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Forty Years On

Researching the Globalization of the Japanese Firm in the UK

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Forty Years On

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Abstract

Forty years have now passed since the economic relationship between Britain and Japan started to deepen beyond arms-length trading ties. This article presents an overview of research on the globalization of the Japanese firm by looking at work produced from the UK standpoint over the last four decades. By reconfiguring and re-presenting existing research on the Japanese firm, the article seeks to challenge some established orthodoxies by presenting analyses and arguments on the following three subjects: the system of employment in large Japanese organizations, industrial convergence and the ‘japanization’ of British industry thesis, and Japanese foreign direct investment (FDI) in the UK. Although the article continues to recognise the relevance of cross-national perspectives and comparisons, it also urges scholars to take account in their discussions of socio-economic systems at the sub-national and trans-national levels of analysis.

Keywords: Japanese firm, japanization, foreign direct investment, lifetime employment

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Forty Years On

Researching the Globalization of the Japanese Firm in the UK

Introduction

In 1968 Sony began the first large-scale example of the outward globalization of Japanese manufacturing into the UK with the establishment of Sony UK, and with colour television production beginning at their plant at Bridgend in South Wales in 1972. In the years that followed there have been a number of investments in the UK by Japanese companies, with the most renowned being that of the automotive manufacturer Nissan near Sunderland, in the north-east of England, which began production in 1986. Coming more than a decade after Sony's venture, the Nissan investment was greater in value than all the Japanese inward investment in the UK that had been achieved hitherto (Garrahan and Stewart, 1992: 31), and it therefore generated much political and scholarly debate. The attention the Nissan investment attracted was proportional also to the intensity of concern within the UK during the 1970s and 80s as to the state of Britain's industrial relations, Britain's comparatively lacklustre industrial performance, and the effectiveness of successive governments' policies.

At the same time that the Sony investment was taking shape, Ronald Dore was researching what was to become one of the most influential books ever written in the field of industrial sociology. *British Factory-Japanese Factory* (Dore 1973) was a comparative study of English Electric in the UK and Hitachi in Japan. In it Dore proposed that Britain's and Japan's industrial systems were qualitatively different, and that these differences were, in part, responsible for the Japanese firm's comparative advantage. Dealing first with the countries' capitalisms in macro-perspective, Dore proposed that much of this advantage could be explained by the concept of the late-development effect, which suggested that Japan had been able to leap ahead of the UK into a more harmonious, and ultimately superior, organizational culture towards which the UK would eventually converge. However, the book also explored the two countries' capitalisms in micro-perspective and introduced the sociological dualism of a market (UK) or organization (Japan) orientation among a firm's managers and workers. Here Dore argued that part of the Japanese firm's strength was rooted in the efficiency of conscientiousness and togetherness that derived from aspects of Japanese culture, religion, and education, the consequences of which were

strong and collectively shared inter-firm rivalries which were comparatively absent within British firms, whose managers and workers pursued intra-firm and class-based ‘us versus them’ rivalries that undermined corporate performance. Dore’s work remains relevant because it provides a snapshot of differences, from production management to personnel management, and across factories, companies and national industrial relations systems, and because it also points us towards the notion that foreign direct investment is one mechanism by which convergence between industrial systems might occur.

A decade or so later, and just as the Nissan investment began production, Dore presented a third explanation for the strength of the Japanese firm. *Flexible Rigidities* (Dore 1986) argued that a further comparative advantage lay in the Japanese firm’s ‘functional flexibility’, with this being rooted in the system of labour management. Although the system constrained the firm in its use of numerical flexibility by restricting its capacity to hire and fire staff, due to worker commitment and low levels of job demarcation the system possessed the required ‘functional flexibility’ to respond to external demand shocks through the redeployment of labour within the organization. In this way, and unlike its Anglo-American counterpart, the Japanese firm was able to maintain stability and strength over the long term by retaining accumulated knowledge and skills.

Four decades have now passed since economic ties between Britain and Japan began to deepen beyond an arms-length trading relationship and since Dore researched the first in this series of studies. Accordingly, now is a suitable moment to take stock of research on the Japanese firm produced in the intervening period, especially in terms of how industrial sociologists have understood the Japanese firm and Japanese manufacturing investment in the UK, since it has often been claimed that Japanese investment would be of great long-term benefit both to Britain and to the local areas in which the investments were established (Driffield and Munday 2000, Hubert and Pain 2001, Strange 1993, *Sunderland Echo* 1984). Moreover, now is an appropriate time because arguments as to the superiority of the Japanese firm appear to have come full circle, with the rise to renewed prominence of the Anglo-American political economy and of the market-based approaches that underpin it.

