

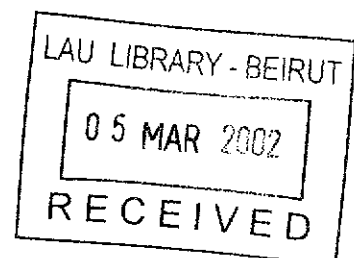
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A REPORT ON JAPANESE INDUSTRIAL GROWTH AND
MOTIVATION SYSTEM

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Chapter 1

INTRODUCTION

By presenting the concepts of human behavior that seems most relevant to managerial problems, we give a prerequisite to any conscious attempt to learn how better to "manage" people. Conscious is a key word, because many persons (including many businessmen), are extremely skillful managers even though they go about their activities more or less intuitively. Those of us who are not so gifted need to think out loud about human relations and about ourselves as mechanisms for solving business problems.⁽¹⁾

One key for effective performance is simply - but not simplistically - Motivation.

Specifically, a good understanding of motivation can serve as a valuable tool for understanding the causes of behavior in organization, for predicting the effects of any managerial action, and for directing behavior so that organizational and individuals goals can be achieved.⁽²⁾

In a series of studies it was found that greater production resulted where the supervisor had influence with his superiors and used this power to help the employees achieve their goals, when power is used to block employees' achievement, the group's achievement suffers. These studies support the contention that close supervision of the section heads is not so effective for productivity as more.

1- Harold J. Leavitt, Managerial Psychology-the university of Chicago press, Chicago & London p.3.

2- R.M. Steers & L.W. Porter, Motivation & Work Behavior - McGraw-Hill Int. Book Co., p.216 - 1979.

general supervision, a factor related to the feelings of security of the supervisor.⁽³⁾

As we can notice, without some kind of psychological theory, the manager cannot attach meaning to the red flags of human disturbance, nor can he predict the likely effects of changes in organization or personnel policy.

Besides, what makes the issue of motivation even more complicated for managers is the change that occurs in people, so a person, who has forces that make him or her want to do a good job may not be the same next year. So at the heart of every manager is the acute awareness of his lack of understanding of the human psychology. This will rise serious conflicts and problems in the organization since motivation is so closely linked to output, productivity, lower costs, and higher profit.

PROBLEMS

The industrial psychologist is interested in contrasting systems of work organization that pit the traditional autocratic climate against the participative, human relations approach and he is interested in manpower and organizational planning.⁽⁴⁾ The psychologists, along with other behavioral scientists, are addressing themselves, with acceptance, to the human problems of business. The problems are many - how to get people to say what they think to work together in problem solving, what kind of information will

3- B.Von Halter Gilmer, Industrial Psychology - McGraw-hill book Co. 1966, pp.200-201.

4- Ibid , p.20.

contribute positively to the motivation of people; how organizations can be structured to better satisfy human needs.

Psychologists are also interested in another level of problems - why people resist change, why people follow certain patterns of behavior, why people are forgetful, and many other that originate conflict in managerial motivation especially when managers have lack of understanding of the human psychology.

From another part, to get workers to produce, tasks were to be simple and repetitive, output controls were to be externally set, and workers were to be paid bonuses for beating their quotas, the manager's major task was thus seen as closely supervising workers to ensure that they met their production quotas and adhered to company rules.⁽⁵⁾ In short, the motivational assumption of the traditional model was that, for a price, workers would tolerate the routinized, highly fractionated jobs of the factory.

As this model became increasingly applied in organizations, several problems began to arise. To begin with, managers, in their quest for profits, began modifying the basic system. While jobs were made more routine and specialized, management began putting severe constraints on the incentive system, thereby limiting workers income. Soon, workers discovered that although their output was increasing, their wages were not. Simultaneously fear of job security arose. As factories become more "efficient", fewer workers were needed to do the job layoffs and termina-

5- Steers & Porter, Motivation & Work Behavior - p.16.

tions became commonplace. Workers responded to the situation through elaborate and covert methods of restriction of output in an attempt to optimize their incomes, while at the same time protecting their job.⁽⁶⁾

Often assumptions about the perceptions of others are wrong because they are incomplete. One may assume correctly that employees want more money, but he may fail to understand that more money is acceptable only within a certain framework of independence. This is the paternalism problem. Sometime the problem is simply lack of sensitivity for other people and sometime the problem (a big problem) is the in accurate information about other people.

PROBLEM QUESTIONS

Some major questions are raised in this study that face most managers.

1. What causes dynamics, flexible, and enthusiastically committed executive teams to become sluggish and inflexible as time goes by? Why do they no longer enjoy the intrinsic challenge of their work, but become motivated largely by wages and executive bonuses plans?

2. Why do executive become conformists as a company becomes older and bigger? Why do they resist saying what they truly believe - even when it is in the best interest of the company?

6- Steers & Porter, Motivation & Work behavior - p. 16.

3. How is it possible to develop a top-management team that is constantly innovating and taking risks?

4. It is inevitable that we get things done only when we create crises, check details, arouse fears, and penalize and reward in ways that inadvertently create " heroes " and bums among our executive group?

STATEMENT OF THE PURPOSES

If we ask managers why such problems as these exist; their answers typically will be abstract and fatalistic:

- It's inevitable in a big business.
- Because of human nature.
- I'll be damned if I know, but every firm has these problems.
- They are part of the bone and fabric of the company.

Statements like these are true. Such problems are ingrained into corporate life. But in recent years there has evolved a new way of helping executives develop new inner resources which enable them to mitigate these organizational ills. So the purpose of this study is to provide managers and responsables with a good picture about Japanese motivation and its application in business, where problems are much less and the understanding of human psychology exist in a different way.

PERFORMANCE OBJECTIVES

This study attempts to achieve following objectives:

1. To offer a brief history of Japanese culture and industrial growth in order to provide background for Japanese work ethics and morality.

2. To summarize the current motivational theories broadly practiced in contemporary management.

3. To analyse the development of Ouchi's theory, which of late, has come to be recognized as an important motivational theories in comparative management.

4. To evaluate features of motivational systems and discuss the factors which can foster healthy relation between managers and his subordinates.

ORGANIZATION OF THE STUDY

The report is organized into six segments. The first two segments of the research examines the cultural and economical background of Japan, and seeks to establish the interrelationships between the two. the study emphasises the causes which led to the unprecedented economic growth and prosperity of the country. In the segments following the first two, the report makes an attempt and as a matter of fact, analyses the factors responsible for high motivation of Japanese people, including the role played by their emotional, psychological make up, and devotion to family and organizations. At the end, the study dwells

upon the relevance of Japanese motivation system to modern industries and management.

PRESENTATION AND ANALYSIS OF RESULTS

THE CULTURAL BACKGROUND IN JAPAN

In order to fully understand the development of a theory, it is necessary to regress to a certain point or approximate period in time. In this study, a period in time is more appropriate.

Modernization in Japan dates back to 1868, the year of the Meiji Restoration.⁽⁷⁾ The traditional society from where modern Japan was born is historically identified as the Tokugawa era. It was characterized as backward, stagnant, and feudal; Japan's emergence from it at the time of the Meiji Restoration was considered as a miraculous break from the past

The Tokugawa regime managed the country through an intricate system of delegating authority. Feudalism - or the method used - was known as central feudalism, in that, the regime ruled the nation through nearly three hundred regional lords, who in turn, commanded their own retainers and commoners. Controlling these feudal fiefdoms took the aspects of an X - cultures, where, rewards and punishments were doled out to the appropriate persons.⁽⁸⁾ Coupled with this strict system of control was the introduction of a highly formal hierarchial status structure. The Shogunate classified the entire populace according to their status into four categories in the following order: Workers,

7- M.Y. Yoshino, Japan's Managerial Success: Tradition & Innovation, Cambridge, mass.: MIT press, 1968. pp.1-18

8- Douglas McGregor, The Professional Manager- N.Y. McGraw-Hill Book Co. 1967, p.79.

farmers, artisans and merchants.

