seniority within the bank is the critical factor governing who should use polite Japanese when talking to whom. However, in an earlier time, Ringo had recruited some employees straight from high school. Having been with the company for some time, they naturally behaved as senpai toward Hiro's year group, despite the fact that some of these men were younger than the men in Hiro's cohort. This caused some resentment among the college graduates, who felt uncomfortable deferring to younger men. Generally, however, age and seniority went hand in hand, as the great majority of salarymen in the dormitory had joined Ringo immediately after earning undergraduate degrees.

The salaryman's business education

The day after his training program ended, Hiro reported to his assigned branch bank and started his career as a teller, sitting behind a counter receiving cash from customers. After four months, he moved to a loan department, where he reviewed customers' credit applications. Credit analysis at Ringo was quite formalized, virtually disregarding the customers' characteristics. There was also a prescribed language for making comments on the credit analysis form. When Hiro used different expressions with the same meaning, his boss returned the form for correction, so Hiro soon figured out that the most efficient way to produce acceptable work was to copy former documents, changing only the financial figures. His boss reviewed both the original document Hiro had used as a model and Hiro's analysis, and, if the two matched, with changes in the specific numbers only, the credit application was approved.

Once, while working on a credit analysis, Hiro discovered that Ringo had not done any business with the applicant for three years. He asked his boss if he could drop the analysis and was told to proceed. Hiro's manager explained that it didn't matter if the bank hadn't done any business with the customer; it would be much more trouble to terminate an unnecessary credit analysis than to copy documents that had been approved in the past. Hiro encountered similar situations many times, finding that, even if the original need for a routine had changed, it was very difficult to terminate routine processes. In the case of the credit analysis, Hiro's boss commented that Ringo might do business with the applicant again someday. There was little chance that this would happen, but even a remote possibility sufficed; flatly terminating a relationship is

extremely difficult for Japanese organizations. If for some reason the credit approval had not gone through and the client had asked for some business, Hiro's section would have been criticized for dropping the credit analysis. Changing past models might be efficient, but it is also a risk most salarymen would prefer to avoid. As a result, like most of his classmates, Hiro found himself working long hours to stay ahead of routines that had piled up over the years.

After a year at the branch, Hiro was appointed a sales associate. He covered individual small or medium-sized companies within a territory, advising them on their investments, financing needs, business plans, or anything else they requested. Hiro's sales team included seven salarymen, tightly controlled by a branch manager, a deputy branch manager, and the head of the sales team. Every month, the managers assigned each sales associate targets in at least ten areas, such as opening new accounts, increasing the amount of time deposits from customers, generating new loans, and so forth.

Every Monday morning, the entire team and all the managers met, lined up in a room according to seniority. The most junior person began the meeting by reporting to all the others what he intended to do during the upcoming week. Then the next most senior sales associate made his public report, and the meeting continued in this fashion until the most senior associate had detailed his intentions for the week. The managers quizzed each associate about the details of his plan and offered advice. The meeting was equivalent to seven separate briefings for the team's management; each associate had to listen to the entire dialogue between the managers and his other six colleagues. The meeting took a great deal of time away from Hiro's main task of calling on clients, but efficiency is not the driving purpose of the kaisha. Hiro's job was to learn the business strategies of the other people on his team and to absorb the model of his seniors, so he would know how to behave when he was promoted to a comparable position.

Hiro's team also had a meeting every evening, at which each associate reported on his activities. The members of the team lined up in a row in front of the managers, and from most junior to most senior, each described what he had done during the day. Usually there wasn't much to report, because a sales associate could do only a limited amount of work in a day, but the purpose of the meeting really wasn't to convey information. The managers focused on what each associate had not accomplished during the day; the associates spent most of the meeting listening to their managers yell at them, "Why didn't you do this today?" Sales associates had so many targets that there was always something that had not been achieved. Evening after evening, Hiro and his teammates were lambasted for their failures and shortcomings. The evening meetings were not meant to be an adult conversation, and the salarymen were smart enough to know that one did not argue about the points raised by the managers. Most sales teams at Ringo operated the same way, and some of Hiro's peers on other teams learned how to duck the occasional ashtray thrown at them by their managers. Like it or not, this was the basic Ringo model for learning how to do business in a bank. The authority of the managers was absolute, and anyone who did not obey his boss would be out. After the daily meeting, Hiro's team--minus the managers--went out drinking together, spending the evening complaining and venting their frustrations.

