

## Japanese Management in Singapore

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### I Job-hopping in Singapore

One of the greatest problems Japanese-affiliated companies in Singapore are confronted with is job-hopping. Needless to say, job-hopping is the practice of moving from one job to another. In Singapore, there is a tendency among workers to readily change their employment by finding a position in a different company with better pay. The labor turnover rates being very high there, some companies showed even more than 100% in their annual separation rates.

A great many advertisements for workers are placed in newspapers and magazines occupying a lot of space. Even in commuting buses, which many companies operate for their employees, similar advertisements are displayed. A number of job applicants are often seen waiting for an interview at reception offices. It is not rare that when visiting a factory you find several workers who have just been employed starting a new job. Every day, many workers are employed and many leave companies in Singapore. This is a phenomenon seldom seen in companies in Japan, where fresh graduates are employed at fixed periods.

As was shown in the previous issue of *Southeast Asian Studies*, Vol. 22, No. 4,

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Appendix: Questionnaires for Top Japanese Managers and Questionnaires for Local Middle Managers, local workers employed by Japanese-affiliated companies continued in their service for 2.5 years on the average in Singapore, for four years in the Philippines, and for 4.1 years in Malaysia (Question No. 14). Thus, the average length of service is very short in Singapore; the separation rate is 4.9% per month and reaches about 60% a year. In other words, in a company employing 100 local workers, approximately 60 of them leave every year. As was mentioned before, there are some companies where the annual separation rate is over 100%.

The table below shows the numbers and percentages of local employees classified by the lengths of continuous service in a certain Japanese-affiliated company in Singapore. Those who left the company within one year after being employed account for as high as 45.7%. It is natural that the higher the separation rate is, the shorter the period of continuous service becomes.

Such a high separation rate induces heavy expenditure on recruitment and training new employees and also leads to a high percentage of inferior goods.

It requires time for new employees to achieve optimum efficiency even in simple work. Thus, a high separation rate serves as a negative factor in terms of both expenditure and the quality of products.

**Table** The Numbers and Percentages of Employees by the Lengths of Continuous Service

|         | Less Than<br>1 Year | 1-2<br>Years | 2-3<br>Years | 3-4<br>Years | 4-5<br>Years | More Than<br>5 Years |
|---------|---------------------|--------------|--------------|--------------|--------------|----------------------|
| Numbers | 319                 | 75           | 112          | 63           | 49           | 80                   |
| %       | 45.7                | 10.7         | 16.1         | 9.0          | 7.0          | 11.5                 |

Among the advantages of companies in Japan are increases in productivity and quality which are attributable to rises in learning and experience curves. The learning curve represents the degree of proficiency in a job: as one becomes more proficient in a job by learning, productive efficiency increases. In addition to this, an increase in productivity due to a rise of the experience curve is also attracting attention: as the accumulative output increases, the cost of production shows a proportionate, rapid decrease. As the effect of the experience curve, it is maintained that when the accumulative output doubles, the cost of production decreases by 20% to 30%.

Not merely does a worker's skill increase in proportion to learning but an increase in the accumulative output leads to new ideas for improvements of working processes, tools and equipment. As a result, quality is greatly increased and the proportion of inferior goods is decreased. Thus, a rise of the experience curve greatly contributes to a reduction of production costs.

Compared with large companies in the U.S. and Europe, those in Japan, which are stable in terms of employment because of the adoption of the lifetime employment system, can be markedly characterized by their using the experience curve to the best advantage through the long-term employment system.

In Japanese-style management, improvements, progress and innovations are continuously made by making use of the effects of the experience curve, which

results in yearly rises in productivity and quality.

In the case of companies with a very high annual separation rate of 60% or so, short-term employment caused by the high separation rate makes it impossible to take full advantage of the effects of the experience curve. Therefore, if the effects of the experience curve are to be made use of as they are in Japan, job-hopping has to be prevented. It is not until job-hopping has been curtailed that the Japanese style of management can be implemented to the full extent. But it could also be vice versa.

## II Promotion of Japanese-style Management

In view of this, a few years ago the Singaporean government began to enthusiastically carry out a policy to promote Japanese-style management. For instance, "the Japanese-Style Management Promotion Committee," which includes leading members of Japanese-affiliated companies was established as an advisory organ directly responsible to the President. The government also broadcasts the slogan "Learn from Japanese-style management" on the radio and television.

