BRIGHAM YOUNG UNIVERSITY BY SPRING 1983

Japanese Management Deep in the Heart of Texas

INTERNATIONAL MANAGEMENT

DEAN'S REPORT

One challenge to the dean of a major management school is to meet ever-changing demands and remain at the leading edge of academic excellence. Changes we've faced in recent months have been significant:

- The College of Business is moving into the computer age. The former Department of Business Education and Administrative Management has been reorganized into the Department of Information Management. This fall the College will begin to train majors in information management, a heavily computer-oriented program, and will also teach certain basic computer classes to students in other management majors. All of the institutes and departments have invested heavily to make computers available to the faculty, while the university has made a major commitment to provide computers for student classrooms and laboratories.
- In addition to the Information Management Department, the College is developing programs in several other new directions. This year we started a joint master's degree curriculum in engineering management with the College of Engineering. A new effort in entrepreneurship and innovation has begun under the leadership of Gene Dalton. We plan to establish a recognized health administration program, and our Institute of Accountancy has been renamed the School of Accountancy. Additionally, a number of our graduate programs offer joint degrees with the Law School.
- More people of importance are working with our School of Management. The Public Administrator of the Year Award was presented to Utah Governor Scott Matheson. Executive lecturers this year included Vern Curtis, president of Denny's Restaurants; Dale Dunn, president and chief executive officer of Simplot Corporation; James W. Rawlings, chairman of Union Carbide—Southern Africa; Philip Brinkerhoff, president of First Charter Financial Corp.; James L. Rainey, president of Kerr-McGee Chemical Corp.; and Bruce Schwaegler, president of Bullock's. Irving Kristol, noted writer on conservative capitalism, was a forum speaker, arranged by Henry Marcheschi, chairman of our National Advisory Committee. Finally, Frederick Herzberg of worker motivation fame gave a lecture to our students in March.
- The College has been the fortunate recipient of some major gifts from generous donors. Harold F. Silver of Denver has funded a Chair in Finance and Management as well as an additional support endowment for student education in these areas. Other gifts for scholarships as well as numerous major contributions to our new N. Eldon Tanner Building have been received. This is all part of the new trend to support programs from private funds. We are most appreciative of this increase in donor activity.

Mixed with all the positive changes we are experiencing is an area of concern: student placements are down somewhat from years past.

The downturn in the economy has prompted us to take steps to strengthen our placement efforts. Being somewhat isolated geographically, we cannot insure that companies will send recruiters to Provo. As a response, our College Placement Coordinator, Roger White, has developed a program to teach students how to aggressively search out their own placement opportunities. As a result, more of our students are taking their own recruiting trips and making their own company contacts. It is expected that by the end of the semester placement will be down only slightly from other years.

All in all, we are very pleased with the changes and growth of our School of Management. We appreciate, too, the support of the readers of *Exchange* magazine.

William & By

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BRIGHAM YOUNG UNIVERSITY SCHOOL OF MANAGEMENT

SPRING 1983





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EDITOR'S CORNER

Has the United States become the nation that lost track of the world? Bernard J. O'Keefe, chairman of the National Association of Manufacturers (NAM), suspects we have. In an April 1983 report to NAM members, O'Keefe asserts that "the suddenness of the transformation of American business from a domestic to a world economy is difficult to comprehend. As a nation, we have been caught flat-footed with a series of obsolete statutes, policies and administrative procedures on exports, imports, antitrust and business ethics." (Chairman's Report, *Enterprise*, April 1983, p. 3.)

Have we really been caught flat-footed? Are we really ignorant of worldwide forces affecting modern business? If we are, we're in trouble!

We live in an ever-shrinking world. That may be a cliche, but it is, figuratively speaking, a fact. Information technology, communications advances, and commonplace international trade have made us more dependent upon people in foreign lands and upon their leaders. Information of all kinds, including financial transactions, can now be relayed to Hong Kong, Taiwan, Singapore, or South Korea as rapidly as it was transferred to New York or Chicago a decade ago, according to Mr. O'Keefe.

