

LESSONS FROM JAPAN

**A Study Produced By
The Coca-Cola Retailing Research Council**

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Other Study Reports By The Coca-Cola Retailing Research Council

Social Trends and Food Retailing

The Impact of Energy on Food Distribution in the 1980s

An Economic Analysis of the Food Distribution Industry
in The United States

Productivity Improvement Techniques and Strategy
for the Supermarket Industry

Planning Your Financial Growth in the 1980s

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PREFACE

"What can we learn from the Japanese about productivity that could be used by supermarkets in the U.S.?" This was the question that began a nine month project for the Coca-Cola Retailing Research Council. The results were both positive and a little surprising.

We concentrated our efforts on management rather than technical matters. The U.S. is still the leading country in physical distribution, systems, automation, and such new fields as scanning and electronic funds transfer. However, we found good opportunities for learning in the fields of corporate direction or character, organization and personnel matters.

This project involved a heavy reading program and an intensive study tour in Japan. The quality of the time spent in Japan was greatly enhanced by the most generous contributions of time and information by some of that country's leading business executives. The entire project was made even more productive by the wise and stimulating counsel of Dr. Thomas Rohlen. Dr. Rohlen, an American anthropologist fluent in Japanese, aided in the planning for the field work and then accompanied the group. His presence not only helped the group to know what was being said, but why and how results were achieved. And it should be clear that none of this could have happened without the remarkable resources and prestige of The Coca-Cola Company.

In Tokyo, two men made outstanding contributions to the success of the study tour. T.Y. Arai, president of his own consulting company, counseled in planning and briefed the group on the current economic climate in Japan. He also arranged meetings for the group with industry leaders. Hirakazu Ikeda, national sales manager for Coca-Cola (Japan) Co. Ltd., made a heavy schedule easier for everyone.

In the following pages, you will find a combination of lessons learned, impressions, and questions. You will also find frequent references to post-study tour research made to further confirm or clarify the initial impressions of the group.

In no way do we pretend this report to you provides all the answers — it does not. We only hope you find it helpful and sufficiently stimulating to test some of these ideas in your own company. We would also encourage you to go see for yourself. The merchants of the United States and Japan have much to share with each other.

M. J. O'Connor

EXECUTIVE SUMMARY

What Is The Coca-Cola Retailing Research Council?

The Coca-Cola Retailing Research Council was developed as a service to the food distribution business. It also provides executives of The Coca-Cola Company with a better understanding of the opportunities and the problems facing their customers.

The Council is made up of ten retailers, two wholesalers, and the senior research executive of the Food Marketing Institute. The retail and wholesale members of the Council were chosen on the basis of their personal capabilities, and the size, geography, and type of organization with which they are associated.

Each year, the Council reviews the major problems facing the food distribution business and selects one or more projects for study. The study for 1982 was prompted by the considerable publicity given Japanese productivity and the constant need and pressure for improved productivity in U.S. supermarkets.

Purpose of The Study

To determine what we can about productivity from the Japanese that could be useful in the U.S.

Clarification of Terms

"SUPERSTORE" In Japan, "Superstore" refers to a high-rise hypermarket or a community department store with a large self-service food department. In urban areas, land costs are extremely high, so these stores will frequently be five or six stories tall and will occupy from 40,000 to 100,000 sq. ft.

"SUPERMARKET" Technically a broad category in Japan covering all self-service stores with three or more check stands. In the context of this report, we will use the term to describe the 5,000 to 25,000 sq. ft. standard supermarket, typical in layout to stores in Northern Europe and the United States.

"NORMS" The customs, traditions, values, and unwritten laws of the society or of a group within a society.

"WESTERN" Non-Asian. This term was derived from the first white visitors who came from Europe.

Areas Covered By The Study

After a heavy reading program, the Coca-Cola Retailing Research Council spent two weeks in Japan. Council members visited with industry and retailing leaders. The greatest portion of their time was spent with the three largest superstore chains. The growth of these companies over the past 20 years has been impressive. The largest grew from its inception in 1957 to more than \$5.5 billion in sales by 1981.

Based on early research, the Council decided to limit its study to management rather than technical matters.

Factors Most Prominently And Consistently Found In Successful Japanese Retail Companies

STRONG COMPANY PHILOSOPHY The written philosophy has demonstrated its worth as a directing, clarifying, unifying and motivating force. The Japanese have developed this to a fine art. The philosophy of a Japanese company is the basis for its strategies and financial planning. Some excellent examples are included in this report. (Pages 14 to 25)

EXECUTIVE EMPHASIS The Japanese executive places his first emphasis on customers and employees. The degree of emphasis is notably more intense than in most Western companies. This top management attitude has strong influence on the entire organization. This is not to say the Japanese C.E.O. is not concerned with profits and the price/earnings ratio of his stock. But the Japanese C.E.O. sees the matter of corporate profits and stock prices as his responsibility and not to be delegated. The employee is told he must do his work well to please the customer with good quality at a good price to keep the company strong. (See pages 25 to 28)

ADAPTING THE ORGANIZATION TO THE SOCIETAL NORMS Some time around 1955, Japanese management changed from an adversary position in its relationship with labor to one of reason and cooperation. The key to this very important change seemed to be the broad adaptation of the Confucian family norms to the company. Things such as strong family unity translated to "permanent employment." Executives fulfilled the "head of house" role with disciplined concern for the workers. Work groups were the extension of the traditional rural norms. The company

seniority system fit well with the family customs of heritage determined by order of birth. No student of Japan seems to be sure what caused this change to occur, but most agree it set the stage for the great Japanese success. (See page 51)

These are but three of the ten key factors in the Japanese success which are discussed in the report. Other factors covered by the report include the unique Japanese emphasis placed on the personnel function and its role in the organization. (See page 39.)

Japanese systems for hiring, orientation and training offer many suggestions for improvement or experiment. (See pages 39 to 42.) The involvement of the worker and the development of trust . . . considered essential for good productivity . . . are also covered by the report (pages 28 to 39.)

Also important is the development of work groups (page 33) and the top Japanese chains' frank discussion and caution on the subject of Quality Control Circles. (See pages 35 to 39.)

The report concludes with eleven ideas for U.S. retail executives to consider for their own organizations. (See Summary.)

— CHAPTER I —

Some Facts About Japan and The Japanese

The Measure of Japan's Success

First, let's look at the facts and figures which encouraged the Council to undertake this study.

Before World War II, the gross national product of Japan was but one-third that of France. In 1957, when the government of Japan was turned back to the Japanese by the occupation forces, Japan had just regained its pre-war GNP. In that year, their GNP once again equalled one-third that of France. Today, the GNP of Japan is more than double that of France.

What happened in the 25 years from 1957 to 1982? Certainly this remarkable change in national productivity cannot be laid entirely at the feet of some unique cultural characteristics. The same culture existed in 1940. Obviously, the cultural heritage is there, and it is important. But something new must have been added to bring about this dynamic growth.

Before World War II, Japan had a reputation for poor labor relations. During a liberal period in the 1920s, unions were established but were finally legislated out of existence. In some small family businesses, loyal workers were treated as "members of the family"; but in large industry, many workers were hired and fired as the flow of business dictated. Most workers moved from job to job. Turn-over was high. They did as they were told. Certainly they were not involved in or informed of corporate decisions.

After the end of World War II, under the direction of the U.S. occupation forces, unions were formed; and many of the old rebels involved in the union movement came back to manage the new "enterprise" or company unions. There was lots of trouble. **In 1950, Japan lost as many days to strikes as did Great Britain.**

Today in Japan's large companies, the worker is unionized and industrial harmony is the key concept. There is "permanent" employment for some full-time male workers in large companies. We put quotation marks around "permanent" because this concept demands much more thorough understanding and is explained in the later chapters of this report.

Today, the workers in Japan are involved and are at least informed about decisions which affect their working lives. Workers also contribute regularly and importantly to the improvement of their company's efficiency.

This represents a sharp change from the pre-war era.

Before and immediately after World War II, Japan had a worldwide reputation for cheap merchandise of poor quality. Outside of possibly textiles, Japan did not lead in any industrial field.

Today, Japan is:

- the leading producer of automobiles in the entire world.
- the leading producer of steel in the free world. (Only the Soviet Union claims higher production.)
- the leading shipbuilder in the world.
- the leading producer of watches in the world.
- the leading producer of cameras in the world.

. . . and the list goes on and on, ranging from motorcycles to pianos. All of this comes from a crowded group of mountainous little islands smaller by 20% than the state of California! And on those islands live 125 million Japanese, which is equal to one-half the population of the United States. Only 16% of the land is arable. There are virtually no natural resources. . . except the Japanese people. They have more than a fair share of earthquakes, typhoons and live volcanos. And, if that were not enough, Japan is located thousands of miles from prime markets and the best sources for raw materials. It takes a fast freighter more than two weeks to reach Sydney or Los Angeles and four to five weeks to New York or London. Obviously, the tribal chief who decided to settle down on those islands did not have a T.V. factory or automobile plant in mind!

Inside Japan, some impressive changes have also taken place. The Japanese standard of living has been rapidly approaching that enjoyed by the average American.

Japan suffered great losses as a result of the war. Many of her cities and nearly half of her industrial capacity were destroyed. To overcome these problems, Japan put industrial strength first and consumer comforts second. This was necessary since it was essential that the Japanese have trading power. With no natural resources and the need to import two-fifths of their food, there were no alternatives.

Today, with a positive trade balance in the world, Japan can turn to the home market. Real wages for the average Japanese factory worker are still below the U.S. average. In 1980, the U.S. average wage was \$7.96 per hour; in Japan, it was \$4.81. But while the real wage index for the American worker increased but 3.6% since 1970, the Japanese worker has enjoyed a 47% increase; and the increases continue. While the U.S. suffered 9% unemployment in 1982, Japan's unemployment was 2%. Personal income tax in Japan works on a sliding scale like the United States. But the base is

high . . . no tax below \$8,000, then up to 75% for the top incomes. There are tax advantages for savers, and the average Japanese head of household saves 17% to 20% of his income. This is necessary because social security in Japan is low, and the "permanent" jobs can and usually do stop at age 55.

Japan is very crowded, land costs are extremely high, and houses are small by U.S. standards. A middle-class home of 700 sq.ft. costs in the neighborhood of \$200,000.

The statistics on the ownership of household appliances give some indication of the changes taking place in the average Japanese home. Following is a table which shows the amount of change in automobile and selected appliance ownership in the ten years from 1970 to 1980:

	Japanese Family Ownership	
	1970	1980
Automobiles	22.1%	57.2%
Refrigerators	89.1%	99.1%
Washing Machines	91.4%	98.8%
Color TVs	26.3%	98.2%
Air Conditioners	5.9%	39.2%

Retailing

Japanese retailing is equally interesting in its post-war development.

Retailing in Japan has a long history of innovation. The first discounter in recorded history was Japanese. The first chain store was also Japanese. Both of these events took place over 300 years ago! Even so, until the 1960s, Japanese retailing was a business of small shops with one important exception. That exception was Japan's justly famous department stores. Giants such as Mitsukoshi, Daimaru, Takashimiya and Seibu are universally respected for the wide selections, attractive and lively stores and public service programs. Mitsukoshi is 310 years old.

All of the Japanese department stores have food departments, many of which are leased. The newly-revised and redecorated food department of the Seibu Department Store in the Ikebukuro area of Tokyo is probably the most spectacular single service food store in the world today. It covers 90,000 sq. ft. and offers the widest possible selection of food.

Japan's great department stores did not cover the middle to low-end consumer needs served in the U.S. by Sears, Wards and J.C. Penney. This was done by small shops.

There are approximately 1,700,000 small retail merchants in Japan. More than 700,000 carry food. Japanese food stores are backed by a very old and complex system of wholesalers. An independent supermarket in Tokyo has to deal with as many as 200 wholesalers to stock his store, and some of the product passes through as many as four different wholesale companies! This is a carry over from pre-war times and is also influenced by the need to import many food items.

**Japanese Sales Share
By Outlet Type**

Small stores	64.2% (trending off)
Convenience stores	3.0% (fast growing trend)
Supermarkets	20.6% (growing trend but the large stores are now slowed by government regulations)
Department stores	10.9% (slow growing trend)
Other	1.3%

The large superstores are actually more like "high-rise hypermarkets." The "use of the cube" is necessary because urban land costs are high, ranging from \$100 to \$300 a sq. ft. and up! Supermarkets are located in suburban areas and smaller towns where land costs permit the profitable operation of one or two-story structures.

Superstore margins are currently from 21% to 24%. Net profit after taxes is from 0.6% to 1.7%. Sales per square foot are in the \$5 to \$7.50 range.

The growth of the big Japanese chains has been impressive. Most of these hypermarket companies sprang from small family businesses or were started by brave and determined entrepreneurs after 1957. Even though locations were **most** difficult to find and land costs are extremely high, several of these companies have grown at rates equal to or faster than American or European merchants. Here are three examples:

Daiei, founded by Isao Nakauchi
1961 — \$35 million
1981 — \$5.5 billion

Ito-Yokado, founded by Masatoshi Ito
1961 — \$7 million
1981 — \$3.6 billion

JUSCO, founded by Takuya Okada
1961 — \$10 million
1981 — \$2.8 billion

How did these companies grow so fast? Fortunately, each of the founders of these companies is still very active in his business. Even more fortunate for us, each of these men agreed to spend a day with the Coca-Cola Retailing Research Council. They were most generous. You will see materials and quotations from all three of these executives throughout this report.

