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Comparative Competitive Aspects of Japanese Use of Human Resources vis-a-vis United States and Canada

*Norihiro Takeuchi**

Human resources management, as I see it, is an art which endeavors to balance the needs of a company and those of its employees. Some people may disagree that it is characterized as an art, but I choose to call it an art because much more must be developed before it can be called a science. In any event, as a practice of art, some companies do it better or worse than others, and so my remarks must be limited to concepts.

Since human resource management allegedly attempts to balance the needs of a company with those of its employees, its concepts and practices must reflect real-life situations which dictate the contents of various needs. In a short speech such as this, I assume that real-life situations in the United States, Canada and Japan are generally understood by the audience. Needless to say, I do not have to describe what human resource management in North America is like, and I have neither the time, nor the expertise to tell you about the generalities of Japanese human resource management. However, I believe there is a strong similarity between the two systems as to what constitutes the basis of good human resource management, such as mutual trust, mutual respect, fairness and consistency of policies, honesty and good communication.

Many Japanese companies studied American theories and practices, and adopted a number of them. But differences exist, and I would like to call your attention to some of those differences and examine briefly what those differences mean in terms of the value system and objectives of the company.

First, there are differences in the employee hiring process. In Japan, at least with larger employers, new hires are recruited from the most recent class of graduates (or those expected to graduate during the next several months) from high schools, colleges or universities. This is a once-a-year event, and is applicable to both production workers and staff. New hires at any other time during the year are very rare. Therefore, an employer is required to develop a great deal of manpower for planning well in advance of the actual hiring date. This once-a-year hiring practice is possible, in part, because new hires are not offered specific jobs, but rather an association with an employer.

Second, this new hire practice is related to the thought that employees are trained in response to the needs of the company in the course of

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employment. This results in an extensive in-house training program. Most companies provide and require group training, on-the-job training and periodic off-the-job training. If someone leaves the company, temporary help is occasionally brought in, but more often, other people will pick up the workload. Usually when employees resign, they are encouraged to notify their employer well in advance of their resignation date.

Third, new hires are assigned by management to specific jobs after the required training. Employee desires are considered, but are not necessarily the controlling factors. Most employees are expected to be reassigned to other jobs periodically (in many cases at four to five year intervals), and this kind of job reassignment is normally accepted by employees. One example that demonstrates this is an employee's response to the question, "What is your occupation?" The answer in most cases is, "I work at ABC Company." Lateral transfers are a frequent phenomena. This cross-trains employees and breaks down complacency. Lateral transfers also help to prevent a specific manager from developing a "private army."

Employees are given annual, sometimes more frequent, performance assessments. This is basically the same as the North American practice except that, first, the scope of the assessment includes not only performance in terms of output, but also attitudes, ability, growth in skills and process for generating output. Second, the assessment is conducted not only by immediate supervisors, but also by the human resources department who take a very active role in the process. Participation by the human resources department is an attempt to introduce greater objectivity and company-wide consistency in the assessment process.

Employees are promoted based on their individual capability and years of service. Available positions become fewer as the employees rise higher in the company, so everyone cannot be promoted unless the business is expanding. Selection among the candidates is inevitable. It is very rare that an open position at the management level is filled by someone from outside the company.

Salary administration is basically the function of the human resources department. Conceptually, salary is paid to a "person" and not to a specific job holder. Therefore, although pay increases (which are usually given once a year at the same time to all eligible employees) differ from one employee to another, the range of difference (which reflects performance assessment) is rather limited. This practice is increasingly becoming a source of difficulty in Japanese companies, and means of rewarding for better performance are being explored. However, in the absence of more objective measures of performance, a majority of employees seem to accept the narrower range of pay disparity.