This issue of *Exchange* aims to shed light on the complexities of international management. Our potpourri of articles and commentaries looks at such issues as: What happens when the expatriot (overseas) manager comes home? How can companies best assess potential risks in international business? What can we learn from Singapore? Is Japanese management really all it's cracked up to be? and more.

We hope you'll find this material enjoyable, stimulating, and useful. As always, your comments are invited.

Paul R. Timm, Ph.D. Editor

Publisher: William G. Dyer Editor: Paul R. Timm Assistant Editors: David Ries and Janis R. Beeton Copy Editor: Byron Bronk Art Director: Brent D. Burch Published by the School of Management, Brigham Young University, Provo, Utah. © Copyright 1983 by Brigham Young University. All rights reserved. All communications should be sent to *Exchange*, 730 Tanner Building, Brigham Young University, Provo, Utah 84602. Telephone (801) 378-4121.

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orty years have passed since the winds of war rumbled across Europe and Asia engulfing most of the major nations of the earth. Disparate from these previous battles, the new winds of war, some would say, are economic, not military, and these winds may be even more difficult to dispel. What is the nature of this economic conflict, how is it affecting U.S. companies, and what are their potential strategic responses? Let's consider some possible answers.

It is obvious that conflicts arising from foreign competition have increased over the past few decades. There have always been pockets of concern about such competition among some firms and industries. given the natural proclivity of U.S. policies to favor free trade. However, the problem did not become widespread until the late 1960s and early 1970s. From 1960 through 1970, the U.S. had been running a surplus in the balance-ofmerchandise trade. In 1971. however, the U.S. suffered its first balance-of-trade deficit in modern times, with imports exceeding exports by \$2.3 billion.

Erratic economic winds blew during the following years until a steady downward trend in trade began in 1976. By 1982 the deficit was \$36.1 billion, the highest in history. Because of the strong U.S. dollar and general softness in the global economy, the trade deficit is expected to widen substantially in 1983.

International trade has become an increasingly important part of the overall national economy. In 1970, for example, imported goods were only 9.3 percent of the total domestic production of goods. By 1980, that share had risen to 22.7 percent. Exports of goods and services had risen from 6.3 percent of GNP in 1970 to 12.9 percent of GNP in 1980.2 Even though the U.S. economy has been relatively more isolated from the international economy than many of its major trading partners, it is obvious that the international economy is a force to be dealt with.

In a Wall Street Journal / Gallup survey of corporate executives, over 90 percent of the executives feel that foreign competition seriously impacts on the U.S. economy in several ways.³ First, U.S. firms have typically exported only after establishing a fairly strong domestic market and achieving substantial economies of scale. When a foreign firm begins to compete in foreign markets, two major options exist for a U.S. firm: service the market from local or third-country production, or surrender the market to the competition.

In either case, U.S. exports fall, American employment suffers, and the firm may be forced to operate substantially below capacity, thereby losing economies of scale.

Second, foreign competition also

The existence of foreign competition does not necessarily mean a sharp response is required.

affects U.S. firms in home markets—especially the automobile, steel, consumer-electronics, and machinetools industries. The loss of our own domestic markets to foreign competition results in a tremendous redistribution of factors of production, especially labor and capital.

The existence of foreign competition does not necessarily mean a sharp response is necessary by industry. Each firm and industry has its own threshold of pain, depending on capacity and market demand. At some point, however, a response may be warranted. In order to determine what that response is to

be, the firm must (1) analyze the reasons for the competition, (2) decide if government intervention is feasible, and (3) determine what strategic market adjustments are necessary.

Analyze Reasons for Competition

No response is feasible without an in-depth analysis of the reasons for the competition. It is important to differentiate between factors that are indigenous to the firm and those that are beyond the control of the firm. In practice, both factors have a strong influence on competitive advantage.

