Culture of Japanese organization and basic determinants of institutional economy

1. Organizational culture and institutionalism

Organizational culture is one of the basic determinants of progress in management, it is the base of a firm’s identity and it shows the manner in which the companies function in the market [compare: Zbiegień-Maciąg 2002, p. 14]. Commonly shared views, norms, values, symbols and artifacts have their source in the culture, history and accepted economic system created by the society. The institutional economy is a part of the social and cultural heritage of Japan and it acts as the determinant of Japanese mannerism of business which creates the organizational relations.

The institutionalism, initiated by T. Veblen, as a new direction in the political economy spread out within the United States in 1920’s and during that time there was the advancement of the research into the institutional frames of economic activities. This research was, to a certain degree, against the Neoclassical economists who referred to the person’s motives and their psychological considerations, omitting social meaning of the person’s activity. Institutionalists wanted to research the whole of the economic life, both from the perspective of a unit as well as from the perspective of a social institution [Landreth, Colander 2008]. As F. Fukuyama wrote: “probably, the economy is the most important domain of modern life in which culture renders direct influence on affluence of the society and international order. Although the economy is connected with political and social life, erroneous conviction is promulgated by many economists that economy is a domain of right ruling, which may be beyond society. According to this view, economy is the sphere, in which the person returns only for realization of the egoistic needs, but after than the person wants to return to “genuine” social life. Otherwise, the economic activity
is one of fundamental and the most dynamic areas of social lives in each modern society. (...) People are egoistic. But they want to be a part of society simultaneously. Individuals perceive painful upset in face of lack of social norms adjusting the relations with other people. Modern institutions try to eliminate this upset within their employees” [Fukuyama 1997, p. 16].

T. Veblen criticized capitalism, hedonism and the principles of homo economicus, who in his economic activity was driven by the sole stimulus – personal benefits and economic egoism. He criticized the foundations of Neoclassical economy, he was interested in the social part of conversion. He considered that tradition, habits and imitation are the base for the consumer’s choice. He considered that people’s behavior is controlled by certain rules – institutions – which he defined as groups of customs, habits of reflections and mannerisms existing due to long lasting practices and recognition of asocial group [Veblen 1971]. It has been clearly shown in the Theory of Idle Class that one should look at an economic process as a social process. Of course this process is defined by institutional frames, institutions, which determine directions of human operations. To understand the social and economic life one needs to research institutions, history of customs, habituation, tradition, instincts and people’s subconscious motives [compare: Shein 1986]. People are led not only by the maximization of a personal benefit, which grows within institutions made by the financial culture, but this benefit is not the natural motive of the individual. People’s life, according to T. Veblen, is the battle for life or the process of selective selection, or the development of a social structure as the process of the natural selection of institutions. Institutionalism does not negate the basis of the theory of choice or rareness of goods and competition, it negates only the instrumental rationality [Landreth, Colander 2008 ].

New institutionalism has introduced a new notion of economic analysis called the cost of transaction, or the cost of planning, adopting and monitoring the transaction, which has been deduced from the foundation of limited rationality [Landreth, Colander 2008]. The so called path dependence raises different questions, for example S.J. Liebowitz and S.E. Margolis [2000] regard the dependence of economic phenomenon, historic factors and unforeseen events. They affirm that the results of operations are not dependent on technology and other factors of development but considerably more on insignificant, unforeseen events, thus, the interpretation of the economic phenomenon should be carried differently in different socially – political systems [Liebowitz, Margolis 2000]. The authors differ regarding the three forms of the institutionalism: the first one seems to be the optimal path of development eliminating ineffectiveness, the second appears to be based on conditions of imperfect information, which rely on appropriate decisions do not look so appropriate when we look at them without the prospect of time. We will see that we can not perceive appropriately, in the moment of executing the choice, the existence of the effective alternative
path. That leads us to the effects we are not satisfied with, but the change is expensive. And the third form is when our choice leads to ineffective outcomes, but these outcomes are possible to be repaired. In the third case, the authors emphasise that even people who have all the information at their disposal will not predict the results of their operations, though it is obvious that each decision has an effect on subsequent decisions undertaken by others [Liebowitz, Margolis 2000].