Employees generally expect, and are expected by the company, to stay with the company at which they started until normal retirement age. Employers attempt to train and develop employees on the assumption

(although not a legal commitment) that they will stay until retirement. Job hoppers are often viewed by prospective employers as drop-outs from respectable organizations. It is a common practice for an employer to pay separation allowances if an employee resigns, but the amount progressively increases as the years of service increase, reaching the largest amount at normal retirement age. Some companies are beginning to modify this practice, but the trend still prevails. A workplace in Japan is still more of a *Gemeinschaft* rather than a *Gesellschaft*.

Finally, labor/management relations are very unique in Japan. In most cases (except in the merchant marine industry), labor unions are organized by employees working for a particular company. Usually, members include not only production workers but also supervisors, foremen and most of the white collar employees below the management level. Employers tend to treat all employees, whether union members or not, the same way. Many one-time members of the union progress into management positions over time. Unlike the North American practice, seniority of union members does not play a significant role, and job bidding is a very rare phenomenon.

Labor/management relations is a big subject in itself, and I would rather not pursue it any further today, except for a brief comment on the philosophical aspect of a labor/management relations in Japan. Broadly stated, there has been very little confrontation between labor and management in modern Japan, except during the times of hyperinflation in the 1940s and 1950s. Labor unions were something like "gifts" from the Occupation Forces immediately after World War II. Unions do exist in Japan, but the concept of "getting the most out of labor with the least compensation" or "getting the most out of management with the least amount of effort" has not yet materialized.

Obviously, all of these features are undergoing some changes as the general environment and people's desires or values change, but it is a slow process. I feel comfortable with the set of human resources practices which I have just described. However, it has been recognized in recent years that something more is desirable. One of the examples arising out of this recognition are Total Quality Control ("TQC") activities. TQC is not meant to be a part of human resource management, but is much broader in scope. However, its basic concept lies in defining corporate objectives clearly and attempting to deploy the actual and potential talents and creativity of all of employees through communicating these objectives. TQC activities overlap many areas of human resource management. At the same time, TQC aims at reinforcing scientific and disciplined business operations, eventually resulting in better customer satisfaction and better business performance. The success of this approach may be doubtful if viewed in the context of traditional labor/management relations in North America. If management's mission toward labor is to let it work as directed and to expect nothing more, this concern would be valid. But, if management views labor as its partner in

success, I do not see any reason why TQC would not work. As a matter of fact, it already seems to be working at a number of workplaces in North America. I do not have prescriptions for the kind of labor contracts which would permit successful TQC activities, but I do believe that a workable relationship can be developed if management wants it.

I cannot offer a categorical opinion about whether the Japanese practices I have described today are applicable, or even desirable, to the North American environment. As I stated at the outset, human resource management is closely integrated with a country's culture, history and business conditions. In North America, as anywhere else, an employer has to deal with people who have their own value systems, expectations and needs. Some of you might suspect that Japan's industrial success over the past decade has something to do with its human resource management, and I feel there may be some validity to that, particularly in the field of manufacturing.

Increasingly, in today's manufacturing arena, few things can be accomplished by a single person, thus team work is recognized as necessary. As business becomes larger, "cross functional" communication and collaboration, which is so critical in business, tend to suffer. As an industry matures, it tends to lose its ability to overcome organizational problems by business expansion.

Developing a stronger sense of employee affiliation with an employer will help generate greater willingness of the employees to voluntarily contribute to the success of the employer. I do not believe it wise nor proper to force employees to follow a set of values they do not accept, but I suspect that a number of practices are not necessarily tied directly to such a value system, but often are simply a result of historical developments. Once logic and needs are explained, people understand and accept new practices. Particularly, if certain practices, such as TQC, are culturally neutral by nature, or inherently reasonable, there should be no significant difficulty in adopting them.

There will always be some resistance to new practices, but more often the resistance originates from such undesirable elements as "turf protection," "not invented here" or an egotistical desire to expand. I believe the only answer is that solutions must be found through close and objective analysis of a particular situation. This is a big challenge to employers, since employees are not only resources which contribute to the needs of the employers, but also human beings with their own emotions. It all comes back to the basics of human resource management; a desirable employer-employee relationship is attained and improved by integrity, trust, fairness and communication.