

THE JAPANESE ORGANISATION

Its Influence on Management and Industrial Relations in Western Europe*

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Introduction

Japanese management literature continues to be a "growth industry". In the past it was mainly the success of Japanese firms at the international commodity markets which made Western managerial scientists and managers striving to learn from Japanese organization practices. The tremendous increase of Japanese foreign investment which followed the rise of the Yen after 1985 and the concomitant strengthening of Japanese financial capital has added a new dimension to the process of internationalization of Japanese management.

How far is the slogan of "Japanization" of management and industrial relations in Western countries correct? The discussion about it has developed very differently on both sides of the Atlantic so far. Since the United States have been the main target of the Japanese export offensive and of Japanese foreign investment, it is no wonder that Japanese organization practices have met very high popular and scientific attention there. Western Europe, by contrast, has still remained to be less affected by the Japanese economic advance so far. Although Japanese market interpenetration is high in some industries like electronics and consumer electronics, motorbikes, cars, the advance of Japanese manufacturing imports has been restrained by high EEC tariff and non tariff trade barriers. In spite of its conspicuous increase in recent years, Japanese direct investment continues to play a numerically small role. According to figures of the JETRO, in 1986 there were only about 190 Japanese owned factories in Western Europe, most of them in Britain, France and West Germany. This background may make plausible why the public and scientific interest in Japanese management practices has remained relatively superficial

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despite frequent study tours of European managers, trade union officials, social and managerial scientists to Japan.

The most vivid and thorough debate developed in Britain under the initiative of authorities like Keith Thurley et al., (1980), Susumu Takamiya (Takamiya/Thurley 1985) and Ronald Dore (1987). It was the British "Industrial Relations Journal" which devoted a conference and a special issue to the question of "Japanization of British Industry" (Nr. 1/1988). In France, the number of authors who have systematically studied Japanese organization practices is still very small (Maurice et al. 1988, Touraine (ed.) 1987, Berque (ed.) 1987). The same holds true for West Germany and Austria (Fürstenberg 1981, Park 1982, Linhart 1983, Ernst 1986). There is, however, a bulk of studies about singular Japanese management practices and experience reports about their introduction into European firms, in particular "Quality control-circles" and "Just-in-time production and delivery" arrangements.

Because of the vast differences in national industrial relations in Western Europe it is not easy to make any general statement about "Japanization". This paper will therefore focus on two countries, Britain, which seems to become something like a "stepping stone" of Japanese companies to Europe at present, and West Germany. In conclusion I will propose a general interpretation and outlook on "Japanization".

Defining the Japanese Organization

In order to study "Japanization" trends of Western European management we first need at least a working definition of the Japanese organization. The bulk of popular and even scientific literature does not put very much effort into such conceptual reflections. As a rule most authors confine themselves to adding up some organizational features which are deemed to be "typical Japanese", such as life time employment, seniority wages, enterprise unions, Just-in-time (JIT) systems, enterprise family ideologies etc. There are not very many attempts to clarify what binds all these apparently heterogeneous phenomena together.

One well known author who has tried this again recently is Ronald Dore (1987). In his view two principles can be considered to be essential of the Japanese enterprise organization: Firstly the idea of organization orientated "productive efficiency" as opposed to market orientated "allocative efficiency", secondly a new idea of fairness which no longer follows the traditional principle of "equal pay for equal work" but is bound to particular cooperative

relationships and to the economic success of the single firm. Dore combines both ideas in what he calls the "community model" of the firm which he thinks to be characteristic for Japan as opposed to the "company law model" of the West.

The concept of "productive efficiency" refers to the goal-orientation of the Japanese firm. Dore has borrowed it from the American economist Leibenstein who used the term "x-efficiency" in order to designate a game-theoretical model of cooperative efficiency which is superior to individual utility maximization (Leibenstein 1984, p. 331f). Differently from allocative efficiency which is the focus of common economic analysis, productive efficiency does not apply to a market, but to the cooperation of individuals within an organization or other social networks. It is "the efficiency which comes from paying attention to the work you are doing and not boring holes in the wrong place and having to scrap an expensive work piece" (Dore 1987, p. 17). Its criteria are not only quantitative, like costs and productivity, but to a much larger degree non-measurable ones, like quality, reliability, flexibility and customer orientation. Moreover it implies a "holistic" perspective on the rationalization of the total work flow from delivery to the customer, not only piecemeal rationalization of single processes and functions. The latter point makes clear that Japanese type "productive efficiency" does not represent a type of rationalization that is basically different from Taylorism but can rather be characterized as a perfection of it. But differently from Taylorism, the very close and intimate cooperation that is required here cannot emerge in the environment of instrumental exchange between competing individuals at a market. Nor can it develop in the anonymous and socially adversarial environment of a traditional enterprise bureaucracy. Rather, it presupposes certain sophisticated organizational and institutional arrangements which are termed by Dore as the "community-model" of the firm.

