

A Critique of Theory Z

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Ouchi's Theory Z prescribes how employees should be motivated for increased productivity. Based on the theoretical work of Emile Durkheim, it views the modern large corporation as a communal alternative to the shortcomings of other institutions in industrial mass society. Ouchi's assertion that Japan is the industrial society in which Theory Z has flourished receives limited support from research findings. Moreover, Ouchi's grounding of the theory in humanistic management seem unwarranted.

A scientific theory can be defined as a testable explanation of hypothesized regularities and relationships offering insight into observed phenomena—insight that is not available through further observation (Hempel, 1966). In terms of this definition, a theory is an abstraction that tells something that one could not learn through observation. Ouchi's Theory Z (Ouchi, 1981), as expressed in his well-known book and in a number of papers published during the 1970s, sets forth a theory of production in large industrial organizations operating within industrial societies. It is a normative theory that explains how employees *should* be motivated so that their productivity will increase. What is Theory Z? What are the theoretical and empirical foundations on which it is based? What is the process through which managerial motivating activities are translated by employees into more efficient and effective productive activity? What empirical support for the theory exists (support beyond Ouchi's own evidence)? What contradictions are inherent in the theory? What further research needs to be done? These are the questions dealt with in this paper.

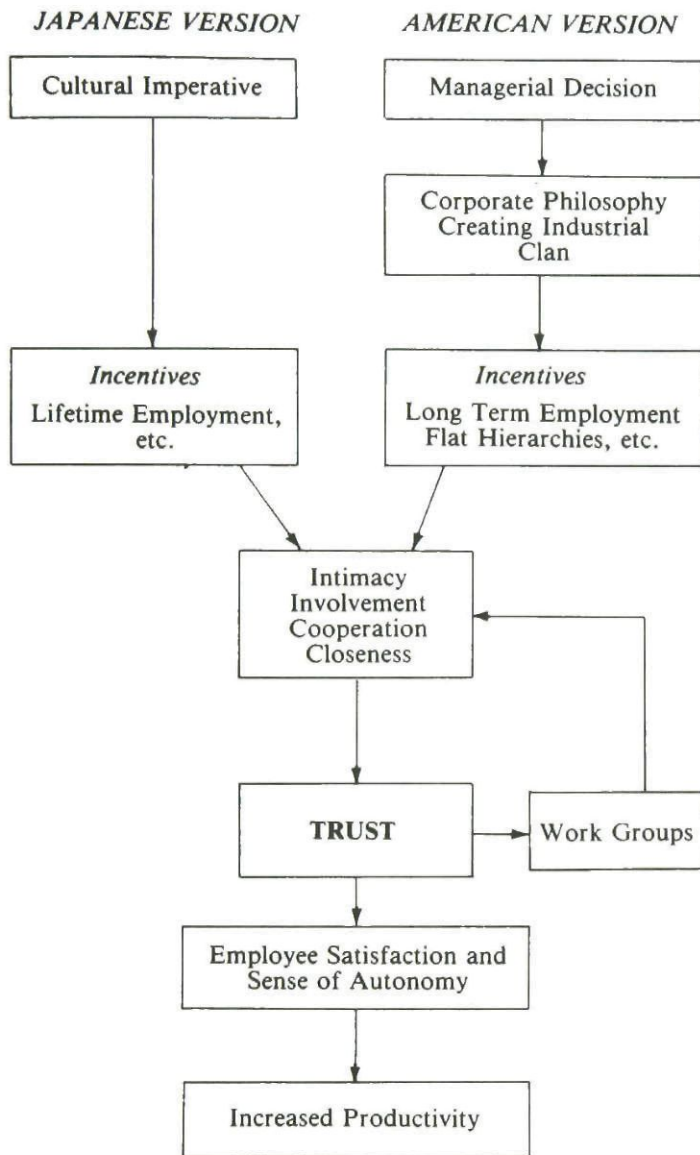
Theory Z

Figure 1 describes the organizational process prescribed by Ouchi's theory. Ouchi has not yet offered a concrete specification of the theory in a flow chart format, and thus the figure represents an interpretation of his descriptive remarks (Johnson &

Ouchi, 1974; Ouchi, 1981; Ouchi & Jaeger, 1978; Ouchi & Johnson, 1978; Ouchi & Price, 1978). The theory is supposed to be global in that it can be applied to an organization in any industrial nation, but Ouchi recognizes a Japanese (the ideal) and an American approach to the development of incentives that will motivate employees. In Japan a number of cultural values impacting on individual behavior and institutional goals and philosophy combine to influence Japanese managers to create incentives, such as lifetime employment (in certain major companies), which spur employees to create intimate, involved, and cooperative work relationships with their peers, superiors, and subordinates. Involvement leads to the development of trust relationships and highly cohesive work groups (which tend to compel even greater involvement). Employees will feel satisfied with their lot in the healthy social environment thus created. Moreover, detailed policies and work rules to govern—and slow down—every employee behavior will not be needed. Employees will be trusted to do the right thing and managers trusted to look out for the employees' welfare. The result will be a level of productivity greater than that achieved at similar non-Theory Z firms.