This article presents a critical appraisal of the principal research on the Japanese firm published in large part by UK-based industrial sociologists over the last four decades. Informed by Elger and Smith’s (2005: 1-6) and Hasegawa’s (2001: 169) categorisations of research on the Japanese firm in the UK, in the next three sections the article will propose the following. The next section looks at the Japanese employment system and the work

orientations of Japanese employees in the context of globalization and discusses reasons for the persistence of lifetime employment in large Japanese organizations, despite pressure for its abandonment. This section introduces the article's main argument by suggesting that it is becoming less meaningful to frame industrial analysis in terms of discrete 'national capitalisms'. Accordingly, the article then looks at the enduring questions of industrial convergence and japanization, and concludes by problematizing a specifically Japanese model of industrial organization. The article then moves on to assessing the impact of Japanese foreign direct investment (FDI) in the UK and argues that, while Japanese investment has contributed greater stability to local areas, this has come at the expense of a displacement of indigenous industries and a loss of economic autonomy.

Employment in Japan and the UK – Organization or Occupation?

There has been an understandable tendency among UK-based scholars of the Japanese firm to focus on labour management and the employment system in large private enterprises. For it was during the 1980s that, through a combination of industrial relations legislation, the privatization of state enterprises, industrial restructuring, and changing social attitudes, that the idea of 'a Job for Life' had ceased to possess institutional and normative legitimacy in British society. Thus, although Dore had praised the Japanese firm as community model, subsequent studies have critiqued the lifetime employment system on which it rests. Implicit within these descriptions was the notion that, like elsewhere, Japan eventually would be compelled by globalization and the trajectory of its own development to abandon lifetime employment in favour of a system of labour management based around external occupational labour markets (See for example, Ahmadjian and Robinson 2001; Beck and Beck 1994; Rowley and Benson 2002).

In this way, the Japanese corporate system continues to be accused of endemic structural inefficiency, labour hoarding, and immobilism in its employment practices (Lincoln, 2001; Macnaughtan, 2006; and Waldenberger, 2006), and Fiona Graham's (2003 and 2004) account of life inside a Japanese insurance company bears out the interpretation that Japanese-style labour management has had its day. Despite these analyses, the Japanese system of employment, and the organizational orientations of both managers and employees remain qualitatively different from those of the other major developed economies of the world. Thus, Baba (2004) argues that although seniority-based promotion is disappearing lifetime employment is not, Rebeck (2005) confirms that the commitment of

employers and employees to lifetime employment has not fundamentally altered, and Inagami (2004) states that the recent diversification of employment styles and an increasingly large contingent labour force are not inconsistent with a continuation of lifetime employment for regular workers. It remains true, therefore, that very long term employment within a single organization is still very common in Japan, particularly in large enterprises and public bodies, despite persistent economic arguments in favour of its demise. Accordingly, although economists and political scientists may balk at such implications, this realization leads us to the suggestion that there may be other, including socio-cultural, reasons for the continued persistence of lifetime employment in the Japanese firm, and that an examination of these may encourage us to take greater account of sociological, cultural, and historical factors in the formation of employment systems worldwide. In this way we might take up Westney's (2006) challenge for a restoration of the study of the Japanese firm as a broader critique of conventional approaches to the study of business and society.

Just as the economic bubble burst, Hugh Whittaker (1990) pondered whether 'Japanese style employment' would end due to the multiple pressures of an ageing society, changing younger people's attitudes, a greater proportion of women participating in formal employment, technological advancement, internationalization, and a rise in tertiary sector employment. He concluded that the principle of a living guarantee had been upheld, if in somewhat weakened form, and that institutional egalitarianism was being modified but not abandoned. But he also argued that Japanese style employment was undergoing an evolutionary adjustment towards a set of market based institutional arrangements along the lines of those of the UK and USA.

Mari Sako (1997), in her introduction to the volume *Japanese Management and Labour in Transition* (Sako and Sato (eds) 1997), also identified the firm as community model as the core characteristic of the Japanese system. She went on to examine what had changed in the previous two decades, concluding that the boundaries of the firm were expanding and that there was increasing diversity of employment reaching down even to the individual employee level. The reforms the book describes can be understood as coming under the broad themes of diversification and restructuring under globalization, and the back cover to the paperback edition asks, perhaps somewhat hopefully, 'Is lifetime employment in Japan *finally* coming to an end?' (Sako and Sato (eds) 1997: Back Cover, my emphasis).

