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The Success of Japanese Management:
Lessons for American Managers

By


Charles R. Szostak
B.A., Boston College, 1978

Presented in partial fulfillment of the requirements for
the degree of

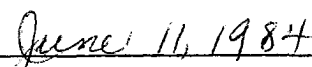
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INTRODUCTION

It took a long time to become aware of the decline. The principal factors were internal and human, and therefore avoidable: . . . entrepreneurship had become flabby; growth industries and new technology were not pursued with sufficient vigor; technical education and science were lagging; and the government-business relationship was not one of mutual support.¹

The above quote could be easily applied to the realm of present-day American business, yet the words are an economic historian's observations on the causes of Britain's climacteric which occurred more than one hundred years ago. Public reaction to the plight of Britain's industries was forty years too late since concern was not aroused until after World War I. Hopefully, the same time lag will not occur in the United States where American industry now grapples with many of the same issues which plagued British industries over a century ago.

In analyzing American business today, in the perspective of history, the danger signals of decline seem obvious: high interest rates are prohibiting industrial expansion, United States capital re-investment in new technology is minimal compared to other advanced industrial nations, the quality of American science and mathematics education is of concern, and the United States government is seen as a restrictive regulator by many American businessmen. The causes of these problems afflicting American industries are varied, but very often American managers are blamed. Some individuals believe that at least fifth percent of business problems are due to management factors:² simply put, bad managers.

The formal education of today's business managers does not adequately prepare the new professional for his role "as the change agent in a business society that the United States, for better or worse, is."³ Universities are alleged to be centers of training rather than centers of learning. This failure to nurture the creative knowledge within the individual is the root cause of the American managerial crisis. Imagination, intuition, and the need to review how human beings learn and invent must be implanted within the philosophy of management education.⁴ If American industries are to alleviate their problems, it must be understood "that in an ultimate sense, the problems are problems of practical philosophy and . . . philosophy is everyone's business."⁵

This awareness of the importance of philosophy, not a specific technique, is responsible for the success of Japanese management. Managerial methods in Japan are in many ways of American origin.

For example, the concept of stable employment was advocated by Max Weber in his famous theory of bureaucracy. The ideas of organizational family, employee participation, group management, and job enrichment were advocated by such American scholars as Chris Argyris, Peter Drucker, Fred Herzberg, Rensis Likert and Douglas McGregor. The Japanese borrowed such concepts and adapted them to their culture.⁶

American managers hope that combining American business techniques with Japanese cultural philosophies will result in better management.⁷

This explains the keen interest American managers have exhibited in recent years toward understanding the successful Japanese style.

Specifically, they wish to know which aspects of Japanese management

can be implemented within their own firms to create a more viable and productive organization.

In line with that goal, the purpose of this paper is to discuss the major principles of Japanese managerial style which can be, and have been, exported to the United States. The "lessons" for the American manager, as outlined by William H. Franklin, Jr., are:

1. To develop a long-term view towards business practices.
2. To promote an increased partnership between management and labor to fulfill the needs of the firm and the employee.
3. To increase openness in organizational structure and interactive communication.
4. To share organizational authority.
5. To realize the need for the ongoing search for improved productivity.⁸

Each point will be discussed independently, but first it is necessary for the American manager to develop an appreciation for the unique environment in which the Japanese managers operate.

Chapter 1

JAPANESE CULTURAL FACTORS

The Japanese word, ie, is a concept that can be interchangeably applied to everything from self to home to family. A person is an extension of his immediate family members, his company, his community, and his nation as a whole. All are bound together in an encompassing purpose.⁹

As stated, the Japanese culture is unique. The American manager must realize that the Japanese managerial style has been fostered and supported by its cultural environment. Therefore, the exportation of certain managerial practices may be impossible because of the cultural barriers. Within the Japanese labor force there is a strong sense of nationalism which produces a high level of motivation in Japanese workers. For over a century, "Japan has invested its best segments of capital and labor with special stress to strengthening the competitive power of its export industries."¹⁰ This national commitment has increased the dedication of the Japanese worker.

Confucian teachings, Buddhism, and Shinto are often cited as the foundation of the Japanese ethos which places a high value on dedication and accomplishment. These accomplishments are realized at the work place, not solely for the individual, but for the good of the nation.¹¹ This is evidenced by the Japanese business executive who is different from his foreign counterparts, in that the Japanese executive is "a latter-day embodiment of the traditional samurai morality."¹² It is not the profit incentive which motivates him, but rather his devotion to his firm and the advancement of his nation.

Physical limitations have in some ways forced the development of this national motivation. Japan's lack of natural resources has driven the people to improve their standard of living by their own collective will and little else. It follows that Japan must increase the labor productivity in its export-oriented industries in order to support a population of more than one hundred ten million people with such limited cultivable land.¹³ The combination of these historical and economical elements has created a highly motivated work force. One American manager after touring a Japanese manufacturing plant was to comment that

. . . these workers here work hard and they were working just as hard when we weren't looking! I have seen an intensity in the work force that I don't think exists anywhere else in the world.¹⁴

This national commitment has spawned traditions of duty, obedience and discipline which favor the paternalistic clan form of organization found within Japanese industries. As long ago as 1898 this paternalism was seen in the Japanese way of thinking. It was then that the Tokyo Chamber of Commerce wrote that "relations between employees and employers are just like those within family. The young and the old help one another and consult together in both good times and bad."¹⁵ This philosophy abetted the establishment of mutual aid and retirement systems for workers around 1905. Up to this point in time it was not uncommon for apprentices to move from one company to another before finishing their training for a higher wage. By providing this added security, workers stopped moving from company to company.¹⁶

Familial roots are a basic tenet of Japanese corporate life, whereas in American business the principles of contract govern the corporate structure. The pros and cons of each style are numerous, but one Japanese executive may have a valid point when he asks, "Which has the greater potential for lasting strength in the marketplace: the firm held together by contracts, or one which assumes a degree of humanistic solidarity?"¹⁷ The energy of human bonds would seem to be more effective than the imprint of ink on paper.

The Japanese workers submit themselves to the paternalistic company for a variety of reasons. The population has long been accustomed to a highly disciplined way of life throughout their school years. Japanese education emphasizes discipline and conformity,¹⁸ qualities which seek the security that a Japanese firm can offer. In the crowded megalopolises of Japan no strong human ties exist in the form of neighborhoods, as known in America. Therefore, individuals seek community at the workplace.¹⁹ A Japanese company has two facets -- a functional body and a community. The employee and his family feel secure belonging to a huge company. With this control over the employees, it is asserted that the Japanese firm provides its employees with a sense of life worth.²⁰

Another factor contributing to this worker submission is that because of the intense competition for good employment opportunities, the Japanese worker is very diligent and develops a strong sense of belonging to his company. Most Japanese expect to remain with the same

company throughout their career.²¹ The motives of management are humanistic as well as practical. It is usual for the employer "to consider the departure of a 'basic worker' as a failure of personnel management. The worker was hired under the premise that he would be a lifetime employee in order to maintain returns on investment in training."²² Also, a family-like relationship helps to minimize the antagonism which often results between management and labor and produces strikes.