We visited some smaller companies that have also met with great success. Tokuo Masui, whose family served as green grocer to the Emperor in the pre-war years, pioneered the post-war self-service concept in Japan with his Kinokuniya store in the Minato district of Tokyo. Today, there are 5 Kinokuniya stores which average \$14 million per year.

In the Kobe area, one of the most successful independent merchants is the Yukimitsu family. Their Ikari supermarkets are also fine stores. **The newest Ikari store is just 2,000 sq. ft. but averages better than \$42 per sq. ft., per week** which must be the highest average for a food store almost anywhere in the world. Also remarkable is that this little store provides a **full line** of products. It is an outstanding example of planning and execution.

The biggest problem facing the superstore and supermarket chains today is the number of government restrictions on the growth of this category of big stores. There has been a national law that "suggests" the approval of the local merchants before a new supermarket can be built. This could put the large stores' future in the hands of the small merchant. . . and small merchants as a rule do not like that much competition. And just this year these restrictions have been tightened. Now the top ten chains must clear every step from location to finished plans with MITI, the Ministry of International Trade and Industry.

The reasons for the restrictions on large (5,000 sq. ft. and up) store growth seem to fall into two categories. The first and most obvious is political. The 1,700,000 little stores represent an important voting block. The other reason is more subtle. In his recent book on MITI, Chalmers Johnson writes. . . "The distribution system in Japan serves as a vast

sponge for the unemployed or underemployed when economic conditions require it."

The big chains have been turning to other forms of retailing to maintain their growth. Daiei has expanded into restaurants, convenience stores, box stores, hotels, commercial properties (the Ala Moana Center in Honolulu), and department stores.

Ito-Yokado has moved into smaller supermarkets, restaurants, and convenience stores. In the convenience store field, Ito-Yokado has an arrangement with The Southland Corporation (7-11). Today, Ito-Yokado has more than 1600 convenience stores and is growing at the rate of 300 or more stores a year. Only 10% of these stores are company-owned; all the rest are franchised.

There are 18,300 convenience stores in Japan. Some executives believe there is room for at least 8,000 more stores in this category.

The Consumer

The Japanese household is estimated to spend 22% of its total net income for food. This does not include soap, paper, and those other items we usually ring up on the grocery key.

In 1981 actual consumption was 0.8% less than that compared to the previous year. This was a second recessive year for consumption. This is a reflection of a 1% loss in real consumer income.

Only 13% of Japanese food expenditures are for eating out, but the eating out figure is growing.

The daily caloric intake of the average Japanese is approximately 2,500. This is lower than the 3,000 calorie daily average intake for Westerners. However, taking size and physical attributes into consideration, it is comparable.

President Nakauchi of Daiei points out that the Japanese consumer is still not affluent. Average consumption expenditures for a family are ¥ 240,000 per month or approximately \$960 and stagnant. Prices on the other hand are high. Compared to the United States and Western Europe, consumer prices are 37% higher than in Los Angeles, 27% higher than in Frankfurt, and 15% higher than in London.

Some of Japan's high prices are influenced by politics. One of those problems deals with the Japanese staff of life, rice. We were told it costs Japan two and a half times as much to raise rice on their small farms (average 3½ acres) as it does to raise rice in Texas where rice plantations are large and modern.

Although rice is still very much the mainstay of the Japanese diet, the consumption of rice is trending down. Increases over the past 15 to 20 years have come in fresh seafoods and meats. Demand has also shifted away from raw and unprocessed foods. Highly-processed foods are much in demand these days and will probably continue to be as more women enter the workforce.

On some select items, prices are even higher. Regular beef... considered a "side dish" in Japanese government statistics... costs \$4.80 a pound in Tokyo, compared to \$1.40 in Los Angeles. Two pounds of bread in Tokyo is \$2.53 compared to \$1.60 in Los Angeles. A freezer-refrigerator combination unit selling for \$350 in Los Angeles sells for \$1,020 in Tokyo.

Like consumers everywhere in the economically developed world, the Japanese are changing. Kimonos are rare except at weddings and some other formal or ceremonial occasions. Blue jeans, T-shirts, and modern music are everywhere. The Japanese retail market is no exception; it is changing, too.

All of the retailers interviewed by the group sense some important changes.

Ito-Yokado stresses the "drastic change in consumer lifestyle over the past 20 years." President Ito explains...

"Today's consumers are increasingly aware of the importance of their time. Also, the demand for personalized and individually appropriate items is growing. There are greater numbers of nuclear families, single workers, and dual income households. Consumers are increasingly sophisticated. They pay attention to price, just as always, and search for the best values they can find within their budgets. As in the United States, there is a greater interest in health."

Takuya Okada, president of JUSCO, also points to the changing mood of the consumer:

"Looking at the Japanese retailing industry at present, I think it is facing a very important turning point. In the past, as you all know, we have seen an era of very high economic growth. At present, because of the worldwide economic situation . . . and Japan is no exception . . . we have entered what we call a low economic growth period. At the same time, when we look at the social structure, things are changing. The consumers have more and are living better than ever. We have graduated from the days when we didn't have enough goods to go around. Today, with the basic needs satisfied, people are becoming more selective. Our population is aging and facing new needs and new demands. We are indeed at a new turning point in retailing."

Isao Nakauchi of Daiei also senses the same mood; the same restlessness in the public. In November of 1982, he announced a dramatic change in the Daiei strategy moving away from price to more quality in their merchandise and promotions.

The Sociological Differences

One other factor of a general nature stands so high it cannot be overlooked in this study: Japan is a monolithic country. To open the subject of the monolithic nature of Japan in a paper such as this must be dangerously superficial. To ignore the subject would be blind or evasive. With these qualifications, we proceed cautiously. To state the issue in the simplest possible terms, Japan is no melting pot. This is an isolated country with a 2,000 year history. Before 1945, it had never been conquered. Because of its isolation, it has not been in the path of casual immigration nor has it welcomed any formal plans to attract or receive new people.

Japan contrasts sharply with the great mixture of people, religions, languages, and cultures found in the U.S. and to a growing extent in some European countries.

Sociologists and psychologists also point to the basic nature of the Japanese family as another source of Japanese strength. The age-old Confucian values are still very much alive in the Japanese family. The Confucian philosophy is based on a sense of family discipline, role, and respect. Each member of the family has a separate and distinct role to play. The father or oldest living male is the undisputed head of the family. **He is expected to act with dignity and stature, to take responsibility and to set the moral tone.** The mother bears children, manages the house and

raises the children. Children owe appreciation, humility and respect to their elders. They must do their best to prepare for their place in the future development of the family. Education receives high priority for it is crucial to the family's future. The family is the center of life.

In the American family, the long roots of tradition were severed when our ancestors left Europe or Africa or South America. Our children are taught to be independent, to stand on their own two feet. When they grow up, the family tends to dissipate. The roles of men and women are becoming blurred. Equality is basic to social and commercial life. Tradition within the Western family is not strong. The individual is the focus of life.

As one studies the Japanese, one sees many Confucian traits in the modern business enterprise. Senior management takes the father's role. There is a real effort made by management to perform their tasks with dignity and stature. There is respect for authority and acceptance of position. Also, there is very strong orientation to the corporate "family." We will deal with this very important factor in a later chapter in this report.

Summary

To sum up this chapter of the report, here are nine things to keep in mind:

1. Japan is a monolithic country.
2. Japan has been very successful since the end of World War II.
3. Japanese retailing is very competitive.
4. Japan's economy is controlled.
5. The new large stores are growing both through their own outlets and as buying headquarters for smaller franchisees.
6. The new superstores and supermarkets are efficient, but the distribution system behind those stores is not.
7. The Japanese consumer is thrifty, well-educated and economically well off.
8. The Japanese are still more affected by tradition than Western societies.
9. But...like everywhere else in the economically developed world, Japan is changing socially and economically.

— CHAPTER II —

Ten Prime Factors In Japanese Success

To help you take best advantage of this complex and rich material, we have sorted out ten factors which seem to be most important in Japan's great post-war success. In the next chapters, we have separated the factors into two main categories. The first category deals with those factors we feel are readily adaptable in the Western world. The second category deals with those factors which are uniquely Japanese or are of questionable importance or applicability outside of Japan. Put in simpler terms, we have divided those factors we feel are important into two categories: the "obvious" and the "questionable."

Readily Adaptable or "Obvious" Factors

- 1) company philosophy and executive emphasis
- 2) teamwork and training
- 3) involvement and trust
- 4) compensation and rewards
- 5) adaptation of organizations to social structure and norms

Uniquely Japanese or "Questionable" Factors

- 1) "permanent" employment
- 2) company unions
- 3) societal differences
- 4) government protection and planning
- 5) the Phoenix Syndrome

The findings of our study and our observations on each of these ten factors follow.

– CHAPTER III –

Company Philosophy and Executive Emphasis

Without a consistent character, both in **words** and **practice**, no company can expect to last long in these times. It is for this reason we linked company philosophy and executive emphasis.

The Logic of a Company Philosophy

In the context of this report, a **company philosophy involves a statement of corporate purpose, broad objectives, responsibilities, and those principles held above profit. It should also make clear the relationships of the business to its customers, its employees, its owners, and the community.** There is no established format.

All first generation businesses have a philosophy, whether they call it that or not. That philosophy is in the character and the actions of the founder. This kind of personal philosophy may be called a "walking" philosophy as opposed to a written philosophy. If the founder is weak or inconsistent or immoral, the philosophy is the same; and the business usually fails. If the founder has a strong, consistent character and practices what he preaches, the business has a much better chance of survival. Unfortunately, most companies' unwritten or "walking" philosophies die with the founder. Some survive because the next C.E.O. understands his predecessor's philosophy and carries on in the same fashion. Some companies are fortunate if the next chief executive is able to develop a sufficiently compatible philosophy to permit an easy transition. **However, unless the founder's philosophy is written, the spirit that built the business is soon forgotten; and the business drifts until it is brought down by competitors or bought out.** This has happened frequently in first generation companies in the food business. The largest of the failures made headlines as they fell. The smaller ones slipped away quietly.

A study of retail leadership in the U.S. over the past fifteen years provides interesting background for this theory.

Only a few companies outside of Japan have developed a written philosophy to help maintain corporate character and direction. However, the list of those companies is impressive. In the U.S., names such as IBM, Hewlett-Packard, General Mills, Dayton Hudson, and Super Valu are among the growing number of leading companies that have set their beliefs down on paper. In Japan, the incidence of successful companies with written philosophies is much higher.

Taking a broader look at the history of large organizations adds additional weight to the argument in favor of a philosophy committed to paper for the sake of future generations.

The great religions of the world all have a strong, clear statement of their philosophy written down. The Torah, the New Testament, the Koran, are good examples. There is also a system for making that philosophy a part of the daily life of the people involved. Prayer, pageants, weekly services, weddings and funerals, all involve the people in the basic philosophy.

The governments of the world that have lasted more than 200 years all have a written philosophy such as a charter, a constitution, a Declaration of Independence, etc. Flags, oaths of allegiance, voting, celebrations and holidays, etc., all are a part of the system which makes those government philosophies a part of the daily lives of the people.

It is hard to find many big companies anywhere in the world more than 200 years old. There **are** some in Japan. A study of those businesses showed they too have a written philosophy and a system to make their philosophy a part of the daily lives of the people. A company song, a creed, a statement of values, periodic meetings, and awards are some of the ways this occurs.

The written philosophy has many values beyond corporate direction and character. It appears that a **good company philosophy has important effects on employee morale and productivity.** It serves to pull the company together. Konosuke Matsushita, the founder of one of the largest and most successful electronic companies in the world, wrote "... it comes clear to me that people need a way to link their productive lives with society." Jim Hayes, chairman of American Management Association, puts it in different words, "... everyone hates work... but nearly everyone loves accomplishment," and we might add, especially if his family, friends, and neighbors can see its value.

People are happy when they are part of something of which they can be proud. A statement of philosophy that sets down the positive beliefs and principles of the company can provide the base for that pride. And a strong, consistent management that practices what it preaches develops the trust which, with pride, is the basis for real productivity and high levels of customer service.

Jack Crocker, the recently-retired chief executive officer of Super Valu, said, "If a corporation is to succeed and experience continuing long-term profitable growth, there must exist a meaningful company philosophy that justifies the personal commitment and dedication of its people."

Thomas Watson, Jr., speaking on IBM's corporate philosophy said... **"I firmly believe that any organization in order to survive and achieve success**

must have a sound set of beliefs upon which it premises all its policies and actions. Next, I believe the most important factor in corporate success is faithful adherence to those beliefs. And finally, I believe if an organization is to meet the challenges of a changing world, it must be prepared to change everything about itself except those beliefs. . .

“In other words, the basic philosophy, spirit, and drive of an organization has far more to do with its relative achievements than do technological or economic resources, organizational structure, innovation and timing. All of these things weigh heavily in success, but they are, I think, transcended by how strongly the people in the organization believe in its basic precepts and how they carry them out.”