A year later, Hasegawa and Hook (1998) presented an edited collection focusing on the outward globalization of Japan and inward impacts on management, production systems and the labour process. In this, Nishinarita (1998) argued that the employment system is historically contingent and, therefore, lifetime employment relations are founded less on socio-cultural interpretations as they are based in particular economic conditions; and as these conditions change, so will the employment system. However, it can also be said that Japan's economic circumstances have changed in the decades since lifetime employment became established in the late 1950s, and the system remains in place as a normative institutionalized feature of Japan's society (Lincoln and Nakata 1997; Matanle 2006a). How can this apparent contradiction be explained?

Reviving research on the Japanese firm as community, Inagami and Whittaker (2005) describe a 'reformed model'. Inspired by Dore's (1973) work, the authors chose Hitachi as the locus of their research. They rejected the contention that the firm as community is a uniquely Japanese phenomenon but argued that Japan's distinctiveness lay in its extent and in its implicit exchange of loyalty for security between labour and management. They suggested that, while the community model remains in place, with long term employment at its foundation, firms have adapted to a series of external pressures such as the long period of stagnation in the Japanese economy, the Asian financial crisis of 1997 and the Japanese financial system's own weaknesses, as well as developments in the global economy. These have all served to erode the model, though the authors argue against the globalization as homogenization hypothesis by concluding that the Japanese firm remains distinctive and, while the new system has yet to embed itself fully into the socio-economy, it is unlikely to have the same basic characteristics as the Anglo-Saxon model.

Storey *et al* (1997) also provide some clues as to how this persistence has come about in their comparison of the career patterns of corporate managers in Japan and the UK. Not only did Storey *et al* find that both sets of managers felt constrained in their career development behaviour by pre-existing normative patterns in society, but they also found that managers based their career development behaviour on their expectations of how career patterns unfold in their respective countries. British managers expected their progression to occur within an occupationally oriented multi-company 'career chimney', and behaved accordingly. However, in Japan managers expected to progress within an organizationally oriented single company 'career chimney', and negotiated their career plans with personnel and line managers according to that expectation. In both cases career

development was a complex inter-subjective negotiation between managers' knowledge of the external environment, their objectives for themselves and their expectations of how business systems functioned. Although the authors also challenge many stereotypes, this description remains an important aspect of their book as it illuminates how the two countries' systems of employment are similar yet different, both structurally and culturally, and how employees' careers are shaped by and contribute to the inter-generational reproduction of the systems within which they work.

Concurring with Storey *et al* (1997), my research (Matanle, 2006b) on British and Japanese university graduates' career aspirations and expectations also demonstrates how culture and structure in employment interact with individuals' hopes and motivations and, hence, their social behaviour. In this sense, I argue for a degree of social construction occurring within the relationship between career formation behaviour and the structure of employment systems in the respective countries. The research shows that lifetime employment at the same organization is understood differently by people in the UK and Japan at both the national and sub-national levels. It appears that many British younger people possess a subjective expectation that lifetime employment denotes not only a lifetime of working for the same organization, but one of staying in the same location, working with the same colleagues, and even staying in the same job role. This expectation is given further colour by the post-war expression 'a Job for Life' which, in the post-war years, implied either a lifetime of physically demanding blue collar work in the nationalized heavy industries or of repetitive clerical work at a large bureaucratic organization. In Japan, lifetime employment is understood differently. Regular employees can expect, if they perform to the firm's requirements, a well-organized progression of steadily increasing challenges and responsibilities in a variety of job tasks, the possibility of being sent to different locations, a secure and improving standard of living, and the opportunity to develop deep human bonds with their co-workers.

Since attitudes and values are the well-springs of motivation, and motivation is the well-spring of human behaviour (Giddens, 1990), on the basis of the above assumptions we should predict that Japanese graduates, where conditions are suited to their tastes, will favour long term employment at a single organization more than their British counterparts, that their employment behaviour would reflect those preferences and expectations, and that this would therefore explain some of the persistence of lifetime employment in Japan. For, if we think sociologically, at the nexus between culture, structure, and individual agency

there is undoubtedly a complex relationship between social action, and social construction and reproduction.