The Japanese worker also has a need to belong. To fulfill this need he is willing to subordinate himself to the higher collective goals of the firm. "The Japanese equivalent of the Protestant work ethic lies in the concept of sacrificing personal interest for the organizational good."²³ Individualism is encouraged in Western society, but just the opposite within the Japanese culture. In Japan, "being a unique person is often assumed to be bad because being unique implies that one is not well balanced The most important aim is not the individual good; rather it is trying to keep harmony."²⁴ Maintaining harmony within a group is of paramount importance in all Japanese relations. The notion of "saving face" stems from this, as it is considered highly improper to embarrass an individual. This avoidance of conflict is necessary according to one Japanese government official who says,

"Our system is born of the traditions and history of this country, a small nation with few resources. Without our way of doing things, there would be continued conflict and nothing would ever get done."²⁵

The Japanese language contains no single word that means privacy. This is reflected within the work groups in Japanese firms as co-

workers know each other so well that they assume responsibility as a group for the errors of one individual.²⁶ The distinction to be made is that the individual does not assume responsibility for his actions. The group does. Therefore the cohesiveness of the group is strengthened, and the individuals work for the group, not themselves. Within the aforementioned paternalistic clan organization working toward a common goal is taken for granted, as noted by William G. Ouchi, a student of Japanese organizations.

. . . In a clan, each individual is effectively told to do just what is needed. However, the socialization of all to a common goal is so complete and the capacity of the system to measure the subtleties of contribution over the long-run is so exact that individuals will naturally seek to do that which is in the common good.²⁷

Initially, this idea may seem incomprehensible to the Westerner who places a great deal of emphasis on individuality. The American manager may also feel that his subordinates would not fulfill the commitment toward working for a common goal. This very theme is obvious in Western philosophy, as pointed out by Ouchi.

Subordinating individual tastes to the harmony of the group and knowing that individual needs can never take precedence over the interests of all is repellent to the Western citizen. But a frequent theme of Western philosophers and sociologists is that individual freedom exists only when people willingly subordinate their self-interests to the social interest.²⁸

Quite possibly, Westerners may not be as individualistic as they perceive themselves to be. Contrary to the feelings of American managers, workers may indeed work in a dedicated manner, toward a common goal, if given the appropriate direction.

Japanese productivity and quality at the work place are enhanced by this group orientation. In addition, the Japanese worker is even more conscientious and diligent because many Japanese believe in their work as the highest self-fulfilling goal for them to attain. Japanese workers do regard their work as the most important part of their overall lives.²⁹ They view their company as an extension of their family life. Many of them equate the importance of their company with that of their own life.³⁰ While holding their work in such esteem it is clear as to why the quality of Japanese workmanship is so high.

Throughout his schooling a Japanese child is being prepared for his future career. Competition is acute for entry into certain schools at all levels. The drive to fulfill the goal of obtaining a secure position begins at a very early age. This attitude of Japanese career development is not at all common in the United States.

In Japan, work is not considered to be an infringement on human freedom. The Japanese believe that to work is to live and that at work one establishes identity. Neither blue- or white-collar workers consider their interests to be opposed to those of the company; a worker's salary and bonuses reflect the company's success.³¹

This same attitude is reflected in other facets of the Japanese work environment. To the Japanese worker delays are something to be ashamed of and might cause problems for others. The concern for others is also a reason why the Japanese worker will not take all his allotted vacation time. The workers hate to inconvenience their colleagues in the office. The average Japanese employee works 2,114 hours per year, while his Western counterpart works 2,000 hours per year.³² Not

surprisingly, the rate of absenteeism is very low, less than one percent in most industries.³³ These statistics lend credence to the fact that the Japanese view their work as more than "just a job."

The Japanese government puts forth a great effort to ensure that the unemployment rate in Japan is held low. "The close ties between Japanese government and industry have generated much criticism from Americans, but these ties are an extension of the same philosophy -- working together for the nation's good."³⁴ Government regulation is often used by American managers as the scapegoat for many of the problems afflicting American industry. It generally comes down to a matter of attitude when comparing the two vastly different cultures. In Japan, unlike in the United States, it is generally held that a strict government that regulates business will bring progress, prosperity and a better society.³⁵

Contrary to what many American managers may believe, Japanese industry is subject to a fair amount of government regulation in Japan. Japanese executives perceive their government differently from how their American counterparts view their own government. "Business operations are based on human ties -- priority is placed on good human relations rather than on stringent regulations."³⁶ There is more cooperation between the government and industrial sectors in Japan than in the United States. When a decision is implemented by the Japanese government it is thought to be best for the society at large. This is in direct contrast to the American "adversarial culture in which business,

labor and government are constantly at one another's throat. An adversarial system is not the correct way to develop a coherent, pragmatic economic policy."³⁷

Several examples will show how the government in Japan acts for the good of society. Between 1965 and 1979 Japanese industry spent more than fifteen billion dollars on pollution controls.³⁸ The Japanese government would not reduce air quality standards as the United States government did during the oil crisis of 1973-74. Japanese scientists were forced to find new alternatives. The Japanese government did allow all of the automakers in Japan to combine resources and work together to develop a method to reduce auto emissions. This would have been illegal in the United States because of anti-trust laws. Japan's cooperative effort appears to have a more coherent and effective strategy in dealing with air pollution as they are ahead of the United States by two years in emission-control technology.³⁹ These Japanese regulations are formed only when the parties involved agree, after a long period of discussion.

Another example is in the area of finances. The Japanese government guarantees loans to some Japanese businesses ensuring that these companies will not go out of business. Interest rates in May, 1982, were 6.55 percent in Japan compared to the United States prime rate of 16.5 percent.⁴⁰ The fact that the Japanese savings rate is much higher than that of the United States definitely has a bearing on the lower interest rates in Japan. In many ways the Japanese government provides a healthy climate for the business sector, but the government-

interference argument in the United States is far too simple for the American manager to explain away his woes. Many American industries have shown a pathological inability to look toward their welfare in the long-run.⁴¹ This is the first lesson the American manager may learn from his Japanese counterpart: develop a long-term view towards business practices.

Chapter 2

A LONG-TERM VIEW

This is where the challenge to American management practice lies. When we can admit to the exorbitant costs of turnover -- the cost of replacement, the loss of continuity and stabilization, and the reluctance to invest heavily in the education of people we may lose in a few years -- and when we begin to believe that the interests of employees and their firms can converge for long periods, perhaps careers, we will have broken through the principle obstacle blocking development of the benefits in long-term perspective to business management.⁴²

Japanese managers are amazed that American managers receive bonuses which are related solely to the previous year's results. To the Japanese this will lead directly to neglecting important steps having to do with the long-term future of any company. Planning for a one or two year period does not seem wise to the Japanese because of the dynamic environment in which their companies must function. The keen attention to this state of flux is partly culturally inbred as the "Japanese are reluctant to believe any unitary view of the world thoroughly. This manifests itself in the idea that the world is constantly changing and everything will move on like a flowing river, which is enhanced by the Buddhist view of the world."⁴³ Hence, a strategy that may be beneficial for a firm in the coming year, may well be detrimental in the long-run.