The American version does not begin with a set of cultural imperatives. Here an American executive, perhaps the owner or founder of his or her company, decides to invoke Theory Z and thus to increase productivity. His first task is to create a corporate philosophy that posits the values of what

Figure 1
Ouchi's Theory Z



Ouchi, following Durkheim (1902/1933), calls an "industrial clan." Corporate clan values will be expressed in incentives, such as long term employment, and the result will be increased involvement, trust, satisfaction, and productivity. Ouchi sees industrial clans as embedded in Japanese society because of the cultural environment of Japan. In America he calls for their creation.

Theory Z's Foundation

Theory Z has some empirical support, mostly the results of surveys conducted by Ouchi (Ouchi & Johnson, 1978). Theoretical support, however, is strong and also innovative.

An assumption underlying Theory Z is that industrial mass society, in the absence of strong

cultural forces to counter its influence, fosters an environment in which family ties, traditions, and social institutions are all weak in their impact on individual behavior, social cohesion, and social stability. The result is that people tend to lead highly mobile, unstable, drifting lives (Ouchi & Johnson, 1978). They feel unhappy and dissatisfied.

Within industrial nations modern corporations exist in the form of bureaucracies—what Ouchi (Ouchi & Jaeger, 1978) calls Type A firms. Such a firm provides services to its customers and to its employees within the context of economic exchanges governed by rules and procedures and monitored by managers organized into elaborate hierarchies. The rules and hierarchies work well enough if the firm's only goal is to plan and control economic relationships. However, Ouchi, echoing Emile Durkheim, sees a broader social goal for the corporation. He also sees an opportunity to increase productivity as social goals are met.

In his "Preface to the Second Edition" of *The Division of Labor in Society*, Durkheim (1902/1933) described the history of corporations as social institutions whose functions have been narrowed into economic services only in modern industrial nations. This narrowing is a mistake and must be corrected; the bureaucratic firm must become an industrial clan (or "occupational group," as Durkheim's French sometimes is translated).

Durkheim's argument is also one of Ouchi's arguments for Theory Z (Ouchi & Johnson, 1978). Essentially no fixed social rules exist to describe the relationship of corporate employers and employees. The result is haphazard relationships characterized by recurring conflict. According to Durkheim (1902/1933), social stability in the work place must be created, but it cannot occur without a "moral power" that all can respect and whose social rules all can obey. These social rules foster discipline, cohesion, and order. The rules are "obligatory means of acting," the obligation being based on an individual sense of duty to the moral power. To constitute, elaborate, coordinate, and apply moral power and its social rules, an industrial clan is needed.

In sum, the corporation must adopt a moral role in society. In its new role of industrial clan it will behave as a force for good and will promulgate

rules or values that will influence employees to behave in a manner that fosters the order and stability so needed in mass society.

How can a bureaucracy turn itself into an industrial clan? In Japan, cultural imperatives have made the task easy (according to Ouchi), but for Western corporations (according to Durkheim and supported by Ouchi) a number of transformations must take place. (See Figure 2)

1. The corporation must add to its economic services to employees a capacity to exert moral influence over them so as to control and contain individual ego and to foster a sense of solidarity among all. For Ouchi, this moral influence is embodied in a corporate philosophy.
2. To exert moral influence, the corporation must adopt a moral role in society. It must show that the good of society is also its good.
3. The corporation must foster subordination of an employee's private utility to a common utility. The benefits to the employee of submitting to this subordination will be (a) the pleasure of being a member of a tightly knit social community within the disunity of industrial mass society and (b) the sense of relief at being released from the tensions, disorders, and mutual antagonisms of bureaucratic (Type A) existence.