Religion, which was to play a decisive role in future cultures was adopted in the seventh century and reinstated to a greater degree during the Tokugawa era. Confucianism was made the official ideology. It stressed four basic elements which would in turn lead to the "good" society, these were: benevolence, propriety, wisdom and obedience.⁽⁹⁾ Confucianism also put forward five key dyadic relationships and prescribed appropriate interaction for each: affection between father and son, respect and loyalty between master and servant, harmony between husband and wife, precedence between older and younger brothers, and trust between friends.⁽¹⁰⁾ Further, Confucianism gave the Bushido, that is the traditional military code of ethics, a new interpretation. The two central teachings of this philosophy stressed absolute loyalty to one's lord and unanswering filial piety.⁽¹¹⁾ The importance of this was such that, unlike other obligations one could never hope to repay in full the benevolence received from one's lord or one's parents. It is interesting to note that Hiroshi Tanaka points out in an article published in 1981 on the training of Japanese executives, that, the learning of ancient military (Samurai) techniques are encouraged and in some cases required by Japanese corporations.⁽¹²⁾

9- Yoshino, Managerial Success - p.5.

10-IBID.

11-Ibid.

12-Ibid pp. 51-53.

The basic for the future corporations which were to lead Japan into the position it currently holds in the world can be therefore traced back to Tokugawa era. This fact contradicts many writers on Japanese success which emphasized the modern factories available to Japan after second world war and the level of usage of industrial robots, as being the reason for high productivity and thereby implying greater efficiency.⁽¹³⁾ It must not ~~be~~^{be} forgotten that such a thesis does provide an answer in kind to the reasons for efficiency, but, it must be reviewed within the context of one input in the process and not the only input. Japanese success in business can, or better still, is attributed to the formation of clan - type structures, on which their organizations are based.

.... present trends indicate that a sense of relationship with the group is essential for personal satisfaction. Theory Z (so named by us) may be the obvious next step. (Did McGregor consider that the alphabet would ~~be~~ exhausted after one addition?)⁽¹⁴⁾

Whether Martin Starr can be said to have had an extraordinary insight into the future is questionable. But, what is interesting is his judgement that group theory will increase in importance.⁽¹⁵⁾

The sociological literature has found that people hold more general values toward work which are at least

13-Peter F.Druker, "Behind Japan's Success," Harvard Business Review- January - February 1981, p.83.

14-Martin K.Starr, Management: A Modern Approach . N.Y. Harcourt, Brace, Jovanovich Inc. 1971, P.668.

15-Ibid, pp. 670 - 683.

analytically distinguishable from job attitudes. These have gone by a variety of names ; the Protestant ethic, work ethic, labor commitment, and the like. Students of Japanese culture have uncovered a variety of value orientations (Bellah 1957, Nakamura 1964, Dator 1966, Beniers 1966), and Candill and Starr (1962), following Kluckhohn and Strodtbeck (1961), have attempted to measure the hierarchy of Japanese value orientations in terms of dominant and variant orientation.⁽¹⁶⁾ In Japanese firms employees agreed that the model value orientation is a primary of pleasure values, and this was supported by a questionnaire (see table 1) included three of the values that have been identified as prominent in contemporary Japanese culture and society.

Table 1.1

<u>Value Orientations of Electric & Shipbuilding Factory Personnel (%)</u>	<u>Percent agreeing</u>	
	<u>Elect.(v.31)</u>	<u>Ship.8</u>
Which one statement best describes your own view of your work.(including unmarried people)		
1. Work is my whole life, more important than anything else.	27.1	27.0
2. Happy family life is more important than a company job.	21.2	28.1
3. Work is only a means to get pay to spend on the pleasures of life.	51.7	44.9
	<u>100.0</u>	<u>100.0</u>

Source: Marsh & Mannari, Modernization and the Japanese Factory.

16- Robert M. Marsh & Hiroshi Mannari, Modernization and the Japanese Factory, P.U. press , New Jersey 1976 p. 112.

Because of its geographical location and isolation from other countries, Japanese people belong to a "closed" organization by which they are not socializers. The most distinctive matter is that Japan has never been invaded by a different ethnic group at any time in her whole history and as a result we find that the Japanese are a homogeneous race and very defensive against entrants from the outside, greatly because they live on irrigation farming, sharing the water supply only among themselves. Of course, there was the United States occupation for some time after world war two, but this experience did not present itself on a sufficiently wide scale to influence greatly the basic outlook of the people.⁽¹⁷⁾ All Japanese seems to possess, at least potentially, what may be called "group cohesiveness". They can at any time identify themselves with an organization to which they belong, even if temporary, and at the same time show a stubborn barrier against other organizations. This "closed" behavior sometimes takes an offensive form. It has been noticed that students from two different high schools from the same area fight with each other over minor matters and when confronted with students from another area they easily form a new group showing a broader enclosure. As a result, an even bigger conflict may take place between students from different prefectures. And the broadest unit of such group is Japan. In that, Japanese people are lacking in the feeling of being "members of the public", which is often pointed out

17- Naoto Sasaki, Management & Industrial Structure in Japan - A. Wheaton & Co. Ltd., *1981 - p.2.

to be reason for low public moral in Japan. As such the closed nature of Japanese firms is intrinsic to the Japanese people in the first place. However, this national characteristic must be clearly distinguished from the type of enclosure which firms develop as a system.⁽¹⁸⁾

To hide one's own feelings is considered as a virtue for Japanese people, whereas the lack of frankness in Western countries creates problems in human relations. Factors that contribute to the creation of the character in the Japanese firms as a system are several. The most important one may well be the life - time employment system. A loyalty can be matured as a person stay longer with an organization, the more loyal he becomes. For that and as a result of the life - time employment system we find that Japanese employees are much loyal than others to the firm that employs them . The seniority system, supporting life - time employment from inside, and the wage system based on seniority are other " Closed " systems found in Japanese firms.⁽¹⁹⁾ The rapid growth of the Japanese economy in the 1960s caused labour shortages in some sectors of the society but did not leave behind much labour mobility if compared internationally as table 1.2 shows.⁽²⁰⁾

As known in Japan that older people fill usually higher positions and are better paid. This system almost completely eliminates the possibility of labour mobility

18- Sasaki, Management & Industrial Structure in Japan - p. 2.

19- Ibid , p.3.

20- Ibid.

Table 1.2 How many times have you changed jobs ?

	Japan	U.S.A.	U.K.	F.R.Germany	India
- Never	71.5	23.0	41.4	56.1	85.2
- Once	14.8	17.9	23.8	24.9	9.0
- Twice	5.4	18.2	14.6	12.5	2.4
- Three times	2.2	13.3	7.7	3.6	0.5
- Four & above	1.3	12.2	12.2	1.8	0.7
- No answer	4.9	0.3	0.3	1.1	2.3

Source: The Japanese Youth, The Prime Minister's Office ,
Tokyo, 1978.

Note: The samples are youth in each country whose ages are
18 to 24 inclusive.

among firms; it is extremely difficult to find a job in other firms with similar, let alone improved, terms and conditions.⁽²¹⁾ Japanese youth have never changed towards more meritocracy, and by looking in table 1.3 we find another international comparison that show us a preference for the seniority system in Japan. In this table we should pay more attention to the fourth item to the first three as it is taken to be a more honest expression of their feelings.

When these closed systems are combined with intrinsic closed-mindedness and group cohesiveness of the Japanese people themselves, they begin to show a total situa-

21- Sasaki, Management & Industrial Structure in Japan,
P.3.

Table 1.5 Consciousness of the people of belonging to income class.

Classes	(%)		
	1962	1975	1978
- Upper Upper	0.4	0.8	0.9
- Lower Upper	2.1	3.0	4.8
- Upper Middle	35.0	43.4	49.3
- lower Middle	38.2	35.3	31.7
- Upper Lower	12.2	7.4	7.0
- Lower Lower	3.7	2.4	2.0

Source: Trend of life and consciousness of the Japanese, The Economic Planning Agency Tokyo, 1979.

In some respects, however, true familyism does exist in Japan. For instance, managers in Japanese organization frequently invite their subordinates for a drink after work, and these later help their manager in packing and cleaning his house when he is transferred to another plant or office. Such things are not understood in western society and considered it as an invasion of privacy.