But what are "community-like" social relations (Dore), what are "Clans" (Ouchi) and the many other similar concepts running around? Let me take up another more promising recent attempt to clarify these ideas, that of Harumi Befu (1988). Befu starts with a distinction of two basic types of social exchange relations: "Balanced" versus "generalized" exchange which he has borrowed from Marshall Sahlins:

"Human relations in generalized exchange are functionally diffuse, long lasting and characterized by expressivity overlaying instrumental exchange. In balanced exchange, in contrast, relationship is functionally specific, short lived, and it tends to involve primarily instrumental give and take." (Befu 1988, p. 9)

What is particular for the Japanese firm in Befu's view is that its internal transactions are governed not by balanced exchange as in the West but by "generalized exchange". Relationships between workers and superiors, unions and management and - as one may add - even the external transactions between the firm and its suppliers, customers and financiers are of long term nature. They are not confined to the punctual fulfillment of clear contractual obligations but demand a deeper and more personal commitment from both sides which does not allow to switch quickly to alternative social options. As Befu makes clear, the term "generalized exchange" does not imply that there is no sense of balance and reciprocity in the relationship. However, obligations are expected to be repaid not in the short but in the long run; moreover they are defined not only in clear cut monetary and contractual terms but also in emotional and expressive ones. What is essential is the sense of unspecified personal commitment that both sides must continue to demonstrate to each other.

So far the concept of generalized exchange indeed seems to offer a very relevant clarification of the idea of "community". Nevertheless it yet remains unclear what it has to do with the particular level of productive efficiency of the Japanese company. "Generalized exchange" as well as "community type" social relationships are existent also in Western firms, as the human relations literature has shown. Western organization experts however, except decided adherents of the human relations school, never were unambiguous about its contribution to productive efficiency. Befu reminds to Weber's analysis of bureaucracy which derived the administrative efficiency of the latter just from the alleged *absence* of generalized exchange. In Weber's view, generalized exchange was associated with phenomena like nepotism, social particularism, corruption which clearly are not compatible with the rationality of modern organizations. Decades of empirical research about work groups in Western firms have lead to rather ambivalent results with regard to the relationship between group cohesion and performance (Staehle 1987, p. 281f). The well known positive findings of the Tavistock school are to be confronted with different and more ambiguous results of a large number of other authors. Cooperation in groups may increase motivation but may suppress individual creativity, it seems to influence less the *level* of average performance than the *dispersion* of individual efforts. Moreover groups tend to develop internal conformist pressures and idiosyncratic norms that may come into conflict with the aims of the larger organization. Certain types of tasks can be settled effectively by groups, in other ones groups fail. At any rate, an unambiguously

positive correlation between group cohesion and productivity can by no means be taken for granted. So, what justifies Befu's positive assessment of the contribution of generalized exchange to the productive efficiency of the Japanese firm?

I have my doubts about Befu's view that the answer may lie in the "lack of individualism" of Japanese employees (which makes the inherent particularism of generalized exchange compatible with common goals). Japanese employees do not lack "individualism" at least in the sense of individual ambitiousness, otherwise the high performance of the Japanese economy could hardly be explained. Rather the question appears how individualism is socially channelled within the control and compliance structure of the firm and how generalized exchange is combined with authority and power relationships. What in my view is most important is that the Japanese organization does not simply practice generalized exchange (which is present in fact in Western organizations too) but *generalized exchange in unequal and hierarchical power relationships*.

In the modern Western context generalized exchange type relations tend to be confined either to voluntary, non power type social relations (such as friendship circles, peer groups etc.) or to social configurations with largely symmetrical relationships. Personal ties develop "horizontally" between colleagues and workmates cooperating on the same hierarchical level, but less within "vertical" relations between superiors and subordinates. As Crozier (1964) has shown in his classical study about the bureaucratic phenomenon, there is a deeply rooted resistance of subordinated and superiors to become too friendly and intimate with each other. The wish to avoid personal dependence and the concomitant preference for formalized structures in vertical relationships is one of the main cultural sources of "Western" bureaucracy. There is little doubt that Crozier's point can be extended from France also to other Western societies such as Germany, Britain or the United States.

Japanese employees, by contrast, are much less reluctant to engage in "generalized exchange" type relations with their superiors and vice versa. Personal involvement in vertical relations is not rejected but rather evaluated positively and even mutually expected. This is not necessarily incompatible with "individualism", but since there are no normative patterns in order to express individual aspirations directly in a legitimate way¹ they have to be trans-

1 In Japanese, the term "individualism" (Jishushugi) has clearly negative social connotations, such as selfishness and egocentrism.

formed into individual competition for the favour of the superior. On the other hand, the combination of generalized exchange with unequal power has also a restraining and civilizing influence on the behaviour of superiors. The latter are expected to exert their authority in a sensitive and "benevolent" way which takes account of the long term nature of the mutual relationship (Befu 1988, p. 25 f.).