Along these same lines, the wise Prussian general Von Clausewitz, wrote. . . “The moral elements are among the most important in war. . . One might say that the physical seems little more than the wooden hilt while the moral factors are the precision metal, the real weapon, the finely honed blade.”

Before we close these paragraphs on the logic of company philosophy, here are a few observations made by the Council. A good company philosophy alone cannot make for success. There are many elements in a successful formula. There are also frequent examples of unprincipled companies which make big profits. . . for a relatively short period of time. But for long term success, a clear, written statement of corporate beliefs. . . with some means of making them a part of the daily lives of the people involved. . . seems to be important, if not essential, for success.

A strong consumer-oriented company philosophy was an important part of all the companies we visited in Japan. All but one had committed that philosophy to writing.

The Practice of Corporate Philosophy

The first and most essential factor in any company philosophy is the sincere belief, involvement, and long-term commitment of the chief executive officer and his staff. A company philosophy laid down on the organization without the total commitment seen in the daily action and judgements of the senior officers is worse than no philosophy at all.

One of our most interesting hours in Japan was spent in a meeting with Yotaro Kobayashi, president of the very successful Fuji Xerox Company. He explained the evolution of his company's statement of philosophy.

When Fuji Xerox was new, they began by taking the philosophy of the Japanese parent company: "Our goal is to strive for the highest quality products and services." This failed to fill the needs of the new company, and so they adopted something from a speech given by the first president of Fuji Xerox which was more specific to their company: "Our goal is to provide a better means of communication in order to promote better understanding." Again, this was considered "something nice to have, but that was all." Its weakness was that it wasn't something that helped the company's executives in the daily conduct of the business; it wasn't a part of them. Nothing was done however until a combination of economic and competitive problems caused executives of the Fuji Xerox Company to take a serious and challenging look at themselves. The result follows. Here is the Fuji Xerox statement of philosophy, action guidelines, corporate policy, and corporate targets. We have put the Fuji Xerox philosophy and its subsequential parts first because it is one of the best examples of tracking from philosophy to plan to the individual in the company. Fuji Xerox also does an excellent job of keeping the philosophy fresh and active (the new Xerox movement).

FUJI XEROX PHILOSOPHY

With trust and confidence in Fuji Xerox, both within and without, as pillars of corporate conduct, and by unflagging efforts for innovation, to provide unique values, thereby fostering understanding and harmony among men.

FUJI XEROX ACTION GUIDELINES

Always, try to:

1. Area of business
 - Achieve the position of the leading company in the information industry.
 - Actively penetrate the information-related industry.
 - Actively penetrate the home/personal market.
2. Character of business — seeking for "high quality" Fuji Xerox
 - Provide "excellent" products and services.
 - Obtain customers' "trust."
 - Build up senses of "FX corporation unity."
 - Establish a position as "reliable Fuji Xerox" among Xerox group.

FUJI XEROX CORPORATE QUALITY TARGETS – TO SATISFY CUSTOMERS' NEEDS

1. Best products
 - Full product array.
 - Best quality.
2. Timely product introduction
 - Corresponding to change of needs.
 - Leadership in market introduction and diffusion.
3. Best service
 - Complete market coverage and consulting service.
 - Maintenance of quality.
4. Attractive price
 - Attractive price per feature value.
5. Innovative corporate posture
 - Contribution within and outside of company.

This was followed by a five year plan which included specific objectives relating to revenues, market shares, profits, productivity and equity ratios.

Also a part of the five year plan was a statement of key corporate strategy, relative to the components of growth, operating efficiency and human resource development.

There is no standard format of "school solution" to the development of a company's philosophy. Here is how Xerox went about the task. Many people were involved. Here are Kobayashi's own words:

"There has to be a beginning. So I and some of the members of the Board, corporate planning people, got together. Again, basically there was really nothing wrong with the original corporate philosophy set, but we wanted to say it in our own language. So we composed a new draft and in the company magazine, we said, 'This is a draft of the new Fuji Xerox corporate philosophy.' I said, and this is the point I believe in very, very strongly: corporate philosophy is something that you have to feel comfortable sharing. This is nothing that I, Kobayashi, decides and dictates. Now, I am a part of Fuji Xerox, as you are a part of Fuji Xerox, and you will be part of the company longer than I will, and we

ask that you provide the idea and suggestions of the changes that are necessary, what were the changes, and so forth.

"We provided for a 90-day period in which people could come in and suggest some ideas. In the spring of 1979, we had the new corporate philosophy, plus we defined what we called a corporate conduct. And, there's a little pamphlet which we put out every year. Initially we gave this pamphlet to the first line managers; now everybody has a copy. It actually contains the corporate philosophy, the corporate conduct guidelines and the most up-to-date, long-range objectives and plans. Also, there is white space in the back where people are asked to write in their handwriting their objectives.

"I think corporate philosophy really has to be broad. It really has to be unique only to that corporation. The corporate philosophy, of course, then becomes a very basic start from which things like corporate strategies, corporate policies . . . both long-term and short-term . . . and all the action plans and operating plans have to be developed. But, they really have to be associated, tied into, logically into, the various basic corporate philosophies."

To keep a company philosophy of Fuji Xerox alive, they used a broad selection of media. The company newspaper makes regular reference to the company philosophy. They worked together to win an award in a national competition for organizational excellence. A "President's Letter" is regularly sent to each employee's home. Employees are asked "What do you do in terms of realizing corporate philosophy in terms of . . . 'quality targets' or 'action guidelines?'" As Yotaro Kobayashi mentioned earlier, the employees all carry a copy including their own objectives. Then, once a month, there is an inside broadcast, about which Kobayashi explains:

"I talk about 15 minutes on the intercom, and those who do not get the message directly will get the tape. I usually discuss the monthly performance for the company or whatever is happening in the Xerox world, or whatever I think is important for our people really to know directly from me. At the end of this 15 minutes, we ask different managers and different groups to recite the corporate philosophy and corporate guidelines.

Sometimes it's a whole factory, sometimes it is very small. This has been done monthly."

Is it any wonder that the parent Xerox has study teams in Japan to see how and why policy and programs are so efficiently implemented there?

Currently, Fuji Xerox has a new program called **The New Xerox Movement**. This program has a managing director fully in charge. This department has as its objective the implementation of the company's philosophy into all facets of the company. They also work with specifically appointed groups in each division. They are concerned with the practical aspects of operations functioning within the company philosophy and long-range plans. They can also bring in help from other departments and divisions.

President Kobayashi of Fuji Xerox is chairman of the central **New Xerox Movement**. Each month he meets and reviews progress and problems. In this way, they learn from their successes as well as from their mistakes.

Retail Philosophies

The retailers we met also credit their business achievements to the philosophical and spiritual qualities of their companies. They do not ignore the many immediate causes of efficiency and profits, but they see them as rooted in a strong organization, one produced by a positive internal environment. A company's philosophy embodies its positive values. It expresses a spirit they want in every employee's work.

The JUSCO Philosophy

The JUSCO Company presented us a rich set of statements reflecting the various aspects of their overall approach. JUSCO's basic company premise states, "to serve the local community through commerce." Its "charter" elaborates on the implications of that basic premise:

THE JUSCO CHARTER

We structure JUSCO according to the Federated Management System with a fundamental philosophy to contribute to the improvement and development of the quality of people's lives and culture in our community...

With the participation and unity of associates who are committed to this goal and mission.

We devote ourselves now and in the future to the perpetuation and prosperity of JUSCO...

By valuing sincerity and friendship and afire with comradery and enthusiasm...

And by pursuing our ideal of commerce and responding to the expectations and trust of our community;

1. JUSCO values trust and unity.
2. JUSCO values autonomy and responsibility.
3. JUSCO values exchange and cooperation.
4. JUSCO values centralization and decentralization.
5. JUSCO values creativity and innovation.

A transition is made from the fundamental goal of community service to the values upon which the company is built. The values stressed are trust, cooperation, unity, exchange between buyer and seller, and responsibility. Pairs of values such as centralization/decentralization and autonomy/responsibility cover well-known organizational issues in a flexible manner. This is a charter to which all can agree, yet it is more than a "motherhood and apple pie" statement in the selectivity it displays. It is brief. It does not mention profits or individual fulfillment. Its focus is organizational issues. It does not establish any hard and fast rules, but it creates standards. The ideal of community service is reiterated several times. Its compactness makes memorizing and reciting it quite easy.

JUSCO also has a Creed and a Pledge:

THE JUSCO CREED

1. JUSCO will always seek an "ideal of commerce" and provide merchandise and services that add true value to the lives of its customers.
2. JUSCO will always strive to do better in order to play a pioneering role in contributing to the quality of life of its customers.
3. JUSCO will always be devoted to the betterment of society and be committed to the pursuit of love and truth.
4. JUSCO will be deeply grateful to the people who have given it their support and trust.
5. JUSCO will ensure that it is an outstanding workplace, closely in touch with societal concerns.

The following five personnel principles represent JUSCO's personnel policy based on the management philosophy that "people make the company."

FIVE BASIC PERSONNEL PRINCIPLES

- (a) Principle of Fairness
- (b) Principle of Ability Development
- (c) Principle of Adaptability to Social Changes
- (d) Principle of Rationality
- (e) Principle of Respect for Integrity

THE JUSCO PLEDGE

1. Ever advancing, never forgetting our thanks and love for those who support us.
2. Ever thinking of the position of others and respecting them as we would ourselves.
3. Ever studying what is good and putting it into practice without hesitation.
4. Ever proud of our work, without waste or affectation, yet always aware of how much we still must do.
5. Ever careful in our words and actions and willingly taking responsibility for the consequences.

The creed and the pledge are posted and recited regularly throughout the organization. They resemble religious catechisms and the pledges made in the Boy Scouts or in fraternal organizations. They state what the organization stands for. Their purpose is to tie individual attitudes and behavior to the overall goals.

When the founder of JUSCO discussed with us his company's philosophy, he first told us about JUSCO's early history of mergers between several regional retail chains. He emphasized the difficulties of integrating and balancing the separate entities and explained how crucial it was to establish trust and a consensus about what should and should not be centralized. He also spoke of management's early efforts to keep loyalty and high morale in the face of much confusion due to the merger and rapid organizational change. The company's philosophy grew out of the lessons learned during this difficult time. He stressed the fact that it is the product of real historical experience, not something put together as a propaganda tool.

Making the philosophy immediate and vital in the lives of employees is the real management challenge. Reciting some element of it each morning together before work keeps people aware, but this is apt to become very routine and perfunctory. The company magazine carries essays and round table discussions of its significance to individual employees. These serve to illustrate how some people translate the principles into daily life. Other personal testimonials can be elicited at company ceremonies; but as with all matters of commitment to ideals, no one approach guarantees a philosophy's meaningfulness to all participants.

The crucial factor in making a company philosophy real is the capacity of management to give it life. This is primarily a question of leadership's actions speaking much louder than its words. As we listened to leaders of Japanese retailing, we could not escape the impression they were men who exemplified the philosophies they preached. They spoke with strong personal commitment and a degree of candor that convinced us they were practicing what they preached. How this managerial style is expressed at other levels of their organizations is a question we will be considering throughout this report. If the systems and structure of the organization and the practices of direct supervision run consistently counter to the philosophy, the very effort to state general principles is likely to be counter-productive.

The Ito-Yokado Philosophy

Masatoshi Ito, the president of Ito-Yokado, is also a founder of his company. He placed his managerial philosophy in an historical context. He

spoke to us of his ancestors' experiences running small businesses over many generations. It was the family wisdom to see that a company's true wealth is its relationships with customers, creditors and suppliers. His mother's family business, for example, had failed in the late 19th century. Again in the 1930s she had struggled to keep the Ito business alive during the depression. In the latter case, the support of creditors and suppliers was crucial; and it came because of the family's honesty, gratitude, and long fidelity. **President Ito underscored the point to us that mutual trust was the true foundation of profitable business.** His company has three basic company premises:

"We strive to be a sincere company,
trustworthy to our customers.

"We strive to be a sincere company,
trustworthy to suppliers, stockholders
and local communities.

"We strive to be a sincere company,
trustworthy to all employees."

This statement serves in much the same capacity as the JUSCO philosophy and creed in its simplicity and direct relationship to employee conduct. It is found on the walls of stores, in offices and in the company's publications. Ito-Yokado also has the following pledge:

"Everyday, we will endeavor with confidence and enthusiasm to satisfy our customers' desires through affection and service."

This is something recited at morning meetings by all employees. Ito-Yokado also has departmental statements of philosophy which serve as more detailed guides to manners, dress, customers, service, etc.

The Daiei Philosophy

"Everything for the benefit of the customer." Beyond this slogan the dynamic personality and 24-hour-a-day, seven-day-a-week presence of Isao Nakauchi is the philosophy of Daiei.

Hopefully, Daiei's philosophy will be published some day. It would represent a major contribution to the lore of world retailing. If or when it is published, it is a fair guess it will be strongly consumer-oriented. It will pro-

bably charge Daiei people to continue their aggressive role in dealing with suppliers, government and the status quo in behalf of consumers.