In comparison to the American firm the Japanese do everything with a view toward the long-term results. For example, if the Japanese had a market for one million tons of a product, they would build a plant

with a capacity for four million tons. Then they would lose money until they hit the breakeven point, but eventually it pays off.⁴⁴ One American industry analyst was noted to observe that "our foreign competition in the world of trade is more than ready to make market investments that may not pay off for a decade. They are willing to spend years positioning themselves to conquer the global markets."⁴⁵ The Japanese have shown us through their success that patience pays off.

The long-term view in Japan is also supported by managers who expect to spend their entire career with a single firm. Because of this, the goal of those at the managerial level is not to dazzle shareholders with short-term profits, but to ensure the stable long-term growth of the company.⁴⁶ Upon assessing the situation in Japan, one American executive observed, "I have seen the will to spend capital without worrying about short-term profits."⁴⁷ The opposite is true in the United States as executives scramble to pacify stockholders with large dividends and to ensure that their individual bonuses are of a sizeable amount.

As the dividends and bonuses are large, so are the problems which attend the short-term American view. High turnover rates are an appropriate example. In manufacturing and clerical occupations, companies have an annual turnover rate of fifty percent and as high as ninety percent in some years; at the executive levels, turnover rates of twenty-five percent are not unknown.⁴⁸ Not surprisingly, many American employees manifest the same short-term view toward their jobs

that their employers hold toward the operation of the firm, as the above figures show. A view to the long-run can be cost-effective for the American manager, but for this to occur there must be a change in corporate philosophy, both on paper and in practice.

In discussing corporate philosophy, a researcher of Japanese business points out that

. . . the company consists of a set of managers who see clearly that their capacity to achieve close cooperation depends in part on their agreeing on a central set of objectives and ways of doing business. These agreements comprise their philosophy of the business, a broad statement that contemplates the proper relationship of the business to its employees, its owners, its customers, and the public-at-large.⁴⁹

This philosophy should incorporate all relevant business factors, and be an aid in guiding the firm in the long-run. "The basic mechanism of control in a Japanese company is embodied in a philosophy of management which describes the objectives and procedures that guide it."⁵⁰ The development of a philosophy is the necessary initial step in adapting the organization towards a long-term outlook because of the element of control which can be built into the day-to-day functioning of the organization. The philosophy facilitates the everyday operation as it "provides both control over the way people respond to problems and coordination between them".⁵¹

The coordination is necessary since the Japanese are culturally averse to face-to-face confrontation. It is natural that they rely on their corporate philosophies for an element of control. The specific philosophy is communicated to both management and labor because

. . . if everyone understands what the organization is trying to do and what its values are for how to do things, then every employee who truly understands the philosophy can figure out what his or her course of action should be in an ambiguous situation. No directives or explicit control system are needed because the controls are internalized.⁵²

American firms can successfully implement a change in their philosophies, but upper-level management must support the change for success to occur.

By adapting to a long-term view, cooperation is fostered both internally and externally for the organization. The corporate organization realizes that it must function proactively within its environment. In order to do this the organization must reconcile itself with all operating forces, from labor unions to governmental agencies. The necessity for this to occur within American business is supported by an analysis of the relations among labor, management and government. The present relations are not effective in adapting to the current business environment. A great deal of adversarial relations are built into the American corporate way of thinking, manifesting itself in both legislation and grievance procedures. This counter-productive relationship is based on a philosophy of contest for splitting the pie between workers and owners.⁵³ Unfortunately, the philosophy of each sector is based on an individualistic short-term view, in other words, "What can I get for myself, now!"

The arguments against developing a long-term philosophy are weak when compared to the long-term success of many Japanese firms. One example aptly proves this to be so. The Amdahl Corporation, a United

States computer manufacturer, experienced outstanding growth between 1976 and 1978 as revenues soared from ninety-two million dollars to three hundred million dollars.⁵⁴ As its sale of computers soared so did its demand for semiconductor chips. In 1976 another United States firm, Advanced Memory Systems (AMS) was a supplier for Amdahl. Through innovation, Amdahl required a new custom-designed chip and tried to convince AMS that they would quickly recoup the cost of retooling for production. AMS chose instead to get out of the business. Speaking in 1978, Gerre White, the chairman of Amdahl, assessed the situation by saying, "If they (AMS) had stayed with us, our purchases from them would have been equal to their entire sales at the time they left. But they couldn't wait."⁵⁵ The new supplier which enjoyed the surge in Amdahl's business was a Japanese firm willing to make a long-term commitment.

As an American firm commits itself to a long-term philosophy, practical methods must be implemented for managers and workers, alike, to change their outlook to the long-term also. The traditional American manager is constantly concerned with climbing the corporate ladder as quickly as possible, looking for his individual rewards. Upper management continues to encourage this self-centered train of thought as the novice manager is evaluated and rewarded upon completion of an assignment. This process of rapid evaluation and promotion can sometimes create a hysterical attitude among managers who feel that three years without a promotion means they have failed.⁵⁶ The aftermath of this whole process is that people learn to operate without

depending on or consulting with others, since their career orientation is toward the advancement of the self.

To alter this self-centered outlook toward one's career, American managers need to analyze the benefits of job rotation. Since Japanese managers have passed through many of the same functions over the years, they can refer to a large array of common experiences. This commonality provides them with a shorthand form of communication,⁵⁷ in that they fully understand the circumstances and problems facing each department they have worked in. Because of this knowledge, a sense of comraderie is enhanced as wll work toward the good of the firm. Herein lies the essence of the second lesson for the American manager: if the goals of the firm are to be optimally achieved, then the needs of the employee must be met first. This can be realized if there is a corporate environment which promotes increased partnership for all individuals involved.

Chapter 3

INCREASED PARTNERSHIP

The Japanese are concerned with the employee and the product. Americans just care about the product. The Japanese appear very much to want the employee to be comfortable. I never got the impression that the higher-up Japanese managers don't have time to talk. They usually seem concerned whereas the American bosses convey a "you have to work, that's all there is to it" attitude.⁵⁸

American managers need to change their subservient attitudes toward their workers and promote an increased partnership between management and labor. The personal and job-related needs of all the employees must be fulfilled as much as possible. In this way, the goals of the firm may be met in a cost-effective manner. The attributes and behavior of individuals must be properly evaluated to utilize labor resourcefully. "Concern for the whole employee, not for just his performance, is a characteristic of the Japanese company. This concern is essential to attaining high productivity and standards."⁵⁹

Japanese managers regard it as an integral part of their managerial tasks to invest energy and care into the process of accommodating subordinates' feelings. This is not to say that certain American managers are any less skillful in these areas than their Japanese counterparts. But in acquiring and applying such communication skills and personal attitudes, American managers seem to have to "swim upstream," culturally.⁶⁰ "If we look at the United States, there is a very strong tendency among industrial engineers, economists, management and government officials to underestimate the potential of

harnessing worker cooperation to raise productivity and to improve quality."⁶¹

It will be no easy task for the American manager to adapt, but the Japanese approach is much more realistic and pragmatic. Ironically, within American organizations the characteristics of clarity, certainty and perfection are highly valued, while the nature of human relationships involve ambiguity, uncertainty and imperfection. How one honors, balances and integrates the needs of both is the real challenge of effective management.⁶²

The work group is one technique of Japanese managerial style which fulfills specific needs of workers. A sense of belonging and participation in the decision-making process results from group effort and participation. An indication of the high level of the will to work among Japanese factory workers is the small group activities such as quality control circles and zero defect movements which have been widely introduced, inspired by the series of reforms carried out by Sony in the early 1960's for the purpose of human recovery.⁶³ Many analysts would agree that the American business sector is in a prime position for human recovery.