Thus, what makes generalized exchange so efficient in the context of the Japanese firm first of all seems to be that it is *in line with the vertical power and command structure of the firm*. There are no countervailing "horizontal" solidarities, hardly any tensions between "formal" and "informal" structures like in Western firms. As a consequence, it is indeed much easier for the Japanese company to mobilize the personal commitment of its employees and to overcome the limitations of "formal" organizations.

There is no need to show in detail, how that particular social arrangement contributes to the high level of productive efficiency of the Japanese firm. A few remarks must suffice. Generalized exchange in the employer-employee-relationship materializes itself first of all in the principle of "permanent employment". Permanent employment in turn is the basis for multiple skilling, for permanent learning and the resulting cooperativeness and flexibility of employees. Investment in training by the firm is encouraged since the risk that the employees will quit prematurely is small. The seniority based wage and promotion system (which follows from the principle of permanent employment) contains competition in the vertical dimension and minimizes the "competence neurosis" of superiors which so often strains authority relationships in Western firms. Another outcome of "generalized exchange" in employer-employee-relationships in the Japanese context are enterprise based labour unions which feel dependent on the prosperity of their firm and consequently put first priority on labour-management cooperation.

Likewise it can be easily demonstrated how in Japanese organizations generalized exchange contributes to productive efficiency in external transactions. Concerning the transactions with suppliers and subcontractors Dore and others have shown how much the permanent, long-term character of the contract relation in combination with the unambiguous domination of the core firm fosters flexibility, quality, reliability and the diffusion of technical innovation. It reduces short term economic risks for both parties and thus lays the ground for quick and efficient product innovation. Similarly, the fact that the firm does not depend on the short term evaluation by the anonymous stock market but on the personal trust within small groups of industrial and banking managers is

extremely supportive for the implementation of long term and really innovative business strategies. Finally, the intimate personal relationships between firm managers and government officials facilitate efficient industrial policies and quick industrial restructuration getting along with a minimum of bureaucratic and legal formalism.

The combination of unequal power with generalized exchange, as it characterizes the Japanese organization, has one implication that must be stressed: Transactions between the members of the organizational network ("insiders") receive a privileged status vis à vis all exchange relationships with "outsiders". Not only business transactions, but also social relationships, even those of "private" nature become organization centered. This does not only contradict the idea of market rationality which demands chance equality for all participating actors. It further seems not easily compatible with all social norms and institutions which "surround" market rationality in Western societies and which contribute - although in a different sense and to a different degree - to its functioning, such as:

- The system of formal law and the corresponding universalistic principles of individual rights, fairness and equality
- The occupationally based inter-firm labour market and the corresponding orientation of the educational system to vocational qualifications, not to intra firm careers.
- Centralized industrial relations and bargaining systems and the corresponding "horizontal" solidarity of industrial or craft unions and employers organizations, moreover inter-firm standardization of wages and working hours which results from these structures.

These institutions reflect the basic Western norms of universality of human rights and equality of chances which have been promoted by the historical movements of enlightenment, liberalism and socialism - movements, whose influence on the Japanese society continues to be superficial up to the present. Following the tradition of Max Weber, sociological theory of modernization contended that social universalism and equality would at the same time provide an optimal framework for economic and technical progress. Given the experience of the Japanese organization, that coincidence can no longer be taken for granted (Deutschmann 1987).

There is no doubt that Western - American as well as European - firms are pressed by international competition to raise their level of productive efficien-

cy in order to withstand Japanese competition better and to change their organization accordingly. But in my view the obstacle against such change does not lie only in a particular type of enterprise organization, the allegedly distrust-creating company law model of the firm, as Dore argues. Rather, the company law model of the firm itself reflects the more basic cultural problem of incompatibility of power with functionally indispensable generalized exchange. It tries to provide a (necessarily imperfect) solution for it, in so far it reduces personal dependence by binding it to formal rules. The implicit and explicit norms of individual equality, autonomy and avoidance of personal dependence will impose considerable restrictions to any attempt of Western firms, to "japanize" their organization structures, pay schemes and collective bargaining procedures. However, if "Japanization" is socially not acceptable, it cannot be successful from an economic point of view too. In the following two sections I am going to examine this hypothesis at the British and West German experience.

