COURSE :

PRINCIPLES AND PRACTICE OF MANAGEMENT

MGT 420

TITLE :

COMPARE AND CONTRAST BETWEEN
AMERICAN AND JAPANESE MANAGEMENT STYLES

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This book was made as a compulsory coursework for the requirements for the completion of course Principles and Practice of Management, MGT 420.

This book studies the management style of American and Japanese in contrast. We will look into the background of each management style which include their origin and the development of their management style up to now. We will soon learn that various factors such as culture have an effect on each management style.

Roughly, we can conclude that there are about 12 (many others) different perspective of management style that we can differentiate between American and Japanese. They are the system itself, training and environment, group work, decision making, performance evaluation, leadership, benefits for employees, organization structure, strategy planning, unionism, loyalty and management in subsidiary company. We will look into them deeply later.

American and Japanese management styles are both unique. Their style of management has made them of what they are today, developed countries and become world leader. Therefore, their management style has become the famous subject of research for many researchers. They have gone to great depth in their study. However, recently they have discovered that the management style of the Japanese has somehow been more successful as compare to their counterparts, the American. This has been very shocking.

Therefore, he comes up with Theory Z, which are actually the combinations of American and the Japanese ways of management styles which along the way giving suggestions for improving.

Due to limitations, we seek forgiveness from our readers on insufficient contents. We encourage for further reading on the subject. We would like to propose a book, “The Art of Japanese Management” where the authors Pascale and Athos have been successfully deliver their research on Japanese and American management style in contrast.
ACKNOWLEDGEMENTS

We begin to taking this opportunity to acknowledge with gratitude our dearest management lecturer, Puan Isma Bte Osman.

We express our fond thanks to our friends and colleagues, whose words of encouragement kept us going through difficult periods and tight deadlines. We are grateful for their constant support, understanding, and patience. Their careful reviews, helpful suggestions and thoughtful criticism have been so important for the improvement and completion of this book.

We would also express our thanks to the efforts of previous researchers and also website authors for their endless efforts in giving their very best definition of management. They have certainly eased the completion of this book. Their works have been a source of inspiration to us all.

To all that are not mentioned here, we are deeply sorry and would do our very best to thank you.
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1. INTRODUCTION

Management is guiding human and physical resources into dynamic organization units that attain their objective to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering the service. As management deal with both human and physical resources therefore the manager has to be smart in balancing these two. He cannot put more emphasis on the physical resources and ignore the human resources of vice versa. He should not neglect people in favor of technology. He should concern for both.

Way back in history, the rapid growth of American management takes place during the Industrial Revolution which encompassed the period when the United States began to shift from an almost totally agrarian society to an industrialized society. The development of specialized tasks and of departments within organizations had come with the rapid industrial growth and the creation of big business. One person no longer performed every task but specialized in performing only a few tasks. This created a need to coordinate, integrate and systematize work flow.

A young mechanical engineer named Frederick Winslow Taylor comes up with a theory, Scientific Management so called. This philosophy sought to increase productivity and make the work easier by scientifically studying work methods and establishing standards. It was a philosophy about the use of human effort. It emphasized maximum output with minimum effort through the elimination of waste and inefficiency at the operative level of the organization. A methodological approach was used to study job tasks. From this philosophy gave rose to other great pioneer in American management such as the famous Gilbreth couple, Frank and Lillian.

When surveyed concerning American management styles, most of the responses fit into the tradition of Douglas McGregor's Theory X explanation of management style. The descriptions were nearly consonant and are as follows: top down decision making, short sighted goals, non-participative decision making, quick to make decisions, pragmatic, political, micro-management, profit oriented, poor management labor relations (resulting in high turnover) and pathetic company loyalty. It is true that many American firms are run in the fashion as described. But it is also true that many American businesses do not resemble the Theory X autocratic management style. Besides, even within the autocratic Theory X framework, there are some positive features--timely decision making, focus on productivity, and well-defined organizational authority.

The roots of Japanese management practices are in certain unique traditions such as Zen and Samurai. Basically, there are four main elements in which Japanese management finds its roots. Groupism is the most significant aspect of Japanese culture. In Japan, the self is seen as part of a group. Sometimes being individual and independent are symptoms of immaturity and selfishness.

Groups are the primary social units throughout Japan. Without getting the consensus of his group, the leader of a group may find it difficult to get things done.
A group is most happy when he perceives that he harmoniously shares the group goal with other members.

Secondly, it should be noted that Japan is a uniquely homogenous society. Japan is situated on isolated islands off the coast of East Asia and had been closed to other countries for a long time. As a result, they had established a very effective non-verbal communication. Expression such as *Ishin denshin* which means tacit understanding, and *Na a na ni yaru* which means do business without a formal contract but based on mutual understanding and reliance are common in the Japanese society.