An extreme example of this is found in the case of Idemitsu Petroleum. There they have neither time recorders nor a retirement age and according to Mr. Idemitsu, a past president of the company, " We do not fire employees, no matter what bad wages they may have. Who would fire his children ? As we do not let them quit, we do not have a retirement age. If an employee gets married, we will pay his wife 60% of his wage or salary, because we think she has

not be unreasonable to say that it is partly a product of egalitarianism backed with jealousy.⁽²³⁾ As a matter of fact, this egalitarianism has been advancing also in terms of economic equality and in that, table 1.4 shows that the gaps in the life - time income among primary and / or middle school graduates, high school graduates, and university graduates getting smaller.⁽²⁴⁾ This is proved internationally, too. According to an O.E.C.D. report, the income gap between the rich and the poor is the smallest in Japan among the O.E.C.D. countries, and the income equalization is most advanced. Though there may not be much difference among those countries, as table 1.5 shows, a great majority of the people in Japan consider themselves to be " middle class ".⁽²⁵⁾

Table 1.4 Differences of lifetimes income by school careers

	(index)		
	Primary & middle school graduates	High school graduates	University graduates
- 1965	57.7	70.2	100.0
- 1977	74.5	75.6	100.0

Source: Trend of life and consciousness of the Japanese, The Economic Planning Agency, Tokyo, 1979.

23- Sasaki, Management & Industrial Structure in Japan, p. 5.

24- Ibid.

25- Ibid , p.6.

Table 1.3 How would you like promotions and salary increases to be decided ?

(%)

	Japan	U.S.A	U.K.	F.R.Germany	Sweden
- Only by seniority	10.2	2.1	3.2	3.7	14.2
- Mainly by seniority but performance also considered	36.0	14.0	12.4	14.3	27.6
- Mainly by performance but seniority also considered	25.8	44.9	46.8	39.2	30.5
- Only by performance	6.5	34.3	35.5	39.0	12.6

Source: The Japanese Youth, The Prime Minister's Office, Tokyo, 1978.

Note: The samples are youth in each country ages are 18 to 24 inclusive

tion which may be extremely strong and exclusive.⁽²²⁾ This closed mindedness and group cohesiveness are often described as " Collectivism ". It is considered to be a norm that members of an organization discuss their intentions with each other, for a particular activity, on the basis of existing information and when this activity is, completed, they report the results to one another. Through this process of sharing information, the parties confirm that they are members of the same organization.

To express the situation differently, quite often Japanese management style is characterized as familism, and to be conspicuous in a family is not a sin. It would

22- Sasaki, Management & Industrial Structure in Japan, p. 4.

become a member of our family. And we do not give any sanction or penalty. Let a child think over his failure, then he will learn from it. "(26)

What should be noted, concerning this familyism, is that the father or the leader should not have or even wish to have authoritative power but rather he should be a man who "takes care" of these around him. In this system authority based on seniority coexists, at first sight strangely, with the egalitarianism which lets members of an organization say: " let's all share work together, enjoy and suffer together, as we are members of the same family."(27)

26- Sasaki, Management & Industrian Structure in Japan,
p. 7.

27- Ibid.

THE ECONOMICAL BACKGROUND IN JAPAN

i. The Industrial Structure

The rapid growth of the Japanese economy has brought about uneven growth between two sectors. One is that of big businesses, and the other is that of small and medium enterprises. The size distribution of manufacturers in Japan, indicates that 97.8% of the manufacturing companies have less than 100 employees and it is said that this distribution remained unchanged during the last twenty or more years, and is peculiar to Japan among the highly advanced industrialized countries (see table 1.6 & 1.7).²⁸

What is important existing along with this distribution is the productivity between the numerous small manufacturing companies and a few big ones. This gap naturally leads to another gap, that of wages (see table 1.8 & 1.9); and the wage gap by size of establishment is again peculiar to Japan as we can see in (table 1.10).⁽²⁹⁾

If we combine these findings with table 1.11 we may reason that roughly 70% of the workers working for small and midium companies get only 60% or less wage of that of workers working for big businesses.

What we have here is evidence of the so - called " dual structure " in the Japanese economy. A few big business with high productivity and high wages and numerous small and medium companies with low productivity and low

28- Sasaki, Management & Industrial Structure in Japan, pp. 17 - 19.

29- Ibid, pp.20 - 21.

Table 1.10 Wage differentials in manufacturing
in four advanced countries

	Japan (1976)	U.K. (1954)	U.S.A. (1967)	F.R.Germany (1967)
- 1000 & Over	100.0	100.0	100.0	100.0
- 500-999	85.8	89.3	81.3	90.5
- 100-499	74.0	86.8	75.0	84.1
- 50-99	62.3	80.9	72.5	77.1
- 10-49	59.3	79.9	73.8	69.7

wages coexist.⁽³⁰⁾ This dual structure is not only a structure with productivity and wage differences but also that with control. For those numerous small and medium companies are mostly related subcontractors, of big business, and they are fixed in the layers of subcontracting structure which has a hierarchy of parts supplies.

The point is that small and medium companies as subcontractors usually maintain continuous and exclusive relations with their parent companies and they become, as a result, substantial members of the industrial groups.⁽³¹⁾

30- Sasaki, Management & Industrial Structure In Japan, p.20.

31- Ibid, p.23.

Table 1.11 Distribution of workers by size of company

Number of workers per establishment	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
1-9	16.6	16.4	16.6	16.6	16.4	16.4	17.4	17.4	17.7	19.1
10-19	11.2	11.2	11.1	11.3	10.8	10.8	11.2	11.1	10.9	11.4
20-99	26.2	25.5	24.9	24.5	24.4	24.8	25.0	24.6	24.8	25.2
100-299	15.8	15.7	15.9	15.7	15.9	16.1	15.9	16.0	15.6	15.1
300-999	14.2	14.5	14.6	14.7	15.0	14.9	14.8	14.8	14.6	13.7
1000- & Over	11.2	16.7	17.4	17.5	17.5	17.1	16.0	16.2	16.2	15.6
1-299	69.8	68.8	68.5	68.1	67.5	68.1	69.5	69.1	69.1	70.8
300-& Over	30.4	31.2	32.0	32.2	32.5	32.0	30.5	31.0	30.8	29.3
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 1.12 Propensity to save by country

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Japan	17.9	16.9	17.6	18.9	18.7	18.1	17.5	18.0	20.5	23.7	22.5	22.4	21.2
U.S.A.	6.6	6.6	7.7	6.6	5.7	7.6	7.9	6.3	8.0	7.5	7.9	5.9	5.3
England	6.3	6.6	5.8	5.1	5.4	6.1	5.7	7.4	7.9	10.0	10.9	10.6	10.1
F.G. Germany	16.8	15.7	15.6	17.0	15.5	17.9	17.0	15.3	13.5	13.8	14.1	12.3	12.1
France	11.4	11.3	11.8	11.4	10.4	12.6	13.1	13.2	13.7	13.6	14.9	12.1	13.2

Source: Kokusai Hikaku Takei, Bank of Japan, Tokyo, 1979.

ii. Finance: " Over Borrowing "

The high rate of growth of the Japanese economy has been achieved by a high rate of investement especially by private companies. This high investement rate has been supported by personal savings as is shown in table 1.12.⁽³²⁾

How could the savings ratio in Japan be so high in relation to other countries. The reasons are several:

- 1- Usually Japanese companies pay bonuses twice a year amounting to more than three months wages.
- 2- The social security system is poor and unreliable in Japan, for that people have to save for their future.
- 3- Because of the seniority wage system in Japan, older person get more pay with less expenses because their children have finished education. This would increase their savings ratio.

These savings went directly to the commercial banks where the manufacturing companies borrow because their own funds are not sufficient for growth. But sometimes the banks themselves have not had sufficient sources and have lent more than is permitted by the law on reserve ratios and this deficit has been filled by money borrowed from the bank of Japan.