In Japan no one individual carries responsibility for a particular turf. Rather, a group or team of employees assumes joint responsibility for a set of tasks.⁶⁴ In the same light, the American manager must also attempt to share responsibility for the functioning of a department with those around him. This is a philosophical change which

must come about to achieve the aforementioned goals of partnership. An American executive on tour in Japan was to comment,

"Nearly every time I heard an employee of Intel or one of the other companies refer to the firm, it was as 'we.'" This sense of belonging is indeed real by financial standards as Intel employees have invested \$60 million of their own money into the company through a special stock purchase plan.⁶⁵

Americans strive on individualism whereas working in groups has been alleged to come naturally to the Japanese as their culture supports the group concept. Working in groups may not be any more natural for them than it is for Americans. The Japanese, however, have been willing to give much more effort to developing and maintaining group functions.⁶⁶ Working in groups is not necessarily in contrast to America's love of individualism. Philosophically, "two versions of individualism exist---one which focuses on selfishness and takes advantage of the group, and one which focuses on self-actualization in the interest of maximizing for both the individual and the group, the talents latent in the members."⁶⁷ The latter style can be implanted in American organizations, with the support of management. Herein lies the irony of the group process. In order for a firm to adapt to a "bottom-up" philosophy, it must be implemented "top-down."

One of the greatest fears that U.S. managers have of groups is that responsibility and accountability will become diffused. These managers feel the need to be able to identify individually who is accountable for what, even when the realities of a task may make shared responsibility more appropriate.⁶⁸ The group needs to be held equally

accountable for the actions of each member. Thereby, the members become more dependent on one another. The American manager must realize that this dependency does not weaken the group's drive to excel and to achieve. On the contrary, it seems to feed the group's ambition, as proven in many Japanese work groups.⁶⁹

When implementing work groups, the American executive is certain to appoint a leader, which is seen as a prestigious position, but this perception can be detrimental to the functioning of the group process; members strive for leadership, foregoing their common goal of cohesion. "The Japanese are indifferent to who will be the leader in the group. A leader is not a dictator; he is a member of the group and is only temporarily responsible for the actions of the group---maintaining harmony is the most important task of the leader."⁷⁰ He does not selfishly strive to advance his own career, but functions in a self-actualizing manner to help bring the group as a whole to fruition. Again, attitudes nurtured by the underlying fundamental philosophy play a crucial role in improving the quality of work life.

Japan places people first in its priority system,⁷¹ a philosophy which is highly contrasted in American management as the traditional "bottom-line" dictates the outcome of the decision-making process. This people-first attitude has proven beneficial in developing a cohesive work force. While Western laborers are said to be attached to their profession, to an individual job, their Japanese counterparts are said to be attached to their companies. The Japanese work ethic, which is defined as maintenance of a sense of purpose, derives from company

loyalty. Such allegiance is not ethnically Japanese corporate management.⁷²

The overriding principle that comes through to us from the Japanese principles of management is: they treat employees as human beings. Each employee is part of the "family." Each employee gets a chance to participate in company decision-making, through quality circles, if not otherwise. This apparently has built a great sense of company loyalty in the employees.⁷³

The simplicity of these facts is supportive evidence that much the same can be achieved within American firms.

There are several other factors which also foster company loyalty among Japanese workers. The Japanese managers in the past felt that if workers were dismissed during slow periods, it might not be possible to recruit enough people when the next upturn began. Training costs were thus saved and the system of lifetime employment became entrenched within the Japanese corporate structure.⁷⁴ In present-day form this system is widely misconstrued as only thirty percent ⁷⁵ of the Japanese labor force is working under this system. Still these workers are more loyal to their companies because of life-time employment and the seniority-based wage system.⁷⁶

Japanese labor unions are also a key factor as to why the Japanese workers develop such fierce company loyalty. The system is in direct contrast to the American labor union system. "Japanese labor unions are organized on a company-by-company basis encouraging a strong sense of sharing the fate of their company. This sense is reinforced by the fierce competition among industries for a bigger market share."⁷⁷ The American union system is so entrenched that it is highly unlikely that

it will change, but this should not be used as an obstacle to increasing worker loyalty to the firm.

American managers need to revamp their reward system for workers. Instead of rewarding individual performance in production a worker should be rewarded for his ability to develop the people with whom he works, to quietly foster results that benefit the company as a whole.⁷⁸ This revamped reward system will provide the necessary cohesion among workers instead of reinforcing the Americanized competition.

If a partnership is to be formed within the American firm the next lesson for the American manager is self-evident; an increased openness in organizational structure and interactive communication must take place. As one can see, this and the preceding lessons are all finely interwoven, supportive of one another, forming a complete perspective. The same should be true of the components of the American workplace.

Chapter 4

INCREASED OPENNESS

Private offices are a status symbol in the United States. I worry about those walls. Americans spend a lot of time in their offices and call people in. But there is a possible problem---it creates distance between managers and their subordinates and colleagues.⁷⁹

In order to eliminate communication barriers, and to nurture the sense of partnership, both the physical and attitudinal structure of the traditional American firm must be altered. The American manager must facilitate communication at all levels and involve necessary individuals in the decision-making process. The Japanese appear to have employed techniques which have proven very successful in fostering and enhancing communication.

As a rule, the physical structure of major Japanese offices is a large open space. An entire group of white collar workers, belonging to one business division, work at desks with no partitions. This environment encourages constant human contact and intimacy between superiors and subordinates, and among subordinates themselves.⁸⁰ Interpersonal skills are nurtured by the physical setting. The same is not true for the traditional American offices which neatly partition individuals behind four walls. Implicit communication is a feature of Japanese human relations cultivated within an intimate group environment.

This arrangement offers several benefits other than strictly motivation and communication.

1. It fosters a consistency in behavior. The middle manager would find it difficult to treat subordinates differently from superiors.
2. It puts a premium on performance, since everyone is witness to everyone else.
3. It greatly assists evaluation of performance at all levels.⁸¹

This physical office design is also supported by constructive channels of communication. Many of the Japanese companies have an open door policy. Each employee has access to each manager regardless of the chain of command. Higher managers are rarely in their offices, as they spend much of their time in the large open work areas, which facilitates direct contact.⁸² The opposite is true in America where many managers appear to be closeted away in their prized cells.

Because of the large amount of exposure to managers by the Japanese workers, the Japanese boss is more of a mentor. He teaches through subtle cues rather than blunt feedback, exercising great patience while the subordinate learns how to interpret cues and to develop his or her own skills. At the same time, this manager is reinforcing the basic company philosophy as a conceptual source that helps subordinates to decide what to do in a given situation.⁸³ This inbred implicit communication aids in the smooth functioning of day-to-day operations.