The industrial clan substitutes for family, friends, and other institutions to provide a socially stable and cohesive environment in which employees' "psychological success and emotional well-being" (Ouchi & Price, 1978) are assured. Needs for affiliation will thus be met, but so also will needs for independence. The idea here is that a thoroughly indoctrinated and committed clan member-employee will have the same values and needs as the corporation (and the society). Thus individual

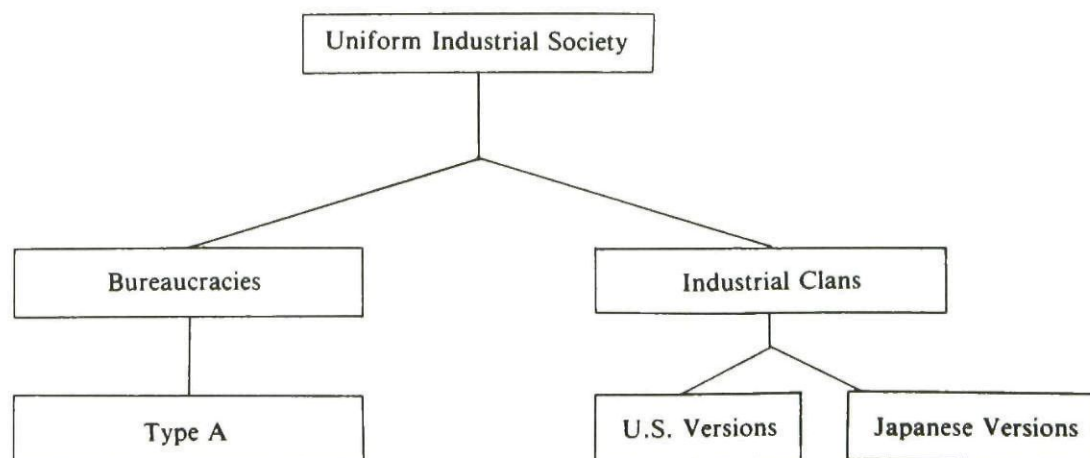
behavior undertaken to achieve what the individual perceives to be his personal goals will also be behavior sanctioned by the industrial clan. The independent spirit of the clan member is never a problem for the clan.

According to Gouldner (1959), the industrial clan concept is a unifying one, born of Comte's interest in the need for moral norms to regulate social relations, Marx's focus on the powerful influence of economic relations on social relations, and Saint Simon's emphasis on the importance of planned associations within society. In these terms the industrial clan can be defined as a planned corporate group that functions to regulate its employees' social relations within and beyond economic considerations.

Durkheim envisioned assemblies of industrial clans as the basic units of political life, and much was written by sociologists on this dimension of industrial clans during the next 30 years. The political focus diminished, however, under the attack of such thinkers as Walter Lippmann (1922/1965). Until Ouchi, apparently no one theorized a relationship between industrial clans and productivity. It is Ouchi's hypothesis that clan values create order, cohesive work groups, and happy, stable workers committed to their corporation. Also, in comparison with a Type A firm, a Theory Z industrial clan should bring out more productivity per worker (Ouchi, 1980).

Ouchi says that the place to look for an example of orderly, committed workers operating within industrial clans is Japan. Here two culture-bound rules specify that:

Figure 2
Industrial Society and
Industrial Organizations



1. If a Japanese corporation is created, then its mission should involve serving society and offering institutional affiliation to its members.
2. If one is Japanese, then one should be extremely sensitive to social interactions and relationships (Lebra, 1976).

Ouchi asserts that within such a favorable cultural climate industrial clans have easily developed, and now are contributing to the much admired success of Japanese productivity. Americans can learn industrial clan activities from the Japanese and then, within their own cultural context, apply what they have learned. Theory Z describes what is done in Japan and prescribes what should be done in America.

The Organizational Process

For the Japanese the process of implementing Theory Z is relatively easy. Cultural imperatives—as well as corporate philosophies and fortuitous economic and historical influences—have fostered numerous industrial clans. These clans are characterized by lifetime employment, slow promotion and infrequent evaluation, nonspecialized career paths, implicit control mechanisms, collective decision making, collective responsibility, and holistic concern for employees' social as well as economic needs. These organizational conditions act as incentives to foster worker involvement in close, cooperative relationships with other workers, with managers, and within groups (see Figure 1).

1. Lifetime employees have the time to learn how to be cooperative with each other.
2. Slow promotion puts a damper on employees' jockeying to get ahead—and thus checks a threat to intimacy. Infrequent evaluation avoids creating conditions of inequality and competitiveness. If one has not been formally evaluated, one cannot be labeled as better than or worse than others. Everyone is relatively equal, and equality breeds involvement.
3. Nonspecialized career paths keep employees generalists. They can't use their own expertise to solve problems but must cooperate to tap the skills of others.
4. Implicit control mechanisms are expressed in the corporate philosophy in terms of values that guide employees. Explicit rules and legions of overseers are not needed and thus do not stand in the way of employee interacting. No one need feel that a rule of a supervisor will prevent him from getting to know what other employees are doing.
5. Collective decision making of the bottom to top variety builds consensus, cooperation, and involvement.

6. Collective responsibility of groups rather than individuals spreads individual risks. The risk of cooperating with others is diminished, and thus cooperation is fostered.
7. A corporate commitment to satisfying the social as well as the economic needs of employees fosters an intimacy among personnel as they come to know each other as whole human beings rather than simply as workers.