32- Sasaki, Management & Industrial Structure in Japan,
pp. 24-25.

As a result the financial position of Japanese companies on the average is quite weak and "unsound" and could be described as "over borrowing".⁽³³⁾ (see table 1.13)

Table 1.13 Trend of debt - equity ratio

	(%)			
	1968	1971	1974	1977
Debt	83.1	84.2	85.7	85.9
Equity	16.9	15.8	14.3	14.1

The cost of this high preparation of loan capital can be appreciated when it is realized that the rate of interest for the borrowed money on net profits reaches almost 5 % in Japan, while it is less than 1 % in U.S.A and the U.K. and when compared between companies in 1965 with labour cost in Nissan Motor the proportions were 90.2 (cost of money) versus 100 (labour cost), and in the case of Matsushita Electric they were 50.5 versus 100, while the same proportions for General Motors, Volkswagen and General Electric were 0.3, 1.4, and 0.4 respectively.⁽³⁴⁾

iii. Technology : Process Innovation

Before the war Japanese products were said to be

33- Sasaki, Management & Industrial Structure in Japan, p.24

34- Shigeto Tsuru, The End of the Miracle of Japanese Economy, The Mamichi Newspapers, May 1977.

Table 1.6 The size of establishment

	1966	1967	1968	1969	1970	1971	1972	1973	1974
Number of employees									(%)
1-9	72.8	72.7	72.6	73.5	73.4	73.4	74.4	74.4	75.1
10-19	13.7	14.0	14.0	13.7	13.6	13.6	13.2	13.2	12.7
20-99	11.3	11.0	11.0	10.5	10.6	10.7	10.2	10.1	10.0
100-299	1.6	1.7	1.8	1.7	1.8	1.8	1.6	1.7	1.6
300-999	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
1000 & over	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total number of establishment	594832	598958	602388	646926	652931	643552	702586	708447	696795

Source: White paper on Small and Medium Enterprises, Small and Medium Enterprises Agency, Tokyo, 1976.

Table 1.7 Employment structure in manufacturing in four countries

Size of establishment	U.S.A. (1958)		Japan (1964)		F.R.Germany (1961)		U.K. (1958)	
	thousand	%	thousand	%	thousand	%	thousand	%
1-49 employees	2645.3	(17.2)	4108	(41.5)	2757.6	(29.0)	897	(11.7)
50-99 "	1512.8	(9.8)	1115	(11.3)	676.8	(7.1)	658	(8.6)
100-499 "	4647.3	(30.2)	2183	(22.0)	2260.2	(23.8)	2428	(31.6)
500-999 "	1893.3	(12.3)	808	(8.2)	1007.0	(10.6)	1043	(14.6)
1000 & Over "	4695.1	(30.5)	1687	(17.0)	2806.0	(29.5)	2654	(34.5)
TOTAL	15393.8	(100.0)	9901	(400.0)	9507.6	(100.0)	7680	(100.0)

Source: Miyohei Shinohara, Structural Changes in Japan's Economic Development Kinokuniya Bookstore Tokyo 1970.

Table 1.9 Wage differentials by size of enterprise

Number of employees	1966	1967	1968	1969	1970	1971	1972	1973
1-3	12	12	12	16	13	13		
							38	39
4-9	44	45	46	47	47	47		
10-19	61	62	63	64	63	62	61	63
20-99	69	71	71	71	70	71	68	69
100-299	78	78	78	77	77	77	78	77
300-& Over	100	100	100	100	100	100	100	100

Table 1.8 Productivity differentials by size of enterprise

Number of employees	1966	1967	1968	1969	1970	1971	1972	1973
1-3	23	21	22	22	22	23		
							34	34
4-9	35	34	35	34	36	36		
10-19	46	44	45	44	46	47	48	52
20-99	53	52	54	53	54	55	54	56
100-299	68	68	69	66	67	70	69	71
300 & Over	100	100	100	100	100	100	100	100

" copied " and " cheap and bad ". But afterwards, especially in recent years, the quality has been greatly improved, and they are regarded now as " cheap and good ", though still quite often lacking in originality. Table 1.14 shows the balance of Japan's technology trade and its comparison with other industrial countries, and how Japanese industries have grown on imported technology which have not only introduced and digested but also improved them.⁽³⁵⁾

The technical innovation (or improvemebt) has been found more in production processes than in products. After world war two all major plants in Japan were destroyed, and industries could build optimally laid - out plants on the vacant land, and survey missions was sent to the United States to absorb much advanced technology as possible. The lessons they brought back were: " the larger the plant, the lower the unit cost ", and " the newer, the better".⁽³⁶⁾

Most new and modern technology has been absorbed by Japanese industries, and a lack of R & D capability could eventually undetermine Japan's economic vigor, (see table 1.15).⁽³⁷⁾ In spite of these gaps, however, Japanese industries seems to have begun to make " product innovation ", too, as we find it now in quite a few products manufactured by Japanese companies.

35- Sasaki, Management & Industrial Structure in Japan,
pp. 26-28.

36- Ibid, pp.28-29

37- Ibid, p.29.

Table 1.14 Balance of Japan's technology trade

(million dollars)

	Japan		U.S.A.		U.K.		France		F.R.Germany						
	Export (A)	Import (B)	A/B	Export (A)	Import (B)	A/B	Export (A)	Import (B)	A/B	Export (A)	Import (B)	A/B			
1965	17	166	0.10	1534	135	11.4	134	128	1.04	169	815	0.79	80	196	0.41
1967	27	239	0.11	1747	166	10.5	172	161	1.07	196	236	0.85	95	223	0.43
1969	46	368	0.13	2019	221	9.1	211	212	1.00	336	332	1.01	103	228	0.36
1971	60	488	0.12	2546	241	10.6	288	270	1.07	398	467	0.85	157	426	0.37
1973	88	715	0.12	3238	385	8.4	341	326	1.05	844	741	1.14	216	619	0.35
1975	161	712	0.23	-	-	-	-	-	-	-	-	-	308	834	0.37

Table 1.15 Comparison of Research & Development expenditures.

		(%)
	Sales	R & D Sales %
- Chemical.		
Dupont	2073030	4.9
American Cyanamid	533961	3.3
Mitsubishi Petrochemical	229699	2.5
Mitsui Petrochemical	150138	2.8
- Machinery.		
Caterpillar	1224630	3.5
International Harvester	1489773	2.4
Mitsubishi Heavy Industries	1094427	1.0
Hitashi Shipbuilding	301350	1.8
- Electric.		
Western Electric	2214510	5.0
General Electric	3472590	2.8
Hitashi Ltd.	1094779	5.4
Nippon Electric	385826	4.3
- Automobile.		
Ford	7086300	3.5
Chrysler	2263321	3.2
Toyota	1473852	1.5
Honda	519897	1.3

Source: The Weekly Diamond, Tokyo, 4 October 1975.

THE DEVELOPMENT OF THEORY Z

By almost any measure, Japan's economic and, more specifically, industrial development has been a notable success. Its real economic growth rate averaged over 10 percent through the 1960's (Oriental Economist 1969, 1971), and its industrial productivity index number (1960 = 100) was 172 in 1965 and 371 by 1970 (Ouchi 1971:3)⁽³⁸⁾ Among the 49 nations for which the United Nations presented data, Japan had the fourth highest rate of increase of industrial production in manufacturing between 1964 and 1969. The Japanese firms' rate of growth in sales was higher than that of the European firms. When United States firms are included, the number of Japanese firms among 200 firms with the largest sales in the world increased from eight in 1962 to fourteen in 1969. Although 114 United States firms has sales over US\$ 1 billion in 1969, in contrast to 13 Japanese firms, in dynamic terms the striking fact that the Japanese firms were generally rising in rank among the world's leading 200 firms (mean use of 11.3 ranks in sales from 1968 to 1969) , while the American firms were generally falling (mean fall of 2.3 ranks)⁽³⁹⁾

What major factor accounts for Japan's success in industrial development and growth is the Japanese people themselves . The Japanese goverment's Economic White Paper

38- Marsh & Mannari, Modernization & the Japanese Factory,

39- Ibid, p.5.

for fiscal 1968 summarized the factors as follows:

" Japanese people's industriousness, their high rate of savings, and excellent labor.... and the existence of a competitive society based on institutional reforms are the major factors that supported the nation's rapid postwar economic growth ". (The Mainichi Daily News, 1969:5)⁽⁴⁰⁾ William Ouchi explains that efficiency, productivity, and growth of a company depends greatly on the work force. In turn, productivity and companies growth will establish the economic structure.

