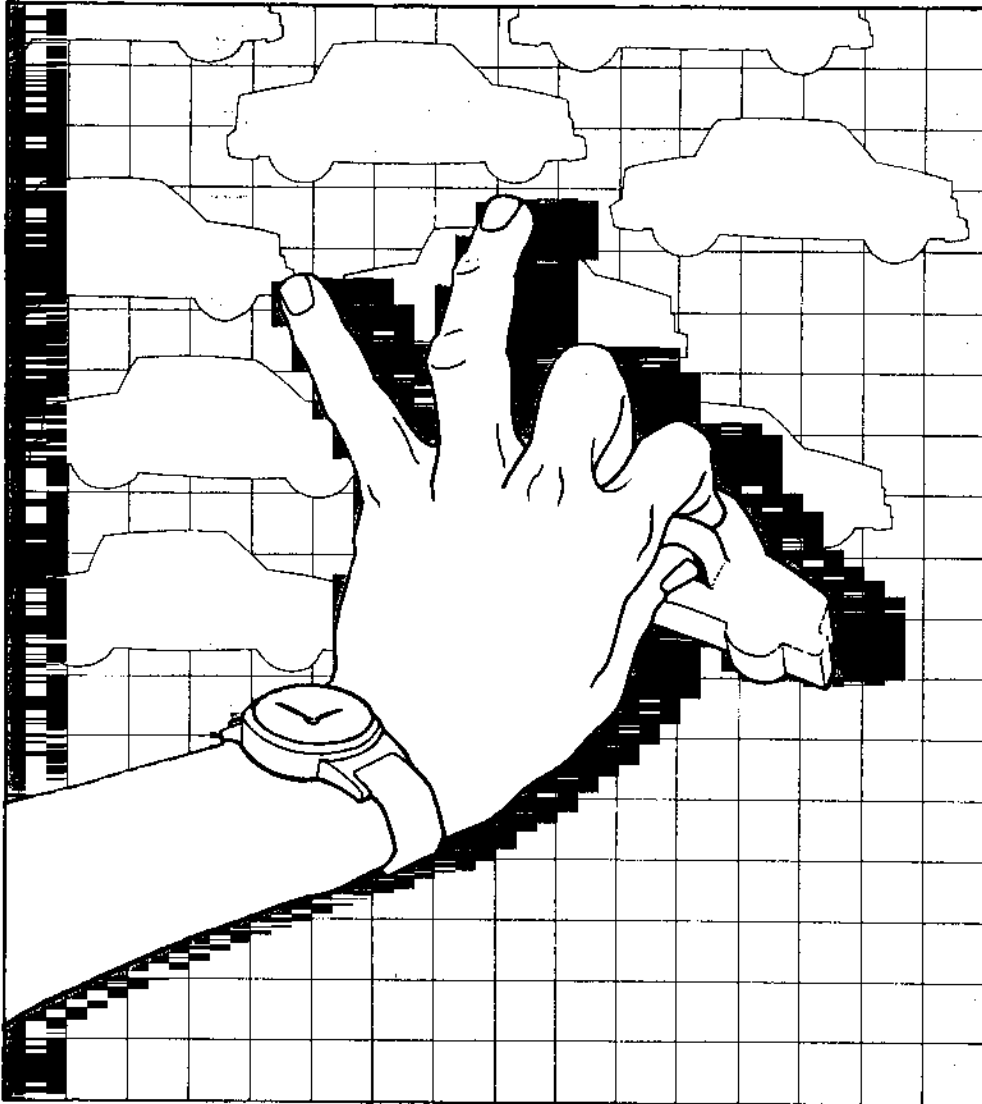


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# ILR REPORT



## PRODUCTIVITY AT THE WORKPLACE

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## A View from Tokyo

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The Japanese worker is a bit better, but certainly not much better, than his American counterpart. Japanese managers, on the other hand, are clearly superior to and generally much better leaders than American managers. These are conclusions I have reached after nine years of immersing myself in the Japanese culture and language here in Tokyo and working in a number of Japanese companies and unions. High levels of Japanese productivity in the manufacturing sector are certainly not the result of a superior work force.