American managers fail to realize the importance of facilitating communication. In the Japanese firm, interdepartmental consultation and negotiation is understood to be everyone's concern, whereas

American managers rarely coordinate communication well. "They lack human skills and seem much less familiar with other parts of the organization. A good Japanese-style middle manager knows everybody so he can get good information."⁸⁴ American executives are quoted by Japanese managers as saying, "I've spent the whole damn day on the telephone and I didn't get anything done because people kept interrupting me."⁸⁵ What Americans view as petty distraction from their jobs, the Japanese view as central to theirs.

Once the American manager realizes the importance of establishing an open communicative rapport with his firm, the garnered information must be properly utilized, especially within the decision-making process. Japanese managers demand far more responsible participation of all workers than American managers do. The Japanese believe that all employees are capable of thinking a problem through.⁸⁶ This is surprising to American businessmen as they see the Japanese listening to and adopting the suggestions made by their employees. When an important decision needs to be made in a Japanese organization, ". . . everyone who will feel its impact is involved in making it. What is important is not the decision itself, but rather how committed and informed people are. The 'best' decision can be bungled, just as the 'worst' decision can work just fine."⁸⁷

The Japanese process is focused on understanding the problem. In gathering pertinent information, the process is geared to discovering what the decision should be. Its result is a meeting of the minds that there is, or is not, a need for a change in behavior.⁸⁸ By

understanding an issue, the participants are better able to commit themselves to the formation of a decision. "The findings of behavioral science suggest that often the quality of commitment to a decision rather than the quality of some dimension of the decision itself is the most critical factor in the fate of a project."⁸⁹

In brief, the purpose of participatory management is to reach a consensus based on close coordination of the activities of each functional area affected by the issue. For the Westerner,

...a decision process based on consensus conveys a host of horrors---interminable meetings, endless squabbling and ultimate indecision. The Japanese system does not demand that all participants "sign off." Those that affix their seals are giving their consent, not necessarily their approval. He has been heard, will go along with it and support it, though he may still disagree.⁹⁰

This seemingly cumbersome decision process takes place within the framework of an underlying agreement on philosophy, values and beliefs. Again, this is pointing to the importance of first developing an actual working philosophy under which the firm may function.

American managers have been bred to be dependent on their leader. Many Japanese chief executives of American subsidiaries equate consensus with abrogation of their personal responsibility for the firm's performance, and thus both parties are bewildered. The leadership practice is expected and supported by American subordinates, and this is particularly strong in small to medium-sized firms. Japanese managers merely listen to both sides of an argument and typically conclude in silence. The Japanese do not understand why the Americans do not just go ahead and resolve the known problems themselves.⁹¹ The Japanese

are willing to share organizational authority, and often times the American manager is not prepared to grasp it. The next lesson for the American manager now appears apropos: The sharing of organizational authority.

Chapter 5

SHARING ORGANIZATIONAL AUTHORITY

All the Japanese here (U.S.A.) have had problems managing the Americans. The Japanese expect the subordinates to think, but the American attitude is, "You tell me what to do and I'll do it -- but it's your responsibility."⁹²

The problems with this "American" attitude is that American workers do not wish to assume authority with its contingent responsibilities. Herein lies a challenge for American management. In meeting this challenge people must be considered an energy source, and the goal of management is not to control but to release the energy in people. This is done by the Japanese manager's insistence that his people think and participate responsibly in business affairs. The primary role of management is not in giving orders, but in facilitating action, bringing about the cooperation and consensus among dissident viewpoints. There is no limit to what American industry could accomplish if the creative thinking people demonstrate in every other area of their lives could be given full expression in their jobs.⁹³

Possibly indicating a trend, American chief executive officers show that the keynote of management style today is shared authority at the top. This is in contrast to the highly autocratic, one-man rule of the past. Most chief executives are progressively distributing much of their responsibility to others in the company.⁹⁴ Though it is encouraging to see this sharing of authority at managerial levels, it

must trickle down to labor as well, in order for an organization to truly reap the benefits of this type of decentralized management.

In Japan a group of touring American businessmen found the workers "incredibly well-educated, using analytical tools used only by professionals in the United States. American top management tends to rely on high-level engineers to design parts and machinery that defy human error because the workers are viewed as idiots."⁹⁵ A resource within American firms is being left untapped. To counter this in their firms, Japanese managers are encouraging workers to approach their jobs with ingenuity and commitment, and are getting excellent results. The employees of Toyota Motors in Japan are a good example.

Every year Toyota Motors is getting about nine suggestions for improvements per employee and is adopting more than eighty percent of them. By contrast, General Motors gets less than one suggestion per employee per year and adopts less than a fourth of those received. Not only are Japanese companies getting more suggestions, but they are getting better ones.⁹⁶

The Japanese managers consider workers to be not tools, but individuals with great potential for creative input.

In order for American managers to facilitate action in lieu of giving orders, barriers which exist between management and labor must be eliminated. "The most productive American auto plants are those that have paid the most attention to fuzzing the class lines between management and labor."⁹⁷ The YKK (USA) plant, a Japanese subsidiary, in Macon, Georgia has done just that. This zipper manufacturer, with thirty percent of the world market, motivates its employees in conven-

tional ways, but the key to success in terms of quality and productivity is management and labor working together as peers. One YKK manager states, "First, you as a manager clean the floor yourself, then the employees will do it. In order for management to teach employees they must have done the jobs first."⁹⁸ Unless both management and labor change their old ways, the United States will continue to trail Japan.

American workers need to have their energies channeled toward the delineated corporate goals. American executives, trained to prepare detailed operational procedures for the rank and file employees to perform their outlined tasks, stifle creativity and individual motivation with this procedure. Worker frustration results in actions to decrease quality and productivity. One perplexed worker remarks, "We know this work better than any other person. We in the line consult with each other on how to improve our own work, and are happy to see our own work improved. What is wrong with that?"⁹⁹ In the above situation, management did not want the workers making mechanical adjustments for they were infringing on the technician's territory; low quality products were to be overlooked!

The practical implementation of the sharing of authority can be manifested in a variety of ways. Formally, a system of "presentation meetings" can help to stimulate workers.

A line worker, for instance, will present the results of a study made by his team and propose concrete suggestions for improvement before an audience which includes his supervisors and management personnel. This helps heighten the sense of participation, instead of alienation in the workplace.¹⁰⁰

Informally, the Japanese have been able to mesh their employees by requiring all workers, at all levels, to wear the same work clothes, eat in the same cafeteria, and use the same restrooms. This has been done in some Japanese subsidiaries in the United States. Some of the American workers feel uncomfortable with the conformity, but Japanese executives are respected for sharing the same work conditions.¹⁰¹ This earned respect has fostered a more dedicated work force, thereby increasing productivity. Improved productivity is in fact at the heart of the following lesson: American managers must acknowledge the need for ongoing research for improved productivity if they are to compete in the global marketplace.

Chapter 6

IMPROVING PRODUCTIVITY

After a Japanese firm took over an American Motorola color TV plant the rate of defects dropped from 150-180 errors per 100 sets to 3-4 errors per 100 sets.¹⁰²

The guiding ethos of Japanese industry is the ongoing search for quality and productivity improvements. When an idea is implemented that results in better productivity or product quality, the search begins anew for a successor idea. This process never ends.¹⁰³ The shared responsibility between managers and workers, along with consultative decision-making, help to support this constant re-examination of the production process. Various examples of the Japanese revitalizing a faltering American plant are concrete testimony that the Japanese management practices can be successful when transplanted to a United States manufacturing environment.