The British Case

Is it correct to speak of a "Japanization of British industry"? Ackroyd et al. (1988) distinguish between three possible meanings of "Japanization". The first is called "direct Japanization", referring to the degree of penetration of the British economy by Japanese firms. The second is called "mediated Japanization", indicating "more or less deliberate or overt copying of Japanese policies and practices by British firms and organisations" (Ackroyd et al. 1988, p. 15). Mediated Japanization in turn occurs in two variants: On the one hand there are firms which attempt to "incorporate the best of Japanese practice and to integrate the new with the old in appropriate ways; on the other hand there is the practice of using an appeal to Japanese efficiency as a way of legitimating the introduction of indigenous changes that are seen as necessary or desirable" (Ackroyd et al. 1988, p. 15/16). The third variant of Japanization is "permeated or full Japanization", suggesting that the British economy itself is approaching "Japanese" forms of economic regulation even without the direct influence of Japanese competition.

Measured in purely quantitative terms, the amount of direct Japanization so far does not appear very spectacular: In 1984 the UK accounted only for about 4 percent of the cumulative overseas investment of Japanese manufacturing companies of 71.4 billions of dollars (Japan Economic Almanach 1986, p. 36).

At the end of 1986, fifty three Japanese owned companies employed approximately 13,557 people, which was very small in comparison with other foreign (in particular Dutch or US) firms (Morris 1988, p. 31). Nevertheless, Japanese direct investment in Britain is rising quickly because of large public subsidies, EEC import restriction threats, and it becomes accelerated as subcontractors and suppliers of large Japanese companies tend to follow their customers abroad.

Japanese overseas investment does not imply automatically a transfer of Japanese management methods. It seems - as a rule - that Japanese manufacturing subsidiaries were cautious in implementing traditional Japanese management structures such as lifetime employment, seniority based wage systems and systematic career development in their European subsidiaries (Thurley 1984, Williams et al. 1984). However it seems to be just Britain where direct Japanization currently seems to gain pace quickly in manufacturing industries, particularly in the automotive and electronics industries and in the financial business. In the following I will quote from reports on two of these "Japanization" cases: The settlement of Nissan in Sunderland and the "new style" collective bargaining agreements of the British Electrical Workers union (EFTPU) with Toshiba and other electronic manufacturing companies:

- a) In their report about Nissan's plant in Sunderland, Crowther and Garrahan (1988) have shown to what degree a Japanese company settling down in a declining, high unemployment region was able to gain control over a whole local economy (see also Holloway 1987). Given local unemployment rates of up to 60 percent it is well imaginable how desperately the local Government authorities in Sunderland - supported strongly by the national Government - had bidden for the Nissan deal. According to Crowther/Garrahan, the key of Nissan's power lies in the principle of spatial concentration of production. Before establishing its Sunderland plant, Nissan bought an area of land as much as three times as large as needed for Nissan's own factory. Parts of this land are currently being resold to Nissans own supplier and subcontracting firms. Like in Japan the company seeks to allocate its suppliers as close as possible to the core firm in order to implement "Just-in-time" delivery systems and the corresponding monitoring policies. The production system becomes regionally concentrated, with the effect of a local monopolization of not only economic but also informal political power by the company.

Industrial and labor relations policies at Nissan in Sunderland were

another arena in which the "Japanization" strategy of the company became apparent. Formally the company did not pursue a non union policy, but it insisted on single union representation. "By offering the carrot of exclusive recruitment rights to a single union, but not stipulating in advance which union, Nissan split the unions through competition and ensured agreement on its own terms" (Crowther/Garrahan 1988, p. 56). The union which eventually succeeded to sign the agreement, the engineers union (AUEW), had not only to accept expressively the company prerogative "to plan, to organize, manage and decide finally upon the operations of the company", but even had to agree to an only marginal participation in negotiations about salaries and terms of employment. The right to negotiate was reserved to a company council whose employee representatives were elected directly by work groups. Union representation in collective bargaining and in the company council was provided only in facultative terms. In fact, by establishing the company council Nissan had created its "own company union". The employees, whose loyalty and identification with the company was carefully screened in recruitment and promotion procedures, showed little interest in being identified with the engineers union: "In practice the workforce in Nissan, nominally free to join the AUEW, appear to have identified the irrelevance of union membership for influencing their position: only 10% are unionized" (Crowther/Garrahan 1988, p. 57).

- b) "Japanization" of industrial relations in Britain was also promoted by the spectacular "New Style Agreements" concluded by the British Electrical Workers (EETPU). It may have occurred not by chance that the first of these agreements was concluded at the new plant of Toshiba in Plymouth (which had risen from the ashes of the former joint British-Japanese venture) in 1981. After this agreement 13 other similar ones were signed, most of them in the consumer electronics industry (Rico 1987). Typically, they were associated with "greenfield site" firms which had "in common a team approach to work organization, fewer managerial levels than most manufacturing firms, and an emphasis on two-way communication" (Rico 1987, p. 68). The principles of the "new style agreements" are:
- Only one union is recognized as the bargaining representative
 - Single status: The diversity in the terms and conditions of employment among plant, office and management employees is reduced as far as possible, plant egalitarianism is further enhanced by common restaurants, parking spaces, using only first names and wearing identical uniforms.