Although my basic unit of analysis was to compare British and Japanese students' attitudes to lifetime employment, I also found that there were considerable cross national similarities in the students' attitudes, and that these also depended on the relationship between individuals' aspirations for themselves and their expectations of the structures of employment that they would encounter. Thus, British medical students showed that, where challenging and interesting long-term career environments existed, in this case the National Health Service, many viewed positively the prospect of lifetime employment within a single organization. In the same way, many Japanese students who were knowledgeable about the circumstances of and opportunities within Japanese firms and public sector bodies also saw lifetime employment in a positive light. Moreover, prior to graduation, many British medical students expressed feelings of commitment to the NHS as an organization and institution, just as Japanese students also expected to demonstrate loyalty to their future employing organizations.

This research suggests, therefore, a tendency towards the development of discrete self-sustaining systems of employment at both national and sub-national levels that are based to some extent on the respective societies' normative cultural values and expectations, and that this issue should be taken into account when analysing the development of employment systems worldwide. Such a conclusion also provides a more robust explanation for the puzzle as to why lifetime employment persists in Japanese firms, despite political and economic pressure in favour of its abandonment. Notwithstanding, this research also suggests that systems of employment are contingent not simply in national historical and economic circumstances, but also at the sub-national level in the socio-cultural norms of particular organizational types. Concurring with research by Katz and Darbishire (2000) presented in the next section, the research demonstrates that, where norms and expectations are similar across national boundaries, there will be some similarities at a trans-national level, for example in broad patterns of intra-organization career progression that members can expect to achieve.

Global Convergences – Japanization or Americanization?

Whereas the previous section focuses on research on the employment system in Japanese companies in Japan, from the 1980s a number of works began to appear looking at the

subsidiaries of Japanese firms that had located overseas. Researching in the UK, Oliver and Wilkinson's *The Japanization of British Industry* (1988 and 1992) is the most well-known and it proposed that Japanese firms had largely overcome the difficulties of transporting their techniques overseas. While recognising that the Japanese production system requires specific socio-cultural conditions which are present in Japan, Oliver and Wilkinson argued that societies outside of Japan possess a 'variety of practices' which can substitute for Japanese conditions as 'functional equivalents' (1992: 69) and that, because of their judicious use, japanization was advancing in British industry. Research in the United States by Womack *et al* (1991), Kenney and Florida (1993), and on 'hybrid' factories in Europe by Kumon and Abo's research team (2004), corresponds with Oliver and Wilkinson's thesis.

In the mid-1990s, Elger and Smith's (1994) edited collection re-evaluated the japanization thesis. Whereas Oliver and Wilkinson had studied the transference of Japanese production management to the UK, Elger and Smith's book ranged more widely and including a greater variety of methodological tools and locations, such as an ethnographic account of working on the production line of a Japanese transplant in the USA (Graham 1994). Consequently, the authors came to different conclusions as to the causes, depth and diffusion of japanization. Concurring with Garrahan and Stewart (1992), Elger and Smith's volume provided a check on conventional accounts of the transcendence of the Fordist paradigm by Japanese management and critically engaged with the suggestion that the Japanese system might possess a universalising dynamic. Thus, Taylor, Elger and Fairbrother's chapter suggested that japanization is more uneven than previously thought and they stressed the need for 'considerable circumspection' (1994: 220) in drawing conclusions as to its extent. Referring back to discussions on the influence of Japanese management practices on the culture of industrial relations in the UK, they concluded that the institutionalization in the late 1980s and 1990s of a more passive form of trade unionism in the UK, and of qualified cooperation between management and labour, came against a backdrop, not of Japanese industrial relations practices being adopted by Japanese factories and their competitors in the UK, but of the 'continuing precariousness of the whole factory against a background of marked sectoral and regional recession' (1994: 222). Putting the above research together, Hasegawa (2001) solved the apparent contradiction between Oliver and Wilkinson's and Elger and Smith's books by proposing that, while there had been considerable transference of Japanese techniques to the UK, there had been little adoption of Japanese employment practices. Instead, Hasegawa argued that

japanization had occurred 'synergistically' (2001: 159) alongside the diffusion in the UK of US-style Human Resource Management.

In the late-1990s and 2000s the discussion has come full circle; as the Cold War ended, Japan's so-called 'lost decade' appeared to be lengthening towards two, and the United States gained sole ascendancy in the worldwide political economy. Now the question being asked once again is of the possible convergence of Japanese organizational forms upon the Anglo-American system. It is a significant reversal, and an indication of the depth of Japan's recent stagnation, that has led to the situation where there are few scholars who regard Japan as the leading capitalist economy towards which other industrialized economies might converge. This situation is regrettable since, as Westney (2006) observes, not all Japanese companies have been performing poorly, and Japanese examples are still noteworthy enough for scholars to be able to use them to challenge basic assumptions. Thus, while opinions on the direction of development of the Japanese firm are various, they range in scope from those who believe Japan to be converging on the USA, to those who make the claim that Japan's capitalism will remain distinctive.