Here are a few of the suggestions advanced for the promotion of Japanese-style management by the above-mentioned committee. One is the suggestion that the ceiling set on

bonuses be removed. Until then, bonuses had been limited to the amount equivalent to three months' pay as part of the government's incomes policy. The bonus system in which bonuses are paid not only to management members of a company but also to its employees in general is one of the characteristics of Japanese management. This system has the advantage of fostering loyalty to the company by making the payment of bonuses take on the character of distribution of profits or sharing of achievements. It is notable that the adoption of the Japanese bonus system has been suggested as a step toward fostering workers' loyalty to their companies.

Another proposal advanced by the committee was related to the government's policy concerning a social welfare fund called the Central Provisional Fund. In this social welfare system, each employee was obliged to put 22.5% of his or her income into the fund and, what is more, each company had to put 22% of the total wages to be paid into the fund. In other words, an amount equal to almost half of the total salaries was allotted for this social welfare fund. The ample funds thus raised were assigned for, among others, retirement annuities, housing loans and the construction of multistory apartment houses for workers. Especially the construction of multistory apartment buildings in the vicinities of their factories was enthusiastically promoted, for the government had adopted a policy of the adjacency of one's job site and residence.

In relation to this social welfare system, the committee advanced a reform that from 1982 onward companies reserve half of the sum they were to pay into the social welfare fund (that

is, 11% of the total wages to be paid) and that the interest revenue coming from that fund be invested for the improvement of intracompany welfare facilities such as company apartments and sports facilities for their workers. This proposal aimed at enhancing corporate solidarity among workers by means of companies' direct investment in intracompany welfare projects in place of the government projects and, thereby, at preventing job-hopping.

This proposal was underlain by the idea that employees' loyalty to their companies would be heightened and the rate of labor immobility would be increased when companies themselves were responsible for their own welfare policies for their employees after the example of Japanese management style rather than when the government entirely undertook the nation's social welfare policy after the British style.

A third proposal made by the committee was related to the reformation of the educational system. The practice of job-hopping and the high separation rate can be attributed in part to the fact that Singapore, which was long a colony of Britain, has adopted various aspects of British culture. The population of Singapore consists of about 75% Chinese, 20% Malays and 5% Indians. The people of this multiracial nation have a strong sense of individualism and have a marked tendency to attach great importance to money.

These aspects and the adoption of British culture are reflected in the educational system. For instance, reflecting the British idea that universities are institutes for training the elite, there are only two in all — the University of Singapore and Nanyang University. (As a

matter of fact, these two universities were integrated into one in 1982.)

As a foundation for promoting Japanese-style management, the Singaporean government adopted a policy to reform the educational system. For example, they have decided to establish a new technological university. Furthermore, they plan to introduce collective education into elementary, junior and senior high schools; Japanese school customs and events such as athletic meetings and morning assembly are to be adopted for junior and senior high schools as part of the collective training.

Thus, the policy of the Singaporean government is to actively promote Japanese-style management. In reality, however, it is not so easy to implement. One of the six Japanese-affiliated companies I visited happened to be refurbishing its office premises; the refurbishment was for the express purpose of constructing a private office for the native manager, for native managers are liable to leave without a private room. The other five companies adopted the policy of large, unpartitioned rooms for all office workers including managers, which is one of the characteristics of Japanese management. Some hesitation persists among Japanese managers about whether they should push the Japanese style of management or adapt themselves to the local way of management.

In relation to this, I would like to show some of the results obtained through the questionnaire mentioned at the beginning of this report. The answers to Question No. 12 tell us that 75% of the Japanese-affiliated companies in Singapore which answered the questionnaire are adapting themselves to the

local way of management while the remaining 25% are implementing Japanese-style management. This would indicate that those companies of the acclimatization type overwhelmingly outnumber those of the other type. In practice, however, the former include companies adopting Japanese-style management more or less. In other words, some companies are actually implementing Japanese-style management, though adjusting to local practices to some extent instead of adopting entirely the same management system as is taken in Japan. The answers to some of the other questions will be helpful to comprehend this. Here, I would emphasize that the companies classified as the acclimatization type (75%) actually include those adopting Japanese-style management to one degree or another.