Daiei's unwritten philosophy pays close attention to finding sources for bringing luxury items to all Japanese homes at affordable prices. A decade ago when beef was 60 Yen a ¼ pound, Daiei found ways to sell it for 39 Yen a ¼ pound. The "ways" included running their own cattle boats from Japan to Australia to Okinawa. When the Japanese government stopped that operation, Daiei turned to hog raising in Okinawa. And always, Isao Nakauchi preaches the importance of challenge and change.

Daiei's stores are loaded with inventory; there are live and recorded "barkers" and brisk music. The stores have the feeling of lively bazaars. On the subject of profits, Nakauchi consistently insists profit is not the name of Daiei's game. Customer service comes first, and "profits will come if we get it right." In other words the company's profit should be based on the slogan "for the customer."

Isao Nakauchi is also just as dedicated. He believes he and his executives must work harder and longer than anyone else on staff. He says, "The top management does not have any private time", and there is no doubt Isao Nakauchi practices what he preaches.

To sum up this section, let us say the Japanese have made a most worthy contribution to the business world by demonstrating the value of the company philosophy. In almost every country in the world, in isolated instances, a good company philosophy . . . written down and made a part of the daily lives of the people involved . . . has been used and used with good success. But never before have so many businesses in one country so successfully demonstrated the value of this very basic concept in organizational structure.

In brief, it would appear that the company philosophy is an idea whose time has come.

Executive Emphasis

For the chief executive:
There is much more information to digest today;
There are many more demands on time today;
There are many more problems today;
Everything has grown bigger . . . except the day.

It's a fact there are no more hours in the day. This means the chief executive of a big and growing business has a time problem. The question

is, "What to emphasize and what to de-emphasize? What to handle yourself and what to delegate?"

Executive emphasis in Japan is quite obviously different than executive emphasis in the Western world. Today the executive in the West tends to put more emphasis on technical and financial matters. Surveys show the C.E.O. in the U.S. puts shareholders first in the list of his duties. The Japanese executive tends to put much more emphasis on customers and employees.

This is not to say American executives don't think about employees and customers. It is simply a matter of emphasis.

The same is true of Japanese executives. They must think about technical financial matters, and they do. However one cannot fail to be impressed with the high priority given by Japanese executives to customers and employees. Because of this influence, their entire organizations tend to be customer and employee-oriented. They work hard at this. It should be quickly stressed this kind of orientation is not a soft or easy thing. Quite the contrary, the Japanese executive treats both customer and employee with a formal politeness. Employees are also expected to work hard and think about improving themselves and their company. The fact that one retail chain employing over 25,000 people receives over 100,000 employee suggestions a year is not only good evidence of management's expectations, but also that it is reflected throughout the organization.

A good example of executive emphasis can be seen every day at the front door of the big Japanese department stores. When the stores open for business at 10 A.M., all of the senior executives come to the front door and bow to the first customers. This is preceded or followed by a careful inspection of the store, not unlike the U.S. military's traditional Saturday morning inspection of the barracks by the commanding officer of the post.

Obviously, the opening ceremony of a Japanese department store does much to regularly remind each clerk and department head of the kind of customer service expected of them. Psychologists call this "modeling behavior."

One is also impressed with the amount of time Japanese executives spend on the function of their organizations. Obviously, great emphasis is given to the study of how the process of people and systems and machinery work together. Once again, this seems to set the style of the organization. Everyone in the organization is concerned for the efficiency of the company and its improvement. Undoubtedly this interest and concern is a most important factor in the success of "Quality Control circles."

Without an interest in organizational improvement at the top of the company, it is doubtful line employees would be willing to shoulder the effort and push for resolution on their own.

One of the most important factors in executive emphasis . . . and one of the most difficult to write about . . . concerns profit responsibility. Chief executives on both sides of the Pacific know and understand the absolutely essential nature of corporate profits. It is hard to believe there is much difference in the minds of chief executives in Japan and the U.S. on this subject. But the way the subject of profits is handled within the organization is sharply different.

The Japanese chief executive and his immediate staff treat profits as their business and not a responsibility to be passed on to others. It may not be clearly articulated or practiced, but one comes away with the impression that the profit responsibility lies squarely with those who are in control of all the contributing elements and no one else in the company. The recurring theme in Japan is . . . "If we can serve the customer better with good product or service and the best price, we will be rewarded with good profits."

Daiei's President Isao Nakauchi was subject to some sharp cross examination by the Coca-Cola Retailing Research Council on this subject. He persisted saying "Profit is not the objective; it is only the means to attain the objective. Service to the customer is the objective and target. . . The company's profit should be based on the slogan . . . 'For the customer' . . . As long as we are beneficial to the customers, then we can be sure of our profits." We came away convinced he believed every word he said; this wasn't something for the visitors or the public.

Profit is the responsibility of the Japanese C.E.O. and his staff. It's something they do not delegate. They are satisfied with their ability to allocate assets, to delegate work, and to set goals and supervise in such a way that profits will come. Excellence in performance is stressed and expected inside the organization. The employee knows he must measure up to the company's standards. He is also expected to improve on them if he can.

"The employee learns waste and excessive costs are bad because they make our product or store a poor value for the customer." This seems to motivate the employee much more than an exhortation that waste and excessive costs robs the stockholder of his rightful return on investment. Logically, this seems to make sense. The employee is judged in part at least by his family and friends, by the perceived value of the store or the product he is associated with. Few are complimented on the quality of his

company's dividends. And, like anyone else, the employee is motivated by approval.

We in the West hold individualism in high philosophic esteem. Yet the success of all of our organizations is based on the ability of people to work well together. Scholars who are deeply involved in the study of the differences between East and West all recognize and comment on this conflict in our ideology. Athos and Pascale in their excellent book on Japanese management said it well and in picturesque terms. "The American West may have accommodated thousands of rugged individuals spread over the vast frontier. But millions of lone rangers employed under a few thousand corporate roofs may not much longer prove workable."

What, you may ask, does this have to do with company philosophy and executive emphasis? We concluded that to bring the best qualities of the "Lone Rangers" to the corporate efforts, one of the essential elements is a strong and consistent philosophy. The other essential element is leadership.

All groups must have leaders. Groups not provided with leadership will choose their own. Groups with weak leaders will, if it is at all possible, select an unofficial leader. Once an acceptable leader is in place, the group will listen to him or her; but, even more important, they will watch to see what that person does. They will try to understand what their leader thinks is "really important."

If the leader emphasizes the company philosophy in words and actions, the group will respond and, to the best of their ability, will try to achieve those goals. If the leader emphasizes the company philosophy in words but is expedient in his actions and rewards, the majority of the group will be confused. The brightest of the group will attempt to understand the leader's real emphasis and act in accordance with their own interpretation. This confusion and diversion of action within the group reduces morale and productivity.

So one must conclude, a strong and clear company philosophy . . . consistently practiced in word and deed by the leader of that company . . . must bring greater productivity. This works in Japan. . . this works in the U.S. . . this works anywhere in the world.

How Can An American Company Benefit By The Lessons From Japan On Corporate Philosophy And Executive Emphasis?

Here is an example of how one very successful U.S. company handled the matter.

In the lobby at Super Valu headquarters, on nearly all company literature, on all office walls, even on the door of the company airplane is the Super Valu statement of philosophy. This philosophy was developed by Jack Crocker in 1974 shortly after he took over the management of the \$1 billion a year company. Eight years later, Super Valu's volume was \$5 billion, an impressive improvement when many large companies in the food business were staggering under their own weight.

The statement speaks well for itself:

OUR STATEMENT OF PHILOSOPHY

The philosophy of the Super Valu companies will always be a "total commitment to serving customers more effectively than anyone else could serve them." We believe the pursuit of this meaningful goal is the continuing and overriding responsibility from which every corporate activity must evolve. We value today's success as merely the beginning of a constantly expanding level of achievement.

We believe that customers are most knowledgeable, skilled and capable buyers who will always seek out and do business with that supplier or store which most effectively serves their wants and needs.

Therefore, by serving our customers more effectively than anyone else could serve them, and by efficiently managing our business with highly-skilled and dedicated people, we are confident that we shall continue to increase Super Valu's sales and share of market. We believe that this philosophy and practice will result in continuing profitable growth for Super Valu and provide security and opportunity for our many thousands of loyal employees.

*Adopted by the Company,
January, 1974.*

Questions For The C.E.O.

Here are some key questions for the chief executive officer on company philosophy:

- Do we have written corporate philosophy?
- What do we do to make our philosophy a part of the daily lives of our employees?
- What have I done in the last month to endorse or emphasize our philosophy in the eyes of our employees?
- What should we be doing to improve the conviction of our officers and employees in the company philosophy?

On executive emphasis:

- How do I now spend my time?...A 30-day time analysis might be illuminating!
- Review correspondence and speeches to see how I sound and seem.
- How can I organize my time to give the maximum emphasis to customers and employees?

Also, most worthwhile, read **A Business And Its Beliefs, The Ideas That Helped Build IBM** by Thomas Watson, Jr. This book is out of print but generally available through used book dealers.

— CHAPTER IV —

Organization, Training and Motivation

Chapter III dealt with setting the direction and the climate for increased productivity. This chapter deals with those factors we studied which put the philosophy of the company to work. Here we touch briefly on organization. Much more work needs to be done in this area, especially with the growing general interest in matrix management.

The small group and quality control circles are covered in some detail here which is probably one of the most immediately valuable concepts for the U.S. supermarket operator. Unique to Japan but of great potential for the U.S. supermarket operator, is the position and importance of the personnel function. The Council members felt they received a great deal of worthwhile information in this area. JUSCO's suggestion system, which is also included in this chapter, does an excellent job of leading the reader through a most successful program which can be effectively used anywhere. It also typifies the commitment and thoroughness found in successful Japanese companies. And finally, there is the matter of compensation with some interesting and logical ideas on non-monetary compensation.

Organizational Structure

Japan's 10,000 supermarkets (both small and large) are organized along departmental lines much the same as they are in the rest of the economically developed world. **Their unique difference is flexibility and group responsibility as opposed to individual responsibility.**

In discussing the matter of organizational flexibility, Takuya Okada, president of JUSCO Stores, spoke of centralization and decentralization. "I feel this is a very basic principle in managing any kind of organization. Some things have to be centralized to increase their efficiency. But at the same time, there are some advantages to decentralization. We want to make use of the advantages of both especially in regard to the daily activities that are close to the local communities. [But] we have to be flexible in order to respond to the changing situation." He went on to describe their buying operations. During unsettled economic times, they shift their buying operations to their divisions in the field. During more stable periods, they find they do better in one central location. Their philosophy of organization and their systems permit this to happen.

Probably because of the flexible and changing nature of Japanese organizations' attitudes about organizational structure and prerogatives, the lines and boxes on the organizational chart do not seem to prohibit or suppress interest, concern, or criticism from one department to another. There is a strong "we" feeling among the workers and a healthy concern for the overall effectiveness of the store and the company. Undoubtedly, the group feeling makes this in-

volvement and some healthy give and take possible. It removes the element of personal criticism or individual confrontation which tends to often irritate instead of help.

Small Groups

We learned just how important teamwork in small work groups is to Japanese management. On several occasions, we watched work teams conduct their morning meetings. Offices are arranged to encourage a group atmosphere with no partitions or separate offices for the manager in charge, and our hosts explained how they depend on small group activities in work and recreation to help bring out the best from employees. Throughout Japanese organizations, decisions are delegated to and made in groups.

Organizational structure in Japan is built on small groups not individuals, and operational responsibilities are delegated to groups as a whole. Work teams are seen as the key building blocks in every effort to encourage greater worker participation. At the store level, strong motivation, positive attitudes, high standards, good coordination, fluid communications and worker satisfaction are all goals Japanese companies try to achieve through the skillful management of small groups.

Here are the essential characteristics of the Japanese approach to small group teamwork:

1. Employees, as noted, are assigned first to groups, then to specific tasks—giving team membership prominence and everyone a sense of their organizational identity.
2. Overall group responsibilities and requirements take precedence over individual skills, preferences or tasks.
3. Companies hire potential more than actual skills when employing new school graduates, so individuals are assigned to groups with an expectation of considerable learning and adjustment on their part. On-the-job training occurs in the work group context and is not limited by the parameters of a job classification approach or formal training.
4. A clear-cut hierarchy of rank gives structure to each group, and even small groups will have sub-supervisors. Authority is clearly maintained.
5. Rank is closely correlated with seniority and experience at the lower levels of organizations, so the hierarchy generally reflects age differences. Exceptions are that men are not supervised by women in Japan, and men who have no leadership abilities come to work under younger men as they grow older.
6. Work teams generally meet at the beginning (and sometimes at the end) of each day and regularly during the month to discuss common problems. This is true of even those involved in the most routine work.
7. Work groups also spend some time (at least partly at company expense) relaxing together on weekends. Among office men, there is night time

socializing, at times.

8. Top management uses regular competitions between work teams to stimulate performance. Many forms of recognition are used, and awards are given to work groups for commendable performance.
9. Management monitors small group performance and tracks indicators of group morale. Middle managers (supervisors, department heads) are viewed as group leaders and evaluated as such. The skills required for group leadership are consciously considered by all managers as key to promotion.
10. The leadership of small groups is an important and necessary training ground for upper management. In this way, a regular concern with teamwork is spread throughout the organization.