Among UK scholars Richard Whitley (1999) is within the latter group. Approaching the problem from the perspective of organizational sociology, Whitley considered the conditions necessary for Japanese business systems to change their characteristics and converge (1999: 183) and theorized that:

For leading Japanese *kaisha*, for example, to change their labour management practices significantly they would have to develop new ways of recruiting, rewarding, training, promoting, and organizing their core employees. While this is possible, it is extremely improbable without major changes in state policies, family structures, and the education and training system, as well as in inter-firm relationships and, probably, firms' boundaries. (Whitley 1999: 186)

It can and has been argued, however, that substantive reforms have taken place in the Japanese political economy and society in recent years, that at times these have emulated western models, and that they can be understood as being 'major changes' to long established structures, practices, and cultures. Some examples are:

- structural reforms to the system of higher education (Eades *et al* (eds), 2005), which use the UK and US as their model;

- reforms to financial services, where the UK and US examples were used to generate what Malcolm (2001) calls an ‘awkward’ convergence on Anglo-American standards;
- reforms to the retail stores laws, made under pressure from the US and Europe, that have streamlined the distribution system, increased the use of contingent labour, and restructured the spatial and dimensional characteristics of the retail industry (Tsuchiya and Riethmuller, 1997);
- and incremental changes to firm boundaries that have led to fragmentation and diversity in firm structures, employment patterns and industrial relations practices (Sako 2006).

Thus, there are others who argue that Japanese business and society is presently in a period of convergence towards the USA and UK and Dore (2000), who was writing at the same time as Whitley, is now to some extent among this group. Thus, in presenting a typology of national capitalisms, and analysing their direction of development, Dore bemoaned the baleful influence of US and UK-style marketization and financialization on Japan and Germany and the consequent lack of attention to the needs of all stakeholders in industrial society. As such, he provides a critique of the destructive effects of the culture of selfish individualism on the fabric of industrial society. Yet, he also concedes that Japanese managers are also responsible, since it is they who are adapting Anglo-American practices, many of which have been developed at American business schools and transferred via the thousands of Japanese MBA graduates who return to be employed by the corporations which might have spurned them in earlier decades.

Between these opposing sides, is research produced by Harry Katz in the US and his British colleague Owen Darbishire (2000). In their comparative examination of employment systems in the automotive and telecommunications sectors of seven countries including the UK and Japan, they argue that there has been a convergence towards four trans-national systems that exist within each of the seven countries, with those being categorized as low-wage, human resource management, Japanese-oriented, and joint team-based strategies. In other words, within each country there has been a divergence away from a one-size-fits-all national system of employment and a convergence towards these four different systems. Accordingly, they argue, it is becoming less meaningful to discuss systems of employment in terms of national typologies than it is to understand a variety of business systems existing simultaneously and trans-nationally.

Kevin McCormick (2004) also recently problematized a specifically Japanese model of business organization, arguing that its existence is as much a product of the particular sensitivities of the various research schools as it is a reflection of actual conditions. McCormick goes on to discuss whether recent developments represent a change of or within the model. Concluding that current changes are ‘unlikely to lead to an adoption of the “Anglo-Saxon model” in Japan’ (2004: 338), McCormick also stresses the pragmatic approach of Japanese managers in adapting to local and global conditions and in adopting what is suitable to their business according to the context of its time and place. Such an analysis chimes with my (Matanle, 2003) research on long term, or lifetime, employment in Japan where I found that managers in the four large companies which I studied were as concerned with being seen to be implementing so-called Japanese-style management practices as they were with adopting the most suitable global standards for their industries.

Building on their earlier research, Elger and Smith (2005) did detailed empirical research at five Japanese firms in Telford and came to the conclusion that the degree to which home country practices are operationalized within a foreign environment depends on a range of factors, including firm type, factory type, firm objectives, parent-subsidiary relations, and managerial responses to local conditions, especially with regard to labour management and industrial relations. Elger and Smith did not discount the influence of home country factors in the Telford firms, but they emphasised that these were often pushed into the background by corporate and sectoral effects, as well as by circumstances and events on the ground as the investments developed within their local settings and markets. In this way,

... the policy repertoires and management practices in specific subsidiaries necessarily develop through micropolitical processes of management debate, alliance and conflict and inevitably involve tacit but somewhat contested bargains with employees ... Such processes are clearly framed within the wider parameters of distinctive corporate structures, strategies and power relations on the one hand, and the local and national institutional structuring of labour markets on the other.