Five of the six Japanese-affiliated companies I visited were actively carrying out Japanese-style management, though they differed slightly in degree. One of the decisive factors which determine a company's policy as to whether to adopt Japanese management or not is the distinctiveness of its products: when a company succeeds in the product differentiation and therefore has an advantageous position in the market, it is easy to implement Japanese-style management, but when its products are not differentiated and the company is faced with keen competition, it is difficult to carry out. This is the case with one of the above-mentioned six companies. This company produces vinyl pipes, which makes product differentiation difficult, and has decided on a policy of adapting itself to the demand of the local managerial personnel for private office room. Another

decisive factor is the type of ownership, that is, whether a company is owned jointly or unilaterally. It goes without saying that when a company is a joint venture and the local side has the right of management with a local owner installed as president, it is most difficult to implement Japanese-style management. When a company is a joint venture and its management is entrusted to the Japanese side with a Japanese appointed as president, the active promotion of Japanese-style management is possible to some extent. And when a company is entirely owned by Japanese enterprise, Japanese management can be most easily carried out. In view of this, Japanese-affiliated companies in Singapore tend to change their ownership structure to that of a wholly-owned subsidiary. Among the few companies which have recently made this change is Seiko's subsidiary in Singapore.

### III Evolution of Japanese-style Management in Overseas Enterprises

The Japanese style of management which is now being implemented overseas certainly shares some of the characteristics of Japanese management described by James Abegglen, who did research into the Japanese companies of the 1950s. Among them are the lifetime employment system, the wages system based on seniority, the seniority promotion system and the company's own welfare system. But it is also true that Japanese-style management developed in Japanese enterprises overseas has some different characteristics, that is, aspects considerably different from those J. Abegglen characterized as the Japanese lifetime employment system. In other words, a

new or modernized Japanese style of management is being developed in the Japanese companies overseas. Next, I would like to examine from an evolutionary standpoint the actual development of Japanese-style management now carried out in Singapore.

#### (i) *The Separation of Ownership and Management*

One of the characteristics of Japanese-style management is the separation of ownership and management. In Southeast Asian countries, local companies are usually small in scale and many of them are family concerns. Furthermore, the stockmarkets are still at an underdeveloped stage. Accordingly, it is not usual for capital and management to be separated. This means that when a joint venture is undertaken capital and management can easily be linked together; the local owner more often than not holds the right of management and, as a result, the actual management style takes on a capitalistic feature. In contrast, Japanese-style management is characterized by the separation of ownership and management and the entrusting of management to a managerial expert, that is, the professionalization of the managerial function. On the basis of this separation of capital and management, other factors of Japanese-style management are incorporated.

For instance, in the case of a joint venture formed by Mitsubishi Electric Co. and a Singaporean owner, Mitsubishi's share accounted for only 35% of the capital of the company, but management was entrusted to Mitsubishi Electric Co. after a failure due to mismanagement by the local owner. In the beginning, the joint venture was headed by a

Singaporean president and Mitsubishi afforded technological and managerial support. With the local owner as president, however, the management of the corporation could not help assuming a capitalistic character and the corporation did not produce satisfactory results. After a Japanese managerial expert was installed as president, however, it began to make a better showing.

Culture and conditions in Southeast Asia make it difficult for companies there to make the separation of capital and management and a capitalistic management is apt to be implemented. Without the separation of capital and management, however, Japanese-style management could never be carried out. The professionalization of the managerial function is an indispensable basis for the realization of Japanese-style management. The Japanese enterprises overseas in Singapore tend to change their ownership structure from joint ownership to a wholly-owned subsidiary for the purpose of implementing the Japanese style of management.

(ii) *Stable Employment Policy*

Industrialization of Singapore is rapidly advancing, and many foreign companies are extending their business to this country. Therefore, in view of the sellers' market for labor, the lifetime employment system, in which once you have been employed you continue to work for the same company until retirement age, does not seem to be highly evaluated by native workers.

In 1981, the Singaporean government carried out a policy of a drastic pay raise. It aimed at reforming the industrial structure of Singapore to cope with the rapid industrial

growth of South Korea and Taiwan. As a result, salaries almost doubled in two years.