Factors mentioned most often by managers as unique to loss of foreign competitive advantage are government intervention, exchange rates, and shifts in comparative advantage. Each of these factors requires a different response by management. Since all may be present in a given situation, management may have to identify the most important factor or develop a relatively comprehensive strategy to deal with more than one of them.

The comparative advantage of many firms has changed for several reasons. Some capital-intensive industries such as the steel industry have been surpassed by new entrants into the market, who have made wise management decisions and have implemented new, large-scale plants and equipment in the production process. Labor-intensive industries are unable to compete with the relatively cheap labor of the Orient, the newly industrializing countries, and some of the developing countries.

Although high productivity and new technology can offset the labor-cost disadvantage, these factors have not been very helpful in many cases. The productivity levels of many developing-country industries have been fairly impressive, enough to keep those countries competitive with respect to the industrial West.

Advances in technology have enabled many U.S. firms to maintain a competitive edge, at least over the short run. In addition, it appears we are not alone. Many foreign competitors are also on the leading edge in the development of new technology.

The effects of exchange rates have also inflamed international competition. In the late 1960s, the dollar was overvalued, and U.S. exporters were finding it difficult to compete in foreign markets. A strong dollar meant more foreign currency was required to purchase the dollars to buy U.S. goods. Thus exporters were losing their markets to lowercost competition from abroad, and it also became easier for importers to purchase goods and sell them in the U.S. market, damaging importcompeting industries here. The devaluations of 1971 and 1973 brought some relief to exporters and import-competing industries, but by the early 1980s the dollar again began to strengthen.

Any analysis of the reasons for foreign competition must consider such complex—often bewildering—economic and political factors. Indeed, the political decisions may be most significant.

As pointed out by Robert Strauss, former special trade representative in the Carter administration.

"Increasingly it is governments, not market forces, that are determining the direction and content of trade flows." Governments influence trade in a number of ways. In some cases, they simply preclude access to their markets by foreign competition unless firms can penetrate through local production.

Governments may also provide grants and subsidies to local firms to enable them to compete in foreign markets. This kind of intervention has been especially prevalent among nationally owned steel companies in Europe seeking to compete in the United States. Finally, governments sometimes intervene in the marketplace by facilitating the cooperation of firms in ways that might not be allowed in the United States, where antitrust law precludes collusion.

Decide If Government Intervention Is Feasible

If, indeed, governmental policies lie at the root of unfair competitive advantages enjoyed by some foreign industries, it seems logical to turn to the U.S. government to determine what relief may be available.

Strategic responses normally

involve a resort to government protection, a response to market conditions, or a combination of the two. Because U.S. government policy is committed to the concept of free trade, the ability of a firm to receive protection depends on a combination of political power and just cause. Political power is especially important, since even a just cause may be overruled when doing so seems expedient. Such policy is evident in textiles, a highly inefficient but highly protected industry. Similarly, the steel industry receives government attention because of perceived strategic importance to the

There are often legitimate reasons for protectionist responses to competition from abroad.

economy and the auto industry, and because of a large employee base in a concentrated region.

Government responses to competition from abroad take the form of administrative actions by the president as well as through specific sections of trade acts passed by Congress. A good example of administrative action involves the restraint by Japan of exports of automobiles to the United States. In April of 1981, the Japanese agreed to a voluntary restraint of exports to the U.S. of 1,680,000 units for the next three years. Although there was a possibility that it would not be adhered to in 1983, the Japanese

agreed to extend the restraint. Thus, voluntary agreements have been negotiated between the U.S. and some trade partners.

Longer-term relief from unfair trade practices dictated by the various trade acts can come in several forms, the most important of which are antidumping action, countervailingduty action, escape-clause action, and section 301 action.

1. Antidumping action prohibits by U.S. law the sale of goods at less than fair value. Such dumping occurs when goods are sold abroad at a price lower than that in the home market or comparable third markets.

2. Countervailing-duty action requires that a duty equal to the amount of any subsidy received is levied upon importation of subsidized products sold in the U.S.