(Elger and Smith 2005: 373)

It is significant that research on the Japanese firm, japanization, and convergence has almost always used a small number of examples of high performance export oriented businesses from a narrow range of industries; for the most part in consumer electronics and

automotive production. In this way, books such as Oliver and Wilkinson's, titled *The Japanization of British Industry*, could be misleading in the extent of their claims. Furthermore, underlying much of this research is the notion that these processes could in some capacity improve a country's overall industrial competitiveness, in this case Britain's. What I argue here is that we should question more vigorously, first, the idea that there exists a set of discrete and easily identifiable 'national capitalisms'; second, that these remain identifiably 'national' when they are exported, negotiated and contested into local overseas settings; and, third, that the Japanese firm possesses a dynamic that is universalising, transformational and, crucially, beneficial in terms of raising employment outcomes and national competitiveness. This is the subject of the next section, which centres on Nissan as a case study of Japanese FDI in the UK.

Japanese Foreign Direct Investment in the UK – The Case of Nissan

Two of the earliest analyses of Nissan's investment were Peter Wickens's *The Road to Nissan* (1987) and Garrahan and Stewart's *The Nissan Enigma* (1992). Wickens's book was published one year after the Nissan factory opened and was influenced by his experiences as a human resource management practitioner in the USA. He began the book by criticizing British working practices and celebrating the introduction of Japanese-style flexibility, quality, teamwork, commitment, and a 'just us' (as opposed to 'us and them') ethos. An enthusiastic supporter of Japanese-style management, Wickens presented a positive description of the organization of work at the Nissan plant and how Japanese management, on the whole successfully, dealt with bringing Japanese production systems and industrial relations cultures into a difficult and sometimes hostile environment. Although Wickens (1995 and 1999) later moderated his rather unequivocal support for the Japanese model, he remained convinced that the adoption of aspects of Japanese-style management could generate renewal for the Anglo-American firm. Thus, he proposed a fusion of Western managerial control and Japanese worker commitment to argue that, 'The ascendant organization combines high levels of commitment of the people and control of processes to achieve a synthesis between high effectiveness and high quality of life leading to long-term, sustainable business success' (Wickens, 1995: 3).

Expressing a more critical and academic perspective, Garrahan and Stewart proposed that Nissan had achieved its success through a rigorous application of a neo- or ultra-Fordist production regime. Crediting the company for bringing forward worker

commitment to quality, flexibility with regard to consumer demands, and avoidance of ‘us and them’ attitudes, the authors also argued that Fordist outcomes were still being achieved, but by means other than those typical of the Fordist era. Thus, the enduring schism between manager and worker had not been done away with, but had been replaced by more sophisticated, and more difficult to challenge, methods of corporate surveillance via peer competition that simultaneously maintain control and exonerate management from accusations of exploitation. The authors also reasoned that the Nissan investment was unlikely to result in a wider industrial regeneration of the local area or, for that matter, of the UK automotive industry as a whole.

While Nissan’s UK plant is undeniable successful – it is regularly assessed as the most productive automobile plant in Europe (Auto Industry 2007) – after more than two decades in operation one question that must be asked is to what extent have the wide socio-economic gaps that existed between the Sunderland region and the rest of the UK narrowed since the Nissan investment was established? In this section I will argue that, although the area is now economically more stable and prosperous than during the 1980s, this outcome has been achieved in concert with a generalized improvement in the whole of Britain’s economic performance since the mid-1990s, with the south-east of England leading the way.

In a paper for the Institute of Fiscal Studies, Rachel Griffith (1999) questioned assumptions of labour productivity spillovers across British industry as a result of inward FDI. Using panel data from the UK auto industry she showed that foreign owned UK automotive plants achieve higher total factor productivity as a result of investing in more physical capital, using more intermediate goods, and paying more to their employees – thereby being able to attract those with superior knowledge and skills – than their British counterparts. Moreover, Griffith wondered why British companies appeared reluctant to adopt foreign production methods. A later comparison of Japan, the USA and UK (Oliver, Delbridge and Barton 2002), also found that the UK’s automotive productivity continued to lag behind the other two countries, more than 15 years after the Nissan factory had begun production. A joint Treasury and Department of Trade and Industry (2005: 4) report on Britain’s overall productivity and competitiveness shows that the UK has indeed closed the productivity gap per worker between it and Germany. However, since the UK, like Japan, possesses a long working-hours culture, a large gap in productivity per hour worked still remains between the UK and these countries.