- Internal labour flexibility: Labour grades and job descriptions are reduced or abolished, pay is geared to attaining additional skills, job security is enhanced through extensive training and retraining efforts.
- Advisory and negotiating boards resembling Japanese employer and employee consultations (Roshi Kyogisei) are established which serve as channels for intensive communication between employees and management about wage and employment issues and business plans.
- "No strike clauses" which are, albeit legally not enforceable, considered as a "matter of honour" between both parties.
- Arbitration procedures offering final arbitration (pendulum arbitration) in all interest disputes.

As can be recognized easily, most of these principles come very close to Japanese practices and the principle of "generalized exchange" between management and employees. Commitment of employees to them is secured by extensive screening procedures in the staffing process which focus - as in the case of Toshiba - on personal virtues like enthusiasm, idealism, commitment, expertise and attention to detail. "Therefore, the selection process is intended to produce a labor force that can function well where individual self responsibility, self-motoring through "make and check procedures, ability to work in small work teams and self motivated behaviour are expected" (Rico 1987, p. 70, Bailey 1984, p. 12).²

The evidence for "Japanization" tendencies in British industry seems to become stronger if one looks beyond the realm of "direct Japanization". An increasing number of British firms tries to "learn from Japanese management" by introducing organizational devices which they think to be the most efficient of Japanese practice ("mediated Japanization" in terms of Ackroyd et al.).

2 Rico's findings about "new style agreements" are largely in line with those of another research group (Takamiya/Thurley 1985, Reitsperger 1986) which studied personnel management and industrial relations practices in one American, one British and two Japanese owned consumer electronics companies in a comparative perspective. What proved to be particular again to the two Japanese owned companies was the strategic approach to productive efficiency, the principle of single unionism, the emphasis on internal labour flexibility and low crystallization of hierarchies. On the other hand, the weakness of unions is reflected in the relatively poor level of payments and - in particular - fringe benefits like paid holidays and paid sickness leave. As usual in Japan the two Japanese owned companies did not grant any sickness pay to their employees and the amount of paid holidays (17 days per year) was markedly below the standard of the American and in particular that of the British firm (Reitsperger 1986, p. 84).

Quality circles however, which are spreading in Britain as elsewhere, do not appear to be a very relevant indicator in this respect, since their introduction alone does not necessarily affect the existing organizational environment very much. As Bradley/Hill (1987) have found out, they may be accommodated under certain conditions relatively easily within the given management prerogative, although a latent and long term erosion effect on the formal management structure may not be ruled out. What seems much more significant from the viewpoint of "mediated Japanization" are "Just-in-time" and "Total Quality Control" systems which already have penetrated largely the British and other West European automobile industries (Turnbull 1988, Sayer 1987, Holl/Trevor 1988).

"Just-in-time" (JIT) production systems originated in the Japanese ship-building and automobile industries (Schonberger 1982). Their international success is due to the fact that they combine four decisive economizing advantages: They reduce inventory costs, they provide a high flexibility of output, they enforce much higher quality standards, and they have a self-regulative effect on the shop floor work organization which lowers control costs. JIT systems are applicable to a large variety of manufacturing processes. Their implementation however requires a whole chain of organizational and technical changes which quite well may push Western firms into a process of "Japanization" of their structures.

First of all, investment into technology is needed in order to reduce set-up times to a minimum, to adapt the layout of work-stations to the need of a continuous work flow and to simplify control procedures. Secondly, thorough changes of the work organization are necessary such as the abolition of job demarcations, the introduction of multiple machine handling and flexible allocation of tasks. These changes in turn require: a.) higher training efforts of firms in order to create a versatile, highly motivated and cooperative workforce and a corresponding redesign of wage levels and wage structures, b.) dismantling of bureaucratic control hierarchies in order to leave room for decentralized self-regulation of the work flow. The consequences of these changes reach far beyond the organizational boundaries of the single firm: JIT systems within the firm necessitate JIT delivery and a corresponding reorganization of the whole chain of work processes in the supplier firms. Moreover the increasing specificity of the manpower needs of the firm may lead to an increasing autonomy of enterprise level collective bargaining vis à vis industrial bargaining and to an erosion of general standards of wages and working conditions.