This action was taken in the fall of 1982 in the case of the steel industry and competition from Europe. In early 1982, the seven largest U.S. steel firms filed 110 charges against 41 suppliers from 11 countries alleging that they were selling steel in the U.S. at unfair prices because of subsidies by their respective governments. In October of 1982, two government trade-regulating agencies ruled that U.S. steel producers had been injured by imports of subsidized European steel, and levied duties would have to be assessed for the amount of the subsidies, which ranged up to 26 percent of the value of some categories of steel imports.5 Before the duties could actually be levied, however, the U.S. and European producers agreed to an orderly marketing arrangement.

3. Escape-clause action: Section 201 of the Trade Act allows the president of the United States to employ several possible solutions to a competitive problem: tariffs, quotas, orderly marketing agreements, and adjustment assistance to workers and communities. In order for the president to be able to use these weapons, three conditions must exist in the competitive environment: (1) the imports are increasing actually or vis-à-vis domestic production, (2) the import-competing domestic industry is being injured or seriously threatened with injury, and (3) the increase in imports is the substantial cause of the serious injury. This

clause was applied by the president in the auto-industry case, although many have questioned whether the conditions were present. Interestingly, most blame the current plight of the auto industry on the recession, not on foreign competition.

4. Section 301 action is the final major type of intervention. This section allows the president to take action against a foreign company whose government is found to violate an international trade agreement or to have taken action found to be unjustifiable, unreasonable, or discriminatory and which burdens or restricts U.S. commerce. The terms of this section appear to be an open invitation to protectionism. However, the president is hesitant to abuse these powers.

Shortly after an orderly marketing agreement was reached between U.S. and European steel companies (via their respective governments) in October of 1982, the U.S. steel industry filed suit against the Japanese under section 301, alleging that the Japanese had entered into an illegal agreement with the Europeans that would result in large quantities of steel being diverted to the U.S. The administration rejected the complaint by demonstrating that Japanese steel imports have been declining in recent months; however, the threat of action still remains.

The point is that there are often legitimate reasons for protectionist responses to competition from abroad. However, it must be proven that injury has resulted from unfair trade practices.

Determine Strategic Market Responses

Any strategic market responses have short-run and long-run ramifications. Responses normally incur heavy initial cost to shareholders, to workers, and sometimes to society, especially when substantial welfare benefits are involved.

One response found to be successful by many industries is to move production abroad, thus accomplishing two objectives. The first is that foreign investment in the home market of the foreign competition can put pressure on the

competitor. (Again, it is important to first establish a strong domestic market base before expanding abroad, since any disruption of the local market base may have important ramifications on a firm's ability to compete internationally.) The second objective is to capitalize on shifts in comparative advantage. This strategy has been used by a number of firms, such as consumer electronics. In the absence of high tariffs or quotas, consumerelectronics firms would have disappeared if they had not taken up production abroad.

When asked what had been his

One response found to be successful is to move production abroad.

most difficult business decision, John S. Chamberlin, a former executive of General Electric Co., identified the decision to move the company's clock-radio and table-radio manufacturing to the Far East to take advantage of the labor costs of \$.50 per hour as compared with \$5.00 per hour. He noted that his competitors in the U.S. decided not to make the move at that time, and they have since gone out of these radio businesses.⁶

Some companies have responded to foreign competition by shifting into product lines where they still have a substantial advantage, while surrendering their noncompetitive lines to foreign producers. Milwaukee Electric Tool Corp. decided to move into a more expensive line of tools than its foreign competition and has been able to survive in that way. Black & Decker, another power-tool manufacturer, has decided to meet the competition by improving its production process in order to make tools more efficiently and at higher quality. It is also important to note that Black & Decker has operations in 55 countries, which gives it a tremendous amount of production flexibility in taking advantage of differences in labor costs and exchange rates.7

General Motors has partially responded to the competition by entering into a joint venture with Toyota to produce a small car for the U.S. market. This access to Japanese technology will save GM over \$1 billion and several years' worth of research and development and start-up time. In addition, it has actively lobbied for the voluntary export controls from Japan, so it is playing the protectionist as well as the market-adjustment game.