Generally a worker engaged in an assembly process can only be effective when the overall production process allows him to perform at a maximum level. Above all else the Japanese have been productive due to the tremendous investments they have been able to make in new plants and equipment. Beyond this, the productivity of a company will depend upon its management or the teams of engineers who plan and create the production process and who have accountability for productivity.

I often speak at seminars and run orientation programs for teams of American managers, and sometimes for union representatives, who are visiting to learn about Japanese productivity. Westinghouse, for example, has often brought equal numbers of managers and union officers to Japan on the same study teams. I have always been amazed at how defensive union leaders can be about labor productivity. The problem does not lie with American labor but with American management, and most of the Japanese I know have confided to me that they also believe this to be the case.

Let us be clear on one important fact about Japanese productivity, however. Japanese agriculture and the retail and distribution industry are by no means as productive as these sectors are in the U.S. It should also be noted that in manufacturing it is only the large firms that practice lifetime employment, a seniority wage approach, and enterprise unionism. Labor productivity is remarkably high only in these large employers. It is here where virtually all new recruits enter directly from the schools on April 1 and where very little midcareer hiring takes place. In these large companies, almost without exception, there are enterprise unions—the equivalent of company unions with a



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strictly enforced union shop practice. Because these firms are large and because major banks will support these corporations in spite of debt-equity ratios that would cause the average American financial officer to turn pale, it has been possible to sustain lifetime employment for the regular employees hired directly after school graduation.

Such large firms have generally been successful enough to provide to employees a constantly growing pie to be dished out according to years of service within the corporation. In this context it is no surprise that the labor union can afford to be responsive to the needs of management which are, after all, in the long run one and the same as the needs and requirements of the employees themselves.

The employee's interest in the long-term prosperity of his corporation should not, however, be interpreted as some sort of feudalistic or traditional loyalty to the employer. Rather it should be noted that each large manufacturing firm in Japan is a closed labor market. Since no other firm would hire as a regular employee with full benefits anyone other than one who is a new school graduate, the Japanese employee in a large firm really has no choice but to intermix his own destiny with that of his firm.

On the other hand, in small Japanese firms (meaning by far the great majority of firms and by far the largest share of employment) an employee is hired at any time during the year to fill an available position. In these firms it is possible to have a considerably younger man be the supervisor of an older man. Trade unionism does not work nearly as smoothly as it does in a large firm, and the head of a small Japanese firm generally feels the same way about unionism and has just as strong a reaction against it as would the owner or managers of a small firm in the United States. Labor turnover is also virtually as great in these small firms as it is in the United States. Since labor turnover is great, management is less inclined to make massive investments in training because it is less clear that the firm will benefit from the fruits of that training. Employees in these smaller firms are not nearly as well motivated and hard working as they are in the larger firms.

Within the limitations of the above brief description we can begin to see that high Japanese labor productivity in manufacturing may in fact be rather a product of the peculiarities of lifetime employment, seniority-based wages (these are really significant in that they are systematized and legitimate reward and promotion systems perceived by the employees to be fair), and enterprise unions that have no reason to

oppose any attempt on the part of management to change a production process or increase productivity.

Why is the latter true? It is because in a large Japanese firm there is a low correlation between job content and pay. Thus, when a man is assigned to a different job his pay will remain the same. Furthermore, management in these firms is sophisticated enough to realize that if they laid off employees due to more efficient production processes, in the long run they would jeopardize their ability to make such changes. Luckily for the Japanese, they have a cushion of contract and part-time employees working both in their own operations and in subsidiaries. It is these workers who will be dismissed while the company will do everything possible to maintain its commitment to the core complement of regular employees.

In attempting to understand this system and its effect on productivity, it might be helpful to the reader to take a look at what the Japanese working in America and dealing with American labor on a daily basis have to say about productivity.

**I**n the fall of 1979 the first full-scale Japanese investment mission to the United States was organized by the American Embassy, the U.S. Department of Commerce, JETRO (the overseas presence of the Japanese Ministry of International Trade and Industry), and the American Chamber of Commerce in Japan. Some fifty-three presidents of Japanese companies visited thirty-one Japanese companies already engaged in business operations in the United States. I was selected by the American Chamber of Commerce in Japan to represent the Chamber throughout this three-week mission covering virtually the entire country.