By using the example of the functioning of the Japanese economic system and its organizational culture we can follow the basic foundation of the institutional economy. This is an interesting topic for investigation. As L. Zbiegień-Maciąg affirms: “the Japanese economic success is a challenge for researchers (...). Discussion began to take place that progress of the great economic American moloch does not lie in the transfer of technology. It meets more and more barriers and the sole hope lies in a change of organizational culture” [Zbiegien-Maciąg 2002, p. 19].

2. Reliance

According to North, co-operation is one of the basic foundations, in conditions where the process of negotiation is transparent and the market order is stable, when transactional cost amounts to zero [Hardt 2000]. “When mutual reliance is evident among co-workers of given ventures from the same norm of ethical code, doing business is less expensive” [Fukuyama 1997, p. 40]. Japan is a group oriented society, rewards obedience to authorities practicing capitalism which has been called by L. Thurow a communitarian capitalism [ibidem, p. 41].

Confucianism promotes fabrication of such an atmosphere and it presents a package of ethical principles putting foundation under a properly functioning society. Confucianism came to Japan from China in VI AD. It underlines the superiority of the family over other forms of relations and the weight of a person as the important element of natural order. Social order is based on ethical rules and a decentralized unified state. There are basic moral rules like loyalty in accordance with authority and families, observance of social rituals and labels and such values as education, heavy work and harmonious interpersonal relations [www.exporter.pl]. The fifth dimension of the analysis of intercultural differences, called Confucius dynamism, is based on the fundamental difference between long and short run attitude to life (...)” [Hofstede 2000, p. 248], “dignified and the correct behavior means not treating others in the manner you do not want to be treated yourself (...), dignified and good life’s purpose is gaining the knowledge and skills, heavy work, restraint in expenses and patience and consistency” [Hofstede 2000, p. 249]. Japanese workers put high regard to good interpersonal relations in work and to the rules of behavior which are traditional in the Japanese society e.g. identifying social rank and following the accepted norms. Distaste is explained in this philosophy by the show of individualistic
postures. The Japanese are driven not only by collectivism but also comunitarism: the capitalistic profit is interpreted as an element of contributing to the welfare and perceived as an altruistic operation, and it has nothing in common with western competition within the limits of competitive capitalism. The morality of Confucianism is expressed within Japanese enterprises e.g. in promoting older employees, showing them respect and paternalism. It determines the majority of Japanese choices performed as an economic subjects [Konecki 1992]. This peculiar outlook on life is expressed also in comprehending time, according to which there are no boundaries between the future and the present, however, the past is perceived as continuing into the present. Such an image of time looks like a developing spiral. As in the case of other cultures, Japan also allows to connect features of new and modern with old and traditional [compare: Humpden-Turner, Trompenaars 2003].

K. Konecki affirms that when we concentrate on professing common values and we follow the same ethical code based on the ability to estimate reality from the point of view of other people, then the basic Japanese values are: the aspiration to achieve harmony in the realization of business purposes and the selection of partners with whom transactions are conducted. The spiritual proximity, agreement of partners and an individual approach are the most important values. Also Japanese employees are modest which enables them to learn from their errors, consistency and simple easy adjustment to organizational conditions [Konecki 1992]. “This domain affirms that the culture of organization was an important creative element for the progress of Japan. The key difference among the culture of American organizations and Japanese firms is that American firms focus on individuality and competition, whereas Japanese concentrate on work in groups and cooperation. (...) It is well known, that higher salaries are based on seniority and group work, rarely on individual achievements. Employees often work their entire life for one company. It is a social disgrace, if an employee is dismissed. The Japanese also believe, that quality control circles or small groups, no more than ten-persons, representatives of different sections, whose task is to solve the problems in production, which increases its market share, give them the superiority over companies from America. Quality controls circles work well within companies which have the organizational culture based on cooperation, or on a high degree of employee participation in management” [Zbiegien-Maciąg 2002, pp. 26–27].