Nevertheless, one should not overestimate the potential impact of the purely

functional logic of JIT systems on the actual change of organizations. The essential precondition for optimal functioning of JIT-systems are non antagonistic industrial relations and a cooperative workforce which cannot be provided by merely functional reorganization.

Before discussing that point in more detail I shall complete the overview by considering the third dimension of Japanization, "full" or "permeated Japanization". Again there seems to be much positive evidence, as has been stressed in particular by Ronald Dore. He notes an even *endogeneous* shift towards the "community model" of the organization in the British economy since the eighties, i.e. towards a firm structure that "encourages in employees an organizational identification with the firm rather than occupational identification with those others outside the firm who have the same skill to sell on the market" (Dore 1987, p. 55). As mentioned already, the Japanese firm is the ideal type of this "community model" of organisation, but Dore argues that the British economy too, even without the direct pressure of Japanese competition in fact has moved to a considerable degree into the direction of the "community model". He points to a list of symptomatic changes which have been observed since the beginning of the eighties by a number of researchers:

- 1) The shift towards single employer, plant level and enterprise level bargaining (as it has been documented by researchers like Brown, White and the Department of Employment Surveys).
- 2) The increase of joint consultation committees which tends to blur the distinction between joint consultation and collective bargaining.
- 3) A tendency towards smaller plants which facilitates "community" forms of industrial relations.
- 4) The growth of profit sharing schemes.
- 5) The trend towards single status employment and "canteen harmonization" which is not confined to the "New Style Agreements" mentioned above.
- 6) The decline of labour turnover which is not only due to the influence of the recession but is also fostered by conscious efforts of a number of firms to establish continuous and long term personnell policies.
- 7) More investment of firms into enterprise specific skilling.
- 8) The tendency to abolish inter-firm standardized job descriptions and the introduction of firm-specific job grades and job evaluations schemes with the consequence of a weakening of the interconnection between the internal and the external labour market and rising employee's dependence upon his employer.

- 9) The spread of flexibility agreements which bind wages to the status in the organisation instead to jobs.
- 10) The efforts of many firms to introduce a more participative style of management, implying small group activities and disclosure of information about business matters to the employees.

To sum up: Not only in the British subsidiaries of Japanese firms, but also in large areas of British industry itself there is a lot of evidence for a "Japanization" process. Nevertheless I agree with Ackroyd et al. that it would be grossly premature to take the "Japanization of British industry" already for granted. What clearly has favoured the restructuration of organization and industrial relations in Britain since the early eighties was the dramatic decline of international competitiveness of the British economy, the corresponding rise of unemployment and the decline of union power. The low degree of legal codification of industrial relations in Britain which formerly supported union power at the shop floor is an additional factor which now favours management and managerial "Japanization" strategies.

But, as Peter Turnbull has argued in a recent essay (Turnbull 1988), union power is unlikely to decline indefinitely even under conditions where unions are firmly in the defensive. What is often overlooked in the euphoria for Japanese management techniques is - as he points out - that they are not only highly efficient but also much more susceptible for industrial action. JIT systems offer vast possibilities for low cost industrial action short of an official strike. An overtime ban, a slight reduction of flexibility, an accidental machine break down will suffice to bring the whole line to a stop. As work disputes at Austin Rover and Lucas Electrical already have shown, British employees do not hesitate to exploit this particular vulnerability of the system if they feel to be treated in an unjust way. The economic advantages of JIT-systems will ripe only under definitely conflict free industrial relations and these will neither be brought about by the mere functional logic of the system or by the simple pressure of unemployment. From this viewpoint the enormously increased importance of ideologies of cooperation and participation becomes evident.

But ideological persuasion alone is equally unlikely to bring union power down and to make British firms definitely strike free. Union power does not grow in a vacuum, rather it is the organized expression of culturally based ideas of "fairness", above all the principle of "equal wages for equal work" which continues to be firmly rooted in social life in Britain even in non unionized areas and "greenfield sites" in spite of all apparent Japanization. The dissatisfaction

of employees about the discretionary wage settling and promotion practices of the management which Reitsperger noted in his observations about the "people oriented" Japanese company 1 (Reitsperger 1985, p. 156f) was not due to any union influence. The particular idea of "fairness" which we encounter here, reflects a deeply rooted resistance against arbitrary treatment by superiors (Turnbull 1988, p. 16f). The strive of subordinates to avoid personal relations with their superiors as well as its counterpart - the often harsh and self assertive behaviour of superiors themselves - are cultural traits that would have to be overcome if British industrial relations were truly "Japanized". What we are confronted with is - in other words - the problem of cultural acceptability of the combination of unequal power with generalized social exchange. High and persistent unemployment may make workers temporarily to adapt to that pattern but not really to accept it.