Although the Japanese managers who had been working in the United States for a prolonged period of time were not unanimous in their opinions, there were several consistent messages that came across. They complained of the high turnover rate among their American employees. They were upset to see that, just at the point when they had fully trained an employee, the employee would leave the company, setting back productivity considerably. I observed that in many of these Japanese firms there was an unduly high percentage of Orientals representing a number of Asian countries. The Japanese explained that this was occurring through normal attrition since the Asians tended to stay at their jobs longer.

There were also comments made in Japanese to the Japanese mission participants to the effect that the Asian employees were more dependable and somewhat more diligent. At a textile-dyeing operation involving application of fairly complex designs and patterns, one Japanese manager swore that the dexterity of Japanese employees in the home country was superior to that of the American employees. I suppose he should know.

On the other hand there were a number of employers who were enjoying excellent results with their American work force, and it has become public knowledge that some two or three years ago, at Sony Corporation's color television plant in San Diego, the American work force obtained quality control levels superior to all world records including those obtained in the home country.

A recurring theme of many of our Japanese hosts during this mission was that it was important for the Japanese not to neglect the personnel and human resource function by leaving it up to American personnel managers who were "often mediocre and unqualified."

How might some of the philosophies and approaches of American personnel managers have differed from the Japan-based experience of these Japanese managers working in the United States?

**I** am deliberately going to avoid a discussion of quality circles or other formal programs and schemes involving group performance and participative management through small group activities. The literature in the United States and the new consulting firms focusing on "Japanese approaches" to quality circles are more than adequate. There is undoubtedly considerable value in pursuing these programs.

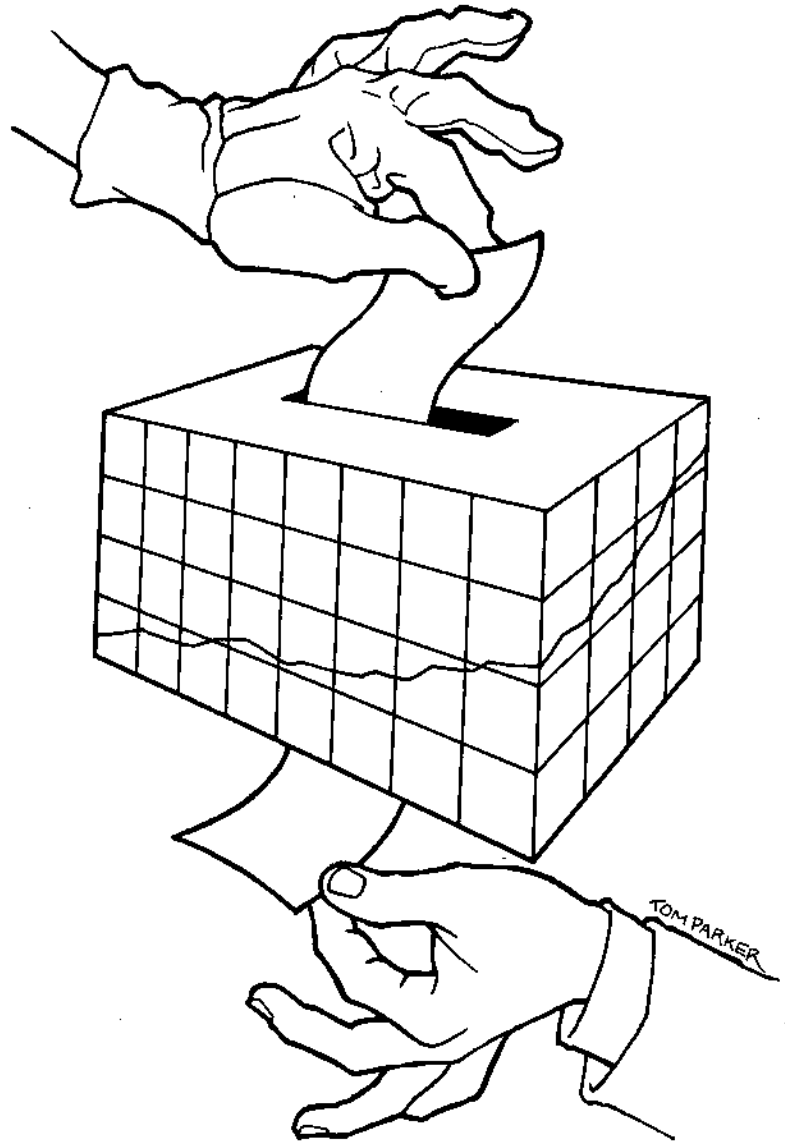
There are two important weaknesses in the American approaches, however. One is the failure to attend to the composition of the group, that is, the chemistry of the individuals making up the circle or small group. The other is the failure to implement the great majority of the suggestions that come out of these small group activities. Although it takes a lot of work and the savings are not always so dramatic, the Japanese have had a better record of accepting and making use of employees' suggestions. It is difficult for employees to maintain their enthusiasm for quality circles when they find that their ideas are not implemented. The Japanese have also found that it is not enough to mix any ten people together into a quality circle, but rather a good deal of time should be spent on picking just the right composition of peo-