The Japanese culture respects multiple points of view, e.g. Japanese manager can see American objectivity as weakness. Particularism or harmony of individual cases sets up such values as loyalty, spiritual proximity and an individual approach to people [Humpden-Turner, Trompenaars 2003]. The care is taken to provide comprehensively for all the consumer needs, a commodity is valuable when there is an amount of maximum individual satisfaction. It is uncommon in Japan to find the foundations for unlimited rationality, or lack
of differences between the real world and the way people perceive it, not taking into consideration the perception of the others. In general, people in this country seem to be conscious about individual differences in experience and about the fact that the individual’s knowledge is limited [Liebowitz, Margolis 2000].

Collectivity and synchrony promote the reinforcement of reliance. By establishing and nurturing the relationship with partners the mutual attachment to reliance is possible which enables the establishment of flexible agreements. This diversity of ability is the basis of harmony, which is implemented, but not substitutive. So, the collective logic within the community is used to achieve progress e.g. *Keiretsu*, an economic group which is organized around banks and enterprises of business campaigns. Synchrony and long-term thinking influence reflection in the categories of technological hybrids and technology mergers of the industrial domain [Humpden-Turner, Trompenaars 2003]. Nevertheless, one should remember that “the gloomy part of the Japanese sense of national separatism and big social reliance is a distrust in other nationalities” [Fukuyama 1997, p. 210].

Within the institutional approach, there are numerous cases of participants in transactions being cheated and a high degree of opportunism occurs [Liebowitz, Margolis 2000]. Reliance is aspired to within the economy, because it lowers the cost of transactions through honesty and care about the personal and social interest. The Japanese style of management counteracts results of opportunism, it is possible to define this as comunitarianism, or joining individual progress for the good of the community. T. Veblen also posed the problem of reliance and he indicated the difference between business basic contradiction in opposite to modern technology. Modern industrial system based on modern technology measures the development of production and continuous improvement. The world of industry is contrasted with the world of interests, in which reliance does not take a stand [Veblen 1971]. Enterprises and markets are alternative means of coordination, so old monopolistic practices are treated as aspiration to moderating opportunism forcefully. In Japan high regard is attached to efficient internal communication within firms, this raises employees’ morale and promotes efficiency. This effective dissemination of information throughout the organization means that decisions are taken slowly, but implemented quickly, because the stimulus for changes emanates from the lowest ranks. Reliance is based on openness of intercommunication among employees of different ranks with a strong requirement for cooperation [Konecki 1992]. Economic behavior of the Japanese features a large heart, loyalty and gratitude. This mutual reliance often includes flexible and oral agreements, which decreases transactional costs and also removes the uncertainty of partners in interactions, particularly when the partners come from different cultures.
3. Institutions

Institutions are the next important question for an institutional economy, it is possible to illustrate their influence on reality on example of Japan, strictly – on the role of family in the Japanese culture and economy. According to T. Veblen institutions can be comprehended as mental habits of human life, recognized rules and principle procedures. We can distinguish formal legal norms and informal moral norms, generally, the basis for the social rules [Veblen 1971].

Strong paternalism can be a service, for example in the Japanese society as well as in an enterprise, it may be particularly visible in small firms, where employees work with the members of the owners’ family and from time to time they live with them under the same roof. This promotes identity of the vital purpose with purposes enclosing their environment of work and sense of liability for the fate of organizations. The enterprise is perceived as family, a kind of local community, joined with the organic attachment to generations. Among others, the basic principles of Confucius are based on mutual commitments, respect, obedience and conviction, that “family is the prototype of all social organizations. First of all, each person is a member of the family and then an individual unit” [Hofstede 2000, p. 249]. “The superiority of family over other forms of organizations is the essence of Confucianism” [Fukuyama 1997, p. 41], besides, in the Japanese culture there are associated groups called *iemoto* defined as loose relationships between persons, who behave as if family ties connected them. “It is said about Japanese firms, that their structure is reminiscent of a family. A Japanese corporation with its power structure and moral sense leads to a family member attitude, but simultaneously it shows elements of voluntarism not limited by relationship, which tells us to treat it rather as a western organization with a voluntary character than a Chinese family or rung’s structure” [ibidem, p. 207]. Moreover, Japanese Confucianism sets up that loyalty within the firm is even more important than that to the family.