With intimacy established, then, the result should be an increase of trusting behavior in the organization. Ouchi does not define such behavior in any formal way, but his examples of trust characterize trusting behavior as:

1. A faith in equitable treatment by superiors over the long run.
2. The recognition of shared interests among employees.
3. Open, honest, sincere behavior.
4. Unspoken mutual understanding.
5. A willingness to be obligated to another.
6. A focus on egalitarian relationships.
7. A focus on interpersonal relationships.

Trusting behavior will ensure the smooth functioning of work groups, and work groups in turn will legitimize and develop involvement and intimacy—which will foster more trust. Thus Ouchi views small groups as organizational tools for developing involvement and trust. Unlike such theorists as Argyris (1964) and McGregor (1960), however, Ouchi does not focus on congenial small work groups as the result of a climate of trust. His formulation requires the transformation of the corporation into an industrial clan. It is the clan's philosophy and the incentives created by the philosophy (and not so much group membership) that stimulate involvement, trust, and pleasant work groups. By implication, Ouchi seems to doubt the efficacy of efforts to build trust and autonomous work groups in bureaucracies—only in industrial clans will humanistic management work.

The next step after trust is employee feelings of autonomy and satisfaction. Here autonomy translates into an employee's sense of a shared community in which individual needs and goals correlate with clan needs and goals. The employee's sense of being in control—which the humanistic management scenarios of McGregor and Argyris emphasize—gives way to a new sense of fitting into the community. Alienation disappears, replaced by feelings of solidarity. (That the Polish labor union is named "Solidarity" is no coincidence. The Polish movement appears to be a Durkheimian attempt to create

industrial clans dominated by workers.) Autonomy thus is redefined by Ouchi in an attempt to meld American humanistic theories of management with European structuralist theories. However, Theory Z is not a humanistic theory—it is institution-centered rather than individual-centered.

Finally, Theory Z predicts that happy, communal workers will be self-disciplined workers. The result will be increased productivity in comparison with non-Theory Z firms.

In the American version of Theory Z, no cultural values exist to foster appropriate corporate philosophies. An individual senior manager, often the owner, must decide that it is socially and economically important for his firm to become a Theory Z organization. His first important step in that direction is the creation of a corporate philosophy. Ouchi defines a corporate philosophy as a set of ideals regarding what is and isn't important to the organization; a general set of criteria to which all problems can be referred; a description of the public image of the corporation; and a statement of the social and economic constraints on the organization's activities.

The value of a corporate philosophy is that (1) it replaces many of the bureaucracy's rules and hierarchies as sources of direction, guidance, and control; (2) it stands in for cultural values (Japanese) when such values are not salient; (3) it is the mechanism for creating an industrial clan; and (4) it creates the traditions of the clan. With the philosophy in place and the clan declared, the American version of the incentives discussed above can be gradually introduced (long term employment, slow promotion, nonspecialized skill development, dependence on experience rather than quantitative measures in decision making, holistic concern for employees, and egalitarianism). The result will be cooperation, trust, employee satisfaction, and increased productivity.

Empirical Evidence for and Against Theory Z

Aside from Ouchi's data, which were used to develop the theory and thus should not be used to validate it, no specific research program has produced evidence of the ability of Theory Z to increase productivity. Nevertheless, a number of research efforts have produced some support for

Theory Z. Others, however, have cast doubt on the theory. In general, Theory Z requires more validation work.

Is Japan a haven for industrial clans? If so, one would expect that corporate values would closely parallel societal needs and values. In comparing the conceptualizations of the word *profit*, Sullivan and Kameda (1982) found that a group of Japanese business students associated profit generation with serving society's needs. A comparison group of American business students did not. Does corporate philosophy filter down to an organization's lowest levels? In a survey of 227 American executives at *Fortune* 500 firms and 255 executives at similar Japanese firms, Kagono, Nonaka, Okumura, Sakakibara, Komatsu, & Sakashita (1981) found that corporate goals, policies, and values in Japan do seem to filter down to a greater extent than in American firms. The same survey of managerial perceptions and attitudes revealed that, in comparison with American firms, the Japanese firms:

1. Exercised control more through internalized corporate values.
2. Evaluated a manager's social behavior and team effort quite heavily in comparison with his individual technical ability and accomplishments.
3. Fostered company-centered careers, planned job rotation, long term employment, promotion by age cohort, and infrequent performance evaluation.