Although the wealth gap has narrowed between Sunderland and the rest of the UK, particularly since 2000 when the Labour government's macro-economic policies began to take greater effect, the Sunderland region still trails the UK in almost all socio-economic indicators. Differences in rates of unemployment as well as in the quality of jobs that do exist demonstrate that Sunderland remains less prosperous than the average for the UK as a whole, and especially the south-east of England – which has received comparatively little Japanese manufacturing investment. Gross weekly earnings of GBP383.3 among Sunderland's workers is currently 85 per cent of the UK average (GBP449.6) and 71 per cent of London's (GBP540.8), and the rate of those claiming Job Seeker's Allowance is 38 per cent higher in Sunderland than in the country as a whole (Nomis 2007). While the raw statistics show that regional wealth gaps have been closing since the late 1990s, critics argue that the relative quality of employment between working class communities in the North and middle class communities in the South-East has been widened by the decline of industrial manufacturing and the rise of the service sector. This decline has exacerbated de-skilling and precariousness in employment, and is symbolized by the ubiquitous call centre and the now common expression for low-paid, dead-end work, 'McJobs' (Lindsay and McQuaid 2004; Goos and Manning 2003). These problems are especially concentrated in what were once the United Kingdom's industrial heartlands, despite the investments from Japanese and other overseas companies located nearby. In Sunderland in 2006 28.9 percent of employees were in professional and managerial employment as against 42.1 percent for the whole of the UK and 52.8 per cent for the London area, and 22.1 percent were working in elementary occupations as against 18.8 percent for the UK and 12.6 per cent for London (Nomis 2007).¹

Indeed, in a 2006 territorial report on the North-East of England economic region, which has Newcastle and Sunderland (Tyne and Wear) at its economic centre, The OECD states that:

The city region shows limited prosperity and growth compared to other United Kingdom (UK) regions. Most economic and innovative indicators for the region are inferior to the national average ... [the] region, however, also fell behind other UK core city regions in GVA growth in the last two decades of the 20th century ... The situation worsened in the following decade [the 1990s] when the average growth rate of the Newcastle city region dropped to 1.1%, the worst of the 8 core city regions ... The low skilled labour force constitutes an impediment to a rapid transformation of the city region's economy ... UK

government research (2004) shows that despite recently improved performance, many of the core cities (including the city of Newcastle) lag behind their European competitors on a wide range of factors such as GDP per capita, innovation levels, education levels, connectivity, social cohesion, quality of life, political capacity, connections with their wider regions and are overall less attractive than their peers to the private sector. (OECD 2006: 11-15)

Whereas the Nissan investment does contribute to stabilizing its region's economy, Garrahan and Ritchie's (1999) edited collection exposed the vulnerability to external shocks of a British industrial policy that depends to a large extent on sacrificing local and national autonomy in favour of attracting FDI for the purpose of achieving regional industrial renewal. Thus, in the same volume Amoore (1999) described how the closure of other high profile investments in the area, notably that of the Fujitsu semi-conductor plant near Durham in 1998, demonstrates that the government's re-invention of Britain as the 'competition state' (1999: 16) also means that the UK is 'as easy to exit as it is to enter' (Observer, 2 August 1999, quoted in Amoore, 1999: 19). Indeed, Driffield and Love (2005) have concluded that, far from the Japanese plants contributing benefits to their host regions, it has been the plants themselves that are the main beneficiaries because of their appropriation of technology spillovers from indigenous companies.

In the 20 years or so since British Leyland was recognized as the third largest motor manufacturer in the world (Economist, 2004), UK ownership of motor manufacturing has been almost completely displaced by giant overseas corporations. Consequently, inward investment from Japan and elsewhere has not led to the anticipated increase in the size of the pie, but a reapportionment of its ownership, as well as the increasing ease by which corporations can make sudden decisions to close down operations – with predictable effects on local and national autonomy and the living standards of employees and their dependents. By 1993 Nissan had been joined by its Japanese competitors Honda and Toyota, and Ford had taken over Jaguar. At the end of the 1990s BMW's experiment with Rover was being broken up, and is currently the subject of a tie-up with Ford, and Rolls Royce had been bought by Volkswagen. Discussing the possible closure of the last General Motors plant in the UK, the *Financial Times* (Mackintosh and Griffiths 2006) reported in 2006 that; 'In the past year PSA Peugeot Citroën decided to shut its car plant at Ryton near Coventry, TVR closed its Blackpool

plant, Jaguar sold its Coventry factory and MG Rover collapsed, sparking concerns that British car jobs are vanishing.’