The real success of the Japanese is not founded on some magical formula, but rather on a methodical pursuit of improving productivity in manufacturing practices. Says Masao Kanamori, president of Mitsubishi Heavy Industries, "The existence of our company would be impossible if we failed to reassess our performance in quality, production and cost."¹⁰⁴ The Japanese realize that they must constantly reassess their goals if they are to compete in the long-run.

This same long-term commitment is absent in American business. Even American executives are cognizant of this fact. David Entreen, president of Desco, Inc., in California, is quoted as saying,

"No significant sector of U.S. industry has a five-year plan for automating factories, or even a ten-year plan. In Japan, one company had a plan for a plant in 1966 that was to be remodernized five years later. It was remodernized in 1971 and again in 1976. In 1981, the plant was scheduled to be remodernized again, and in future years."¹⁰⁵

The Japanese are more practical than the Americans in realizing that technology is in a constant state of upheaval, and to compete efficiently one must constantly be operating in a state-of-the-art environment. For if he does not, his competition will.

Several examples of the lack of re-investing capital to improve productivity can be found in American industries. The United States auto industry emphasized marketing in its strategy much more than they emphasized technology. The steel industry also lost its technological leadership to Japan over thirty years ago.¹⁰⁶ A commitment to technology should supersede, in some ways, a commitment to improving relations with employees. "When it comes to making steel, a good attitude is not as important as a basic-oxygen furnace. On the auto-assembly line, no amount of team spirit will make a door fit more closely than its designed tolerance."¹⁰⁷ The combination of state-of-the-art technology and a dynamic work force within a manufacturing environment deliver dramatic results in both quality and production, as shown in Japan.

The participation of employees in utilizing current technology is just as important as in the decision-making process, thus the input of quality control circles must be considered. Up-to-date technology aids in improving quality and productivity. In repetitive manufacturing quality improvements reduce waste and rework, and smooth the output

rate, thereby improving productivity. The distinction between quality and productivity blurs. Japanese quality circles are oriented toward both quality and productivity improvements, whereas in the United States quality circles are usually concerned exclusively with quality matters.¹⁰⁸ The connection to productivity is overlooked. The Japanese manager perceives increased productivity to be a by-product of management policies; it is not a main goal of the companies. Quality is a main goal; learning curve improvements are a main goal. Out of these come productivity increases. The Japanese view the problem on a conceptual basis, while the Americans utilize an analytical approach.¹⁰⁹

Having given ample attention to quality control, Japanese managers are now confronted with the new task of encouraging individual workers to be creative and original. These qualities go much better with American individualism and personal freedom than with the groupism built on the principles of self-denial and hierarchical loyalty.¹¹⁰ The answer may be continuous training, whereby every employee participates in formal training as a regular part of his job until he retires. In the United States training is promotion-focused, while the Japanese training is performance-focused.¹¹¹ The Japanese feel that the continual training will foster creativity within the highly technological industries. American managers have the same problem, only in reverse -- American workers are independently creative, but need to improve their collective work quality.

When speaking of quality and production the most powerful example for American management is Japan's reliance on "do it yourself." Japanese firms train their own workers, build their own production equipment, and then make their own improvements. Engineers are closely involved with ongoing problems; their offices are usually adjacent to the factory floor. Workers even help design machines and describe products during sales calls. In contrast, American industry has isolated engineers in separate buildings. U.S. firms are almost wholly dependent on equipment suppliers because they cannot build or even modify their equipment.¹¹² By bringing together the engineer's expertise and the worker's experience, a more dynamic resource is created to improve quality and productivity.

Concerning technological innovations, the Japanese pattern has been to import technology, improve upon it, then replace it with native machinery and product design. The Japanese are obtaining productive results, as the following examples show. Between 1964 and 1975 the Japanese dramatically increased the productivity of their steel industry, reducing the man hours required to produce a ton of steel from 25.2 to 9.2.¹¹³ During the same years American productivity improved only slightly, from 13.1 to 10.9.¹¹⁴ In the auto industry, thirty-five workers aided by industrial robots produce three hundred fifty Datsun car bodies every eight hours, seven times the productivity rate of competing American automakers.¹¹⁵

The failure to develop long-term strategies has led many other United States industries to lose the technological leadership they

maintained fifteen to twenty years ago. Michelin of France provides a concise example of the American manager's reluctance to adapt to technological advancements.

Michelin of France led the way in radial tires even though it was obvious to most American tire-industry executives that the radial tire was a superior product. But if they went into it, they would make all the existing investment in the standard bias-belted tires obsolete. So they delayed and delayed.

In the short-run they increased their profits, but in the long-run they induced Michelin to enter the U.S. and build plants here. The Japanese are here, too. So American tire companies are frantically trying to do under duress what they should have been doing more leisurely and carefully ten to fifteen years ago.¹¹⁶

The computer, semiconductor and aircraft industries have maintained technological leadership in the United States, but even they are under pressure. The Japanese are making a determined attack on the computer industry and the success of the European-made Airbus is stimulating American aircraft firms to increase technological development.¹¹⁷ American managers need the competition to force them, in many cases, to keep an eye to the future.

The Japanese prove that to be adaptable to innovative technology there must be a capital commitment on the part of management. "Japanese business leaders believe in making investments that may seem risky in the short-run, as long as they look profitable in the long-run."¹¹⁸ In terms of research and development, the Japanese are spending much more than their United States counterparts. American corporations spend "an average of about one percent of total sales

on research and development. In Japan the figure is closer to six percent."¹¹⁹ The Japanese are investing as much money, in absolute terms, as the United States businessmen are -- or about twice the rate per capita.¹²⁰

The facts and figures may seem dismal to the American manager but there are definite signs of hope. The deep-rooted problems afflicting American business are not insurmountable, and there are varied examples of recovery within firms and industries which support that fact. After World War II Japan was an eager student of the United States, as the island nation reconstructed its society amidst devastation. The time has now come for American businessmen to let Japan fulfill the role of the teacher, and let themselves be the student. Actually, this is already occurring to some degree, as the following chapter shows that Japanese managerial principles and techniques are alive and well in the United States.

Chapter 7

JAPANESE MANAGEMENT IN THE UNITED STATES

The Japanese raise quizzical eyebrows at U.S. management experts who have been descending on Japan in droves to learn of the secrets of their amicable employee relations, high productivity and company loyalty. The Japanese freely admit they learned about quality circles, operations management, and other techniques from the United States.¹²¹

Examples of the successful implementation of Japanese managerial style within the United States are numerous. They speak for themselves, and are testament to the fact that the ills that plague American business are curable. Japanese subsidiaries in the United States and American firms adapting the Japanese style have shown that the American workers are highly productive under the correct supportive circumstances. A long-term view, partnership, communication, shared power, and research and development commitments are all evidenced in the following examples. First, a look at Japanese subsidiaries in the United States.