The reform of the industrial structure meant shifting labor-intensive industries out of Singapore to other countries and inviting technology-intensive industries to take their place. Because of this, a subsidiary of Matsushita Electric Co., for example, discontinued the production of inexpensive popular audio products in Singapore and moved its production to the Philippines. To take its place, they decided to manufacture rather high-grade audio products requiring higher technology in Singapore. Owing to this strategic decision, Matsushita subsidiary in Singapore was obliged to suspend operations for about two months. But the factory employees numbering some 200 were not laid off but allowed to remain for study and training or conducting miscellaneous affairs. This means that the Japanese-style employment policy was put into practice.

It should be noted that the policy of not laying off employees is not necessarily economically disadvantageous to the company, for expenditure is required to employ and train new workers until they master the specific skills required of them. Nevertheless, the fact still remains that even Japanese-affiliated companies can not help reducing personnel in some cases where, for instance, a structural depression in business causes the company to be overstaffed semipermanently. In the case of American-affiliated companies in Southeast Asia, for instance, it is not unusual to dismiss employees who have not been able to achieve expected results. But Japanese-affiliated companies seldom, if ever, dismiss employees because they have

attained unsatisfactory results or are inefficient. Instead they retrain or relocate such employees, thereby ensuring the continuity of their employment in the company.

Therefore, Japanese-style management today can be marked more by a stable employment policy, as opposed to an employment policy characterized by "firing after a disappointing performance," according to which the ensurance of as stable employment as possible is aimed at from the viewpoint of human interests. Some local workers emphasize that Japanese-affiliated companies treat them as human beings. One of the merits of contemporary Japanese-style management lies in the embodiment of this philosophy of treating the company employees as human beings.

(iii) *The Internal Promotion System (Career Management System)*

Singaporean companies in general, which have been strongly influenced by British industrial culture, usually employ even managerial officers such as chief accountants and personnel managers by advertising in newspapers. In Britain and the U.S., it is customary to employ experienced people even for managerial positions from the labor market outside the company.

In contrast to this, in the Japanese system, fresh graduates who have no managerial skills or experience are employed and trained within the company and after some length of service they are promoted to managerial positions including those of personnel manager or chief accountant. This is referred to as "the internal promotion system." It can also be described as a "career man-

agement system." This system contributes not only to an increase in the rate of immobility of labor, allowing long-term employment, but to intensification of employees' loyalty to the company. Furthermore, it leads to the accumulation of the enterprise-specific skills and, in turn, serves as a major factor in bringing about an improvement in quality and cost-effectiveness.

Thus, the company loyalty and managerial efficiency is built upon the internal promotion system.

Most Japanese-affiliated companies in Singapore intend to implement the internal promotion policy, though in practice the policy does not always work well. For instance, Matsushita Electric Co.'s subsidiary in Singapore successfully trained an employee as a personnel manager at considerable cost. But he soon left the company for a better-paid position, which forced them to employ an experienced manager from the outside to fill the vacant position immediately.

This company makes it a rule to educate and train local prospective managers, supervisors and chief engineers in Japan for three and a half months on the average. With this program, the company aims at not merely cultivating technical skills but at inculcating the Japanese culture, sense of values and way of thinking into local prospective managers. They are expected to play central roles in Japanese-style management when they return to Singapore. For the advancement of Japanese-style management in the future, it would be necessary to further promote the educational and training system within the company.

The seniority promotion system was pointed

out by J. Abegglen as one characteristic of Japanese-style management. Today, however, in view of the modernized system of the Japanese management recently developed, it would be more appropriate to replace this term with "the internal promotion system (career management system)." The old promotion system in which promotion is based merely on length of service is today utterly opposed in Singapore. But even in the internal promotion system, length of service is taken into account for promotion to one degree or another. Therefore, although this system is helpful in increasing the rate of immobility of labor, it does cause complaints among local employees, who claim "promotion is slow in Japanese companies."

(iv) *The Seniority Wage System and Personnel Evaluation*

The seniority wage system is another characteristic of Japanese-style management, which was pointed out by J. Abegglen, too. But some Japanese scholars, like Prof. K. Koike, maintain that the seniority wage system is not limited to Japanese companies but is adopted by American companies as well on the basis of the seniority rule stipulated in the labor agreement between labor and management. However, I would like to stress that the seniority rule in the U.S. or Britain is completely different from the seniority wage system or seniority promotion system in Japan.