Hundreds of millions of dollars had been appropriated for research on new techniques in electrical engineering, physics, and astronomy. It supports the development of complex economic ideas. But almost no funds go to develop the understanding of how to motivate and manage people at work which is the most important factor in Japanese success. The problem of productivity in the United States will not be solved with monetary policy nor through more investment in research and development, but rather it will be solved when they learn how to manage and motivate people in such a way that they can work together more effectively.⁴¹ Motivational factors can offers several such ways. It can involve the process of developing the ability of the organization to coordinate people, not technology, to achieve productivity. In part, this can involves developing people's skills, but in part it also involves the creation of new

40- Marsh & Mnnari, Modernization & the Japanese Factory, p.5.

41- William Ouchi, Theory Z, How American Business can meet the Japanese challenge- Reading, Mass, Addison - Wesley publishing company Inc. 1982 p.5.

structures, incentives, and a new philosophy of motivation.⁽⁴²⁾

According to Thomas Lifson, a young scholar at the Harvard Business School, the central feature of the trading firm is an extensive management system that maintains a sense of trust between employees in the trading company.

Increased productivity will not come through harder work. Most employees work as hard as they can, and many work too hard for their own good in trying to catch up. Productivity, is a social organization or, in business terms, managerial organizations. Productivity is a problem that can be worked out through coordination individual efforts in a productive manner and of giving employees the incentives to do so by taking a cooperative, long-range view.⁽⁴³⁾

On what basis, a well motivating and managing system should be established to improve productivity ? An executive's skills are rooted in (1) his personality, (2) his cultural conditioning, (3) his specific training and prior organizational experience. Of these three determinants, the first is most difficult to change; the other two provide a much more fertile ground. In particular, stepping outside the culture helps us see more clearly those areas in which opportunities to improve skills exist. Once we identify a cultural blindspot and are convinced of the advantages of approaching a particular situation differently, it usually requires applied conscious attention for a time to develop skill which can then be used less consciously. So, identification of people's culture and norms is the essential study in

42- Ouchi, Theory Z, How American Business can meet the Japanese Challenge, P.83

43- IBID. P5.

developing an effective motivational system. As a matter of fact, when Ouchi identifies Japanese culture, the values, self-actualization, collectivism, and seniority, with high productivity, growth and industrial peace he, in fact, emphasizes the essence^{of} motivational system - back bone of the entire industrial activity of Japan.

Online motivational system identified and recognised as theory Z, is put forward by William Ouchi himself not as a new concept. Ouchi's work in the field of Japanese management can be traced to a joint publication of his in the Harvard Business Review of September to October of 1974.⁽⁴⁴⁾ Granted, he did not pronounce the birth of a new theory in his article, but on the other hand, the elements of the theory were there. The article emphasized the five major elements:

- The flow of information : the initiative is from bottom-up.
- The making of management as facilitators of decision making rather than the issues of edicts.
- The usage of middle management as an impetus for the shaper of solutions to problems.
- The stressing of consensus as a way of making decisions.
- Paying careful attention to the well being of employees.⁽⁴⁵⁾

44- William Ouchi & Richard Tanner Johnson, " Made in America (under Japanese management) " Harvard Business Review, Sept. 1974, P. 838.

45- IBID.

In yet a later article he put forward the idea of clan - mechanisms integrating themselves into the framework of a corporation:

A clan mechanism... which attains cooperation by selecting and socializing individual such that, their individual objectives substantially overlap with the organization's objectives.⁽⁴⁶⁾

By carefully integrating these two elements, it was possible for Ouchi to procure theory Z, such that, theory Z is basically an amalgamation of the two.

(Z organization) are most aptly described as class in that they are intimate associations of people engaged in economic activity but tied together through a variety of ties.⁽⁴⁷⁾

Knowledge of each other person is the key component in forming this clan element and not blood relationships.⁽⁴⁸⁾

The positive elements of this type of relationship leads to a general feeling of being and belonging. A by - product, trust, is the inevitable outcome of a clan. Since, the whole tends to be more important than the individual and

46- William Ouchi, "A Conceptual Framework for the design of Organizational Mechanism, Management Science, 1979 p.838.

47- William Ouchi, Theory Z .

48- Ouchi, Design of Organizational Mechanism pp. 833-847.

goals universal; interaction between people act in an extremely symbiotic manner.⁽⁴⁹⁾ Where, different departments are willing to take personal or departmental losses such that, the overall corporation can pull through a period of convalescence - an interesting point when compared to the ego-centric attitudes of managers in American firms.

The weak points in a clan - type corporation are few but substantial enough to justify their study and in doing so trying to alleviate them. Firstly, the tendency of clans to develop a xenophobia towards outsiders, is by far the most important factor. Secondly, changing a person's outlook towards cultural ideals and values is difficult and the tendency to maintain the status - quo is the norm for the majority. Thirdly, clans tend to breed homogeneity in their members (whether this is a vice is questionable).

49- Ouchi, Design of Organizational Mechanism pp. 833-847.

OUCHI'S MOTIVATIONAL THEORY

To define theory Z, as a matter of fact, is not as simple as theories X and Y, Theory Z is a wholistic concept of Clan - Industrialism. The theory itself stems from the observation of dominant corporate structure - forms where the means for organization are analysed objectively and transposed into a theoretical framework. A Z - corporation would therefore show evidence of the following tendencies.⁽⁵⁰⁾

- i Lifetime Employment
- ii Slow Evaluation and Promotion
- iii Non Specialized Career Paths
- iv Implicit Control Mechanisms
- v Collective Decision Making
- vi Collective Responsibility
- vii Wholistic Concern

Although the terms are self explanatory, - except may be for the term wholistic concern - a brief introduction to their meaning and *raison d'etre* follows.

(i) Lifetime Employment may be single term which has become synonymous with the Japanese corporation. Even though the concept is regarded as a truly Japanese method, its practice in Japan is not as widespread as one may believe.

50- Ouchi, Theory Z, pp. 11 - 54.

Lifetime employment was introduced as a measure to provide the employee with an explicit notion of security. Which, in turn has developed a significantly high level of employee loyalty towards the firm. This concept has stimulated Yoshino into labeling the outcome of such personnel practices as paternalistic in nature.

Because of continuation of such practices as lifetime employment, the reward system based on seniority, and the extensive provision of fringe benefits on is inclined to conclude that the traditional paternalistic pattern of the previous era still persists.⁽⁵¹⁾

Yet, both W. Ouchi in his publication Theory Z, and K. Hayashi in an article published in Management Japan, in autumn of 1980 , contend that the question of paternalism in achieving an effective planning and wholistic milieu in the Japanese corporation is for all practical purposes non-existent.⁽⁵²⁾ It is obvious that the benefit of lifetime employment to the firm are beneficial in terms of trust, loyalty to a firm, and commitment to a job over most of one's productive years. But, it would be naive to visualize a firm where all its members are the ultimate embodiment of efficiency. Man, - genetic engineering a part - is unique and no matter what incentives are offered, his reactions cannot be scientifically or otherwise predetermined.

51- Yoshino, Managerial Success, p.113.

52- Kichiro Hayashi, "Corporate Planning in the Japanese Milieu," Management Japan, Autumn, p.8 see also Ouchi, Theory Z p. 128.

