

From the Bookshelf

Meyer Michael Cahn, Editor

Japanese and American Management Practices

Theory Z: How American Business Can Meet the Japanese Challenge

by William Ouchi

Reading, Mass.: Addison-Wesley, 1981, 281 pages, \$12.95

The Art of Japanese Management: Applications for American Executives

by Richard Tanner Pascale and Anthony G. Athos

New York: Simon & Schuster, 1981, 221 pages, \$11.95

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At a time of increasing concern among Americans about slowing industrial productivity and foreign competition, especially Japanese, the arrival of these two books is very welcome. Both attempt to explain what Japanese management is all about, compare it favorably with various American management styles, and discuss the ad-

vantages of adopting a more Japanese way.

The first part of Ouchi's book describes the management style used in Japan, contrasting it with traditional American management practices and with maverick, Japanese-like (Type Z) companies in the United States. In the second part of the book, Ouchi outlines how an American company can move toward being a Type Z firm.

Ouchi starts with a brief discussion of how trust, subtlety, and intimacy in the organization can contribute to its productivity. These elements of organizational climate form the foundation

for organizational practices characteristic of Japanese and Type Z companies that are described in detail in chapters that follow.

For readers who are familiar with Ouchi's earlier articles (such as the article written with Alfred Jaeger, "Type Z Corporation: Stability in the Midst of Mobility," *Academy of Management Review*, 1978; or the one written with Jerry Johnson, "Types of Organizational Control and Their Relationship to Emotional Well-Being," *Administrative Science Quarterly*, 1978) there is little new to be found here. Some points are well expanded, but superficial discussion abounds. Ouchi actually recognizes that he is often oversimplifying, but argues that this serves "as a foil against which to compare and better understand the American model" (p. 57).

Ouchi identifies seven principal components of Japanese management style: lifetime employment, slow evaluation and promotion, nonspecialized career paths, implicit control mechanisms, collective decision making, collective responsibility, and wholistic concern. It is noteworthy that decision making is identified as collective, rather than consensus-based, a term often misused in the literature on Japanese management. While many employees are involved in or informed of decisions, acquiescence is not agreement, and Ouchi correctly points this out. The model still places too much emphasis on what Japanese executives say that they do, however, rather than on how their organizations actually operate.

For example, it is doubtful that evaluation of Japanese employees is really as slow as Ouchi indicates. What is slow is a formal status differentiation, but differences in evaluations

appear relatively early in employees' careers. These do have an impact, as Ouchi himself seems to acknowledge when discussing the issue of decoupling status and responsibility.

Besides suffering from a lack of references, a number of factual mistakes appear in this part of the book, especially in the first chapter. To cite just a few, the book claims that "there is no pension or social security" system in Japan (p. 18), that "only MITI can place retirees in commercial banks" (p. 20), that "the amount [of bonus] is not contingent on individual performance" (p. 23), and that "each major firm is assigned a quota of graduates by each department in an Imperial [sic] University" (p. 21).

One surprising omission throughout the text is a discussion of open communication. We believe that two-way communication logically both precedes and reinforces Japanese-style decision making and the development of collective values. Ouchi does recognize this in chapter six (p. 133), but it would be illuminating if addressed earlier.

The description of Z organizations also suffers from simplification and generalization. According to Ouchi, these are similar to organizations in Japan, differing, however, in giving more emphasis to explicit control, individual responsibility, and faster promotion schedules. Ouchi also states that "Type Z companies have a tendency to be sexist and racist" (p. 91), a statement that makes the rest of the book praising the benefits of Z-ness somewhat suspicious to women and minorities. Unfortunately, Ouchi chooses not to discuss this important issue and we are left wondering whether the trade-off between the effectiveness of Z organizations and equal opportunity

for all of their employees is really necessary.

Finally reaching Part Two of the book, the reader is compensated for the glibness of the preceding hundred pages. Here Ouchi makes a valuable contribution to our understanding, not of Japanese management, but of organization development. He focuses on practical suggestions for moving a company from a Type A (traditional American) to a Type Z management style. These recommendations elevate the book from a mere description of alternative management practices to a clear and well thought-out set of instructions to increase the effectiveness of the typical American organization.