ple from the right functional areas, as well as paying due attention to the need to blend the personalities and temperaments of the circle participants in just the right way.

Without dwelling on quality circles, however, there is no doubt that in general Japanese management methods maximize individual autonomy and participative management. Having worked in a number of Japanese companies in earlier years on a part-time basis, I have been impressed that most young managers really feel like managers and feel free to take initiatives on their

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own. It seems that in American companies in general there is less overall management input because more managers seem to be sitting around and waiting for instructions or guidance to come down from above.

Although there are exceptions, in general I would say that high-ranking Japanese executives are not judged so much by their ability to form policy and make decisions as they are evaluated in terms of their ability to encourage and elicit input and suggestions from those below.

Furthermore, in Japan superiors are securely tied into their jobs by lifetime employment and seniority. Bosses in large firms do not feel threatened by bright subordinates and therefore can afford to train and participate in the career development of subordinates. In an American company it is conceivable that a junior employee may at some point replace his or her superior. In a Japanese company, at least in a large employer, this is unlikely. Due to the closed labor market—and hence the inability of the young man to go out and get a job in another large firm paying equally high wages and benefits—the young man will find satisfaction enough in enjoying the informal recognition of his peers.

By minimizing status differentials and almost all differences in rank as well as pay until about age forty, Japanese management has mastered the art of keeping all young employees working at peak capacity in the hope of gaining a high management position or perhaps a spot on the board of directors of the firm. In contrast, in an American firm there is a tendency to unduly reward a few top performers. For example, special consideration is often given to an individual with an MBA from a top-ranking business school. This may serve to motivate the individual involved, but I would maintain that it has a demoralizing effect on the great majority of young American managers left behind. In Japan the approach would be to make the maximum number of employees feel that they all have a good crack at getting a position on the board of directors. And in fact surveys of young Japanese employees indicate that a surprisingly large percentage of them feel that they have a chance of being president of the company. And they go on believing this for as many as fourteen years, when the first formal performance review begins to make it clear who the leading candidates will be. You can be sure they are maximizing output during those young and productive years.

There also seem to be considerable gains in teamwork and coordination, if not in productivity, through the use of the open office

space, or *obeya* (big room), as the Japanese call it. In a Japanese company it is common for a member of the board of directors to be sitting in a large room with one or two hundred employees, from subordinate managers on down to the lowest rank-and-file employee. A Japanese office is set up based around the *ka* or section in which there will be a cluster of desks, literally facing head to head, and some five to twenty employees. There are no partitions of any kind and all employees within a section can hear each other's phone conversations and work closely together, easily maintaining an ongoing dialogue. Since one section is often within earshot of an adjacent section, there is generally a good division of labor and coordination of tasks between functions without the necessity for written job descriptions.

The Japanese often laugh at the need of Americans to work in their own private boxes with written memoranda shooting back and forth and the all-too-frequent visits and telephone exchanges going through a personal secretary. In contrast to this, I have seen the number four man in a major Japanese bank with some 7,000 employees walk out into the big room and plop himself down, perching on a wastepaper basket, in order to speak directly with a young male staff member in his midtwenties who happened to be working on a project that interested the powerful Japanese executive. In addition to this executive's ability, it is his humility, down-to-earth approach, and the tremendous loyalty and respect that he wins from his subordinates that have allowed him to rise as far as he has in this Japanese bank.