Confucius paternalism has been joined in Japan with matriarchal phenomenon called *amae*, expressing demand for entity dependence which allows the unit to be put into traditional system of social attitudes [Konecki 1992]. Highly extended hierarchy and large network are characteristic for Japanese enterprises which reach more and more wide coordination, tradition of benevolent leadership and minimum subtle control, basing work on attachments, modesty and learning by mistakes, the need of giving and presenting. The attributed status also has a great impact, so that is why we have a definition of logic of economic development of Japan as “industrial politics or capitalism on order” [Humpden-Turner, Trompenaars 2003, p. 96]. Besides, Japan is concentrated, in the sphere of economy, on so called “mezoekonomic” or dynamics of branch of individual industry and sectors [ibidem, p. 184].

The next important postulate of institutionalism is the fact that it is not possible to analyze the behavior of economic subjects apart from organizational...
empirical facts [Veblen 1971]. K. Konecki affirms that the person is employed in Japanese enterprise as a whole, it forms not only professional ability but also personality preparing them for fulfilling different organizational roles. The adaptation of the workers to the organizational culture helps to define a strong identification of the employee with his work place. An acceptance and systematic realization of purpose promote ringi seido: majority of proposals concerning organizational change are led from the lower rungs of the organizational hierarchy, so initiative of innovation happens due to the equality and taking decisions is a decentralized and collective process. The acceptance of the principle of employment for life promotes gaining knowledge about all rungs of the organization among the employees. The employee continues with company even if he is not satisfied with his work, he very seldom leaves it. That sense of loyalty, gratitude for employment, respect for the employer accompany him and, as there is the need to keep the employee in the enterprise, leaving the job could be interpreted as a failure of the employer. Besides, the change of work is badly perceived in Japan as a display of anarchism and non-liability of basic moral norms recognized in this society. For a person quitting the first work-place it is often hard to become employed in another place, it follows on one’s chances on advance in payment in the future [Konecki 1992].

Within Japanese enterprises there is a very strong ritualization of organizational life. Stocks of knowledge, customs, language, procedures can influence the processes of rationalization of operations and they can ritualize them. Integrative rituals prevail in Japanese organizations, these are displayed by the morning assemblies before starting work, group exercises, acceptance, quality circles, accommodation of expressions and observance of etiquette. They are a method to maintain the balance and to limit the individual influence in favor of the cooperation within a group. One of the important rituals is taking off the strip, i.e. a symbolic removal of a white strip which signifies inexperience and lack of understanding for the organizational community from the hat of a young employee [Konecki 1992].

The ritualization and the promoting the philosophy of exceptionality hold up identity of enterprise which makes an employee create the image of enterprise as one social life which is enclosed in some organizational environment. Exceptionality can concern the character of interpersonal relations, which resist the equality of all employees. Similar uniforms worn in the work-place as well as common accommodation for directors and subordinates and the right of each employee to have a vote emphasize the sense of community [Konecki 1992].