The winds of foreign competition are intense and are not expected to abate in the next few years. Countries are under tremendous pressure to increase exports in order to finance their imports and, in the case of developing countries with large foreign debt, pay interest and principle on their hard-currency obligations. It is important that U.S. companies be able to analyze the causes for the competitive pressure and respond through thoughtful strategic change and/or protectionism. As noted, successful responses are possible and are presently employed by U.S. firms. Whether the choice is to fight the winds head-on or to flow with the current, adjustment must be made. ≡

Notes

Various issues of Survey of Current Business, Wall Street Journal, 4 February 1983, p. 6.

²Twenty-fifth Annual Report of the President of the United States on the Trade Agreements Program 1980–1981, p. 22.

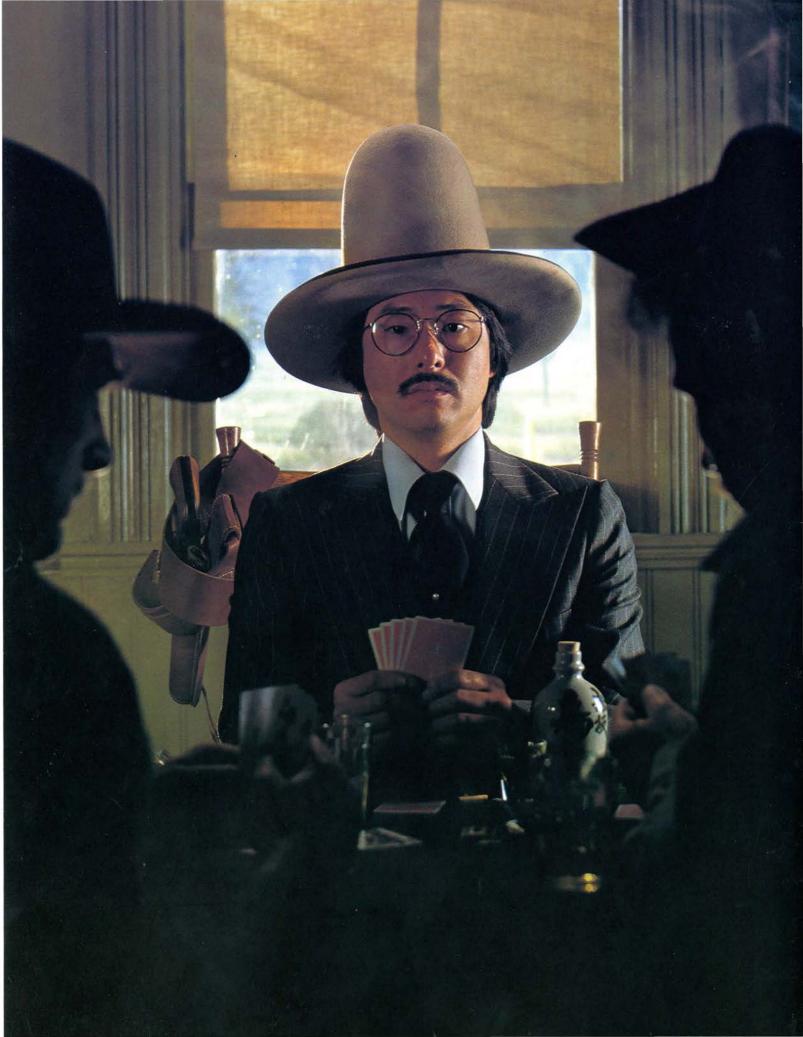
3Wall Street Journal, 14 January 1983, p. 21.

4Wall Street Journal, 24 November 1982, p. 26.

Wall Street Journal, 18 October 1982, p. 4.