Much managerial time and attention goes into the maintenance of a good group spirit. Discussions, joint problem-solving, daily meetings and shared recreation are all aimed at team building. The Japanese approach is to see hierarchy and intimacy as inter-dependent in work groups. Without clear authority, close human relations are often not efficient; yet without warm human relations, authority is alienating. The pyramid of command and the circle of fellowship must be joined to produce vital work teams.

One surprise that greets foreign visitors is the general absence of carefully defined job descriptions and work rules. The reason for this is simple. Individual tasks are assigned and adjusted at the work group level rather than by some general, more rigid scheme. Work is not engineered by consultants or staff people. Each section and sub-section has a clearly defined area of responsibility and a set of targets provided by senior management, but the means of implementing these responsibilities is determined at the work group level. This does not mean that automatically there is extensive participation in deciding how tasks are broken down and goals met. It means that, should the team leader adopt a participatory approach, there are significant issues to discuss; and the work team has the latitude to work out the details of implementation. By delegating many operational issues down to the small group level in this fashion, an opportunity is created for every employee to contribute his or her ideas.

This is not an undisciplined arrangement. There are limits on what is reasonably delegated. Japanese are cautious by nature. They do not need to be regularly reminded of the need for dialogue between any work group and higher authority. The goal is to bring together expert opinion with the workers' mastery of minute details in order to find solutions that fit the overall organization's goals. Assessing who should participate in operational decision-making is a crucial managerial task. Recognizing the value of the knowledge possessed by line workers brings them into the picture, but it does not give them control.

The retail business has its own set of problems for a small group approach. Unlike office or manufacturing situations, part-timers are numerous in retailing; and the work force is scattered. Some people work irregular hours, and turnover is higher in the stores. These factors combine to make a sense of being part of a team less clear-cut among some employees. Finding the right time for problem-solving meetings, for example, is difficult. Furthermore, due to the extremely fast growth rate in these companies, mature, well-trained supervisors in Japan are in short supply. Also, many department heads and some store managers have inadequate experience to handle the very challenging tasks of team-building and participatory problem-solving. Finally, part-timers who are housewives and students do not automatically share the same commitment to company goals as regular employees. None of these conditions make the group approach impossible, but they must be recognized and a plan developed to cope with them.

The most impressive success stories we heard came from Ikari, a small but very well-managed food store chain near Osaka. Their store-level employees are encouraged to contribute their ideas on a regular basis. Entrepreneurial activities by departments are encouraged. Product and packaging improvements in the company's small manufacturing locations were proudly mentioned. We were told employees become so involved in seeing their own ideas realized that they enthusiastically devote extra hours without pay.

Quality Control Circles

Japan's supermarket industry, in sum, is enthusiastic about the possibilities for more group-based participation and greater low-level problem-solving; but in the largest organizations, company-wide efforts to this end are just emerging. This enthusiasm is not surprising since the record of accomplishments for this approach in Japanese industry is now very strong. What is impressive is the managers' quite careful, long-term approach to instituting improvements. They do not seek instant Q.C. Circles or expect changes to occur overnight as have many American managers who see participation as a quick fix and set out to make it happen immediately.

The Japanese lay the groundwork for Q.C. Circles very carefully with full recognition of certain basic realities.

First, no top-down policy change can suddenly improve the leadership capabilities of middle managers, and yet implementation depends on their skills.

Second, the overall atmosphere in a company must be conducive to employee acceptance. If there are large unresolved labor problems, for ex-

ample, they need to be solved first.

Third, the process by which group activities develop and participation grows must be natural.

Fourth, a great deal of preliminary managerial discussion and acceptance of any idea is required. It is necessary to bring into the open the potential problems and hidden resistance before changes are made.

Like skilled gardeners, Japanese managers set about preparing the ground for organizational change long before any actual planting is done.

The advance of Quality Control Circles in Japanese manufacturing and their phenomenal success have given them a prominent place in Western media discussions of Japanese management. They are an excellent example of worker participation, and they symbolize the notion that a quality product comes from workers who care about what they are doing.

The fact is, however, Q.C. Circles are quite new; and only about one in seven Japanese workers is presently involved in such activities. Among the retail organizations studied, all have Q.C. Circles; but they are of fairly recent origin. The suitability of Q.C. Circles to food retailing has therefore not yet been fully demonstrated in Japan. Among Japanese retail executives, there has been a sense...as there is in the United States...that compared to manufacturing, retail store level applications of the idea are more difficult. Warehouse activities appear more amenable to managers in both countries, but experience indicates Q.C. Circles can be successfully introduced at the store level.

In principle, a Q.C. Circle is an autonomous unit of workers organized in most company work units and usually led by a senior worker. A training program teaches elementary techniques of problem-solving including statistical methodology. The members volunteer their time to concentrate on solving job-related quality problems which are expected to lead to cost-reduction and increased productivity opportunities. In addition, the Q.C. Circles focus on improving the working conditions for their members. Specific efforts are made to increase training and skill development programs and to improve worker morale. The primary belief of the Q.C. Circles is that hourly workers have an important contribution to make to the company.

With over 1,000,000 Circle members nationally registered, Japan's Q.C. Circle movement has shown significant tangible results. In 1979, for example, Sanyo Electric reported savings of \$181 million due to company-wide management improvement campaigns. One-third of this savings was directly generated by suggestions from blue collar workers. Nippon Steel attributes one-fourth of its profits to the Q.C. Circle activities of its workers. In addition,

company Q.C. Circle programs result in substantial reductions in defects and mistakes.

The Q.C. Circles' intangible benefits are different for managers and for Circle members. In a national survey, the following improvements were most frequently claimed by the two groups:

- | MANAGERS | CIRCLE MEMBERS |
|----------------------------------|---|
| 1. Improved worker morale | 1. Provided good opportunity for learning |
| 2. Improved safety | 2. Improved communication with superior |
| 3. Strengthened teamwork | 3. Heightened problem awareness |
| 4. Improved product quality | 3. Heightened consciousness to improve status quo |
| 5. Led to better human relations | 5. Improved working environment |

Daiei's experience introducing Q.C. Circles is quite instructive and reveals a lot about Japanese management in general. In early 1981, discussions about the desirability of such activities led to the hiring of a consultant and the conduct of seminars on the subject for all top and middle managers. This was the first step along a path that took over one year to travel before any actual Circles were formed.

Since the mid-seventies, Daiei has had an annual store-level campaign to involve employees in upgrading the quality of basic conditions. The second step was known as the Q.S.C. ("Quality, Service and Cleanliness") campaign in which workers in each store decide on an improvement goal for each of the three categories. They then develop objective measures of improvement, and over a year-long period they concentrate their efforts on achieving and maintaining the goal they themselves have set. Examples cited included checking the cleanliness under cases three times a day, charting the results and striving to reduce invoicing mistakes. This campaign succeeded in demonstrating the possibility and value of involving store-level workers, but it was a rather unsophisticated approach compared to Q.C. Circles; and Daiei's management wanted to move forward to the next stage.

Daiei's management seminars on Q.C. Circles were more than informational; they were designed to elicit wide managerial discussions of the feasibility of the idea. Resistance and skepticism were allowed to come out in the knowledge they could later wreck such a delicate innovation. When it was

clear that managers favored the plan to move toward store level Q.C. activities, study teams were sent out to other companies, especially banks, where Q.C. Circles were in place.

The third step was a series of seminars held to insure that store managers were thoroughly trained since they were the people who would most directly affect the success of the project. Following this, a company-wide public relations effort was instigated to familiarize people with the concept. In each store, representatives were chosen to attend regional meetings where they both learned more about Q.C. Circles and reported on how the idea was viewed by workers in their own stores. Following several store representative meetings of this sort, the focus shifted to supporting informational meetings in stores when requested by workers. Headquarters staff were assigned to respond to local requests for information, training and advice.

One year after the top management seminars, Q.C. Circle activities were begun in one region of the company. On a strictly volunteer basis, store workers formed their own groups, chose their own problems, and decided how and when they would meet. They had to get their store manager's approval for the problem they chose to solve, but his instructions were to O.K. all selections except those that would be too difficult. Groups registered with the company, stating the name they had picked for their team and the target date for completion of their work, typically 3-6 months away. No overtime pay for Circle work was offered, but the company plans to hold a series of meetings at which the results will be presented to regional and to top management. Projects will be judged and liberally awarded with prizes and acknowledgements. These presentation meetings will be held twice a year for outstanding projects as chosen by store managers.

There are 50 stores in the test region. In the first two months of 1982, 639 Circles were formed and registered with the company, an average of 13 per store. The initiators of this whole effort in Personnel were pleased but far from jubilant. They said the long-term staying power of the Circle movement was far more important than initial success in achieving enthusiastic involvement. They said it was far too early to say they had succeeded. Circles disband once they have solved their problem. Whether new Circles would continue to be formed was the issue foremost on their minds. It is also interesting to point out that their sense of success was not dependent on proving to senior management that the cost involved in start-up were paying off in savings and improvements. This they took for granted. Success by their definition was the permanent strengthening of the organization and the involvement and awareness that resulted from the first efforts.

Several other things need to be underscored about this example. The **slow, deliberate and well planned approach** is impressive, especially in light of American managerial impatience to see Q.C. Circles in place as soon as possible. Second, **all managers must be fully on board** for something like this to get the overall support it needs. Third, the principle of **voluntary participation** is scrupulously observed. Without it, we were told, the survival of Q.C. Circles could be dubious. Finally, Daiei's managers were quite clear the intrinsic, unquantifiable returns of higher morale and greater interest in the work were going to be more valuable to the company than the demonstrable achievements in problem-solving. **Daiei's president feels the workers' involvement alone is well worth the time and money spent.**

Personnel Systems

As we mentioned earlier, **organizational emphasis on personnel is strong.** We found personnel departments playing a very active and influential role in their companies. This is logical since in the Japanese mind they are responsible for the company's most important asset. The managers we met were self-confident and innovative in improving the work climate and the quality of all employees. Managers were quite clear about their mission, and several referred to their company's philosophy when setting forth their goals. From this we could see how the formal statement of organizational principles made this function more important. Personnel departments in Japan, we found, have high status in the overall structure of management. Typically, the head of Personnel is one of the top four or five executives of the company, and many of the most talented managers are rotated through Personnel because the experience is considered valuable and because the quality of its people should be high. Respect for an organization's values and for the organization itself depends in part on respect for its Personnel Department. The Japanese, with their long-term approach to organizational development, have expanded ambitions for the personnel function.

Recruitment

For most Westerners, the Japanese system of recruiting and hiring of full-time workers is most unusual. At both high school and college levels, recruiting is done during the students' senior year. **All of the students recruited come to work at one time** beginning with an official welcome ceremony and a speech by the C.E.O. This is followed by an indoctrination program. Last year, for example, Ito-Yokado held indoctrination ceremonies for more than 2,000 new employees. After the initial indoctrination, the employees are immediately put into groups for training and job assignments.

There are many advantages to such a system. There is an importance given to the event that cannot take place when hiring is done on a more casual basis. The new employee gets an immediate sense of belonging as a member of the new class and as a member of his group. There is tacit peer pressure to orient and learn. Also, organizations taking on large groups of employees must prepare for them. It is impossible to put off or let slip orientation and training which so often is the case in a casual hiring situation.

Evaluation

All three big companies we visited do formal evaluation of all employees semi-annually. Numerical grading is common, and the approach on the evaluation forms is oriented to many specific questions. Management by objectives is taken down to the individual sales clerk level. Whether evaluations are shared with the employees or not depends on the company, but in every company an interview/discussion between the supervisor and the one evaluated is conducted.

In JUSCO's case, employees also evaluate themselves, their training needs and their managers once a year in a separate process that provides the Personnel Department with valuable feedback on store-level morale and personal problems.

Ito-Yokado has instituted a variation on this procedure. It asks individual employees to first evaluate themselves. They then pass this on to supervisors who add their own evaluation in a separate column of the same form. Employees then get direct feedback from their supervisors, using their self-evaluation as a base. The assessment form used is very extensive and detailed. Specific behavior of all kinds is listed, beginning with simple forms of reliability like punctuality, courtesy and cleanliness. It then itemizes basic and advanced job skills. Attitudinal issues are also included. By filling out this detailed self-evaluation form twice a year, each employee is reminded of what is expected and of areas for improvement. It serves as a mirror. Certain sections apply company-wide, and others are written to fit with the worker's department and job level. Sixty to seventy questions are related to each job; and upon completion of the process, the individual has a specific sense of his/her performance.

The process also forces supervisors to give precise feedback, especially in the face of the employee's self-evaluation. Those who underestimate themselves are very likely to receive encouragement, while those who are blind to their weaknesses elicit the criticism they need.

The vagueness of most American open-ended performance appraisal forms

stands in marked contrast. Our forms often make it relatively easy to continue misunderstandings and create new ones if not used with integrity. They are seldom tailored to fit low-level jobs. The Japanese attention to detail is notable.

The system began after employees complained supervisors were not being explicit and clear enough in providing guidance concerning the performance of daily tasks.