For example, in the case of the joint venture which was established by the acquisition of Mitsubishi Electric Co., a Western-style wage agreement is concluded between the management and the labor union. The

agreement stipulates wages per hour for each different job and also the rates of increase in wages after one-year and two-year continuous service. The wage system is literally based on length of service. But it should be noted that this system is a manifestation of the seniority rule demanded by the labor union. The seniority rule which is characteristic of labor agreements in Britain and the U.S. does not contain the concept of personnel evaluation but rather means automatic pay raises merely on the basis of length of service.

This is also true of promotion when the British-or American-style seniority system is laid down: promotion is decided on according to length of service without giving consideration to personnel evaluation, that is, to each employee's work efficiency and attitude. The conclusion of an agreement of the British- or American-style seniority system results from the union's claim and is helpful in forging loyalty to the union, not to the company.

In contrast, the seniority promotion system and the seniority wage system in Japan are institutionalized for the purpose of increasing loyalty to the company. In the Japanese system, pay raises and promotion are decided on the basis not only of length of service, but of personnel evaluation of such aspects as service efficiency, service record and cooperativeness. In this sense, it would be inappropriate to maintain like, as Prof. K. Koike did, that the seniority system in Britain and the U.S. is the same as the seniority promotion and wage systems in Japan.

On the other hand, subsidiaries of Matsushita Electric Co. and Seiko in Singapore are carrying out a policy to decide on wage



raises and promotion by taking the result of personnel evaluation as well as length of service into consideration even in the case of factory workers. As a contemporary characteristic of Japanese-style management the seniority system is intermingled with the ability principle as reflected in the personnel evaluation system. This helps to heighten employees' willingness to work and loyalty to their companies.

Some kind of personnel evaluation forms are used by almost every Japanese-affiliated company in Singapore. There are three kinds of evaluation forms: those for factory workers, for managers and for staff. As is indicated by these forms, Japanese-style personnel evaluation is marked by the amount of importance attached to personal aspects such as attitude and personality as well as to ability to perform one's duties.

(v) *Enterprise Unions*

(1) Unions in Singapore The rate of formation of unions in Singapore is not high: it was 33% in 1980 and decreased to 28% in 1982. In the case of manufacturing industries, the rate went down to 19% in 1982.

Union members in Singapore number about 220,000 in all, and unions whose members total 210,000 belong to the National Trade Union Congress (NTUC).

The unions are composed mainly of industrial, craft and general unions. But it deserves attention that enterprise unions have been recently organized. Among the industrial unions are United Transport Workers' Union (UTWU), United Workers of Electronics and Electric Industries (UWEEI), Metal Industries Workers' Union (MIWU)

and Chemical Industries Workers' Union (CIWU). Among those classified as craft unions are Stevedore and Seamen Unions (SSU) and Sea-Vessels Workers' Association (S-VWA). General unions are those organized regionally irrespective of types of industry or craft.

Recently, however, a new trend to organize enterprise unions as part of the reform to implement Japanese-style management has appeared. Among the companies which have formed enterprise unions are Robin Shipbuilding Company affiliated with Hitachi Shipbuilding Co., Juron Shipyard, Metalbox Company and National Steel Company.

(2) Cooperative Labor-management Relationships The secretary-general of NTUC recently stated "Harmony between labor and management would enable them to successfully meet the needs of the new economic age. For this purpose, a cooperative labor-management relationship is *a necessity*."

In Singapore, strict union control is exercised through NTUC and a labor-management conciliation policy is being carried out. Not a single strike was staged since 1978.

A labor agreement was concluded in 1978 between Robin Shipbuilding Company affiliated with Hitachi and the Pioneer Industries Union. It is interesting to note that the agreement contains clauses related to labor-management cooperation. Article 3 (B) of the agreement reads as follows.

Labor and management

1. shall actively carry out all procedures devised for increases in productivity and efficiency, and
2. shall encourage all company employees to

make the utmost effort to increase productivity, and

3. shall cultivate the spirit of close cooperation between labor and management concerning every aspect, especially the effective use of time, materials and facilities.