Management in Sake company is in fact more paternalistic than in Electric and Shipbuilding companies, since there is no labor union in Sake company, and hence management sets the salaries of its office and other nou-koura personnel.⁽⁵³⁾ Employees have the right to acquire shares in the company's stock as a reward for years of service, rather than having to buy them on the stock market. One interpretation of the paternalism - lifetime commitment model is that all employees tend to be high in all aspects of integration into the firm. Employees rather uniformly are highly cohesive with their fellow employees, favor company paternalism, participate frequently in company recreational activities, are highly identified with the company's instrumental goals and problems, exhibit low levels of conflict as between, for example, workers and managers, do not change firms, and have high levels of supports for lifetime commitment norms and values.⁽⁵⁴⁾

(ii) Slow Evaluation and Promotion can be seen within the framework of an analogy: a pressure valve. By inducing employees into acceptance of slow evaluation and promotion, the corporation has in effect devised a mechanism which promotes the idea of, " people who cannot be fooled "⁽⁵⁵⁾ Gone are short - term corporate games where the ambitions will try to succeed at the expense of others and possibly at the expense of the firm itself. However, this does not necessarily imply that there will be a lack of initiative on behalf

53- Marsh & Mannari, Modernization & Japanese Factory-p.196

54- Ibid, p. 178.

55- Ouchi, Theory Z - p.29

of the employees in such a firm. But, moreover, the incentive to initiate projects would be directed towards the long - term horizon.⁽⁵⁶⁾ Such action tends to be a guarantor of longevity and survival of the corporate entity. And, it is reasonably correct to pronounce that such organizational satires as the Peter Principal, would never have materialized under such a personnel policy.

(iii) Non Specialized Career Paths are in contradiction to a major underlying factor in the ideal of the Industrial Revolution. Specialization is a required element of the industrial for organizational efficiency ? By requiring employees in Japanese companies to change tasks, the person becomes much better versed in understanding and interpreting company goals and or direction. Since, his experience becomes tantamount to virtually any other person of his own stature in any department. The level of effective coordination between departments in a Z - organization when compared to other types of organizations - where employees coordinate so long as there is no call for understanding anything beyond their speciality - is much greater. Hiroshi Tanaka has described this action of learning through experience, " taiken kyoiku ", as an unrivalled method for educating new employees.⁽⁵⁷⁾ An interesting passage from The Notebooks of Lazarns Long, by R.A. Heinlein substantiates the ideal of non specialized carreer paths:

56- Kichiro Hayashi, "Japanese Management of Multinational Operations: Sources and Means of Control," Management International Review pp.47-57.

57- Hiroshi Tanaka, "New Employee Education in Japan," Personnel Journal, january 1970, pp.53-57.

A human being should be able to change a diaper, plan an invasion, butcher a hog, conn a ship, design a building, write a sonnet, balance accounts, build a wall, set a bone, comfort the dying, take orders, give orders, cooperate, act alone, solve equations, analyze a new problem, pitch manure, program a computer, cook a tasty meal, fight efficiently, die gallantly. Specialization is for insects.

However intense one may feel that the above accurately describes his potentials as a human being, they are only potentials and objectively speaking can never be attained to the level of expertise that a specialist can offer.

(iv) Implicit Control Mechanisms are the inevitable outcome of clan organizations:

The organizational culture consists of a set of symbols, ceremonies and myths that communicate the underlying values and beliefs of that organization to its employees.⁽⁵⁸⁾

Explicitly stated target or objectives are unknown to the Z organization. Management by objectives (M.B.O.) as a management technique does not exist in the corporation, since the mere mechanism of non - specialized career paths act as a reinforcement or guiding light for what ought to be the objective.⁽⁵⁹⁾ The tribe or clan need not to be told where it

58- Ouchi, Design of Organizational Mechanism, p.40.

59- Ouchi, theory Z - p.42.

is going since, it already knows.

(v) Collective Decision Making or decision making by consensus. This type of decision making differs from participative decision making in that, it is a great deal more far reaching and subtle in kind. Instead of affecting a group of say, eight or ten people, sixty to eighty persons are usually directly involved in making the decision. It is evident that the process is long yet, when completed it can truly be tagged as comprehensive. A key feature of this type of decisions making is the intentional ambiguity of who is responsible. Responsibility is therefore assumed jointly by all persons involved in the decision. This factor leads to a naturally participative feeling within the ranks of the corporation.

Table 1.16 shows an international comparison of Japanese decision - making style with that of other Asians. Though not fully revealed in these figures, here we find explicitly and implicitly such often cited characteristics of the Japanese decision - making codes as harmony, consensus, seniority, paternalism, collectivism, and so on.

Table 1.16 Comparison of Japanese decision-making style
with that of other Asians

(Q). How are important purchasing decisions usually made in your company (Please check only one.)

	Japan(%)	South Eastern Asia(%)
-One man decides	3	5
-One man decides based on recommendations of technical personnel	22	52
-Several individuals must approve	32	27
-Group Consensus	38	13
-No response	5	3
	100%	100%
NUMBER OF RESPONSES	356	894

Source: Management & Industrial Structure in Japan, Naoto Sasaki, Printed A.Wheaton & Co. Ltd. 1981.

(vi) Collective Responsibility can be interpreted in two ways. One, that collectivism implies a loss of individuality, a loss of freedom to be different, to hold fundamentally different values from others. And two, that collectivism is economically effecient since, it causes people to work well together and encourage one another to better efforts.

No one person carries out a transaction alone. The interaction of a number of inputs will succeed in the completion of a project and not the work of one single person. Back to M.B.O. which requires theory Y type of thinking

rather than theory X, mention that the job of each manager to help in the creation of the proper conditions in the organization so that people not only accept but seek responsibility.

From primary school to the university, the Japanese student is encouraged to act and think of himself primarily as a member of a group, rather than as an individual. Thus, before a person ever enters a company, he has normally developed a collectivity orientation, and upon entering the company, he transfer this to the new group setting only.⁽⁶⁰⁾

(vii) Wholistic Concern for people in Japanese organization stems from both historical accident and underlying social and cultural forces.⁽⁶¹⁾ Social scientists have noted that wholistic relationships develop in "total institutions" such as, mental haspitals, prisons, religious orders, and military units.⁽⁶²⁾ It has been argued that such relationships are not compatible with industrialism. Since, industrialism inevitably leads to the specialization of labour, high mobility between employees, and partial inclusion in groups. However, the Japanese have shown Wholism in industrial life is possible whether this intimacy is desirable or questionable.

60- Marsh & Mannari, Modernization & Japanese Factory, p.179.

61- Ouchi, Theory Z, p.53.

62- Ibid, p.54 - 55.

CONTRASTING FEATURES OF MOTIVATIONAL SYSTEMS

The large corporation began to emerge as a dominant organization in society around the turn of this century.⁽⁶³⁾ As the west tended to lead the rest of the world in spawning such enterprises, it is not surprising that so - called modern management, as we know it, is largely a western creation. The scope of activity of these large and diverse enterprises required tiers of management and delagation of authority.⁽⁶⁴⁾ But how could those without ownership be trusted ? Nearly half a century was needed for the concept of professional management to establish itself. These "professionals" were facing two principal problems (1) how to organize effeciently and delegate responsibilities, and (2) how to reward and motivate employees, as well as how to control resources and ensure results.⁽⁶⁵⁾ The way in which management solves these problems in a society is a measure of the society itself, and by that, theories, were born in the purpose of solving the second problem.

The leader in the western motivational theories was Douglas McGregor by his theories X & Y where he assumes in X - environment that people dislike work and will avoid it if they can; he says that people must be forced, directed and threatened in order to make them work. According to this theory, most people prefer to be directed and try to avoid

63- Richard T. Pascale & Antony G. Athos, The Art of Japanese Management: Application for American Executives, Simon & Schuster, N.Y. P.24.

64- Ibid.

65- Ibid.

responsibility as well as they have little ambitions.

In theory Y, McGregor assumes that the same mental and physical effort an individual is expending at work is as natural as playing or resting. He says that people can direct and control themselves to serve the objectives in which they are committed; he also says that human beings learn under proper responsibility.