All of these findings—which are based on managerial opinions rather than observed phenomena—do seem to suggest a Theory Z-like Japanese environment in large firms. However, other researchers and observers report findings that suggest Theory Z industrial clans are by no means pervasive in Japan. Pucik (1981) notes in the Japanese corporation that he studied career paths are influenced greatly by managers' functional specialization. In the firm studied by Clark (1979) the term "lifetime employment" did not adequately describe the situation (employment from age 25 to 55 for males was more accurate). Clark saw lifetime employment as more of a culturally sanctioned ideal than an industrial reality (an ideal, however, that Japanese do seek to attain). Moreover, Clark observed resentment against the company's "moral levers" (1979, p. 187-188), which were used to attempt to build commitment. He noted a kind of employees' helplessness in the face of superiors' autocracy and authoritarianism.

Clark does see employee involvement as some-

what related to company values and structure, as Theory Z predicts, but he points out that involvement is also dependent on labor market conditions in Japan. The more highly mobile the employee, the less the involvement. If Clark's observation is valid, the theoretical base of Theory Z must be questioned. The problem is this: Ouchi asserts the Durkheimian axiom that industrial society creates highly mobile, rootless workers who would respond to industrial clan offers of involving, communal work. Thus Ouchi sees a *positive* correlation between employee mobility and company involvement. Clark, however, speculates that the relationship is *negative*. Further research obviously is called for, although research by Taira (1970) and Levine and Taira (1977) does illuminate the issue somewhat. They claim that high labor demand in Japan has been an incentive to Japanese firms to offer long term employment and paternalistic management. Thus from an employer's viewpoint, worker mobility and company attachment should be positively correlated—as Theory Z would have it—but not for any Theory Z-like reasons.

On the matter of loyalty to the company (adherence to clan values in Theory Z terms), Clark notes that loyalty is strongly evident only in well-educated, middle-aged, male managers and foremen. These are the people who enjoy long term employment and the other Theory Z incentives and who respond by being involved, cooperative, trusting, and satisfied. Thus Theory Z predicts the translation of corporate values into individual satisfaction (and presumably greater productivity) only, in Clark's formulation, for a select group of employees in the Japanese corporation.

Further problems with the prevalence of Theory Z in Japanese industrial firms bear on the issues of power relationships and decision making. Theory Z predicts that industrial clans in Japan will exhibit lower power distances between superiors and subordinates than is true for bureaucracies. In other words, superiors and subordinates will practice a kind of communal egalitarianism in which supervision is general and management participative. Clearly, this is not the case in Japan. In surveying more than 4,000 Japanese employees of a large multinational corporation with offices in Japan, Hofstede (1980) found power distances to be moderately high, certainly much higher than in the American sample he studied. In two experimental

studies focusing on how Japanese managers build trust with American counterparts (Sullivan & Peterson, 1981, 1982), the Japanese managers revealed a dependence on power—the more power they had over their American colleagues in joint ventures, the greater the level of future trust they perceived. Finally, Lebra (1976) and Nakane (1972), in studying Japanese patterns of behavior, described the hierarchical nature of Japanese society and the importance of parent-child, patron-client power relations. Egalitarianism simply does not exist as an important value in Japan.

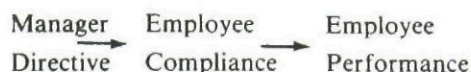
However, if Japanese managers are not generally Theory Z egalitarians on the one hand, they are not bureaucratic leaders on the other in their exercise of power. Figure 3 describes three kinds of firms and the exercise of power and influence in each. It may be that in Japan a manager is more of a patron-like teacher of subordinates rather than a bureaucrat issuing directives or a Theory Z-like colleague sharing clan values and commitment with subordinates.

In sum, then, intimacy, closeness, egalitarianism, and flattened hierarchies lead to trust in a Theory Z firm. A case can be made, however, that Japanese managers and employees generally view hierarchical relations, the exercise of control and power, and sharp status differences as the keys to building trust relationships. One would not expect to see power so closely tied to trust in a nation in which Theory Z supposedly has been widely operationalized.

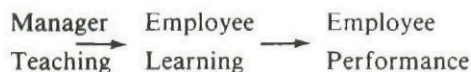
Regarding decision making, Ouchi focuses on bottom-up consensus-oriented processes of making group decisions and notes that this process is an incentive to intimacy and involvement, first, and then to trust, satisfaction, and productivity, second. Once again, one would expect to see this scenario played out with great frequency in Japanese organizations, where industrial clans supposedly are so prevalent. However, the evidence is mixed. Kagono et al. (1981) and Clark (1979) report the prevalence of top-down decision making. And the Japanese employees in Hofstede's (1980) study of a large corporation, in comparison with the American sample, were much less in agreement with the assertion that a manager would lose the respect of an employee if the manager sought the employee's advice before making a decision. Indeed, the Japanese sample seemed undecided about the issue—when Theory Z predicts that they would be strong supporters of manager-subordinate interactions. Moreover, in the