Sanyo Electric, Inc., of Los Angeles instills company loyalty in American workers with extensive benefits. Yoshimi Takemoto, president of the electronics firm, said, "We try to get inside the heart and make them realize they are not just part of a machine. We try to treat them all equally."¹²² By instilling pride in the workers, productivity and quality have risen. In Forest City, Arkansas, the Warwick Electronics plant, a subsidiary of the Whirlpool Corporation, was taken over by Sanyo Electric. Mr. Takemoto initiated a clean-up program shortly

thereafter. The plant had been operating with a deficit. The improved housekeeping gave the workers a sense of pride, resulting in a better product. An employee confidence program was also instituted. Production rose "from four hundred twenty-five TV sets per day to two thousand eight hundred sets per day, and roughly one thousand laid-off employees have returned to work."¹²³

American workers have indeed responded to the Japanese managerial philosophy. In the farm belt of Wisconsin, where a Japanese food company established a plant, a technician said:

"I like my job. It is interesting and gives me a chance to advance. I take satisfaction in contributing to a good product. The Japanese are patient decision makers. They listen to many opinions before making up their minds. When a decision is made, you know that it has been well thought out."¹²⁴

Testimonials such as this are heard in various locations in the United States. Problems with communication and cultural misunderstanding do occur, but when the Japanese managers resolve the issues the firm actively prospers.

Perhaps the following passage best describes the atmosphere and success of a U.S. Japanese subsidiary.

Time clocks are banned from the premises. Managers and workers converse on a first-name basis and eat lunch together in the company cafeteria. Employees are briefed once a month by a top executive on sales and production goals and are encouraged to air their complaints. Four times a year, workers attend company-paid parties. Says Betty Price, an assembly line person, "Working for Sony is like working for your family." This year the San Diego plant will turn out 700,000 color television sets, one third of Sony's total world production. More significantly, company officials now proudly say that the plant's productivity approaches that of its Japanese facilities. Plant

manager Shiro Yamada insists that there are a few differences between workers in the U.S. and Japan. Says he: "Americans are as quality conscious as the Japanese. But the question has been how to motivate them."¹²⁵

From that last statement by Mr. Yamada there is evidence that many problems in United States industry do stem from management, not from the workers. This is supported by the experience of the Volkswagens of America plant in Pennsylvania. Executives at Volkswagens found "that Rabbits made in America were just as good as the German ones. Was this work force different from those who turn out low quality Pintos and Aspens? No -- the workers are all U.A.W. members. The difference is design, management and newer equipment."¹²⁶

Ironically, there are many firms in the United States that have been using the techniques found in Japanese management, long before the Japanese came upon these techniques. In research performed with American managers from several industries, each manager was asked to name any American companies that had characteristics thought to be peculiar to Japanese firms. Managers named the same organizations repeatedly; I.B.M., Proctor and Gamble, Hewlett-Packard and Eastman Kodak.¹²⁷ An I.B.M. vice president was quoted as saying, "Do you realize that this form that you have been describing as Japanese is exactly what I.B.M. is? Let me point out that I.B.M. has developed to this form in its own way -- we have not copied the Japanese."¹²⁸ The main reason for pointing out the success of these techniques in American firms is to dispel arguments of the American cultural barriers

thought to prohibit implementation of these techniques considered by many to be uniquely Japanese.

University professors of business administration cite American firms, such as Delta Air Lines, which also have some of the Japanese characteristics. Delta, an airline industry leader, is admired for its management style. Employees at Delta do not just join a company, they join an objective in partnership with management and labor.

The Delta family feeling has made it hard for unions to gain a foothold. When the airlines suffered from the 1973 oil price hikes, Delta did not lay off some employees as did other airlines. "Now the time has come for the stockholders to pay a little penalty for keeping the team together," said the company chairman.¹²⁹

Delta's "family feeling" was present in December of 1982 when grateful employees purchased, through payroll deductions, a thirty million dollar Boeing jetliner in appreciation to the company. Says William Batten, chairman and chief executive officer for the New York Stock Exchange: "The gift is a dramatic, visible expression of an invisible spirit. It shows that "Delta's employees identify their personal well-being with the company well-being. It is not a we-they attitude, but us together. What a symbol this is to American business."¹³⁰

A classic case of improved productivity within an American firm is the General Motors plant in Tarrytown, New York. The company began a quality of work life program amidst major labor conflicts and quality deficiencies. As union members were invited to provide more than brute labor, their innovations improved the quality of the product and their commitment transformed the atmosphere of the plant. Grievances against

management fell from two thousand to thirty, and absenteeism decreased from seven percent to two and one-half percent.¹³¹ This plant is now one of General Motors success stories.

The high tech industry is often cited as one that is well managed. A brief history of one firm does explain why. The success of the managerial style described throughout this paper is apparent.

Intel, an American firm, was founded in 1968. Since that time, its sales have increased by an average of thirty percent each year. It puts more than ten percent of its income into research and development, a higher rate than any of its competitors. It also brings in more than twice as much revenue per employee as the industry norm. Intel's story is an advertisement for the classic ingredients in American business success: venture capital, initial risks, technical pioneering, and plowing the profits back into the firm. There is no suite of offices at Intel, managers share a common space.¹³²

A long-term view, partnership, communication, shared authority and a research and development commitment are all Intel.

CONCLUSION

In many ways, the lessons from the East help us to return to some old American values. Teamwork has been a part of the American ideal for a long time, but at least in our business affairs, we have placed it second to self and individualism. . . .The Japanese experience gives us firm evidence that teamwork and group effectiveness have productive values.¹³³

American researchers have delineated the characteristics and techniques of Japanese management in several ways. Ouchi cites seven characteristics which describe the Japanese style:

1. Lifetime Employment
2. Slow Evaluation and Promotion
3. Nonspecialized Career Paths
4. Implicit Control Mechanisms
5. Collective Decision Making
6. Collective Responsibility
7. Wholistic Concern¹³⁴

Pucik and Hatvany have developed a three-tier model of Japanese management concentrating on human resource management, rearranging several of Ouchi's characteristics.

1. Focus: Emphasize human resource management.
2. General Strategies: Develop an internal labor market, articulate a unique company philosophy, and engage in intensive socialization.

3. Specific Techniques: Job rotation and slow promotion, evaluation of employee attributes and behavior, emphasis on work groups, open communication, consultative decision making, and concern for the employee.¹³⁵

The five principles cited in this paper as "lessons" for the American manager incorporate the spirit of the techniques of both of the aforementioned models.

1. Developing a long-term view towards business practices stems from the spirit of re-investing for the future, life-time employment, slow evaluation and promotion, and is stated in a unique company philosophy as all five points may be.
2. Promoting increased partnership to fulfill the needs of the firm and employee highlights implicit control mechanisms, wholistic concern for the employee, and an emphasis on work groups.
3. Increasing openness in organizational structure and communication stresses collective or consultative decision making and open communication.
4. Sharing organizational authority is synonymous with collective responsibility while evaluating employee attributes and behavior, to utilize employee talents.
5. Realizing the need for ongoing research for improved productivity is a crucial aspect of a long-term company philosophy found in many Japanese firms.

These five principles, compared above, need to be the cornerstone of American managerial techniques for American industry to remain vital.