The concept of a corporate philosophy is at the root of the intervention. Ouchi makes three central points about such a philosophy: it must specify: (1) the relationship of the firm to its social and economic environment, (2) the basic objectives or ends of the firm, and (3) the essential means used to achieve those ends. He describes how such a philosophy may be formulated and gives rich, detailed examples that are supplemented in the Appendix. There is a real sense that the examples can be emulated using the several guidelines and case histories provided.

One point that Ouchi presents is unclear to us. He stresses the need for performance appraisal and feedback. Indeed, as part of Step One, he states that:

Ultimately, subordinates will demand performance appraisal before they willingly attempt more cooperation and less self-protection. . . . This most basic form of candor precedes all others. (p. 100)

It is not obvious why this, rather than communication and open discussion,

must precede the development of trust. In chapter six, however, the point is made that communication at least precedes philosophy. Discussion with corporate officers and subordinates is essential for both consistency and understanding. "Only within the larger setting of cooperation, trust and openness will a statement on a piece of paper be brought to life" (p. 143).

It is in his emphasis on systematic and system-wide changes that Ouchi makes perhaps his best contribution. He points out that productivity is enhanced not by more effort but by improved coordination. He makes clear, however, that such coordination stems from radical change with trust at its root. As he says, "the change to Theory Z, like Theory Z itself, is wholistic" (p. 98) and it demands integrity, which he defines in an unusual way as an "integrated response to problems, an integrated and consistent response to customers and employees, etc. . . ." (p. 100).

This need for wholistic, rather than piecemeal, change or organization development should be taken to heart by the many American companies that have recently begun to adopt one or two of the much-vaunted Japanese techniques. As Ouchi notes: "When a committee or a quality control circle is an isolated attempt at cooperation, it may become nothing more than the arena for multiple contests fought to no avail" (p. 109).

Pascale and Athos share Ouchi's concern for a wholistic approach to management. Moreover, at least in their descriptions of Japanese organizations, Pascale and Athos make fewer sweeping generalizations than Ouchi. Instead, they describe in detail the management style of Konosuke Matsushita, founder of Matsushita

Electric Company (known in this country for its Panasonic, Fisher, and Quasar brands). Apart from one well-written and engaging chapter on Matsushita, however, the book itself is a loosely connected series of descriptions and discussions. It takes the reader from descriptions of Matsushita and Harold Geneen's management style at International Telephone and Telegraph, through the cutely named Seven S's (strategy, structure, systems, staff, skills, style, and superordinate goals), representing areas to which attention must be paid for an organization to be effective, to a discussion of Zen and on to several vignettes about various other American corporations.

Pascale and Athos begin by explaining the purpose of the book: using the Japanese as a mirror to illustrate misconceptions about management that prevail today among American executives. This mirror is Konosuke Matsushita's company, and its description makes fascinating reading. This alone would justify the investment in the book. As even Pascale and Athos acknowledge, however, Matsushita is not very typical of Japanese firms. It is unique, and should be treated as such. Very little from the description of Matsushita's style and organization justifies the frequent use of Japanese-American and East-West dichotomies later in the book.

The chapter on Matsushita itself is a well-blended amalgam of secondary data supplemented with the authors' own interviews with Matsushita executives. References are provided, but are often imprecise or erroneous. For example, several informants are identified by name only. It is not clear whether they are insiders and what their position in the company might be. References also appear citing

interviews with a mysterious Mr. Onishi, once identified as an American executive, then as an informant on intricacies of the parent company's personnel system.

In the following chapter, Pascale and Athos describe Harold Geneen's management style in contrast to Matsushita. In many respects the companies look similar, but the authors make the point that the two leaders managed the "soft" aspects of their organization differently. "Geneen seemed to regard other people as objects to be used to achieve his purpose, while Matsushita seemed to regard them as both objects to be used and subjects to be honored in achieving his and their purposes" (p. 83). They also propose that, as a partial result of this, Geneen's management style at ITT did not survive his retirement, while the system established by Matsushita seems to be surviving well.

After a fast start, it is disappointing that the book loses its pace when it reaches chapter four, where ambiguity, uncertainty, and imperfection are discussed. While the authors argue rather persuasively that these features of life should be accepted as given in organizations, rather than striving at all costs for clarity, certainty, and precision, more of the latter and less of the former would certainly benefit the text. First the authors promise that the "attention the Japanese have long paid to their staff and the skills employed by management to develop their human resources and pass their skills on to their successors" will be the focus of their analysis (p. 87). Instead, the reader is treated to a disjointed discourse on Zen, Japanese language, the benefits of vagueness, performance feedback, and the criteria of success.