Interestingly it is Ronald Dore himself who - in the final section of his analysis - reaches in fact a quite similar conclusion. He is concerned about the hierarchization and polarization of society that might result from the spread of the community model of the firm and its necessarily high educational requirements. As a remedy he proposes the successive introduction of a social dividend paid to everyone, "making all wage income an extra supplement to the basic citizen wage" (Dore 1987, p. 221). Such a basic citizen income would - as Dore argues - preserve the social dignity of all those who are not willing or able to adapt to the high qualification and commitment demands of "firm communities". But by securing a basic level of social equality independent of the labour market the social dividend would also have the side effect of levelling managerial power. Although Dore is not very explicit about this point, he in fact acknowledges that - in a Western cultural context - "trust" relations within a firm cannot be based on unequal labour market power. They can be authentic only if they are *not* motivated by basic needs for material survival and social recognition, in other words, if alternative ways of social existence are provided. Qualified jobs must then be considered as something like "a luxury, a piece of good fortune to their possessors" (Dore 1987, S. 225). Thus, what would be needed for the success of the community model are not only changed standards of fairness, "meritocratic" reforms of the educational system and of firm recruitment procedures, a changed power distribution between employees and shareholders within the firm - all these points being discussed by Dore in detail. What we learn at last is that a further evolution of the welfare state is required too.

The West German Case

Compared with Britain the process of Japanization of management has met much less scientific and popular attention in West Germany so far. True, there is a big pile of material about quality circles which have become a widespread practice in most large industrial enterprises in West Germany since the eighties. Moreover the implementation of JIT systems in West German firms has become the object of empirical studies, albeit mainly from a managerial science point of view (Wildemann 1988). But not much is known so far about organizational policies and industrial relations practices of Japanese subsidiaries in West Germany. There are only few researchers who have studied systematically personnel policies and managerial practices of Japanese firms in West Germany in recent years (Müller 1981, Demes et al. 1984, Park 1988, Kitscha et al. 1988). Thus, we can only formulate some very tentative hypotheses about the prospects of "Japanization" of management in West Germany.

The fact that the Japanese organization has attracted so much less attention in West Germany than in Britain may be explained by two seemingly contradictory circumstances. On one hand the organizational structure of big West German industrial enterprises appears in several respects much more similar to that of Japanese firms than that of British ones. One similarity lies in the internal power distribution of management. Whereas British firms are usually dominated by the financial management, the technical and production departments have a much stronger position in German as well as in Japanese firms. Another similarity lies in strong internal labour markets and in the correspondent manpower policies. As in Japan, training investments of big German firms are high. Manpower policies do not put first priority on external flexibility as many firms in Britain do but are oriented to internal flexibility, promotion and continuous employment, although there is no "lifetime employment" system in the strict Japanese sense because of the particular mixture of occupational and internal labour markets prevailing in the Federal Republic. A third similarity lies in the structure of enterprise level industrial relations. As Japanese experts of West German industrial relations often have noted (eg. Koike 1988, p. 240), the role of the German "factory councils" (*Betriebsräte*) can in many respects be compared with that of the Japanese company union. Like the enterprise union he acts as a partner for management in mediating employee interests, in consultation about management decisions not only in work related, but in part also in business related matters, in smoothly implementing management

decisions and in securing industrial peace. The low level of industrial conflict both in Japan and West Germany is one of the results of this structural similarity of enterprise level industrial relations. In so far and in this sense, "Japanization" of industrial relations is not on the agenda in West Germany simply because it is practiced already.

On the other hand there are three other structural features of the West German industrial relations system that make it much more different from the Japanese than even the British: Firstly, the high level of juridical codification of industrial relations, secondly, the well developed welfare state, thirdly the strong centralization of union and employer organizations and collective bargaining systems. Enterprise level co-determination, terms of employment, work standards, protection against dismissals, social security systems, the status of unions, the scope of collective bargaining and many other matters are regulated by a close web of legal stipulations and collective bargaining agreements. The level of legally obligatory social security obligations for all enterprises is relatively high. Collective bargaining as well as union and employers organizations have its focus on the sectoral level.

As Wolfgang Streeck (1987) has argued, these legal, contractual and organisational "rigidities" do not necessarily contradict the aim of a flexible and efficient organization of work, rather, they support it since they encourage high human capital investments of firms and long term, consensus orientated manpower policies of the management. But the functionality of the high level of "juridification" of the West German system can be justified also by a third argument which leads us back to our problem of the cultural incompatibility of generalized exchange with unequal power relationships. A high level of general "juridification" of labour market status (beyond narrow "job rights") can facilitate employee acceptance of high cooperation and flexibility demands of the management, since employees do not need to have the feeling of being subject to arbitrary corporate power even if they engage in non-formalized and idiosyncratic tasks. Employer employee cooperation does not necessarily result in personal dependence of employees because the latter have the option to resort to union backed juridical action in cases of conflict. Since legal and collective bargaining stipulations are settled centrally and not on job level they can secure the individual employees' status without impeding manpower flexibility too much. Arbitrary treatment of the individual employee is also prevented by the centralization of social security systems in a strong welfare state: In this sense it can be said that the West German system provides a "compromise" solution for the general "Western" dilemma of the incompati-

bility of generalized exchange with authority.