It never occurred to Hiro that his bosses behaved this way out of ill will. He felt that this was how they learned about business from their superiors, and they were simply modeling the behavior of their seniors. The managers understood quite well how the salarymen felt and would take each one out for a drink from time to time to have an intimate conversation. On one of these occasions, Hiro's team leader told him, "I like you because you are quite an easy guy to yell at." Hiro felt that his superiors cared about him and wanted him to have a successful career. The evening lectures struck him as the way they showed concern for their juniors by treating them as they had been treated when they were just starting out.

The salaryman becomes a veteran

After a year as a sales associate, Hiro was transferred to Ringo's Securities Department. He had never imagined that he might be transferred out of commercial banking and was astonished when news of the transfer arrived. Hiro understood what securities were, of course, but had no idea how Ringo operated in this arena. When his deputy branch manager told Hiro about the transfer, Hiro asked, "What does the Securities Department do?" His superior answered, "I don't know!"

Hiro's amazement increased when he visited his new department for the first time. The atmosphere and culture seemed completely different. Nobody yelled at anybody else; people seemed to work in a highly professional manner. On the other hand, salarymen in the Securities Department seldom went out drinking together after work, the way Hiro and his sales team colleagues had. Hiro found that he missed the branch, even missed being yelled at nightly, because his relationships with senior people in the new department seemed much weaker, if less intimidating. He missed the familylike atmosphere he had perceived at the branch.

The end product: An insider

Hiro trained with the department for a time, then rotated through jobs there, as a market analyst and a trader. Financial markets proved to be a competitive arena quite different from the relationship-dominated world of commercial banking; as a result, the local culture of the Securities Department was vastly different from that of Ringo's branches. Hiro missed the challenge of probing relationships for weak spots and opportunities. However, he found that commercial banking and securities trading shared an important common thread: that Ringo's internal, organizational logic, not profit maximization, drove most decisions.

One February morning, the departmental controller called Hiro, whose job was trading American stocks, into his office. "What the hell did you do yesterday?" he screamed at Hiro. "I made some trades and lost some money," Hiro replied. The controller was far more irritated than the actual loss seemed to justify. It turned out that, two days previously, the controller had negotiated with the department manager a revised budget that could be achieved if the department sat tightly on its present positions. Hiro's loss had damaged the plan. The controller said to Hiro, "Meeting the budget is our top

priority. The budget of each department aggregates to the budget of the bank. You'd better understand that you're ruining this process." Hiro replied, "As a trader, my job is to go into the market and try to make money. We still have almost two months before our fiscal year ends. Are you saying I shouldn't even make money because it will affect the budget?" "Yes," answered the controller, "that's exactly what I'm saying!"

On another occasion, Hiro was part of a team that was trying to develop new products for Ringo. The team came up with a fairly simple idea that involved combining two different futures contracts to create an arbitrage position. A number of the bank's non-Japanese competitors were making money with similar strategies, and it seemed likely that the arbitrage opportunity would be profitable for Ringo. When the team presented the idea to senior managers, however, it proved impossible to implement, because the two different futures were traded by two different departments. In an arbitrage position, one typically makes money on one contract and loses money on the other. This would mean that one department would profit and one would lose, and neither department wished to risk a loss, despite the high probability that Ringo would make money overall.

Hiro is now in his early thirties. He has been with Ringo just over ten years and is due to become a manager, climbing the next rung on the salaryman's ladder. He is still assigned to the Securities Department, although he personally prefers branch banking and believes his skills would serve the bank better there. Hiro married his college sweetheart in his late twenties and moved out of the company dormitory. After ten years, he is a moderately competent salesperson, a moderately competent securities analyst, and a moderately competent trader. He is extremely competent at being a Ringo Bank insider. He understands vastly more now about Ringo's organizational imperatives than he did as a greenhorn, and his increasing command of Ringo's internal logic has helped him develop a sixth sense, an ability to predict how an idea will be received within the bank. Now more than ever before, he is locked into working for Ringo, because his most highly polished, most useful skills would be worth little in another environment.

Salarymen share certain basic behavioral imperatives because they have been molded and shaped by experiences like Hiro's. In the next chapter, we will focus on four themes that will help Western readers understand Hiro's worldview better, allowing them to grasp why behavior that seems puzzling to outsiders makes perfect sense to him and his fellow salarymen.

Excerpted from *Inside the Kaisha: Demystifying Japanese Business Behavior*, Chapter 1, by Noboru Yoshimura Philip Anderson (c. President and Fellows of Harvard College, 1997).