S.J. Liebowitz and S.E. Margolis affirm that institutions define manners of people’s operations, both participants and organizations are players [Liebowitz, Margolis 2000]. For example, the culture of Japan and organizational culture follow the theory of social game. The length of active working hours in Japan is
a good example, because it is usually about 10% longer than the active weekly time in Western Europe or the United States. Conformism of Japanese workers has its roots in the full devotion of an individual to his defenders or lords or samurai. Extra formal time functions apart from formally defined active time, and it involves work over hours on a request of a superior or on personal preferences of an employee. So, a Japanese employee does not work within firmly defined time frames, but the time is determined by the execution of the task. The impracticability of a task has no bearing on the employee’s day of work, because he stays at work until the task is completed. As K. Konecki stresses in his work, even informal active time in work is subjected to formal limitations and an employee is to abide by it. It is also subjected to strict informal control, which manifest itself in informal criticism for not staying after hours as well as not coming to work earlier [Konecki 1992]. Comprehension of time in pragmatic categories covers the difference between free and active time. Japanese workers during breaks in work do not only eat, but also practice integrative sports. At a work place active time is estimated not by the number of hours spent but by the amount of executed tasks. Cultural conditions cause them not to perceive work in the categories of compulsion. Only a few workers identify work with necessity. Some can feel dissatisfied with the chosen enterprise, but it does not project on their loyalty or quality of their work. It is related to the demarcation in the Japanese culture of the notions *tatame* and *honne*. The former means package of principles, obvious natural rules, the latter – personal opinions and motives, which can differ from the generally accepted convention. However, although the opinions the employees hold are expressed in informal interactions, in the formal enterprise structure, the officially legitimate norms of Japanese culture predominate [Konecki 1992]. The owners of enterprises treat work as the source of satisfaction and the realization of ambitions, and they interpret it in emotive categories, their firms are treated as objects of care and affection. Majority of them emphasize strong attachment to their plants. The culture of work in Japan is related to work for the enterprise, which sometimes causes tragic events as the phenomenon of deaths from overworking called *Karoshi* [Konecki 1992].

Institutions are the effect of historical development, a process of cultural inheritance, so, it is necessary to research people in the environment defined by institutions [Liebowitz, Margolis 2000]. Strong identification of a Japanese employee with his firm has deep roots and is explained by Buddhist practices, involving roaming over villages and, on request, working for free. Young workers, unaccustomed to the culture of the organization have to participate in a similar training with a view toe to distancing them from their original social grouping order to create the sense of anxiety and rejection, then comes acceptance and becoming a member of work team which evokes a deep sense of gratitude. [Konecki 1992]. The Japanese difference in the approach to Buddhism is treated...
as a Japanese equivalent of the protestant ethics of work: “this phenomenon has a close relationship with the present philosophy Zen and the tradition of striving for perfection. The perfection was achieved during the practice of daily meditation (...), not by mechanically possessed techniques. (...) That obsessive perfectionism, which decides today about the progress of the Japanese economy in a global scale, has a religious not economic basis” [Fukuyama 1997, p. 213].

In the Japanese culture it is possible to observe the instinct of good job introduced by T. Veblen, according to which the development of economy happens through the realization of technical progress and implementation of production capacity of work [Veblen 1971]. Unexplained curiosity and the sense of devotion for the community accompanies it. It can also have an affect the fact that a Japanese consumer chooses products of highest quality, he is fastidious in his choice, as he is used to receiving high quality.

T. Veblen stated that the instinct for work is opposite to idling. The groups which have it are coherent with modern industrial production (technicians, engineers, organizers of production) [Veblen 1971]. Working class can also have it and it can be activated by overcoming traditional conservative values, which do not interfere with the progress in Japan. Institutions of the idle classes are found in the largest number, according to T. Veblen, in the upper classes of barbarian cultures in feudal Japan. Class boundaries were rigorously obeyed there, the distribution of class occupation was the result of the economic aspect. Upper classes cannot be involved in the productive professions, it appears that they could perform only noble occupations, such as war craft or service for gods. There was the economic world of the superiority of that class over a subclass who performed slave productive work – the world of poverty. Idling and consumption on show brought honor [Veblen 1971].