The third is Confucian ethics. Confucianism was introduced in Japan as early as the fourth century and was taught to all Samurai. Even today, although Confucianism was not formally taught in schools, people are still influenced by it since their parents who were educated before World War II studied it in school. Confucianism is a discipline in lifestyle. It emphasizes the importance of loyalty to a boss, obedience to a senior person, the boss’s obligation to his subordinates and hard work. The fourth is the level of education in Japan. Although the duration of compulsory education is nine years, about 90% complete twelve years of education. Nearly one out three go on to the university. This high level of education may be the reason for the success of Quality Control Circles which require a basic understanding of certain statistical and problem analysis techniques.

**Figure 1** represents a chronological summary of the major and related events in the management movement

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<th>Related Events</th>
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<td>Scientific Management Area</td>
<td>Henry Towne, ‘The Engineer as Economist’, 1886</td>
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<td>Frederick W. Taylor’s work (1895-1915) :</td>
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<td>Henry Fayol, Administration Industrielle et Generale, 1916</td>
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<td>Period of Solidification</td>
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<td>Mary Parker Follet (1920-1933)</td>
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<td>Extremely fluid organizations; multidisciplinary and multi-skilled teams.</td>
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2. MANAGEMENT STYLE: AMERICAN VS JAPANESE

We have concluded that there are about 12 (many others) elements in management styles that we can differentiate between American and the Japanese. They are as follow:

i. Seniority System

Promotion and wage increases are given not in accordance to an employee’s job performance but depending on his length of service (Nenko) in the company. In Japan, those with the same level of education and seniority regardless of their job duties are paid comparably. The Nenko systems means the organization has total discretion over non-entry level wage rates. Outside economic factors affect the determination of wage rates only for the entry jobs, since firms only compete for workers recruited immediately after graduation. This system seems, at first glance, to be unfair for young and able people. But they are to some extent compensated psychologically by being assigned to a challenging task and a position which everybody in the company knows is an important step towards a future managerial position.

ii. Training and Environment

Continuous training and development is considered as part of the job in Japan. The objective of training and development is to bring out the potential ability of an employee. Since job rotation is frequently used as a method of training, the focus is on molding an employee into a generalist rather than a specialist.

Such formal training augments the thrust of all on-the-job training. The Japanese style of on-the-job training has been mentioned as one of the three ‘sacred traditions’. With the lifetime employment concept, the financing of extensive training is as investment. As Vogel points out:

*With the assurance that an employee is likely to remain in its employ, a company can safely invest in retraining for up-to-*
date skills, and a declining occupational specialty does not need to protect itself with a feather-bedding strike.

iii. Group Work

In most of the cases, a task is not assigned to an individual, but several tasks are assigned to a group which consists of a small number of people. At first, group members meet a section chief of Kacho to identify tasks and measures to be taken. They then work as a team.

The Japanese perceive the workplace as a place for social interaction and not merely a place to earn wages. At Kaisha’s (one’s company), people are treated like family members. Kaisha means ‘my’ or ‘our’ company, the community to which one belongs and which is important in one’s life. Probably this is the reason why employees take great pride in their company and its success.

iv. Decision-making

In Japanese, the ‘Ringi System’ refers to decision-making by consensus. Hattori describes it as a confirmation-authorization process. The work ringi consists of two parts – rin which means submitting a proposal to one’s superior and getting his approval, and gi, meaning deliberations and decisions. Before the final approval of the proposal is granted, many group meetings are held and often slow. Once the green light is given, things move really fast.

The Japanese are using the bottom-up approach. The senior manager functions as a facilitator while the middle manager acts as a molder. In his facilitator’s role, the senior manager does not simply accept or reject a proposal, but tactfully asks questions, makes suggestions and provide encouragement. The junior managers perceive problems, formulate tentative solutions, coordinate and help shape the company’s plans. Schein contends that there is a great deal of thrust among the
hierarchical and functional groups and this makes it possible to adopt the bottom-up approach in their decision-making process.

But for the American, they are going with the top-down approach. The efforts begin with the board of directors and the top executives of the organization. They determine the general direction of the organization and establish a master plan to achieve its overall goals. The master plan establishes the parameters within which the work groups of the organization develop their decision. Managers develop plans for their work groups based on what their units must accomplish to support the master plan. Above all, the decisions made by the top level of managers are usually quick.