The agreement also stipulates the establishment of productivity and safety committees each consisting of representatives of both labor and management as well as union participation in management in conformity with the spirit of labor-management cooperation.

In the case of industrial unions, however, their cooperation with the managerial side and their participation in management have limits. The leading members of branches of industrial unions have not necessarily been employed by the companies concerned but are usually people outside the companies. They tend to limit their scope of interest to such matters as negotiations for pay raises and amendments of labor agreements. But it is not surprising that they show little interest in the practical promotion of labor-management cooperation as stipulated in labor agreements. As the industrial unions officers are outside of companies concerned, they have little of the working knowledge indispensable for increasing productivity. In addition, why should they positively promote labor-management relations when they lack a sense of unity with the companies?

The formation of enterprise unions by some companies including Robin Shipbuilding Co. was underlain by the idea of overcoming the limitations of the industrial unions.

#### IV Modernization of the Lifetime Employment System

In making a comparative analysis of management in Japanese and Western companies as of today, those aspects of the Japanese lifetime employment system which have been modernized since the end of World War II cannot be ignored. Contemporary companies in Japan are at the stage of internationalization and setting up their factories overseas with a view in part to solving the problem of trade friction. In this situation, the comprehension of the essential qualities of the modernized lifetime employment system would be necessary for an accurate understanding of the characteristics of Japanese-style management practiced by Japanese companies overseas.

##### (i) *Equalization of Status*

Every business organization forms a hierarchy in terms of power and responsibility: men holding different positions have different competence and responsibilities and are accorded different salaries, status and treatment. This is almost the same in every country. Business organizations always have a hierarchical status system.

In companies, especially those in capitalistic nations, there is class distinction in status between staff members and factory workers within the company. This is true of companies in the U.S. and Europe even today. The same situation existed in Japan before World War II.

After the war, however, humanization of the lifetime employment system developed in Japan in line with the abolition of class

distinction in status within the companies. The movement was triggered by claims for democratization of industries by postwar radical labor movements, and it was accompanied by a change in the ideology underlying the Japanese management through the postwar abolition of paternalism in prewar days to the philosophy of humanization.

The abolition of class distinction in status within the company was a major reform in the social structure of the Japanese company and made an undeniable contribution to alleviating class confrontations between labor and management.

In the lifetime employment system in prewar Japan, new employees had been classified into two status groups, that is, office staff and factory workers on the basis of their educational background, and class distinction had been made between the groups in treatment and promotion.

After the abolition of the two-class status system through postwar democratic reforms within the company, factory workers, too, were paid monthly salaries and given bonuses. In addition, they were allowed to share the companies' welfare facilities, such as the canteens, dormitory and recreation facilities with staff members on an equal basis. In prewar years, the promotion ladder for workers was limited to the foreman level. In postwar years, the limit was abolished. In other words, in prewar Japan, while staff members were considered to be the company's regular employees, factory workers were not necessarily so. But after postwar democratic reforms, all employees including factory workers were treated as full members of the company.

In European and American companies, there remains class distinction in status between staff members and factory workers within the company. It is true that Japanese business organizations, which are after all hierarchical organizations, also have a system in which employees standing in a vertical hierarchy are accorded different responsibilities, power and salaries. In this sense, status distinctions do remain; it would be practically impossible for any business organization to carry out equalization of status in the literal sense of the word. But there is no class distinction in status in Japanese organizations like there is in the U.S. and Europe, and status differentiation has been further reduced in Japanese companies. This is what is meant by an evolved characteristic of the Japanese management system. Society in the plants set up overseas by Japanese companies, compared with their American and European counterparts, is strongly characterized by the features of status equalization.

For instance, in Japanese-affiliated companies in Singapore, Japanese presidents and plant-superintendents wear the same uniform as local workers inside the plants and take meals together with local workers in the company canteens; they often visit work sites and are ready to talk to workers; the Japanese executives, mixing with local workers, take part in the companies' sports day and other sports activities like volleyball and soccer. The policy of status equalization shown by these facts contributes to increasing mutual understanding between labor and management and to easing labor-management confrontation. This is one attractive quality of Japanese-style management that local workers

highly appreciate. Status egalitarianism like this is seldom witnessed in European- or American-affiliated companies.