Figure 3**Power and Influence in Three Types of Organizations***Bureaucratic Firms*

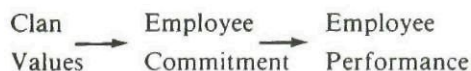
Rule-directed exercise of power

*Japanese Firms*

Patron-like exercise of power and influence

*Theory Z Firms*

Clan values-based influence



same Hofstede study, the Japanese employees also were undecided (relative to the mean of 60,000 measures across 40 countries) as to: (1) whether or not decisions made by individuals are usually of higher quality than decisions made by groups; and (2) whether or not employees should participate more in management. These data, plus his other data, lead Hofstede to predict that the most likely kind of organization one would expect to find in Japan is what Ouchi calls Type A bureaucracy. It is an organization in which rigid rules and hierarchical relationships control employee behavior, the power of superiors is high, and the tolerance for ambiguity is low.

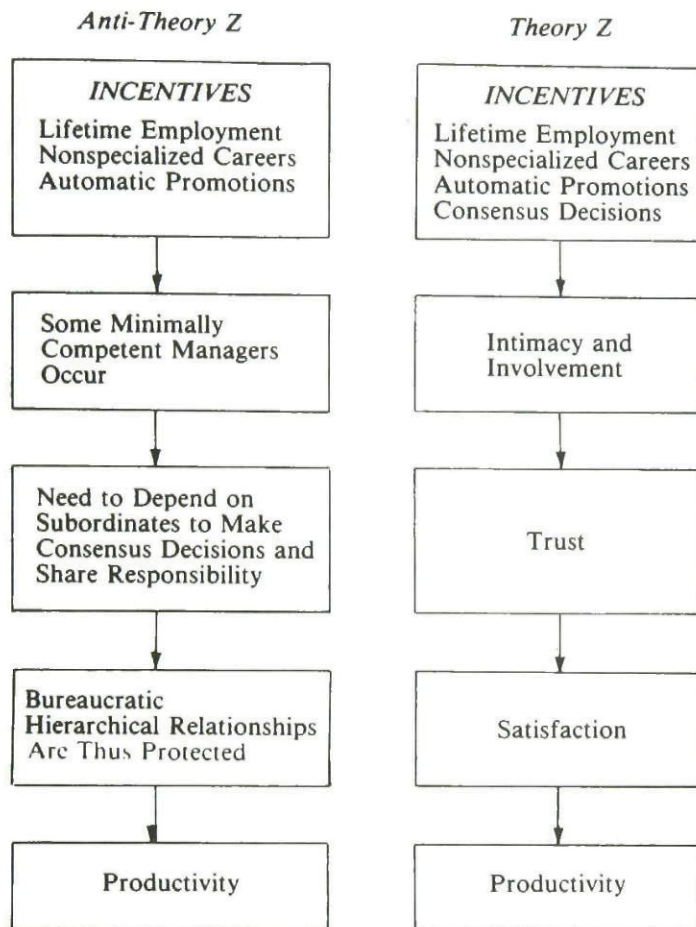
The best recent summary of decision making practices in Japanese firms (Hatvany & Pucik, 1981) describes a top-down *consultative* rather than a bottom-up *consensus* process. The goal of top managers who are making a decision is to reduce employees' uncertainty about what is being done rather than to seek their consent. Much lateral communicating will occur to build familiarity with, rather than to negotiate, the decision. The Hatvany and Pucik description fits in nicely with the findings of Hofstede (1980) regarding the low Japanese tolerance for ambiguity. It does not jibe with Theory Z, which predicts lengthy discussion over decisions by managers and employees as consensus is reached and intimate relationships are developed. Moreover, the Hatvany and Pucik description also fits the findings of Kagono et al. (1981), which showed that conflicts among managers and employees (such as can occur during discussions over decisions) often are resolved by the exercise of authority rather than by increased interpersonal involvement. Theory Z would predict that Japanese managers would draw on their inventory of intimacy and shared values during conflict-resolving activity.

The empirical evidence thus calls into question Ouchi's description of the way in which Theory Z describes decision making in Japan. However, on theoretical grounds alone, Ouchi's formulation can be attacked.