But just because the centralism and legalism of West German industrial relations is institutionalized in a much stronger way than British "custom and practice" it is also much more difficult to dismantle. As a consequence, political resistance against "Japanization" is much higher. Very illuminating in this respect are the research results of Demes and Park mentioned above. Although their studies were limited mainly to trading companies and the white collar realm they revealed that incompetence about West German labour laws, co-determination rights of the factory councils and about social security provisions was a core problem of Japanese subsidiaries in West Germany. For example, the co-determination rights of factory councils about overtime were often violated, and individual rights of employees such as that for a maternity leave for women were neglected. Many of these cases provoked juridical actions by the unions or the factory councils which were almost always successful (Park 1988, p. 228f.). These problems are, however, not confined to the white collar and trading sector, as becomes clear from a report in a union journal about a dispute in the newly established subsidiary of Toshiba at Braunschweig in Lower Saxony (a high unemployment region, too) (Metall Nr. 21/1987, p. 14). When the factory was opened the management first did not only try to prevent the election of a factory council (instead it offered a "company council" to the employees), but it also refused to stick to the existing collective bargaining agreements. It took only some months until the local union forced the company by juridical action to revise its position in both points.

The incompetence of Japanese firms with regard to the legal and institutional framework of industrial relations in West Germany is - as Demes, Park and others have shown - to a large extent due to the fact that top and middle managerial positions in Japanese subsidiaries are reserved exclusively to Japanese personnell, and turnover in these positions is high (Park 1988, p. 221f.). Not to hire locally recruited personnell for managerial positions appears to be a common practice of Japanese multinational companies not only in West Germany but also elsewhere, as Kobayashi (1985, p. 239) has shown. In contrast to US or European multinational companies, Japanese firms appear to have much more difficulties to become truly multinational by integrating foreign personnell into their management. Since promotion chances for locally hired personnell are definitely limited, Japanese companies tend to discourage just the most qualified and ambitious employees in their foreign subsidiaries, probably with negative effects on their productive efficiency. Again we are

confronted with the basic dilemma of the Japanese pattern of generalized exchange: Just because of the intimacy and idiosyncrasy of the relations between the partners involved, the pattern cannot easily be universalized and internationalized. By its very nature it is bound to keep a nationalistic bias.

To sum up: Japanisation of management and industrial relations is not on the agenda in West Germany on a reason just opposite to that mentioned above: The countervailing institutions of labour law, the welfare state and industrial level bargaining are established too firmly in order to be reversed quickly. As a consequence, a "dualization" of work, employment and wage standards between large and small firms like in Japan will not occur in West Germany, with important implications for example for the potential economic gains of "outcontracting" of production processes. Of course, this does not preclude gradual, "creeping" Japanization under the pressure of the world market in the long term. But this will be possible, if at all, only with the cooperation of unions and factory councils, not against their resistance.

In fact, the level of cooperativeness, flexibility and of the qualifications of employees is rather high in many German firms and this surely facilitates adoption of single Japanese management techniques such as JIT, total quality control and quality circles which all are quickly spreading. But the necessary counterpart to this are firmly juridified and centralized industrial relations which provide a barrier against employer arbitrariness and which preclude the import of the Japanese organization model as a whole.³ In comparison to Britain, Japanization of West German management in industrial relations will at the same time be much easier and much more difficult.

Conclusion

In spite of all apparent "Japanization" of management in Western Europe, in particular in Britain there remain good reasons to keep sceptic about the transfer prospects of Japanese management. As Meyer/Rowan (1978) have demonstrated, organizations can be successful only, if their structure fits into the institutions of the larger society that surrounds them. The social pattern of generalized exchange within unequal power relationships which is characteristic for Japanese organizations cannot easily be integrated into the institutional environment of Western European societies, as we tried to demonstrate at the

3 A similar argument has already been put forward by Demes (1983).

British and West German example; moreover, it impedes the internationalization of Japanese management by its inherent particularistic nature. As a means to increase managerial power, "Japanization" is not likely to be particularly promising in Western Europe, and it might quite well share the fate of the several "human relations" waves of the past. The emergence of authentic trust relations within firms will require further, substantial reductions of the power imbalance between labour and capital which in turn depends on changes of the Japanese management system itself as well as on social reforms going beyond the traditional welfare state.

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