(ii) *Human Relations Policies*

In the 1950s and 1960s human relations theories advanced in the U.S. had a great influence on and played an important role in the postwar modernization of the Japanese management system.

In Japan there is an old expression "An enterprise depends entirely on human beings." This expression is indicative of the Japanese philosophy of management that more importance should be given to the administration of human resources than to any other resource. The human relations policy comprised a cardinal factor of Japanese management, in which the spirit of harmony was traditionally thought most important.

Therefore, the traditions of Japanese management already had a conceptual conformity with the managerial philosophy unfolded in the human relations theory formulated in the U.S.A. As a result, various human relations policies taken on the basis of these theories were actively incorporated into the postwar Japanese management system, and contributed to its evolution.

According to the human relations theory, employees' morale is a decisive factor in enhancing productivity, and improvements of human relations are indispensable in raising their morale.

Some of the human relations policies incorporated into the evolved Japanese management system are as follows:

1. promotion of better communication
2. employees' suggestion system

3. interviewing program
4. personnel counselling
5. education of foremen and superintendents
6. recreational activities

How far these human relations policies are diffused in Japanese companies needs no explanation. Japanese enterprises overseas, when compared with their American or European counterparts, are noticeably distinguished by the substantiation of human relations policies.

In the case of Matsushita Electric Co.'s subsidiary, it is an established rule to hold a 10-minute meeting in each workshop every morning before work starts. At the meeting, the superintendent gives instructions necessary for the day, a worker whose turn it is to make a speech expresses his opinions, and all the workers sing the company song together at the end of the meeting. Other Japanese-affiliated companies in Singapore, too, mostly hold a morning assembly every day, though they may not go so far as to have their employees sing their company songs. The morning meeting is instrumental in promoting better mutual understanding and group solidarity, and is a realization of the human relations policy.

On the contrary, a similar practice is seldom seen in companies affiliated with European or American corporations. Probably this is due partly to the fact that workers in the West generally regard labor power as a commodity and lack a sense of loyalty to their companies. They would be presumably reluctant to leave their homes 10 minutes earlier for a morning assembly.

Japanese-affiliated companies in Singapore

hold such annual events as sports day and a year-end party. Often referred to as an annual party in Singapore, the year-end party is attended by all employees as well as the president and executives. Year-end parties held by some companies are each attended by as many as 1,000 or so. Events like this are also significant in the sense of practicing human relations policies, for they are helpful for promoting better mutual understanding between labor and management through human contact and eventually for strengthening their spiritual bond.

In the case of a corporation in Singapore affiliated with Sekisui Chemical Company, the Japanese plant manager often holds informal drinking parties, inviting assistant managers of different nationalities such as Indians, Chinese and Malaysians. The effort he makes to bring about mutual understanding among people of different color, customs and languages can be described as touching. This is another example of the realization of human relations policies.

Still another typical example is seen in Singapore Time Company, Seiko's subsidiary.

In this company, a number of club activities are organized for the employees, ranging from sports such as baseball, soccer and volleyball to arts and crafts including photography.

### *(iii) The Adoption of New Human Relations Theories*

The human relations policies mentioned above have their limitations. Under these policies in which top priority is given to establishing good human relations, employees are liable either to give more consideration to

harmonious relations with their colleagues than to the work itself, or to be content to follow others' ideas. Thus, they tend to fall into the habit of merely aligning themselves with others and lose their own individualities, independence and their challenging quality. How to activate these innovative qualities in the work group in harmony with the group solidarity is a great problem which the Japanese management system faces.

Employees', too, began to feel dissatisfied with merely good human relations after rises in income and educational standards which followed the high growth of Japanese economy. Even labor unions came to demand that employees' needs for self-actualization should be satisfied in the workplace.

It was the advent of new human relations theory that provided a theoretical support in solving the problem of how each individual's needs for self-actualization could be satisfied without disrupting group harmony. Among these new theories were the X.Y theory advanced by D. McGregor, the participative management theory of R. Likert, and the hygienemotivations theory of F. Herzberg. In the new theories, importance was placed on satisfying employees' desire for self-actualization, while the earlier human relations policies aimed at satisfying employees' desire to belong to a group.