The idea that the two theories X and Y exhaust the value systems of international managers and thereby provide the " industrialized " person with the means to guiding and controlling interpersonal relationships, under any and all circumstances - is rather difficult to digest. Granted, X and Y tend to evoke a sense of totality. But, as Chris Argyris points out in his introduction to Management and Organizational Development : The Path from XA TO YB, McGregor's analysis of management assumptions are attitudes of the middle-class Americans and not necessarily those of the working class (if this should be the case, then, how can such theories be - of all things - universal).⁽⁶⁶⁾ For all practical purposes theories X and Y are geared towards the WASP Manager.* As result, should a change be instigated it must be biased in favour of WASP values and follows the inevitable top - bottom route. The " protestant Ethic " will and should survive (?).

*- Wasp, is an acronym for White Anglo Saxon Protestant.

66- Argyris Chris, Management and Organizational Development, The path from XA to YB. NY. McGraw Hill Book Co, 1971 p.8.

Theory Z provides corporations with a totally different concept than that of theories X and Y. Instead of gearing itself towards individuals it promotes the formation of certain work milieus where the person can keep his individuality and at the same time is offered the optimum environment for cooperation. By providing for such an environment, theory Z surpasses individual values and advocates group or clan values.⁽⁶⁷⁾ The class therefore becomes the reference point. This factor therefore, when compared to the change mechanism of going from theories X to Y - the ultimate route to managerial success; as McGregor states - does not have to follow any prescribed direction. Since, change from within advocates a multidirectional network and not top - bottom or bottom - top but either, both and others, it can be defined as a wholistic change mechanism.

When comparing the typical American corporation with the components that support theory Z we will end up with two abstractions from reality, each describing some set of underlying tendencies which capture the not-always-realized essence of an organization form.⁽⁶⁸⁾ When we do this, what we find is that the American model is the opposite of the Japanese model in every important aspect:⁽⁶⁹⁾

<u>Japanese Organization</u>	<u>vs. American Organizat"</u>
- Lifetime Employment	Short - term Employment
- Slow Evaluation and promotion	Rapid Evaluation and promotion

67- Ouchi, Theory Z.

68- Ibid p.48.

69- Ibid pp.48 - 49.

<u>Japanese Organization</u>	<u>vs. American Organization</u>
- Non - Specialized career paths	Specialized Careerpaths
- Implicit Control Mechanism	Explicit Control Mechanism
- Collective Decision Making	Individual Decision Making
- Collective Responsibility	Individual Responsibility
- Wholestic Concern	Segmented Concern

In " The Japanese Factory " (1958) Abegglen actually argued that the Japanese paternalistic type of factory organization results in considerably lower performance than the more modern (Western) type:

... in comparing their plants with American factories producing similar items; few Japanese executives would venture a productivity proportion as high as 50 percent of the comparable American unit... One plant, using American processes and machines to produce a product under American patents and thus identical in factory set up to the American firms, was reported to produce at a rate of about 60 to 70 percent of the American company. This was the highest percentage reported by any plant observed... A good part of the problem in Japan may be attributed not so much to technical factors as to the effects of the social organization on the productivity system.⁽⁷⁰⁾

Japan in that time was still in a period of sluggish post-war recovery, and by 1960 Japan's economic and, more speci-

70- Marsh & Mannari, Modernization & Japanese Factory, p.264

fically, industrial development has been a notable success.

The ideology used in Japan to legitimize the seniority wage system (*Nenko Chingin Serdo*), which differ from western system, is that it is the most prevalent one in Japan, and the best suited to Japan's economy and culture. The seniority wage system is functionally interdependent with the lifetime - employment system. Whereby, at least in the larger companies, regular employees entered a firm after completing school with the expectation that they would remain in that firm until retirement, typically at age 55, and that the company would not discharge them.⁽⁷¹⁾

I want to stress here an important feature which differentiate Japanese managers from others. Table 1.17 give us very interesting data. This data coincides with our intuitive judgement that nationalism in the minds of Japanese managers is quite strong.

Table 1.17 Dealing with banks and finance Co.

In your business dealings with banks and finance Co.,
would you prefer to deal with:

	Japanese (356)	South Eastern Asian (894)
- Joint venture of foreign/ national organization	3	21
- Totally national/local organization	66	17
- Totally foreign organization	1	11
- Make no distribution to whether the organization are foreign or national	29	52

Source: Management & Industrial Structure in Japan, Sasaki.

71- Marsh & Mannari, Modernization & Japanese Factory, p.125.

Nationalism in management is quite important to increase or improve the growth of local companies and of the country as a whole. Nationalism puts individual in a close society where the Japanese survived through their capacity to work together in harmony.

ACCEPTANCE OF Z CULTURE BY THE WESTERN ORGANIZATION

Transposing theories X and Y onto the points laid down for typical American Organizations supports the emphasis placed on individuality. It may be argued that Z - components are culturally bound and therefore do not apply to American managers. The main factor which would support such an argument is the point that American managers themselves place a great importance on individuality. However, in a study concluded by Georges England on the value structure of managers in America and Japan, it is interesting to notice the acute similarities in their values.

<u>Japanese Managers</u>	<u>American Managers</u>
- Pragmatic Orientation	Pragmatic Orientation
- Organizational Goal Orientation	Organizational Goal Orientation
- Competence Orientation	Competence Orientation
- Achievement Orientation	Relevency of groups Orientation
- Intended Humanistic Orientation	Intended Humanistic Orientation
- Rejection of Organizational Egalitarian Orientation	Rejection of Organizational Egalitarian Orientation

Source: The manager and his values: An International Perspective from the United States, Japan, India and Australia, p.88 & 99.

A personal value system is viewed as a relatively permanent perceptual framework which shapes and influences the general nature of an individual's behavior. There, if one is to accept

England's work as an unbiased, statistically significant study, it is necessary to refute the argument that Theory Z is culturally bound. This because the value of individuality was found that both Japanese and American managers do not show any significant deviation from the calculated mean value.⁽⁷²⁾

Prior to the writing of theory Z, William Ouchi arranged for the interviewing of managers from a great variety of American industries. Each manager saw a list of the seven characteristics of the Japanese type, but with no indication that these were related to anything Japanese. Each manager was asked to name any American companies that had these characteristics, and surprisingly managers named the same companies repeatedly: IBM, Procter & Gamble, Hewlett - Packard, Eastern Kodak, the U.S military.⁽⁷³⁾ These organizations, all commonly thought to be among the best managed in the world, were identified as having the same characteristics as Japanese companies.⁽⁷⁴⁾ Granted, the degree to which these firms implemented Z - components was to a lesser amount than that advocated by Japanese companies. But, what must be asked is, given that a Z - nature has no cultural boundaries then, is the formation of clan type organizations a mature - or if you wish - strong enough system to withstand the prevailing world circumstances. Yet, an agreement reached two years ago between the General Motors' Workers Union and management has produced a historical outcome. Due to

72- England, Values, p.32

73- Ouchi, Theory Z, p.57.

74- Ibid.

the declining sales of new automobiles in the United States, GM decided that drastic action needed to be taken in order to avert the forecasted losses they expected in 1982. The obvious need was therefore to cut expenses, thereby procuring a sufficient financial buffer to survive the year. However, the result of the inevitable talks between management and unions resulted in the following: workers were willing to accept a reduction in their wages for a commensurate reduction in the price of a new automobile. The result: GM has decided to reduce retail prices of new models thereby, in effect producing a demand stimulus and obliging their competitors to follow suit or, face the consequences that an oligopolistic market will enforce. The decision of both management and labour to agree on such a factor, only emphasizes the general decline in the so called " individuality syndrom ", and the apparition of a clan - type feeling begining to take hold in a corporation.

Taking the example of Kodak, and Proctor & Gamble, these companies center much of their employment in a small - or medium - sized town. In such surroundings, employees naturally develop a web of wholistic relation. However, it's also the kind of network that can become overbearing, especially when the company hierarchy is transmitted to community life, so that instead of a status reversal in community life, which produces a more egalitarian corporate climate, we can end up with just the opposite - a community shackled by the same hierarchy that characterizes corporate life.⁽⁷⁵⁾ A plantation - style, paternalistic

75- Ouchi, Theory Z, pp.179-180.

organization quite different from the type of Z with its egalitarian atmosphere, then arises.⁽⁷⁶⁾ However, not all company towns will grow in this manner; some will develop into type Z - organization that respect individual privacy.