Many aspects of traditional American management are simply no longer accepted in other societies. Theories and techniques which were successful during the expanding 1950's and 1960's are no longer applicable. This is proven by Japanese productivity growth which is not languishing to the extent of American productivity,¹³⁶ even though the Japanese economy is subject to dependence on expensive oil imports, strict government regulations, and demanding labor unions.

In revamping their style, American managers must be selective. Some Japanese techniques are likely to fail in the United States. American businessmen are certain to be repelled by the notion of lifetime employment. This specific technique is not necessarily desired, either. What is important is that the American managers develop a long-term view towards business practices, as has been put forth in this paper. By increasing the bonds between the employer and employee, the employee will remain with a firm longer, if his needs are met.

In contrast to Japanese executives, American managers have a short-term view. American performance evaluations are based on short-range financial measures. This pressure on short-term results is a major factor in thwarting the impetus of industrial technological leadership which the United States enjoyed in the past.¹³⁷ With foreign competition advancing, American managers have been thrust towards introspection to ameliorate the problems affecting their

industries. Developing a long-term view toward business practices is a definite beginning.

Slow evaluation and promotion also have their shortcomings. An employee needs the feedback of evaluation to re-assess his skills, and he should be rewarded for his accomplishments, both as an individual and as a member of his department. There is a balance which must be maintained between the group-oriented philosophy and individualism. Both can co-exist within the same organization and should be recognized.

Non-specialized career paths are not generally found in American management, and again may not be desirable, though the advantages of job rotation must not be overlooked. Within many Japanese companies it is customary to move employees from one department to another every two or three years. In the process the employee acquires varied training.¹³⁸ The American employee would be able to satisfy his need for a new challenge while utilizing his expertise from previous positions. Japanese managers feel "that this policy gives the employees a broader view of what the company is trying to do, and helps to build an emotional attachment to the company."¹³⁹ Turnover rates remain lower and the employee realizes he will benefit in the long-run from being exposed to various business functions.

Within highly skilled occupations, specialization is necessary, but once a manager has this technical foundation he should be given the opportunity to expose himself to the other functional areas of the

firm. This will enhance not only his understanding of the organization's operational procedures, but also his effectiveness as a decision-making manager.

Because of the ambiguous environment in which the business sector operates in the long-run, there is a need to foster more of a sense of partnership among employees. "Certainly a system that makes people feel a part of the firm by being partners in the peril and progress of their company makes more sense than one in which employees receive salary increases even when their company suffers an earnings decline,"¹⁴⁰ which indeed does occur in many American firms. Management and labor must share in the fate of the firm; a fate which is partially determined by the actions of the individuals involved. As Mike Markkula, an executive of Apple Computer, states, "If you took all the people out of the buildings, what you'd have is a bunch of buildings. The company is worth nothing without its people."¹⁴¹ Human beings are a firm's greatest asset, and must be developed accordingly.

Some American managers allege that participatory management will lead to chaos and confusion within a firm. This does not have to be true. Participatory methods of management can work in the United States, but they must be based on the premise that teamwork and participation are better ways to solve problems because knowledge, information and skills are distributed among a number of people.¹⁴² Though this cooperative attitude is a drastic change from the individualistic attitude prevalent in American business, the consensus decision-making process can be successful if properly understood.

Richard A. Kraft, Quasar's vice president of engineering, admits "that the committee approach is bothersome at first because it takes time and appears to delay decisions needlessly. I have learned, though, to appreciate the approach because it results in solutions that work from the outset rather than ones arrived at through trial and error."¹⁴³ Also, American managers are trying to "sell" their decisions. The Japanese need to spend absolutely no time on "selling" a decision; everybody has been presold.¹⁴⁴

By forming an alliance with labor, through partnership and collective decision-making, traditional American managers may feel intimidated. There is no need for American management to feel threatened by workers in thinking that they will usurp managerial authority. Line workers, as previously stated, want to perform their job as efficiently as possible. Management must facilitate this to happen by giving employees the authority to influence the firm in matters which they are knowledgeable. Productivity is certain to improve with a conscientious and responsible work force.

With a commitment to improving quality and productivity, and to developing a dedicated work force, American firms must operate in a flexible manner to be able to adapt to necessary new technology. These same firms must not only react to new technology, but must also operate in a proactive manner. Since World War II, technological progress in Japan has depended on the efforts of the private sector. In the United States, technological development has been the government's task and has been concentrated on military and space technology.¹⁴⁵ The United

States private sector needs to commit more capital to research and development if it is to remain competitive amidst such technological flux.

Criticism of several of the recommended principles is present and is recognized. Recently, an issue of the Niehouse Report criticized the use of quality circles and other so-called imported management techniques in the United States.¹⁴⁶ The report stated that cooperative and participatory management and high productivity are successful in Japan because of the Japanese culture's group philosophy. The report cites that cultural conflicts exist in the United States which may hinder the use of these techniques in American organizations. Admittedly, conflicts do exist, but they can be overcome, especially if constructive communication channels are correctly implemented within an organization.

It is essential to remember that the quality circle philosophy and techniques are of American origin, fully exploited by the Japanese. Therefore, the U.S. firms are importing nothing from abroad, but are being forced to re-examine traditional labor and management philosophies in the United States. The success of the Japanese importation of American techniques is now the catalyst for this re-examination. Unfortunately, a crisis situation was needed to force American managers toward introspection.

The report also goes on to say that "group philosophy is stifling; not strong enough to contain individualities."¹⁴⁷ This criticism is a valid one as many Japanese workers do feel frustrated and coerced

because of the rigid group structure of their organizations. A stifling group atmosphere is the fault of management, just as a creative group atmosphere is to management's credit. No system is perfect, and the Japanese do not pretend to be so. An amount of flexibility must be interwoven in responsible leadership. American managers

...should exercise leadership that is flexible enough to effectively reach organizational goals and respect the individuals who will achieve those goals. To be effective such leadership must be flexible enough to support team work, without getting trapped by the group philosophy approach, and still encourage individuality and creativity.¹⁴⁸

The firm that develops a credible sense of stability and security enhances its flexibility. Security and stability will be nurtured by the firm that:

1. Develops a long-term view towards business practices.
2. Promotes increased partnership to fulfill the needs of the firm and employee.
3. Increases openness in organizational structure and communication.
4. Shares organizational authority.
5. Realizes the need for ongoing research for improved productivity.¹⁴⁹

Such are the lessons American managers are now being taught by their Japanese counterparts.

With the onslaught of advanced technology, the growth of the service sector in American business, and the ever increasing competition in the international marketplace, American business now finds itself in a period of transition comparable only to the Industrial Revolution.

American management must now strengthen its industrial organizations to remain viable competitors. The experience of Britain's climacteric must not be lost. The Japanese have proven to the international community that an economy can rise from devastation to prosperity in a relatively short time. In the shadow of such a feat, American managers should be avid students, now that their own protege, Japan, is surpassing its teacher.

FOOTNOTES

¹James Fallows, "American Industry: What Ails It, How To Save It," Atlantic, September 1980, p. 36.

²"Major Cause of Business Problems: Poor Managers," U.S. News and World Report, 8 December 1980, p. 69.

³Albert L. Starr, "Our Crisis in Management," The Humanist, 40 (September/October 1980):32.

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