The primary advantage of the top-down approach is that the top managers, who presumably are most knowledgeable about the organization as a whole, drive the development of the plan. Although one might argue that the people at the lowest level of the organization actually operates (non-participative decision-making), top-level management has a more comprehensive understanding of the wide variety of internal and external factors that affect the overall success of the organization.

v. Performance Evaluation

Since tasks are performed by groups and where the job description is not well defined in Japanese, it becomes difficult to evaluate individual job performance objectively. Any annual merit-rating system is rendered complicated as jobs are done on a group basis, and as no one tries to demonstrate individual brilliance or dynamic leadership, it is therefore extremely difficult to isolate individual competence or job responsibility and to carry out a fair rating of each employee.

As a result, there is a tendency for a leader to evaluate subordinates with small differentials in ratings. Besides work performance, attitude towards superiors, sociability and other personal qualities are considered. Three major groups of skills stand out in personnel evaluation throughout one’s career; achievement skills, teamwork skills and personnel development skills. The junior employee is not expected to achieve quantitative goals. It is only at the management level that goal achievement receives significant emphasis while at the senior level, ability to develop subordinates is also emphasized. All ratings are reported to the personnel department which again tries on its own initiative to balance all ratings within a small marginal range.

American are more to individual task performance rather than in groups. Therefore, they are much easier to be evaluated as the performance of one’s task will resemble his ability. Thus, they have rapid evaluation and promotion by the employers.

For example the department's pay-for-performance evaluation structure was used as a guide to develop a job-specific performance evaluation system for pharmacists. Two committees were formed to establish job-specific performance indicators for both central and clinical pharmacists and performance standards by which each pharmacist would be evaluated. A draft of the proposed evaluation system
was distributed and presented at a pharmacists' monthly meeting. Incentive funds from the annual departmental evaluation are distributed to pharmacists on the basis of their individual performance evaluation.

The average American worker used to increase in productivity every year. The United States was once the world leader in overall worker productivity. Many jobs were once structured so that the employees were paid in proportion to the number of units of work that were properly completed; or a percentage of sales, but not by a fixed hourly wage scale. (In some cases there is a minimum guaranteed wage, with incentive payments above a certain level of productivity). This enabled the job holder to earn more as he produced more, while at the same time assuring that each individual's work output met approved and defined quality standards. This system, which applied only to certain occupations, guaranteed the employer some profit in proportion to the amount of wages to be paid. American workmanship gave finished goods, products and services a reputation for quality and substance second to none.

vi. Leadership

For Japanese, as a kacho, the task of a leader is not only supervising his people on the work, but also having careful and fatherly concern of his subordinate’s off-the-work life. As promotion is largely based on the seniority system, it is not possible for anyone to move to a kacho position without sufficient training and experience. However, as long as he is recognized as a fair and sincere leader of the group by his subordinates, just as a father is recognized by his son, it is possible for him to carry out his task by utilizing the talents of his subordinates. Sometimes a skillful and knowledgeable leader fails because he does not get the support from his subordinates.

vii. Benefits for Employees

Since the Japanese company is perceived as a big family by both employers and employees, the company allocates substantial financial resources to pay for benefits for all employees such as family, housing, and transportation allowances. Salary increases become significant after about seven years of employment with the
firm, although they increase rapidly after that. Such a practice reinforces the employee’s incentive to pursue lifetime employment and furthermore, the seniority-based wage system assumes that longer experience makes an employee more valuable.

A survey by the Japanese Federation of Employer’s Federation has revealed that the net income of the presidents of the big companies is only 7.5 times the net income of the fresh graduates employed, while two other governmental surveys show that the average annual gross income of managers in only twice the gross income of production workers in big Japanese companies.

viii. Organization Structure

In Japan, a small group of people is the unit block of the whole organization. Very often, people are trained to be generalists and communication among the divisions is very smooth. As a result of these conditions, the company organization in Japan is relatively simple and flexible and makes it possible for people to challenge a new task by performing a new formal or informal group freely.

Apart from the formal organization, there is the informal organization commonly referred to as the habatsu which, unlike the informal groups in American corporations, wields considerable power in the formal organization. Because of the strong ties among its members (e.g. common birthplace or school) it is therefore not a simple case of extension of personal relations as found in the American informal groups. Moreover, habatsu membership is non-overlapping, and there is total commitment. The habatsu leader is generally one with a high status in the formal organization, and he patronizes his followers who, in turn, submit to him.

The American organizational structure is complex with hundreds of agencies or departments, while the agencies itself exhibit tremendous variety in organizational form. On the other hand, Edward R. Maguire noted that the variation that exists between agencies opens the possibilities for statistical analysis, because such variation provides the basis for comparison along many axes of difference.

ix. Strategy Planning

It is often said that large Japanese companies look for long-term prosperity even at the expense of short-term profit. This is possible because both the shareholders and employees rely much on the future growth of the company. In
Japan, the majority of the shareholders are banks and insurance companies. Therefore, they should live together with the company for a long time to ensure their own prosperity.

