



Focus on Books

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Reviews of current books discussing subjects on the horizons of business activities, particularly those on controversial issues being encountered by both practitioners and teachers, will be considered for publication. Manuscript guidelines are available upon request.

Theory Z: How American Business Can Meet the Japanese Challenge

by William Ouchi

The reviewer, Michael Bisesi, is assistant to the provost at the University of Houston.

In *Theory Z*, William Ouchi tells us not about the economic challenge from Japan, which is obvious, but about a more difficult challenge: refocusing the corporate culture from technology to people. Ouchi argues that productivity gains are the direct result of an involved workforce, that coordinating and organizing people is the most important task of management, and that productivity is a matter of sound social organization rather than harder work.

Just as a nation and a people have a culture, so does an organization. Ouchi's theme is that American organizations can draw on the success of the Japanese without imitating them, and that there are specific principles of organization that have nothing to do with national cultures and have everything to do with organizational cultures.

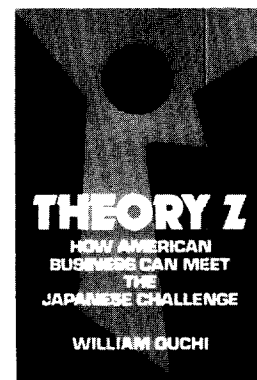
More precisely, Americans will have to utilize three characteristics which most of us find publicly uncomfortable. Trust is necessary, for both employees and managers. Subtlety of personalities, which is to say understanding who works well with whom, must be acknowl-

edged, regardless of bureaucratic rules. Intimacy (in the sense of personal concern), an essential ingredient in any healthy society, must become more commonplace.

Ouchi writes that old plants and equipment are not the cause of the American problem. The cause seems to be how American organizations treat their people. Americans who work for Japanese companies continually marvel at the emphasis on competence, quality, and personal interest.

The contrast in operating philosophies between Japanese and American organizations is quite revealing. Japanese organizations offer virtually lifelong employment. They hire once a year, promote from within, and retain an employee until the mandatory retirement age of 55. Raises and promotions are the same for the first ten years for people who enter the company at the same time. Career paths include learning all functions rather than one function, a system which builds organizational loyalty instead of a narrowly functional perspective. Organizational mechanisms for control of worker behavior are implied. Decision making is a collective activity, especially since the overall values are already accepted; the emphasis here is on how to reach the goal. Responsibility is also collective. There is a holistic concern for people which melds business and social life together. All organizations in Japan exhibit these characteristics to some degree.

American organizations are characterized by comparatively



short-term employment. Rapid turnover requires quick evaluation and promotion, with considerable employee unrest if a promotion takes more than three years. Because of the competition for promotions and raises, people tend to work alone rather than collaboratively. Career paths tend to be highly specialized. Standardization is the main method of control, and integration and coordination are almost impossible because of the emphasis on specialization. Decision making and responsibility are individual matters. The organizational concerns tend to be segmented and impersonal rather than holistic.

A "Theory Z" organization in the United States is one which has a policy of long-term employment, accompanied by an investment in training and a policy of slow evaluation and promotion. It plans career development *across* functional areas. Quantitative analysis *informs* decisions rather than *controls* them. "Theory Z" organizations are *not* culturally restricted to Japan, as evidenced by successful adaptations in such American corporations as Hewlett-Packard, Dayton-Hudson, Rockwell International, Intel, and Eli Lilly.

Ouchi provides a step-by-step guide (not a cookbook) for those who want to implement "Theory Z." It will take patience and time—about two years. "Theory Z" must be compared to the current organizational philosophy. The desired philosophy must be defined with the active involvement and support

of the top person. Both organizational structures and motivational incentives will be involved. Interpersonal skills will require more complete development, especially listening and participative decision making, and paying equal attention to the process as well as the content of communication. Questionnaires or other testing devices must be used. Workers (union or otherwise) must be involved, since people support that which they help to create. A system for slow evaluation and promotion must be decided upon, which will be best for the organization in the long run. The development of career paths must be broadened, which should enhance employee enthusiasm, effectiveness, and satisfaction. The process must start from the top, and must be organizationally holistic. Five case histories demonstrate that such change is gradual and that instant results cannot be expected.

A "Theory Z" corporate culture is one based on a tradition and climate in which the commitment to people is the most important organizational philosophy. This commitment is based on trust and teamwork. Ouchi concludes that American organizations will survive, learn from, and prosper from the Japanese challenge if they balance corporate goals with the needs of individual employees.

Two appendices add a valuable dimension to this book. Appendix One lists the "Company Z Philosophies" of the five corporations mentioned earlier. Appendix Two is a discussion of the Quality Control

Circle. The Q-C Circle is a group effort for finding and solving production and coordination problems. This form of high worker involvement produces fifty to sixty *implemented* suggestions per worker per year in Japan.

Theory Z effectively refutes those arguments which suggest that such an approach is culture-bound to Japanese tradition. It provides a rich resource of information for those who want to do further study on the subject, yet is thankfully free of academic appendages such as footnotes.

The Japanese challenge is one which will require a re-orientation of some comfortable ways of thinking. It is also a challenge which requires a reading of William Ouchi's *Theory Z*. □
Addison-Wesley, 1981. ISBN: 0-201-05524-4. \$12.95.

The Art of Japanese Management

by Richard Tanner Pascale and Anthony G. Athos

The reviewer, Janet P. Near, is assistant professor of administrative and behavioral studies at the Indiana University School of Business.

This book represents another in the long line of treatises concerned with Japanese industrial dominance over the U.S. As the authors state