**A**merican management's preoccupation with status and all the trimmings of executive lifestyle is probably detrimental to U.S. productivity. The American executive has an embossed business card while lower-ranking employees' cards are more cheaply printed in black ink. In Japan everybody has the same quality business card with the same format and lettering. In Japan members of the board of directors frequently eat in the employee dining rooms; high-ranking executives are not separated from rank-and-file employees and the pulse of the company, protecting themselves behind closed doors and in a style of office appointment that clearly distinguishes them from lower-ranking managers and employees.

Superior productivity with today's more complex manufacturing processes requires teamwork. In Japan, management and union members tend to identify with each other and understand readily each other's requirements and expectations. There is a

simple reason for this. Until employees reach the *kanrishoku* level, or the status of management, generally in their late thirties or early forties, all employees—whether blue collar, junior high school graduates, or managers graduating with top university credentials—are in the same union together. I will leave it to American experts to determine just how transferrable to the United States such a concept and practice would be. The advantages should be obvious, however.

Although there have been some experiments in the United States with making rank-and-file production workers salaried employees, this practice is still very limited. In Japan, on the other hand, this is an additional way of minimizing status differentials between blue-collar employees and white-collar managers. All regular full-time employees in Japanese companies are salaried workers.

American management seems obsessed with the need to hold managers individually "accountable." In a Japanese organization, by contrast, accountability and responsibility are highly diffused with decisions often becoming a product of the invisible whole. This has the effect of freeing managers to come up with innovative ideas and perhaps to become the spokesmen for ideas or product variations that may involve considerable risk. In the United States, with accountability more clear and the current rates of unemployment high, it seems that there are fewer managers willing to take risks or to sponsor new ideas. A Japanese-oriented teamwork or group approach to business development plans and product development might tend to diffuse responsibility, providing the needed shot of adrenalin that Yankee ingenuity so badly needs.

A number of my knowledgeable and perceptive Japanese friends have observed that there is a tendency for American managers to protect the job security of the fraternity or club of management peers in a way that stands in marked contrast to the cool decisions to close down a plant or cut back a production process with the consequent necessity to lay off production workers. American management should do a better job of disciplining itself to keep people at work. The Japanese approach toward maintaining employment at all costs by definition demands excellence, innovation, and diversification into new product areas and fields. To the Japanese, layoff is an admission of failure. It is an unacceptable option and one that is rarely taken.

In fact it probably can be said that one of the most significant reasons for the high levels of Japanese industrial output and the

continued rates of growth of the Japanese economy is the refusal on the part of Japanese management to accept a pull-back, cut-back, or no-growth scenario. The Japanese simply refuse not to grow at the individual enterprise level.

In contrast, in the United States the decision to cut back employment is made all too freely. It is true, however, that the Japanese may be in a better position to get up and over the difficult periods, given the backing they receive from the banks and their buffer of subcontract temporary and part-time workers.

The Japanese have compensated for the lack of interfirm mobility in their system with highly sophisticated programs of job rotation within firms. Frequent job rotation has made managers more well-rounded, seasoned, and satisfied and has tended to minimize on-the-job burnout because employees and managers enjoy the satisfaction of gaining new skills and the feeling that their jobs are contributing to their career development. Job rotation has offered the additional benefit of making the overall work force highly cross-trained; the effect has been to increase productivity since the labor resources are more adaptable to technological change and changes in the production process.

I hope to have shown that there is much more behind Japanese productivity in manufacturing than the quality circles and other gimmicks that many westerners seem so interested in. I would also hope that readers who work in American management will give consideration to some of the points made in this article and particularly to the potential benefits obtainable from those concepts and practices that seem more easily applicable to the United States. These would include the minimizing of status differentials between managers and rank-and-file employees, a greater commitment to maintaining and guaranteeing job security, less midcareer hiring, and fewer management shakeups with greater concentration on developing internal human resources and promoting from within. There should also be gains in productivity resulting from more thoroughgoing and systematized programs of job rotation, more equality of treatment of employees with less emphasis on rewarding with money alone, and more concentration on providing informal recognition. U.S. companies may also discover that experimental approaches with open office space can be effective in reducing the need for unnecessary paperwork, improving communications and teamwork, and increasing employee morale. □

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