The relation between institutions and the social and economic reality has a two-way character [ibidem]. Conversions in technology affect generation of new institutions, which started to confront the old ones. The adaptation of institution to the reality also follows (natural environment and technology). It is not possible to omit the direct influence of history on the processes of economic development because historic collective learning forms the way people perceive [Liebowitz, Margolis 2000]. So, if the change takes place, it should not negate the past but it should be based on what exists. The introduction of new formal rules will not suffice, there is a need for an informal structure on which one can base what is new. The reform of Meiji is an example of reorienting the manner of functioning of the Japanese economy, culture and consciousness without breaking with the tradition.

Matsuhito called Meiji became the Japanese emperor in 1868, after an upraising in the previous year, which removed the dominance of Tokugawa’s dynasty. During this period, after eliminating the government, called the period
of Meiji (1868–1912), he transformed the feudal society into the capitalistic country, which enabled modernization, he introduced European patterns into many domains of social and economic live, performed a rural reform, introduced new distribution of administration in the country, introduced the compulsory military service, a new tax system and etc. In 1889 the constitution was introduced, the government was appointed, political activities were enabled. During the period of Meiji Japan also performed many territorial acquisitions [www.wikipedia.pl]. However, the morale of Confucianism and basic Japanese values did not diminish, but helped Japan to become one of the economic world powers. “After Meiji period people embraced the promotion of Confucianism to be an ideology able to reinforce the strategic purposes of Japan: modernization and strength of unity of nation” [Fukuyama 1997, p. 209]. Also today, in spite of the development of technology, a Japanese enterprise maintains a unique character – it is not a non personal organization based on getting competitive superiority but it is a primary social group based on direct interactions and emotive attachments.

4. Knowledge

The theory stating that the knowledge people adopt will define direction of change [Liebowitz, Margolis 2000] is being revealed in Japan in XXI, it is illustrated by the development in the electronics field. All workers are motivated to realize the long-term goals, development cycles are example of long-range reflection. The direction of development of the Japanese economy and the connection with the electronics industry, creates a perfect example of creativeness and synthetic reflection as reasons for the Japanese economic progress.

Besides, a strong stimulus to gain pure knowledge exists in Japanese enterprises, and it is supported by the lower rungs. Continuous learning and care about intellectual development of an employee is very important for a Japanese employee. The adaptation efficiency, understood as the elasticity of institutional structure or long-range cooperation, and the postures of creativeness prevail and create welfare. The system of rotation of employees and acquainting them with the whole firm’s structure make their professional flexibility greater. It frees up aspirations for an independent caring about order in the work-place and takes advantage of personal ingenuity to improve methods and execute tasks [Konecki 1992].

Organizations of information societies based on knowledge are currently emerging institutions. Japanese enterprises, which are examples of such organizations, accommodate to the changing reality treting employees as the source of knowledge and ability, and also by developing specific structure of management described as a rhomb. This structure has extended an intermediate level, representing leaders of average rungs, who have strict contact with the highest management and employees, as well as with the lowest levels. This
structure assures communication fluency and boosts inter-organizational attachment. So, among others, low degree of formalizing, delegating the authority, mutual control of members of the organization, group contribution to realization of task and general access to information are its characteristics [Pawłowska 2001].

The usefulness of the research on the intellectual capital and work and its importance for the development of the enterprise presents the work of I. Nonaka and H. Takeuchi Creation of Knowledge in Organization. The authors describe the process of the intellectual capital flow to a firm, which, according to them, is the creation of knowledge. The creation of knowledge is the process linked up with the functioning of an organization and with contacts enclosing environment in Japanese firms [Nonaka, Takeuchi 1995]. The inspiration to write the above-mentioned book by the two experts in business was the attempt to explain the progress carried out by Japanese companies in late 1970’s and 1980’s. The authors searched the base of the superiority of competitiveness within skillful organizational creation of knowledge. During many years of research in the Japanese enterprise, which can be treated as the representative for the business world, the authors concentrated on building a general organizational model for the creation of knowledge.