William Ouchi wrote a case history about a western company where theory Z existed in the office and the plant. It was a plant of a large, multi - plant company which was one of the worst in the company, plagued with a history of labor conflict, chronically high absenteeism and turnover, and poor quality and productivity. A new plant manager had arrived, a person who had been deeply involved in the theory Z development of the larger corporation. Before his arrival, the outgoing manager had announced a change from a one - shift to a two shift operation (night shift), which produced an outcry among the employees and threats of a strike. The new plant manager began by explaining the situation clearly and completely to the first - ever meeting of all employees, held on company time. He brought them to reality, pointing out the likelihood that competitors would erode their business. He reviewed a study showing the demands of customers, and then emphasized the necessity that the plant produce a profit to justify continued jobs and future investments. The employees had been held in a state of complete ignorance about everything explained by the new manager. Evaluating and improving their own efficiency was beyond them, since they were simply carrying out tasks. They had no sense of being an integrated part of a larger system, no sense of the why's of their work

76- Ouchi, Theory Z , p. 180.

lives.

The new manager next retreated with his team of plant managers, conducting training in the elements of the philosophy, explaining the relationship of the plant to the rest of the company, and practicing interpersonal skills. He encouraged skepticism, practiced openness, and trust began to develop. The foremen who were confused about this change, realized later that the new methods did not throw out all of the controls and measurements. Workers who failed to exert effort were to be released. The point of participation is that everyone, each worker and manager, must bear his or her full share of the burden. All share an equal responsibility to satisfy the customer by producing quality items. As for the production targets assigned daily, all supervisors would from now on meet as a group with their manager to set weekly targets. Some assistant would be asked to take on supervisory jobs in the office, in order to improve coordination between the office and the plant.

No one of the employees wanted to work at night, but the manager, understanding the need to satisfy customers' needs, would jointly seek a solution with workers. At these meetings, of the plant manager and his employees, over the ensuing weeks, the workers came to understand the problem and arrived at a creative solution which recommended running one shift from five in the morning until one in the afternoon, with the second shift running from ten in the morning until six in the evening. The employees much preferred this plan and implemented it with enthusiasm.

Within one year after the arrival of the new manager, the plant ran more effeciently than ever. Absenteeism and turnover were down, effeciency and quality were up, and the shift system was in place and running.

CONCLUSIONS, RECOMMENDATIONS AND SUMMARY

CONCLUSIONS

General Motors, Ford, Chrysler, Mewlett-Packard, General Electric, Westinghouse, IBM, Texas Instrument, Intel, Tektronix, Pillsbury, Moneywell, Lockheed, Eli Lilly, Baxter-Travenol, Syntex, Fairchild, Camera and Instrument, Two, International Harvester, Brunswick, and a group of six rabb is in Los Angeles have one thing in common, which that all studies the Japanese from of organization, and all have undertaken attempts, big and small, to move from A to Z, to develop their own clans.⁽⁷⁷⁾

Americans believe massive capital investements are necessary for efficient production of automobiles, yet Japanese automakers produce low-cost, high-quality products in companies that a few years ago were a fraction of the size of the smallest American automakers. To us high quality comes from more testing and not from workers producing higher quality, but the Jananese believe that high quality com~~er~~ from inviting workers to continually refine the design and the manufacturing process.

Americans believe that decision making by consensus will produce camels when we want horses, but the Brookhaven plant of GM has achieved superlative levels of quality and efficiency through participation. We believe that creativity stems from individual maverick genius, but the most creative

77- Ouchi, theory Z, P. 188

innovation of high technology companies have been the first to explore type Z organization. We believe that typical United States rates of twenty - six percent annual turnover and of eight percent average absenteeism are an irreducible minimum, but annual turnover among European firms average twelve percent and among Japanese firms six percent, with lower absenteeism rates as well. We believe that, fundamentally, only high pay and rapid promotion will spin the most talented to achieve, while company Z and Brookhaven have both found that commitment and participation are far more powerful in conflict over the proper division of profits.

So, the way of motivating workers and employees is an essential factor to determine the efficiency in producing at full capacity and high quality to meet customers need and compete with competitors in order to increase growth and market share to obtain a proper profits.

RECOMMENDATIONS

The new assumptions concerning the "best" method of motivating workers were characterized by a strong social emphasis. Management had a responsibility to make employees feel useful and important on the job, to provide recognition, and generally to facilitate the satisfaction of workers' social needs. Attention must be shifted away from the study of

man-machine relation toward a more understanding of interpersonal and group relations at work in order to develop an effective motivational process. In my opinion, an effective interpersonal and human relation should consist of the following elements:

1- He has an ability to respond to and understand not only the logical content of what other people say but also the feelings and sentiments implied by their words and their behavior.

2- He understands well the social structure and system he believes in.

3- He realizes the existence of a hierarchy of authority, responsibility, status, and position in his particular organizations.

4- In taking action in an organizational situation he has to predict (within limits) how the organization will respond.

5- He has to study, share discuss, and solve the problems of others.

6- He knows that human relations are not, and should not be equated in to with, the job of management or executive leadership.

7- He should be honest in admitting his errors.

8- He has to say "no" without harming the man's ego.

Behavioral research into factors affecting motivation began in earnest, and morale surveys came into vogue in an attempt to measure and maintain Job Satisfaction. For Marsh and Mannari Job Satisfaction is positively related to the employee's (1) organizational status, (2) age and (3) sex-

men are satisfied than women; (4) the better one's perceived promotion chances in the company, the higher the satisfaction; (5) the more one's work load is " just right ", as opposed to " too heavy " or " too light ", the higher the Job Satisfaction; and also Job Satisfaction is positively related to the degree to which the employee is socially integrated into the company, thus it should vary positively with (6) employee cohesiveness and (7) frequency of participation in company - sponsored recreational activities, and negatively with (8) previous interfirm mobility (Number of previous job).⁽⁷⁸⁾

The motivational strategies which emerged from such assumptions were several: First, management felt it had a new responsibility to make workers feel important. Second, many organizations attempted to open up vertical communication channels so employees would know more about the organization and would have greater opportunity to have their opinions heard by management. Third, workers were increasingly allowed to make routine decisions concerning their own jobs. Finally, as managers began to realize the existence of informal groups with their own norms and role prescriptions, greater attention was paid to employing group incentive systems. Underlying all four of these developments was the presumed necessity of viewing motivation as largely a social process.

Going back to motivational theories we can notice that theory Z underly, to a greater extent, what I just mentioned and by adopting it provides all possible solutions

78- Marsh & Mannari, Modernization & Japanese Factory, p.105.

for problems that westerns organizations face.

If the GM example and other examples, stated before, is to be taken at its face - value to represent a new direction in organizational behavior whereby, a wholistic attitude can integrate itself into American Industrialism, then it might be the beginning of the end for the Japanese miracle. America's potential is unquestionable in terms of anything conceivable, but, at the same time it is necessary for management to reconceptualize the meaning of the organization, and theory Z provides the means.

SUMMARY

Productivity and high quality, for Western Organizations, depends on more testing, but Japanese Organizations believe that productivity and high quality depend, to a greater extent, on the kind of motivational system adopted or the way managers interact with his employees and workers. These two contradictory points of view in different countries with different cultures, was an essential factor in the rapid growth of the Japanese economy where Japan put a great effort in studying their Cultural environment in order to well understand people. Based on these studies, theory Z, which can be summarized by Lifetime - Employment, Collectivism, and Seniority oriented style, was born to develop the ability of the organization to coordinate people, to achieve productivity and growth.

When the Japanese form of organization was undertaken by Western industries to develop their own clans, the companies succeeded and their human relation problems were minimized. These industries were counted of the biggest

industries, and we can name of them: IBM - General Motors
- General Electric - Ford - Kodak.....

As a matter of fact, a good understanding of motivational system serve as a basis for understanding the causes of behavior in organization, and directing behavior so that organizational goals can be - theory Z provides a better motivational system.

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