The reference to Zen provides a

catchy title for the chapter (originally appearing in *Harvard Business Review* in 1978), but otherwise we see little connection between Zen and Japanese management practices. Few Japanese executives that we have encountered would find Zen especially relevant to their activities. There are companies in Japan who send their trainees off to meditate (Tom Rohlen, who advised Pascale and Athos on their book, described such training in "Spiritual Training in a Japanese Bank," *American Anthropologist*, 1973), but they are rather atypical. The same is true about the spiritual preferences of individual executives. Some may spend their free time in the temple, but it remains to be proven that they are better managers than those who prefer the golf course.

Pascale and Athos do much disservice to their very valid point, that much of the Japanese approach to management can be incorporated into U.S. management, by using an excessive amount of East-West generalization that leaves the reader with exactly the opposite impression. In addition, many of these comparisons are rather naive and even irrelevant. Japan is equated with the East, and for good measure an ancient Chinese verse is used to illustrate the Japanese concept of space; the U.S. is similarly equated with the West and we, as Europeans, take exception to that.

Contradictions also arise. Having extolled the virtues of vagueness, the authors criticize American performance feedback for being too vague when it is negative. They ignore problems with performance reviews in Japanese organizations, such as their secrecy, and they confuse formal and informal feedback as well.

In the following chapter on inter-

dependence, Pascale and Athos both echo Ouchi and acknowledge their debt to Chester Barnard, citing him in saying that "Organizations are a system of cooperative activities—and their coordination requires something intangible and personal that is largely a matter of relationships" (p. 120). Once again, however, some statements exceed their factual bounds. It is simply not the case that "Japanese organizational charts show only collective units, not individual positions or titles or names" (p. 127). Likewise, the assumption is made that there are few mentors in corporations in America (p. 141). This may conceivably be true, but supporting evidence would be desirable, particularly since it forms the cornerstone of a lengthy argument that the Japanese system is superior in this respect. The reader might also like to know who Jerome Bruner is. He is cited without reference on page 147.

After a few pages on the nature of power and leadership, chapter six moves the authors out of the realms of rhetoric and speculation into an informative description of Ed Carlson's management at United Airlines. American and successful, his style is portrayed as being closer to Matsushita's than to Geneen's, but still not perfect. What Pascale and Athos found missing at United Airlines were superordinate goals (Ouchi's corporate philosophy). Without these goals, the authors argue, successful managerial coordination and subsequent transition is hard to achieve.

In the last two chapters, the two books sing in harmony. Pascale and Athos use a musical analogy to discuss the need for the superordinate goals of the organization to be articulated. This is amplified by stressing the

need for "fit" among the Seven S's, endorsing current popular views in the management literature.

In many ways, the two books are remarkably complementary. Pascale and Athos fail to give us the general description of Japanese management that Ouchi provides, and similarly Ouchi's book does not include the description of a successful Type A corporation that Pascale does provide with ITT under Geneen.

When all is said and done, the best parts of both books are nothing more or less than articulations of how to do good organization development. Top management must define what it wants the organization to be doing, in both "bottom-line" and less tangible arenas, and specify how to arrive at this state of affairs. As change begins, employees must be involved and top management must visibly support and monitor the change.

What both books do, which is perhaps more important than educating us about Japan, is draw our attention to the ideas of several management

scholars working over the past two or three decades. Without greatly acknowledging their debt to Chris Argyris, Rensis Likert, Abraham Maslow, Douglas McGregor, and others, Ouchi, Pascale, and Athos are in essence presenting their concepts in a fresh format. This is not surprising. Japanese managers have always paid close attention to the writings of foreign and Japanese management theorists. The Japanese have also concerned themselves with a systematic implementation of what they learned. In our own organization development, such a systemic and wholistic approach is still often lacking.

The books cover an important topic, one that is catching the imagination of many American executives, consultants, and academics. Though the authors' arguments would benefit from more attention to detail and more judicious generalizations, Ouchi, Pascale, and Athos deserve credit for pointing out what American managers can learn from the Japanese, as well as from some of their still-maverick compatriots.

Lucid Design for Work Redesign

Work Redesign

by J. Richard Hackman and Greg R. Oldham

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