

## Preface

Japanese companies have, in recent times, been greatly affected by market-oriented management and stockholder-oriented management concepts disseminated by US companies. Some view this phenomenon as alignment to global standard.

In Japan, however, in contrast to the US market-oriented transactions, organization-based transactions within a business group including *keiretsu* and alliances or partnership are still widely used. Further, contrary to the stockholder-oriented management, employee-based management together with shareholder-driven management is also still popular. Such organization-based transactions and employee-based management are well integrated with the American ways of thinking in contemporary Japanese management.

Thus this volume will investigate how organizational transactions within a business group or *keiretsu* or alliances are useful and how supply and demand are adjusted through business process management within the organization in a broad sense.

Additionally, the volume will also explore how Japanese management systems can motivate various stakeholders, including not only stockholders but also employees, top management, customers and transaction partners, etc., to willingly participate in organizational behavior. In particular, management accounting where top management effectively motivates employees to improve business performance seems to be generally sought after in Japan.

Therefore, integrating organization-based and employee-based management with market-based and stockholder-based management seems to be more balanced.

Investigating such a hybrid approach will be the characteristics of this volume, *Japanese Management Accounting Today*.

Let us now briefly consider how such intentions are specifically presented in each part of this volume.

## **Part 1: Strategy and Business Restructuring to Enhance Business Value**

This part considers strategies, including M&A for business and organizational restructurings, that intend to enhance the stockholder's value. However, the main topic here will be to investigate how such M&A will be used to make organizational restructures in the consolidated business group and how it will affect the interests of top management and employees.

## **Part 2: Management Control Systems and Budgeting**

This part especially emphasizes that the performance-based merit system is closely linked to the performance measurement system in the Japanese management control system, which encourages a change in the thinking of employees. The next topic is the global cash management system adopted by many Japanese multi-national companies. This system also influences a change in the thinking of managers regarding cash management.

## **Part 3: Cost Management**

The first topic deals with opportunity costs, that can help motivate managers to examine new alternatives or combinations of scarce resources which will not be specified under conditions of uncertainty. Next, target costing is discussed. If target costing is continuously used, product development knowledge called "information capital readiness" is accumulated. This is an intelligence asset or a human asset yielding a human capacity surplus for product development. The final topic is employees' activities for *kaizen* or continuous improvement. This is supported by *kaizen* costing which measures the efforts of *kaizen*. A new approach to measure *kaizen* activity will be proposed here.

## **Part 4: Management Accounting for Supply Chain and Shared Services**

The first topic introduces the Japanese method of assigning various objectives to employees in a hierarchical organization in the supply chain. Next, a new concept to allocate joint profit of the whole supply chain is proposed. This is to motivate the manager of each company to be willing to participate in the chain. The risk reduction method in the supply chain in the following paper also has a similar aim. These issues deal with how to motivate stakeholders, also called transacting partners. Finally, various types of "shared service centers" in Japan are examined from the viewpoint of responsibility accounting, which identifies differences in the goals of each

center. The manager's thinking will differ depending on whether the center is a profit center or a cost center.

### **Part 5: Process Management**

The first topic deals with Japanese MBO (Management By Objectives), which has a vertical chain effect among objectives and is also a system that enhances the acceptance level of the employee affecting performance evaluation. The next topic considers case studies of the process management of Dell Computer that stresses customer satisfaction through a quick response by cross-functional process management, and of Toyota that promotes human collaboration through cross-functional projects. These are of course not an automatic market-based adjustment of supply and demand, but a quick adjustment of supply to the final customer order.

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