Despite occasional policy vicissitudes, in Germany and France ownership of strategic industrial assets remains, largely, in German and French hands. Germany is, of course, one of the world’s leading automotive producers and France can boast three of Europe’s most successful automotive companies. Moreover, it is a French company, Renault, which is now in control of Nissan. By way of comparison, since 1996 total UK vehicle production has declined by 14 per cent (Auto Industry 2007), from 1.9 million vehicles to 1.65 million, and in a reversal of the circumstances of 40 years ago, the French automotive industry is now twice the size of the United Kingdom’s, producing 3.1 million passenger cars per year and employing 2.7 million people (INSEE 2007) as against the UK’s 1.4 million cars and 860,000 employees (Auto Industry 2007).²

Accordingly, the following question comes to mind. Why, with continuing state intervention in the auto industry and comparatively less investment from overseas, has the French industry prospered over the long term and it is the UK which has struggled? In response to those who echo the mantra of Margaret Thatcher’s exhortation to the British people in the 1980s by advocating neo-liberal reform as the only way forward for industrial success, it is tempting to suggest that there may indeed have been an alternative to the policy of industrial renewal by FDI for the UK automotive industry. Thus, and to conclude this section, instead of stimulating a generalized revival of British manufacturing, it seems that Japanese FDI has created islands of high productivity in imported factories and displaced indigenous manufacturers. This explanation would account for the apparent paradox of a simultaneous rise in Britain’s industrial productivity, shrinkage in the size of the manufacturing sector, and a fall in the quantity and quality of industrial employment.

Conclusion

In this article I have presented an overview of academic research on the Japanese firm produced, in large part, from the UK standpoint over the previous four decades. I have concentrated on the three areas of research that British scholars have placed most emphasis on during this period, with these being labour management and the system of employment in large Japanese companies, industrial convergence and the japanization of UK manufacturing, and assessments of the impact on the UK of FDI by Japanese companies. Although grouping research according to its national origins may have a tendency to invite

a deconstructionist perspective, where the subtext threatens to overwhelm the enquiry, I hope that this article contributes to revealing the tidal ebb and flow of the research process, and aids us in distilling deeper meanings and relevance from our investigations. Below I will describe the article's conclusions.

The system of long-term employment in large Japanese organizations is likely to persist and Japan is unlikely to develop widespread and fluid external occupational labour markets in the near future. This is because employment behaviours in Japan, as elsewhere, are to some extent rooted in the values and expectations of individuals in their aggregate. Many Japanese people continue to value the benefits that very long term employment at a single organization confers on them, and they continue to expect that this employment pattern will constrain them in their employment decisions.

The convergence thesis when applied to the japanization of UK manufacturing has on occasion been overstated. Where developments in British industry have occurred in association with the outward globalization of Japanese-style management these have occurred in a narrow range of industries and can be attributed in large part to broader developments in the British socio-economy.

Japanese FDI into the UK has been of qualified benefit to the UK. The most that can be said is that it has created localized islands of high performance, but that simultaneously it has displaced indigenous industries and reduced local and national autonomy in economic decision-making. In addition, some of the described consequences for the host economy of FDI can be attributed to other causes, such as reforms to industrial relations legislation and increased precariousness in employment constraining industrial unrest.

Whereas scholarly debate in industrial sociology has often used a typology of 'national capitalisms' as its unit of analysis, what this article contributes to is an appreciation that, while such descriptions remain relevant, scholars could take greater account in their discussions of the multi-layered complexities that exist in our globalizing world by also framing their analyses at the sub-national and trans-national levels. Just as Britain and Japan will for the foreseeable future retain some of their distinctiveness, so there are similarities between aspects of both countries' industrial systems. Consequently, is it now time to recognize the logic of globalization and to think of the world less in terms of discrete nation states, national societies, and 'national capitalisms', and to think more in terms of different societal types that exist within and across national borders?

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¹ Figures taken from the 2005-2006 UK Labour Force Survey.

² UK = 2005, and France = 2004. UK employment figures are for those employed in vehicle and engine manufacturing only. French employment figures are for automotive employees excluding those employed in manufacture of intermediate goods.