JUSCO's personnel officer explained to us that only "Yes" or "No" answers are possible. This is to make sure there is little room for subjectivity or prevarication. Tied into this process, furthermore, is the creation of the next six-month self-improvement plan in which the employee commits on paper to improve his or her performance in areas identified as needing work. Formal training needs may also be specified. A rather intensive spotlight is thrown on individual conduct by this degree of thoroughness.

By starting with the worker's own evaluation, the process avoids much of the tension and defensiveness that can arise when supervisors initiate the process. Typically, employees do most of the critical work for the manager whose position is shifted toward counseling and away from having to be a disciplinarian.

This "self-check" process is conducted at the same times each year that wage increases and bonuses are determined. Managers use this process to ask employees to reflect on their own individual contributions to the company's overall results. In response to those who are dissatisfied with their wages, managers can use the evaluation process to redirect criticism.

Training

The level of ambition and innovation displayed by company training in Japan is impressive for most industries. Several things stand out: 1) operational-level training programs are prepared with exceptional thoroughness; 2) training is integrated with evaluative, motivational and morale-building programs; and 3) management training contains a significant quotient of character-building and leadership activities. Consider the following notable examples.

Every company we visited had spent considerable time perfecting their own approach to initial training for new workers. As we came to appreciate the concern Japanese managers have in shaping a strong corporate culture, we began to grasp the significance they place on creating a positive attitude toward the company and work from the start. New employees are the most impressionable, of course, and by teaching them the company's philosophy and expectations at the beginning, management establishes the right norms

before bad habits and confused expectations can begin. This helps new employees to make a good start, and it sets the tone for their further development.

Ito-Yokado provides every new employee a set of booklets to be read in the months **before** they come to work. These outline the company's history and organization, its basic values, its operational procedures and the basic personnel systems by which they will be paid, evaluated, trained and promoted. When they enter the company, the new employees are tested on what they have learned. Managers told us they have found people keenest to learn during the period between being hired and starting to work. In Japan, this is a matter of months. What is notable about this insight is the emphasis placed to thoroughly manage the organizational atmosphere, even to such things as getting a hold on first impressions.

JUSCO asks its new employees to write essays discussing the company's significance to them. They also do this before beginning work. The company also provides four orientation sessions of three days each during the first year. On a regional basis, trainers go over the basics of customer service, dress and make-up, sales techniques and so forth. Like the other companies, JUSCO has an employee handbook that sets out in precise language and with many illustrations the behavior and appearance expected of all employees.

In addition to orientation programs that set forth values and standards, the companies run training programs in basic operational skills for all newcomers. Finally, they also hold all-day ceremonies each year to welcome new employees and to underscore the importance the company places on their contribution.

JUSCO has spent considerable effort perfecting a systematic program of on-the-job training that operates during the normal course of a working year without loss of working time. The company has over forty separate formal courses and programs, but its on-the-job program is especially notable. Most store-level employees work at their jobs with only their supervisor for guidance. They perfect their knowledge and skills in a haphazard way. JUSCO has sought to better organize this situation. Their efforts have been directed at creating an ordered set of learning modules centering on basic job-related knowledge. They have created a separate curriculum for each operational department. Each curriculum is self-paced. One illustration will convey how the system works.

JUSCO provided us with a set of OTJ training modules for a sales clerk in a men's wear department. It consists of 38 separate study topics organized under 11 general headings—Product Knowledge, Sales Analysis, Competition, Customer Relations, Check-out, Inventory Management, Display,

Stocking, Internal Reporting Requirements, Sales Planning and Profit Accounting. The list of individual modules included such topics as washing and care information, stains, materials, building a three-dimensional display, surveying the competition, size and fitting knowledge, the vocabulary of men's wear fashion, and the forms and channels to report sales information.

The merit badge system of the Boy Scouts immediately comes to mind as an analogous form of training. It, too, is self-paced and built on small modules that have precisely defined tests. Also, like the merit badge system, the motivation to make progress comes from the individual. JUSCO's presentation of this program to employees emphasizes the professionalism of a job truly done well and the increased value to customers and fellow employees which a skilled employee can provide. It thus appeals to idealism as well as to the desire for self-improvement. The modules, furthermore, give added interest to work routines and permit sales clerks to begin to develop managerial insights. Obviously, the system is built on considerable faith in the intention of average employees to improve themselves. As they progress, they assume greater responsibility over their work.

Behind this seemingly common sense solution to the problem of raising skills and enriching routine jobs, lies an enormous amount of work spent preparing the curriculum for the entire company. But once established, training costs are very low. To assemble each curriculum, each operational job has to be carefully analyzed; and the particular skills and knowledge has to be identified. If anyone were to think of Japanese management as essentially a vague reliance on warm human relations, they need only consider this and other highly systematic approaches to human resource development to realize Japanese managers are as keen to create a buttoned-down atmosphere as their American counterparts. When it comes to getting the performance they want, they do not leave a lot to chance.

Management Development

In all three large chains, it is a standard expectation that individuals will work in at least three departments prior to being promoted to store manager. Transfers between departments for young men destined to be managers occur regularly. There are no salary differentials between departments to serve as barriers to a fluid transfer pattern. In addition to this intentionally broadened experience, all new Daiei store managers are put through an intensive three-week course at the company's training center, a four-story building that houses 120 trainees (and includes a gymnasium, library and specially-equipped classrooms for each of the company's regular sales departments).

While Daiei's store manager trainees focus primarily on learning the crucial issues of marketing for each department, they also go through team building

and other exercises that prepare them to be leaders. Much of this...what the Japanese call "spiritual training" ...is conducted in a disciplined and rigorous atmosphere reminiscent of the military. All wear training uniforms, and at the end of each day flag ceremonies are held. Trainees are put in teams of eight. These groups live together and take joint responsibility for each other for everything from neatness to homework assignments. Teams meet at the start and end of each day for discussions. A training supervisor oversees each team, but leadership rotates among the eight members. Other team activities include sports contests, fire drills and study-related competitions. A good deal of attention is also given to other motivational activities. There are daily exercises and a short run to instill a healthy "can-do" feeling. Senior executives give them encouraging talks. They review the company philosophy and write reflective diary entries on their role in society. The graduation ceremony includes a personal statement of commitment from each trainee and more inspirational lectures from senior people. A big celebration follows.

This "side" of the training program has been carefully conceived and arranged to serve organization building goals. Besides motivating the new middle manager, it provides them with models and standards to use in leading people. The creation of orderliness, the team work, competitions and the inspirational work are all useful leadership tools. Just as the Japanese "familial" approach to organization means a constant involvement with the full range of value and motivational potentials, so the training programs attempt to address the full human being.

Obviously, education is given great respect and importance in Japan and in Japanese business. Beyond their own elaborate and professional training programs, the large chains maintain an organization...the Japan Retailing Center. This is a highly professional and prolific training organization. Its purpose is to train management people. The Japan Retailing Center conducts traveling seminars outside of Japan and has a new and very modern training facility in Tokyo.

In his meeting with the Coca-Cola Retailing Research Council, Shunichi Atsumi, chief consultant to the Japan Retailing Center, explained that the senior executives...men such as Nakauchi of Daiei, and Ito of Ito-Yokado...still come to the Tokyo seminars with their management groups. They attend three-day seminars, each lasting twelve hours a day with homework in the evenings. They cover the broad spectrum of problems facing large company executive groups. Conducted by Atsumi, the sessions are strict, fast moving and very demanding.

This top man endorsement through participation in the educational programs is typical of senior management in Japan. Needless to say, their presence and involvement has great and favorable impact on their organizations.

The Company College

Finally, we found all three companies seeking a comprehensive approach to training as part of an active personnel approach. Each has established extensive lists of courses and tied these to their career development and promotion systems. Japan has virtually no graduate schools of business and little vocational training. Hiring experienced workers is not favored in big firms due to permanent employment policies. Since people do not move from company to company, the development of individual skills and creation of managers is a heavy management responsibility.

Training is integrated with career pathing by two mechanisms. Individuals and managers independently assess training needs and make application to enroll in company-run courses, and completion of certain courses is made prerequisite for promotion and assignment. The application process for training is an open one (with up to three-quarters of course tuition to be paid by the employee in one company), but actual selection is a management prerogative. The result is a human resource development system in which the career ladder, the staffing plan, the motivational effort and the evaluation system are all carefully calibrated with formal training.

Support Systems

Each year, female high school graduates flow into the large retail chain organizations in great numbers. Their adjustment to work is a serious managerial problem. This is their first job. They are nervous and shy and very sensitive to criticism. Ito-Yokado had been experiencing an unsatisfactorily high departure rate among these women and in exploring the problem, realized male store managers and older female supervisors had difficulty reaching these employees. A special intermediating leadership was needed, and the company decided to select and assign newcomers to "big sisters," typically one per store.

These women, chosen for their friendliness and good sense, accompany recruiters to high schools and keep in contact with prospective employees. In many cases, they live in the same dormitories and do their informal advising and supporting away from the work place. In effect, they are the part of the on-the-job training system that deals with personal problems, attitudes and morale.

Once again, the Japanese inclination to closely manage the human resource function is evident. The company is quite satisfied with the results, too, stating that the departure rate of unmarried women declined by 50 percent and that "big sisters" have proved themselves to be very effective intermediate leaders

serving to integrate the newly-hired young women into the organization.

Employee Suggestions

The suggestion system is a very important and valuable part of the operation of a Japanese company. We felt it worth a close look at the details of such a system primarily because of the way it is executed.

JUSCO received more than 100,000 suggestions in 1982. This averages out to three per employee. The description of their program was so well done, it is left in the words of the transcript of that meeting:

Question: You mentioned earlier an employee suggestion and involvement system. Could you give us some further details about that program?

Answer: We started this proposal system about one and a half years ago. It is to develop the employee's creativity as much as possible. We would like to solicit information and suggestions from employees as much as possible so that we can reflect on our management. One of the assets of the retail industry is that we have many people. We would like to benefit from the wisdom of our people. Within our company, there are many housewives working as part-time workers. These housewives are customers too. We like to have suggestions from their side...from the consumer side...so that we can reflect on our management. Then we will be able to change...to adapt to the consumer needs.

The past year we received about 100,000 suggestions, and once a year the president of the company gives prizes for the most outstanding suggestions.

Proposals are sent to the person in charge of the subject covered so that they can make use of the proposals in solving problems.

The suggestion should answer the following questions: (1) "What are the problems that you would like to propose?" (2) What is the background for your proposal? (3) "What is your idea for solving the problem? Please write it in 150 words. If there is any necessary information or diagrams or charts needed for your explanation, attach them to this sheet."

Recognition and evaluation is given to each suggestion so the employee can understand how the company feels about his idea. This makes it possible for the employee to improve himself and the quality of his future suggestions.

Compensation

Promotion is usually tied in with compensation so it is important we review the Japanese system. In Japan, promotion and compensation are closely linked with seniority. This is especially true in the early years of an employee's working life.

Seniority is an important fact of life in Japan. In private life, the Confucian philosophy honors the elders. The Confucian philosophy also establishes firmly fixed relationships within the family based on order of birth. Seniority in business, therefore, fits the nature and expectations of the Japanese people. We'll talk more about Confucian philosophy in the next chapter.

The concept of seniority is also important to maintain harmony within the work group. With promotion and compensation in the early years of an employee's life tied closely to seniority, there is less of a tendency for cut-throat competition within the work group. This promotes harmony and harnesses and directs the energy of the group to achieve its objectives. This limitation on individual competition within the group also tends to cause the ambitious employee to direct his energies toward encouraging his group to compete effectively against the other groups in the company. Management encourages this inter-group competition even though it frowns on interpersonal competition. The bright, ambitious employee also quickly learns his abilities as an informal leader in his group do not go unnoticed and have an important long-term bearing on his promotion to management. The abilities of leadership receive very high marks in Japanese business...higher than technical skills.

At the beginning level, one published salary system applies uniformly to all regular employees. There are no distinctions by department, occupational category or locality. After ten or fifteen years of service, rank becomes the major source of differentiation. Rank reflects promotions and therefore is the most directly merit-based factor. At this point, promotions are influenced by age plus ability. Even so, the merit principle is considerably less important in the determination of the wage structure than in the United States.

The bonuses and salaries of top managers are generally three to five times larger than the salaries of men their own age and seniority who have not advanced up the ranks. Middle management compensation has, in general, lag-

ged behind American standards. On the other hand, companies offer various supplements based on family needs. For a forty-year-old man with two children, these would amount to 10-15 percent of his monthly salary. Bonuses (equaling about two months' salary) are paid all regular employees two times a year based on a formula only slightly affected by profits.

The notable characteristics of this compensation system are:

- 1) It does not establish barriers to transfers.
- 2) It rewards in a rather uniform manner. Merit is rewarded but not as prominently as in the United States. The result is there is less of a feeling of class distinctions than in American companies but more complaints from the most able about insufficient rewards.
- 3) The wage system is not designed to be a major instrument of motivation or punishment. It is the product of a complex mix of considerations including a general concern for the welfare of regular employees' families.
- 4) It is shielded from open labor market mechanisms except at the lowest point of entry due to the unique Japanese custom of respecting the "two-way" nature of the permanent employment understanding.
- 5) Its seniority and family welfare characteristics make it quite responsive to the pattern of cost increases involved in raising a family.
- 6) Union demands for wage increases are conducted on behalf of all regular employees below middle management without causing organizational imbalances or divisiveness among occupational or departmental groupings.