Organizational creation of knowledge is understood as the creation of the stock inside the organization and, next, taking advantage of it for organizational purposes, “signify ability of corporation as integrity for fabrication of new knowledge, generalization of it in organization and embodying in products, services and systems” [Nonaka, Takeuchi 2000, p. 14]. The authors describe the process of the creation of knowledge, which indirectly (e.g. changes in productive process), or directly (e.g. new product) is introduced on the market and they identify this “sale” with the process of innovation. Treating knowledge as certified convictions seem to be debatable, however, it is consistent with the cultural background or philosophy of the East. The discrimination between knowledge and information seems to be undoubted; thus knowledge is a package of possessed information, linked with the specific system, created in the social processes of interactions. The authors comprehend information as the instrument for creating knowledge, however, information can be also treated as the basic structural element of the knowledge [compare: Lash 1997].

The authors have introduced basic discrimination between two kinds of knowledge implicit/cover and explicit/available [Nonaka, Takeuchi 2000, p. 79], which is adopted from M. Polanyi’s theories. They distinguish these two types of knowledge on the principle of complimenting contrasts: body – mind, practice – theory, operations here and now and operations then. It is possible to find cover, or hard to explain, knowledge in every organization, it is important to make it available for many subjects, in many domains of lives of organizations, it is possible to use and reconstruct it. Available knowledge is transferred directly,
unequivocally, in the form of system of information [compare: Shein 1986]. Here we have traditional epistemological the division into the object and subject of knowledge, and the unity of the learning and the learned, who are not the same but also not completely opposite, there are two dimensions of integrity as *jing* and *jang* [compare: Kuderowicz 2002]. The understandable discrimination between cover and available knowledge characterizes approach of I. Nonaka and H. Takeuchi and has its roots in Confucianism and Buddhism Zen. The next two levels of discrimination are the levels of analysis: epistemological and ontological. Epistemology is concerned with two different kinds of organizational knowledge, ontology – levels of knowledge (individual, group, organizational and inter-organizational). People are the basic units, they are carriers of knowledge. The authors emphasize that we enter the spiral of the creation of knowledge on more superior ontological levels, so, talking about organizational creation of knowledge we should understand it as fabricating knowledge in an organization and constructing favorable conditions for this process. If we join these dimensions, we will receive the spiral of creation of knowledge, which spreads out when “interactions between cover and available knowledge are dynamically transmitted on highest ontological stories” [Nonaka, Takeuchi 2000, p. 80].

The process which starts this spiral is the most important element of the theory and it takes place during the conversion of knowledge, which happens when “cover and available knowledge affect each other” [ibidem]. This interaction is a two-way process, it concerns units and has the character of social interaction [compare: Sztompka 2002]. I. Nonaka and H. Takeuchi distinguish four manners of conversion of knowledge: socialization, externalization, internalization and combination.

Co-perceived, notional, systematized and operative knowledge affect one another Socialization initiates the first spiral of knowledge, operative knowledge can start the next one. If it is joined with epistemological and ontological dimension of analysis, three dimensional scheme of spiral of the process of creation of organizational knowledge would emerge. While climbing higher ontological levels (individual, corporate, organizational, inter-organizational) the range of interaction between cover and available knowledge grows. In order to proceed to higher ontological levels, the spiral of knowledge must be full on each level i.e. include all four manners of conversions of knowledge.

Among mentioned by I. Nonaka and H. Takeuchi organizational conditions favorable for creation of knowledge, understood as the exciting spiral of knowledge, may be placed:

- intentions – captivated as “aspiration for purposes of organization” [Nonaka, Takeuchi 2000, p. 99]. They adopt the form of strategy, directing organization to deployment of useful knowledge and its purpose is the engagement of all employees into process of selection of knowledge, shared values present the base for that;
autonomy – concerns all ontological levels. It sets up units with reference to possible wide range autonomy. Individual operations present potential chances for creativeness and development of organization and they help with the creation of a holographic structure, in which each part is a reflection of integrity [compare: Morgan 1997]. The authors notice that multi – task groups promote construction of autonomy, which is an inherent element of organizational culture of a Japanese firm, they grant particular function in the process of designing a new product. Here we see trends of development of modern organizations, aiming at greater elasticity and decentralization, delegating authority to the lowest working rungs and the holographic corporate work. I. Nonaka and H. Takeuchi give an example of the structure which provides the greatest elasticity to the organization, and which they compare to the game of rugby or sahimi [Nonaka, Takeuchi 2000, p. 104]. The difference of this structure is, in practice, the cooperation of all organizational departments;

instability and creative chaos – result in promoting interaction between organization and its external environment. Instability has been defined as “unique order, the pattern of which is hard to define” [ibidem] and it aims at the reduction of organizational routine, revision of personal attitudes and habits. Chaos appears in situations of crisis and enhances creativeness in units, it mobilizes them to search new solutions. Managerial Japanese staff often introduce the atmosphere of imaginary crisis in order to mobilize employees to creative activity. However, it is important to remember that chaos can be destructive for an organization. I. Nonaka and H. Takeuchi notice that creativeness is freed up only when individuals can think about the situation they have been placed in. So, the lack of reflection leads to the loss of control and disorganization;

redundance – is a quintessence of the saying “better to know too much than not enough ” [Nonaka, Takeuchi 2000, p. 107]. First of all, it concerns cover knowledge which allows to understand intentions and personal position within an organization. In practice it can mean the cooperation of sections and lack of responsibility or competitive work in several groups, it also involves horizontal and vertical rotation of employees. The authors solve the problem of possible congestion of information by the distinct definition of the place within an organization, where the information is to be piled, and where the knowledge is to be placed.

According to G. Hofstede, stockpiling knowledge and information corresponds with the idea of the reduction of uncertainty. He defines the escape from uncertainty as “a degree of threat perceived by members of a given culture in face of a new, unknown or uncertain situation” [Hofstede 2000, p. 180]. It is expressed by stress and demand for forecast, for the existence of sanctions,
regulations etc. According to the index of The escape from uncertainty for 50 countries and 3 regions, Japan is on 7th position (UAI = 92 on 100). Japan and South Korea are exceptions among Asian countries, which are characterized by relatively low indexes. G. Hofstede explains this strong demand for safety and recognition in the above-mentioned two countries by the acceptance of the so called “risk accustomed”, expressing itself e.g. in a strong ritualization of organizational life [compare: Konecki 1992]. However, strong fear of ambiguous situations or “unknown risks” is inspired [Hofstede 2000, p. 197]. It can partially explain the attitude to redundancy as one of the elements protecting from unforeseen threats.

- desirable diversity – is connected with redundancy by means of enabling all the employees the information. It concerns differences among individuals in an organization, who are treated in this case as parts of a living organism [compare: Morgan 1997]. It is promoted by internal rotation on positions, flat and elastic organizational structure or frequent changes of structures [compare: Pawłowska 2002]. A synthesis or fabricating differences shows the quality as an integral component of productive process. The commodity is valuable when it gives an individual maximum satisfaction. It results in the care for the diversity and complexity of products. [Humpden-Turner, Trompenaars 2003].

5. Recapitulation
The paper presented while regarding some of the important foundations of institutional economy, as e.g. increasing of the meaning of historic analysis, introduction of notion of institution or transactional cost, shown on the example of the cultural and economic image of Japan obviously does not suggest that institutionalism can be illustrated only on this example. Similar examples can be found in other countries, however I put my interest in Japan as I have found it to be one of the fairest postmodern economically developed country.

Abstract
This article presents the basic foundations of an institutional economy, using the Japanese economic system as an example. This is the basis for the development of characteristic organizational culture which the Japanese economic progress is built on.
The article presents basic assumptions of the institutional economy using some Japanese economic organizations as examples. The organizational culture has been presented on such a base in the studies by K. Konecki, I. Nonanaka and H. Takeuchi. They describe the cultural foundations of the Japanese society which is an interesting example of institutionalism.

References


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