Problems with Theory Z

As for the contradictions inherent in the theory, one could theorize that consensus decision making (if it exists as Ouchi describes it) and collective responsibility are a response to (rather than coequal incentives with) nonspecialization, lifetime employment, and promotion by age in Japanese Theory Z firms. Incompetent managers are protected by their subordinates in this way. The point is this: if a manager without special skills is automatically promoted into a job for which he has no competence, he will not make good decisions and cannot be given responsibility. He will have to rely on subordinates, and thus consensus decisions and collective responsibility will emerge. They will not be incentives to intimacy and trust so much as by-products of Japanese practices of lifetime employment and nonspecialized career paths. Their function will be to protect hierarchical relations so as to keep them useful to the organization's goal of production. Figure 4 presents an Anti-Theory Z in which Ouchi's incentives lead to a consensus decision making that takes the place of intimacy, involvement, and trust rather than fostering them. In the Anti-Theory Z the incentives are not so much carefully planned first steps on the way to a cohesive environment and increased productivity as they are artifacts of cultural values, historical events, and economic conditions. They simply are in place, and a bureaucracy has to react to them to keep itself functioning. Both Theory Z and Anti-

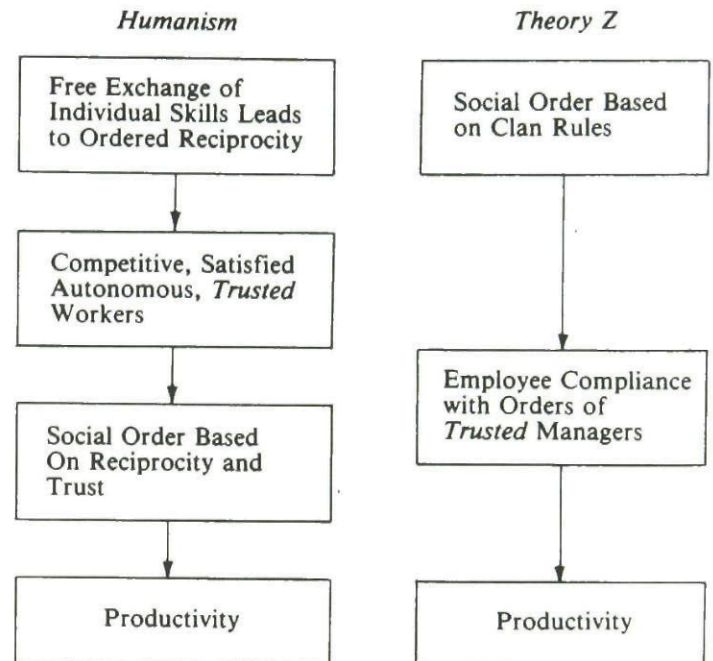
Figure 4
Problems in the Impact
of Theory Z Incentives



Theory Z explain Japanese productivity in plausible scenarios. Anti-Theory Z, however, is descriptive, whereas Theory Z is prescriptive. The Anti-Theory Z describes what may be the actual conditions in a number of Japanese firms. Theory Z prescribes what should be the conditions if one accepts the assertion that Japan is the place where industrial clans exist and prosper. Both theories require empirical validation.

Theory Z does not really emerge out of Japanese conditions as Ouchi finds them. Japanese firms just exhibit bits and pieces of the theory. For example, trust clearly is of great importance in Japanese firms (Ishida, 1981; Rohlen, 1974; Sullivan & Peterson, 1981), and cooperative social relationships are important parts of Japanese efforts to carry out tasks. However, Theory Z is really a modern variation in management theory of Durkheim's structuralist sociological work (rather than a Japanese-developed organization theory). This is an important point. Durkheim's focus on the way institutions structure themselves to foster social order and

Figure 5
The Different Foci of Humanistic
Theory and Theory Z



cohesion is *not* the humanistic focus that Ouchi implies for Theory Z's industrial clans (Ouchi & Price, 1978).

Humans can be viewed as driven by self-interest and self-actualization needs; they establish cooperative work relationships and social order based on reciprocal social exchanges (e.g., "if you reward me appropriately, I will work within your group to achieve your goal").

The serial balancing of services, the reciprocal interlocking of claims, which makes up the personal bond of husband and wife, of chief and subject, of economic partners, supplies the real compulsion for their respective contributions to the joint work or enterprise (Malinowski, 1934, p. xxxv, quoted in Hatch, 1973).

This view translates into a human-centered theory of organizational productivity, which is labeled "humanism" in Figure 5. Here workers are trusted because they are well rewarded in both material and nonmaterial ways; a manager can expect them to behave in an honest and committed manner. In the resulting climate of equitable reciprocal relations and trust, an orderly, functioning work place should emerge. Productivity will follow.

A humanistic theory of organizations will look something like the humanism described in Figure 5. A structuralist theory of organizations, such as Theory Z, will not look like this because the underlying view of humans is different. In this

Durkheimian perspective man yearns for a regulated, ordered, group-centered moral life that will dominate his anarchic self-interests (Durkheim, 1902/1933; 1899/1958; 1895/1962). The values of an industrial clan provide the rules that will create social order, stability, and cohesion. Managers are those people who communicate the values and rules to workers and who motivate workers to comply. They persuade workers that the ordered environment mandated by the clan values will be a happy, communal one. As workers comply and indeed do feel satisfied and happy, productivity will result. The key to worker compliance is not so much managerial motivation, however, as it is worker yearning for communal order. If the organization is structured to foster stability, managers will find that workers need little persuading.