We can see the influence of the compensation system in the overall success of the company. Also of great importance is the role this system plays in the development of leaders and the productivity of the individual work groups. **But salary is only one form of compensation. As one studies Japanese productivity, involvement and recognition come into great importance.**

It's true few companies could function with unpaid volunteer workers. But it has become a broadly accepted fact that money is but one factor in the motivation of workers. As Maslow's Theory of Motivation postulates: When the psychological and security needs are taken care of, then involvement and recognition become the prime motivating factors. Successful Japanese businesses have understood this concept well and have adopted it to perfection.

There are a great many ways an employee in a Japanese company can gain involvement and recognition. There are many opportunities even within his

work group when he or she is called on to talk or write about the company philosophy.

One morning as the Coca-Cola Retailing Research Council visited one of Japan's largest department stores prior to its opening, we saw the clerks in the cosmetic department in their morning meeting. As a part of the meeting, the names of those clerks who had exceeded the previous day's sales quotas were read; and every one in the circle applauded each winner.

Another important means of recognition is the suggestion system employed in most Japanese companies. In every instance where this was discussed, the Council learned that the worker who made a suggestion received feedback. A large number of awards were also made in many grades to those who made usable suggestions so all could be recognized.

Recognition can take many forms. To have dinner or an evening out with his immediate boss is also an important kind of recognition for most employees. This happens frequently in Japanese companies. There are also the more usual forms of recognition which include birthdays, anniversaries, and news and pictures in the company publications.

Maslow's Theory also states that once recognition and involvement are achieved, the next motivator is self-esteem. . . the ability to set goals and achieve them to one's own satisfaction. Certainly, travel to learn and the many self-improvement programs offered by Japanese companies fit this category well.

To sum up, the Japanese system of compensation seems to have a broad dimensional approach...something for the physical man, the emotional man, and the spiritual man, as well.

Summary

The Council's sessions dealing with organization and compensation covered in this chapter were valuable in two respects: 1) we learned some new ideas or new approaches to some old ideas; and 2) we experienced a challenge to the status quo.

Here are some questions that sprung from these sessions:

1. What is the best system for organizing the growing supermarket company?
2. Are we using small groups effectively in the operation of our business?

3. What do we do to encourage more employee feedback? Could we use the JUSCO plan?
4. Before we jump into Q.C. Circles, is the climate of trust and involvement right?
5. In view of the fact that nearly 65% of our gross margin is spent on personnel, is the Personnel Department properly manned and positioned in the company?
6. Is there any way we could profit from the Japanese ideas of hiring and orientation for new personnel?
7. How does our job evaluation system work? Is there anything we can learn from the JUSCO or Ito-Yokado programs of personnel testing and development?
8. Do we invest enough in the training and development of our people?
9. Do we integrate our training with personnel development programs?
10. What about training materials...are we up-to-date? Are we using the best media possible? Are we getting regular feedback on how much of our lessons are getting through to our employees?
11. What are we doing about non-monetary compensation?

– CHAPTER V –

Adapting The Business To The Lifestyle (Norms) Of The Society

This part of our report must begin with questions and end with questions. Even so, we think it important enough and with such potential that it is worthy of your time and thought.

The Swiss are neat and precise and clean. Switzerland's most successful businesses tend to be neat and precise and clean. Could their business success be a natural extension of a societal norm? ...It would appear to be.

The French consider food and the meal a very important part of the day. Even a poor Frenchman loves his fresh bread, wine and cheese. The world over, a French restaurant is considered something special. Could this be the natural extension of a societal norm? ...It would seem so.

Over the centuries, Jews were excluded from farming, government, and most big businesses. Few fields except retailing and the professions were open to them. The Jewish people have built a reputation as successful entrepreneurs and professionals. Is this a natural extension of a cultural norm? ...Again, it would appear so.

There are no clear answers to these questions, but the evidence is there to ponder.

This line of thought developed as we tried to understand what took place in Japan after World War II. What was it that took it from a country considered incapable of manufacturing products of even fair quality to one of world dominance in so many fields? Why the great change?

The general societal norms in Japan were the same before the war and after. Could it be that the change came because Japanese businessmen adapted their organizations to their society's norms? Let's explore this line of thought a bit further.

As you know, Confucian philosophy has had a very long and very strong influence on Japanese thought and actions. The Japanese family has for centuries been shaped and disciplined and controlled by Confucian philosophy. The role of each member of the family has been clearly defined. The acceptance of the father figure as dominant is not questioned. The acceptance of seniority as the deciding factor for one's position in life is a rule. These conditions are societal norms in Japan. And because Japan was a country which relied on the small family farm and the sea for its food, people learned at an early time to work together within the family and in the community as well. So the societal norms of Japan include strong and disciplined family ties, a respect for authority, acceptance of a designated role and a natural ability to work well with others.

The shocking appearance of Admiral Perry's big black steamships in Tokyo Bay in 1858 and the subsequent Meiji Revolution a decade later brought Japan into the industrial era. The Japanese were late, but they had a very strong determination to catch up. The modern factory and organizational systems were imported without change or question. When one is running to catch up, there is little time to challenge or innovate. For the most part, employees were used as they were needed. There was little family feeling outside of the owners and managers. As mentioned before, with rare exception, workers moved from job to job. Management dominated the scene. Prior to World War II, unions were declared illegal.

Then everything changed with the end of the war.

The American occupation forces insisted on the rights of the workers to organize. By 1950, management-labor relations were bad. Japanese industry was strike-ridden. Something had to happen. The country had to have something to trade to be able to import food and raw materials. Some accommodation between labor and management had to be found.

In the decade of the Fifties, Japanese industry and business began to adapt their organizations to the societal norms of the country. The strong family feeling, the father role and seniority all became a part of the new organizational structure. The natural tendency to work harmoniously in groups in both family and community was adopted. It would appear this was the turning point...the time when Japan began its march to its current position of leadership in so many world markets.

Now, if this train of thought has any merit, then shouldn't executives everywhere ask themselves two simple questions: 1) What are the societal and cultural norms of my society? 2) Does my company adapt itself as well it might to the societal and cultural norms of the employees?

Every country and every ethnic group has its own norms. Here is a brief list of American norms and some possible opportunities for adapting to those norms.

Questions For The CEO

U.S. Societal Norms

Questions For The CEO

Outspokenness

Do we ask for direct feedback?
Do we have a good employee suggestion program?

Competitiveness

Do we have contests and give prizes for best ideas on improving the business?

Fascination with statistics	Would this work? . . . A scoreboard in the back room to show daily store traffic compared to previous periods and then encourage employees to give ideas on how to improve the count.
Teamwork	Do we regularly use employees in task force groups to help solve problems?
Computer orientation among the younger workers	Could a series of special computer games in the lunch room teach employees more about the business?
Openness	Do we give employees enough information?
Self-improvement	Do we have materials available for employees to help improve their skills?
Ambitious to improve	Do we grade individual progress and keep employees informed?
Physical fitness	Do we have company teams that not only keep employees healthy but also promote team spirit?

There are many more norms and ideas for consideration.

— CHAPTER VI —

Uniquely Japanese or “Questionable” Factors

In the second chapter of this report we sorted out the readily useable factors ideas and the uniquely Japanese or "questionable" factors. This chapter deals with the latter category and includes "permanent" employment, company unions, the effects of the unique national character of Japan on productivity, the government's involvement in business, and what we call the "Phoenix Syndrome."

The most important thing here is the background which will help you understand a bit more about the Japanese and their success.

"Permanent" Employment

Some members of the Coca-Cola Retailing Research Council are very interested in the possibilities offered by the "permanent" employment idea. You may be interested as well, so we have tried to present the pros and cons.

The union situation is most desirable but unobtainable for most companies now unionized. But new things must start as new ideas, and there may come a day when something like the Japanese system can be put to work here.

If there were a third category in this report between the "obvious" and the "questionable," this subject would probably belong in that middle ground. It is definitely and uniquely Japanese in its present form. But, the implications here for Western management are, we believe, important.

Large Japanese companies rarely fire or lay off full-time workers. This policy has gained the label "permanent" employment; but a lot of workers aren't full-time and, therefore, do not qualify for "permanent" status. Many smaller companies, satellite to the large industries, do not offer this benefit. Women who leave to have children may return, but never again on permanent status. When a worker reaches retirement age (55 to 60), he may wish to continue to work, and many do. However, he loses his permanent status, and as a rule, his salary is lower and there are no bonuses. So "permanent" employees form sort of an elite corps at the heart of the business surrounded by layers of "expendable" workers.

The "permanent" employment system didn't just start one day, it evolved. Even prior to World War I, some companies treated their workers as members of the family; and as such, they were there for life. Some of those companies were paternalistic in their relationships, and some were feudalistic. In the larger companies, only the executives, managers and a few craftsmen were on "permanent" status. The majority of workers were highly mobile because changing jobs was the best way to increase in-

come. During World War II, workers were controlled; after the war, there was much to do. The cleaning and rebuilding process was immense, and the reestablishment of Japanese industry in order to gain the vitality necessary for foreign exchange required all available hands.

The American occupation forces reintroduced unions to Japan. As mentioned earlier in this report, by 1950, unions and management were at each other's throats. Japan lost more days to strikes in that year than did Great Britain.

By 1955, with the surge of industry due to the Korean War, industrial skills were in demand; and employers wanted to tie their skilled people closer to the companies. In turn, the worker wanted more security. An accommodation was reached, and the widespread development of "permanent" employment began; first in big industrial organizations and then in any company that could see their way clear to achieve such status. It made it much easier to hire workers as they left school. The company that didn't have "permanent" employment did not get the pick of the graduates. It is important to understand, however, "permanent" employment per se is not a legal requirement. "Permanent" employment is a norm or an understanding...but in a country where "understandings" have great power. Dismissal, however, is covered by law which makes it far from easy to do.

Today, virtually all major Japanese companies offer "permanent" employment. Employees are hired upon graduation. They retain their jobs until mandatory retirement at age 55 or 60. The only basis for being fired is the commitment of a crime. In large industrial firms, a great majority (70 - 80%) of the workers are in the "permanent" category. The opposite is true in the retail companies we visited.

The large "mass merchants" now employ 40 to 50% part-time employees. The "permanent" staff is reduced still further by female employees who leave to keep house or have babies. As a consequence, only 15% to 20% of the workers in a retail company are covered by "permanent" employment benefits.

This is really not so different from a good American firm with a stable sales history. In many respects, the hard corps of U.S. supermarket employees enjoy even more actual benefits than the Japanese "permanent" employee. Layoffs and firings are also rare in banking and utilities. Delta Air Lines is well-known for employment stability despite the instability of their business environment. Indeed, most executives hope to avoid firing people, and the seniority principle works to make a certain proportion of our workers virtually tenured.

Most American managers have a real concern for the welfare of their workers. They, too, view job security as an important value. But American companies seem to dislike long-term commitments that limit options or restrict mobility. It would also seem most employees want to keep their options open. Americans simply value independence much more than the Japanese. Even so, most good companies go to significant lengths to avoid layoffs and store abandonments, adopting aggressive remodeling and a "no layoff" policy.

The real point, however, is that **by publicly embracing the principle of "permanent" employment, Japanese managers have gained a great deal in the realm of attitudes and corporate culture.** First, the family atmosphere they talk about is substantiated. Management sincerity is demonstrated. And when managers ask for some sacrifices from the union and the workers, the request is legitimated by the idea, inherent in "permanent" employment, that everyone is in the same boat. Indeed, "permanent" employment ties the regular workers to the fortune of their own firm, good or bad. Regular workers do not fear the loss of their jobs for technical improvements or productivity changes. They do worry when their company falls behind in the race to be most efficient, and that is a "healthy worry."

The principle of "permanent" employment also fits the Confucian family model. It feels right to the Japanese because it helps humanize company relationships. The most competitive companies in the marketplace are typically those that have succeeded in making their organization strong in "family type" employee relations.

But the gains from "permanent" employment are not automatic. It can lead to a stultifying atmosphere. It does not motivate workers in and by itself just because it protects them. It is difficult to promote people rapidly or accrue talented outsiders. And management's hiring mistakes stay on; no getting rid of them unless they steal or commit a crime!

Instead of finding talented outsiders or firing the misfits, Japanese managers must get the most out of what they have. They begin with a fundamental labor/management commitment to work things out. This is ideal, but there is no guarantee of success. What does happen is the building of strong organizations and the development of very good managers. **It could be one of the real but hidden benefits of this "permanent" employment system. To put it simply, this system forces managers to improve their skills.**

In summary, "permanent" employment, as actually practiced in Japan, ties the key people together and makes their fortunes the company's fortunes. It gives emphasis to the long term...both in the business sense and in the area of human resource development.

"Permanent" employment obviously has its pros and cons...the benefits cited here may be offset when compared with the U.S. system. Lack of mobility, the effects on bright and ambitious employees, the requirement that management live with its hiring mistakes all bring many doubts and questions to mind. If it indeed can be thought of as an advantage, it is not an advantage we are likely to see broadly applied in the U.S. in the foreseeable future.

Company Unions

Good relations with unions have been one of the most notable achievements of post-war Japanese management. The "enterprise union" has to be one of Japan's greatest internal assets and international advantages.