Employees also have to live together with the company. Under the current Japanese lifetime employment system, people’s mobility among companies is very limited. It is almost impossible for a person to find a new job in a different company which is as good as his current job.

The American usually looks for short-sighted goals. Because of their main interest in gaining profits they prefer doing business that can guarantee them gaining fast profits without losses.

x. Unionism

Another key element distinctive of Japanese corporation is the company-based labor union. According to Marsland and Beer, enterprise unionism is peculiar to Japan. An enterprise union is generally made up of all regular employees of the firm, up to the rank of assistant section manager. The enterprise-wide union typically includes all branches and plants of a single firm, whether production includes single or multiple lines and whether one or several industries are involved. The union usually reflects the structure of the enterprise entity.

Marsland and Beer have reported that:

All regular employees below the rank of assistant section manager must be union members because the union has a ‘union shop’ agreement with the company, and all the eligible employees must join the union when they start work with the firm.

Since very few workers outside the Nenko system belong to a labor union, Japanese unions tend to resist changes which appear to threaten job security, wages of benefits. And because a union’s ability to obtain increases depends on the success of its company, the union is likely to support company moves to improve competitiveness and profitability. In fact, the survival of an enterprise union is intimately linked with the welfare of the company. Though there are many labor groups; their loyalty and sense of belonging reside with the company.
xi.  **Loyalty**

The family feeling which exists in a Japanese company creates a positive climate for building loyalty among employees. The thinking that when the family makes profits and survives, the members of the family can also benefit, is reinforced constantly in the minds of Japanese employees. A participate style of management further strengthens the feeling that they must remain committed and loyal to the organization.

William Ouchi sums up the Japanese management practices saying that the Japanese corporations employ key personnel for ‘life’, rotate them through various functional responsibilities and take them through the hierarchical ladder at a slow pace, bearing the seniority criterion in mind. The group rather than individuals are held responsible for a set of tasks or activities.

A joint project of the John J. Heldrich Center for Workforce Development at Rutgers University and the Center for Survey Research and Analysis at the University of Connecticut conclude that only 27% of American workers strongly agree that the company or organization for which they work feels a sense of loyalty toward them, while nearly half (49%) of American workers strongly agree that they feel a sense of loyalty toward the company or organization for which they work.

Employees in the United States are not offered job security commitment. A new Angus Reid Group/Bloomberg Business News Poll points to declining loyalty in America’s workplaces. More working Americans report weakening than strengthening loyalty to their employers, and fully one-half believe that their own employers are less committed to keeping their employees employed.

Eileen Wolford, Angus Reid Group Senior Vice-President offered the following observations on these poll findings: "In other polls we've conducted, we noted that Americans are becoming increasingly frustrated with downsizing, particularly when it occurs at profitable companies, it appears that the price employers may be paying for this is declining employee confidence and diminished loyalty."

xii.  **Management in Subsidiary Company**

A research undertaken to examine the extent to which American and Japanese companies have transferred the management practices in their subsidiaries in Singapore reveals some interesting findings.

Japanese companies, the people who are involved in the planning process are all Japanese while there is local involvement in American companies. In the case of Japanese companies, all plans have to be approved by their headquarters in Japan. In some of the American companies, local managers are sent to various divisional headquarters in the United States to participate in global strategic planning.
A job description for every job is a common feature in American companies while it is not so in Japanese firms. In the exercise of authority, the Japanese companies would concentrate more on the departmental managers (who are mostly Japanese) while in American companies, authority is delegated to the lowest level possible.

When it comes to the control function, the Japanese companies appear to exercise control more tightly than their American counterparts. Daily reviews are common in Japanese companies.

While American companies had an employment policy of ‘hire and fire’, the Japanese companies did not believe in such a policy. The human resource practices of Japanese companies in Singapore are not necessarily the same as their parent organization in Japan while the American companies adopted their home practices to a great extent.
3. WILLIAM OUCHI : THEORY Z

Realizing there are many valuable lessons to be learned from the Japanese, William Ouchi developed a theory, called Theory Z, which attempts to integrate American and Japanese management practices. Theory Z combines the American emphasis on individual responsibility with the Japanese emphasis on collective decision making, slow evaluation and promotion, holistic concern for employees. Other factors recommended by Ouchi, such as length of employment and career path characteristics, represent comprises between traditional American and Japanese practices. Figure 2 summarizes the profile of traditional American and Japanese organizations as well as Ouchi’s Theory Z organization.

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