Some of the differences between humanism and Theory Z may be seen in Table 1. The assertion that Theory Z is a structuralist, nonhumanist theory is not really a problem. What is a problem is Ouchi's attempt to label it as a humanistic theory. There is no deception here; what Ouchi does is simply define humanism differently. To him, a humanistic system of productivity is one that fosters workers' satisfaction and a sense of autonomy within cooperative work groups. Workers are satisfied because their work is less alienating than it would be in a Type A bureaucracy. Their needs for affiliation are met as the industrial clan provides the "primary relations," which mass society's families, churches, and neighborhoods are not providing (Ouchi & Johnson, 1978). Humanism, however, does not focus on creating social order, affiliation, and pro-

ductivity. It emphasizes the need of society to meet human needs. Ouchi's humanism deals with certain human needs with the goal of creating order and stability. Modern humanism deals with creating social mechanisms with the goal of fulfilling human needs.

The problem with Ouchi's formulation of Theory Z as humanistic is that it is based on a view of man that is *not* humanistic. Humanism is a Western concept developed to counter and replace medieval views that bound men tightly to social institutions. Durkheim's (1902/1933) whole argument for industrial clans is based on his approval of the medieval function of industrial and business groups as repositories of stabilizing values. He saw the modern corporation as too much concerned with economic relationships—in essence, as too much driven by individuals' self-interest. He called for a rejection of this humanistic focus and a return to an older and more functional structure. If Ouchi is a disciple of Durkheim—and his remarks in Ouchi and Johnson (1978) suggest that he is—he should not try to align himself with modern variations of humanism as they appear in the works of Argyris (1964) and McGregor (1960). This is not to say that there is anything wrong with Theory Z as a nonhumanist theory. The only point is that its defense should rest on nonhumanist theoretical grounds.

Further Research

The evidence for Theory Z in its Japanese setting is mixed. But what evidence there is suggests that further research be conducted in both Japanese and American settings. If Theory Z does exist in certain firms and if it does make workers happier and more productive than in bureaucratic firms, then a return in industrial societies to ancient and medieval ways of organizing seems to be a real prospect for the future.

Generally, evidence is needed (1) that industrial clans are needed by, and can function in, modern industrial society; (2) that an industrial clan is more productive than a bureaucracy; and (3) that clan values and philosophy initiate a process of incentives, involvement, trust, satisfaction, and productivity. Of particular importance is the key dimension of trust. Is it the result of incentives and involvement? Does it foster productivity? In a thorough search of the literature Hollivitz and Mat-

Table 1
Differences Between Humanism
and Theory Z

<i>Humanism</i>	<i>Theory Z</i>
The productivity process begins with the free exchange of skills for reward.	The productivity process begins with the establishment of a clan value-based structure.
Properly rewarded workers are viewed as trustworthy.	Managers embodying clan values are viewed as trustworthy.
Individuals pursuing their self-interest and self-actualization can collectively create social order.	Social order, or the basis for it, must exist before individuals can pursue anything.
Work is a response to gain or to expected gain.	Work is a response to shared values.

thiesen (1981) could find only one empirical study of the positive relationship between manager-worker trust and worker productivity (Jenkins, 1977). Obviously more work is needed.

In Japan the relationship between power distance and trust should be examined. Theory Z predicts that egalitarianism and trust should be related. The evidence suggests instead that hierarchy and trust are related. In addition, the nature of the consensual decision process as proposed in Theory Z does not seem to jibe with the results of current research. Moreover, consensus decision making, if it is prevalent, may not fit into the organizational process as specified by Theory Z (see Figure 4).

Other questions (focusing on both America and Japan) in need of answers are:

1. Is worker mobility positively (Theory Z) or negatively related to acceptance of clan-like organizations?
2. How can Theory Z (American version) begin with an owner's self-interested desire to improve productivity and end with a worker's selfless commitment to corporate values?
3. Does Theory Z cover *all* employees? Or are there some workers who can never be socialized into clan ways of doing things?
4. How can a normative theory such as Theory Z incorporate variables not in the theory, e.g., cultural values inimical to clan activities, demographic issues, economic arrangements, and ongoing historical processes?

Ouchi's Theory Z is rooted in ancient ways of defining the function of organizations. Thus it by no means is a this-year's-fad kind of management theory. It deserves ongoing testing.

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