This is definitely not internationally transferable at least in the immediate future. Trade unions in the United States would find the Japanese system threatening in the ultimate sense. The managers of the central union pension funds would put up a "last ditch" fight, for it would put them out of business or under very tight control.

Foreign managers look with undisguised envy on the union situation in Japan's private sector, seeing company unions as cooperative . . . if not outright compliant . . . with management's leadership. The companies we visited all have unions, but none reported strikes or serious difficulties. And, by key measures, Japanese union-management relations, across the board, are comparatively healthy. In all of Japan, working days lost to strikes are a small fraction of what they are in the United States. Wage increases have stayed below productivity increases. Japanese unions, having job security and growing membership, have been more receptive to technological innovation than their Western counterparts. And in the difficult post-oil crisis period, Japanese private sector unions have earned high marks for their flexibility and economic realism.

In private companies, the early post-war strife was shifted to constructive relations. "Permanent" employment and enterprise unionism together meant that job security and wage increases were inherently tied to the fortunes of each particular company. Founded on this reality, unions gradually learned to cooperate; and managers learned to encourage such cooperation. A pattern emerged that proved to be quite durable over time. Union leadership generally shifted from the labor radical to the well-educated white collar workers who understood economics and who aspired to management positions. They could grasp complex business issues and represent the employees' interests with sophistication. Those

who focused on income rather than politics progressively assumed control. Rather than causing serious disruptions, various protest and pressure activities were invented that were largely symbolic. They did not affect production or undermine customer confidence in the company, but they communicated complaints and demands to management. Days lost to strikes declined.

On management's side, even more significant innovations occurred. Full disclosure to the union of all company accounting records became common. This was necessary to build trust, but it also proved to help educate the union in business. More and more of the most effective discussions occurred outside the confrontational and polemical context of actual wage negotiations.

Management learned to regularly promote the best union leaders into management, not for their compliance, but for their record of diligence and integrity in representing the employees. A recent poll found that nearly 80 percent of Japan's top executives had once served in an executive position in their company's union.

Prior consultation also became the accepted mode of approaching serious policy decisions affecting employees. Executives learned to keep channels open and to negotiate informally with their unions on an ongoing basis to head off potential conflicts. Like so much else about Japanese management, the goal was and is to enhance trust and thus strengthen a long-term relationship. As it works today, neither side sees much value in being hostile or seeking unrealistic victories. To maintain this moderation, management remains alert to union issues, actually viewing the union as a valuable source of participation and feedback from the rank and file.

Are there any lessons here for American managers plagued by union confrontations? Certainly, the circumstances in the two countries are different. The structure of unions and the system of employment in the United States do not provide as many reasons for a cooperative union approach. Nevertheless, long-term efforts to create solid working relationships and increased trust have generally paid off in the United States just as they have in Japan. Japanese managers and union leaders learned early there is no real alternative to working together. This is a lesson the present recession is teaching many Americans. Also, where non-union companies are successfully competing with unionized ones...as in many parts of the U.S. food retail business...the unions can, over time, be educated to see the workers' interests as depending on the success of those companies they have organized. The fact that education and relation-building take time and start with positive management intentions would seem to be basic lessons from Japan.

Unique National Character

Throughout this report, we have spoken of the unique character of Japanese society and its influence on employees and management alike:

- The Japanese are a monolithic people.
- Their morals and their manners conform to rather standard patterns.
- They are well-educated, and there is a discipline in the society that is readily obvious to the outsider.
- There is also a strong nationalistic/ethnic unity. To them, everyone else is different; and indeed, we are.
- The Japanese is group-oriented and interdependent. The American is by tradition independent.
- The Japanese is better at implementation. The American is more innovative.
- The Japanese is organizationally adept. The American is technically adept.
- The Japanese manager is more concerned with the function of the organization. The American manager is more concerned with the end result.
- The Japanese think more about customers and employees. The American tends to think more about finance and product development.
- The Japanese have a quiet, innate respect for authority, although many young Japanese are not afraid to say what they think. The American worker is more outspoken and iconoclastic.
- The Japanese market is a subtly-controlled market. This works because the Japanese will accept controls. The American market is an open market.
- The Japanese is more long-range in his approach and actions. The American today is more short-term oriented.

It is impossible to say that the basic abilities, the characteristics, and the norms of one society outweigh the other. And with our diverse backgrounds, there is no chance that either could or would adapt to the other's style. Even so, both societies are strong and capable, and there is much that each can learn from the other.

To quote Peter Drucker, the lesson here is...“Feed your strengths and drown your weaknesses.”

Government Protection And Planning

What we learned is negative. MITI (The Ministry of International Trade and Industry) has not helped the growing supermarket business. The restrictive measures taken by MITI include the Top Ten chains. They cannot open any mass merchandising stores of over 5,000 square feet without MITI approval. After approval they must clear all plans with MITI as the store is developed. No one seems to know exactly why MITI has taken this action, although the suggestions on page 6 are probably fairly close to the mark. The smaller chains must also get the approval of the local merchants which makes growth very difficult.

In response to MITI's blockage on large self-service stores, the big retailers are moving to other opportunities. Convenience stores, chain restaurants, overseas investments and department stores are all areas in which the tremendous energies of these large mass merchants are now being directed.

The Phoenix Syndrome

The greatest destruction during World War II was in Japan, Germany and Russia. In that part of Germany occupied by Western Forces and in Japan, which was exclusively occupied by the U.S., recovery was remarkable. The recovery in Russia and East Germany was not so fast or so effective. One must ask, why? An interesting hypothesis is found in the writing of the American stevedore/philosopher Eric Hoffer. In his book, **The Ordeal of Change**, he wrote,

“A population subjected to drastic change is a population of misfits — unbalanced, explosive and hungry for action. Action is the most obvious way by which to gain

confidence and prove your worth...Thus drastic change is one of the agencies which releases men's energies, but certain conditions have to be present if the shock of change is to turn people into effective men of action. There must be an abundance of opportunities, and there must be a tradition of self-reliance. Given these conditions, a population subjected to drastic change will plunge into an orgy of action."

In Japan, Germany and Russia, there was certainly no shortage of opportunity. But in Russia and East Germany the self-reliant factor was overridden by the centralized authority of Moscow. Not so in Japan! All of the conditions were right, and the American occupation forces...much to the credit of the U.S. government...let them happen. Even more than in West Germany, which was occupied by three Western powers, Japan was allowed to govern itself as soon as it could. Local and regional governments began to function almost immediately.

Certainly the obvious necessity to rebuild was clear to everyone. The need to eat was a great driving force, a basic incentive. These fundamental motivating factors had great and lasting effects on the men who led the "Japanese miracle."

All three of the big chain presidents told of their post-war beginnings in burned out ruins. Two spoke of the importance of peace. One still carries a piece of an American grenade in his arm. These men actually rose from the ashes. They were close to their customers and close to their employees.

The World War II generation is now in their middle to late 60's. In another decade, they will be turning over the chief executive responsibilities to the post-war generation. The obvious question is, "How well will they do in maintaining the pace?" Certainly they have not had the advantage of adversity which faced the founders. And they do not have the immediate post-war vacuum for goods and services which existed until the 1970s.

The important thing is they have been influenced by outstanding examples and have had excellent training and a written philosophy supported by a well-developed system for making that philosophy a part of their daily lives.

If the theory espoused in the early pages of this report is valid, the next generation should continue to do well. Certainly the three younger CEO's we visited...the presidents of Systems International, Seiko and Fuji Xerox, showed no signs of weakening.

The greatest danger the next generation faces in running those very large businesses is in losing touch with their customers and their employees...the matter of executive emphasis...but that is not uniquely Japanese; the same caution applies to the next generation of retail management everywhere in the world.

— CHAPTER VII —

Summary

The purpose of our study was "to see what we could learn from Japan on productivity that could be used in supermarkets in the U.S." We concentrated our study on management since we determined at an early stage Japan had the most to offer in the areas of corporate philosophy, executive emphasis, organization, and personnel matters.

What follows is a list of those things we feel are most important among all the things we learned.

1. **The written philosophy has demonstrated its worth as a directing, clarifying, motivating and unifying force.** The Japanese have developed this aspect of the business to a fine art. Enough U.S. companies have confirmed the value and applicability to current business conditions to warrant much broader use in the "West"...Many current "walking philosophies" could benefit from a written philosophy.
2. **Executive emphasis...that lengthened shadow that falls across the organization, is always important and frequently misinterpreted.** The Japanese have kept their emphasis on their customers and their organizations, and they have made that clear. The results have been exemplary...A good reminder to the American executive who has become distracted by finance and technical development. If there is a "secret" to the Japanese success, the matter of executive emphasis must be one of the most important factors involved.
3. **Making the company philosophy live in the "front lines" of the business is essential** if the maximum benefit is to be gained. There are many ways this can be done even if the morning pledge and the company song don't fit your style. In any event, making the company philosophy a part of the daily life of the people in the company is definitely worthwhile.
4. **The business of managing. . . Here we found the Japanese successfully demonstrating the value of the concepts and the techniques advocated for years by the American Management Association and men such as Peter Drucker, Douglas McGregor, Abraham Maslow, Chris Argyris, and...in our own business...Lawrence J. Taylor.** The Japanese came to the U.S. eager to learn. They attended the

seminars. They bought the books. They went home and took them seriously.

5. **Orientation . . . another good reminder. The new employee is most receptive in his or her first weeks.** Then they are enthusiastic and ready to learn. The Japanese set the pattern for a lot of good business habits by making the first impressions very positive and business-like and the results are impressive. The principle of "starting on the right foot" is universally beneficial.
6. **Involvement and trust . . . The experts all agree involvement and trust are fundamental to good productivity.** Concern for the self-respect of the individual, consistency, fairness, openness, job security and information all release "psychological energy." It works in Japan; it works in the U.S.; we can improve in this area.
7. **The Group . . . a well-developed Japanese art.** But, no one can sit in front of a television set in the U.S. without seeing some superb examples in football, basketball and baseball. There are also enough successful examples of "task force" work in U.S. companies to encourage more group or teamwork in the stores, distribution centers and headquarters. A caution to U.S. executives: **Don't expect the groups to develop satisfactorily without a general climate of trust, without very careful development, and without continual interest and support from top management.**
8. **Training and management development . . . The Japanese make much greater use of training programs and materials than do their U.S. counterparts.** This applies to both full-time and part-time employees. The Japanese companies get good results from these programs. It is an important element in productivity. The employee also gets a great deal out of the programs because of the regular evaluations and feedback to his suggestions. There is no reason to believe these kinds of programs would not be broadly applicable in the U.S.
9. **Communications . . . In Japan, the employee and the union get a lot more information about their companies than is usual in the U.S.** This is done to build understanding and trust which further helps to improve productivity. Since there are few secrets in

U.S. business today, there is little obvious reason why companies in this country cannot benefit from the Japanese example.

10. **Compensation. . .The lesson here for Americans would seem to be in the non-monetary field. Recognition, feedback, personal attention, prizes, and traveling seminars are all a part of the rewards for any worker who will try.** Frequently, these kinds of awards are more stimulating than money. It would appear the average U.S. company could be well repaid by studying their non-monetary compensation systems with an eye to improvement.
11. **Adapting the organization to societal norms...**This may seem a little too esoteric at first glance, but a study of the great national success story of Japan should cause the wise to look again. Along with executive emphasis, this is undoubtedly a key part of the "Japanese miracle." By adapting the business organization to the society, the transition from private life to business life is smoother. Less friction means more energy for productivity. In our opinion, it is an idea that can work anywhere.

Common to all of these specific lessons is one basic theme...**the remarkable results people can achieve when working together towards a common goal.**

Japanese business and government have learned to work together. They may have their differences of opinion, but they have learned they must maintain the health of the country. All is not harmonious between labor and management, yet they have learned they cannot destroy the companies without destroying themselves. The Japanese people live and work in crowded conditions unknown in Europe and America, and yet they have a minimum of crimes and very few law suits. With virtually no natural resources except themselves, the Japanese have achieved world leadership in at least a dozen industrial categories. The new breed of Japanese retailer has been able to grow in a truly remarkable way which required an extremely fast rate of management development.

The Japanese have invested in their people like the West has invested in technical developments...and the investment has paid off. This would seem to be the most important lesson from Japan.

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* Required reading for the Coca-Cola Retailing Research Council prior to field study.

Basic Review List on Management Readings

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Title: **Toward the New Economics**
Author: Peter Drucker
Publisher: Harper and Row

Title: **Honda Motors: The Men, The Management, The Machines**
Author: Tetsuo Sakiya
Publisher: Kodansha International

Title: **Management**
Author: Peter Drucker
Publisher: Harper and Row

Title: **Leadership and Motivation**
Author: Douglas McGregor
Publisher: Massachusetts Institute of Technology

Title: **Motivation and Personality**
Author: Abraham Maslow
Publisher: Harper and Row

Title: **Integrating the Individual and the Organization**
Author: Chris Argyris
Publisher: John Wiley & Sons, Inc.

Title: **A Business and Its Beliefs**
Author: Thomas Watson, Jr.
Publisher: McGraw-Hill
(This book is out of print and must be bought from a used book dealer)