The employees' need for self-actualization will be satisfied by the formation of the autonomous work group. In line with the advent of new human relations theories, activities in small groups were widely adopted by Japanese companies in the 1960s and 1970s in the forms of the ZD (Zero Defects) campaign and the organization of work

improvement teams and QC circles, and they took root as an important aspect of the evolving Japanese management system.

(iv) *Small Group Activities*

Small group activities are characterized by the principle of self-management. Small groups of workers are organized and the leader of each group is elected. Each group holds discussions to decide on its own targets concerning product quality and improvements of operations on its own judgement. Then the group is responsible for its own administration.

Small group activities are not a product of mere collectivism but they aim at raising employees' morale and at improving quality and productivity by satisfying their desire for self-actualization while activating their sense of challenge within limits not prejudicial to group harmony.

The ZD campaign has its origin in a U.S. space plan, for the fulfillment of which related industries were called upon to carry out a campaign to make defectives zero. This drive is conducted on the basis of autonomous management by small groups of workers.

The QC circle method, which is now attracting global attention, is also based on autonomous management by small groups. Originally devised by the Japan Scientific Technological Federation, it has become widespread in Japanese companies.

The idea of small group activities came originally from the new human relations theories mentioned before and a theory of group dynamics advanced in the U.S.A. However, the method of small group activities is more widely spread among companies in

Japan than in America. The reason for this can be explained as follows.

In American companies, duties are specialized and each employee assumes responsibility only for a specific duty. His wage is commensurate with his specific duty. Therefore, he shows little interest in other duties. Furthermore, the high rate of labor turnover and short-term employment naturally make the length of the employee's service in a specific company short. These factors are disadvantageous to the effectiveness of the method of small group activities, for the immobility of labor is necessary in order for employees to be able to make use of their service experience to improve quality or operations by this method.

Still another factor which has made diffusion of autonomous group activities difficult in American and European companies is the relatively hostile relations between labor and management. In the U.S., where labor-management relations are dominated by collective bargaining, not only introduction of new apparatus but even changes in the method or speed of their operation are regarded as alterations of working conditions, and they are subject to collective bargaining in addition to wages and working hours. The shop rules stipulating methods and speeds of operations form a part of the labor agreement. Therefore, improvements in quality and operations through their autonomous work group would be regarded as changes in methods and processes of operations, which must be subject to collective bargaining as the alteration problems of labor agreement. As a result, it is hard for the method of small group activities to take hold. It is not only in the

U.S. but also in Britain as well that labor-management relations in which collective bargaining is frequently resorted to serve as a great barrier to the improvement of productivity and quality by the autonomous work group's activities.

In contrast, the effectiveness of small group activities among companies in Japan is attributable first to employees' strong sense of unity with or loyalty to their companies which results from the lifetime employment system.

Another reason is employees' experiences in various jobs through job-rotation during their long-term service: their varied experiences are helpful in providing solutions to the problems of improving quality and operations in their workplaces.

A third reason is the high educational and intellectual standards of Japanese factory workers: nowadays senior high school graduates are accounting for a higher and higher percentage of workers.

A fourth reason is a cooperative relation between the management and the enterprise union which was organized under the Japanese lifetime employment system. It seldom occurs in the Japanese labor-management relations that alterations in operation methods and speeds are subject to collective bargaining or that an article to this effect is stipulated in the labor agreement. Therefore, the existence of unions does not serve as an obstacle to daily improvement of work methods by small group activities.

Still another reason is the fact that there are not such antagonistic or hostile relations between the foremen and workers as are seen in the workplaces of the U.S. companies. In the case of Japanese enterprise unions,

foremen and workers are both union members and are on senior-junior terms. The former are in the position of providing friendly protection to the latter while the latter support the former. In the small group activities, the foreman acts as a friendly adviser to the workers' group. The supportive relationships thus formed between foremen and workers in factories are making a contribution to the effectiveness of small group activities among Japanese companies.

Small group activities can be considered a by-product of the Japanese lifetime employment system and today they are one of the distinctive features of evolving Japanese-style management.

Whether small group activities are effectively practiced or not is one criterion for judging the degree of infiltration of the Japanese management system in Japanese enterprises overseas.

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