Wall Street Journal, 14 February 1983, p. 16.

⁷Wall Street Journal, 18 February 1983, p. 1. ⁸Business Week, 28 February 1983, p. 32.



JAPANESE MANAGEMENT Deep in the Heart of Texas

Christopher G. Jones

If current trends continue, by the year 2000 Japan will be the number one industrial country in the world. In a country the size of Montana, Japan currently produces the third highest gross national product of any industrialized nation. And its GNP is growing at an average annual rate of 7.9 percent.

How does Japan, with virtually no physical resources, do it?

Productivity!

From 1962 to 1980 Japanese productivity increased at an average annual rate of 7.8 percent. U.S. productivity during that same period increased a meager 2.2 percent per year.¹

Through its productivity Japan has been able to capture significant market shares in such areas as consumer electronics, autos, watches, steel, cameras, and pianos. Clearly, productivity has become one of the foremost elements in Japan's approach to the marketplace—a strategic approach often referred to as "cost leadership." By achieving the lowest costs, Japanese business is able to obtain higher profit margins which allow it to further increase its productivity and compete in new business segments.

Productivity improvement is not a new idea. The driving forces behind it are a combination of advanced technology and enlightened personnel practices. Combines are more productive than sickles. Motivated workers produce more and better quality products than employees who don't care. In Japan, productivity improvement is focused equally on technology and personnel. In the U.S., however, the

primary focus has been on buying faster and more complex machines. For the most part, U.S. firms have been unable to integrate personnel productivity as an essential part of a cost leadership strategy.

This one-sided approach to U.S. productivity is no longer competitive. Times have changed. The Japanese work culture has now become a strategic element to contend with. As Pascale and Athos conclude in their current best seller, *The Art of Japanese Management*:

Today world competition poses an organizational challenge that cannot be met simply by technology or financial resources. Technological innovations and resource allocation are outcomes of "human" processes. Our ability to compete rests on our ability to organize human beings in such a way as to generate opportunity and results, rather than impasses, stagnation, bureaucracy, and wasteful friction.²

Is this where the answer to the problems of U.S. business lies? Is proper culture the solution? If so, how do you go about creating a culture that works? To find out, let's explore the elements of the Japanese work culture a little more in depth. Then, let's take a look at what one successful U.S. firm is doing in the area of promoting an effective corporate culture.

The Art of Japanese Culture

Culture is a reflection of values or attitudes—an incarnation of what a society or people believe. To understand the Japanese work culture, let's take a look at three key areas:

- Attitudes toward human beings.
- Attitudes toward the nature and role of leadership.
- Attitudes toward work.

Attitudes toward Human Beings

While sweeping generalizations are not always applicable, for the most part the Japanese view employees as unique, whole human beings.³ This is in direct contrast to the Taylorian view, so prevalent in America, where employees are viewed as interchangeable units of production.

This Japanese view of the employee manifests itself through a series of cultural characteristics such as:

Lifetime employment

lean years.

- Holistic concern for the individual
- Slow evaluation and promotion.⁴
 In Japan an employee often makes a contract to work for the same employer throughout his or her lifetime. The company becomes committed to care for the employee from that day forward. The employee then becomes a fixed cost—even in

Lifetime employment is important for two reasons. First, because the employee anticipates a long career with the company, he or she is more willing to integrate into the organizational culture. Second, because layoffs are not a feasible alternative in a downturn, management tends to view employees as long-term assets and not as expendable variable costs.

Holistic concern relates to viewing the employee as a whole. While U.S. managers may think it improper to delve into the private life of an employee, Japanese managers would feel negligent if they didn't. It is the manager's role to be fully informed on the personal circumstances of each subordinate.

In many Japanese firms, major employee evaluations take place only once every five or ten years. The importance of this cultural practice is twofold. First, because the span between evaluations is a number of years, the employee can take a longrange viewpoint toward results. This minimizes taking short-term actions to maximize profits at the expense of the long run.

Second, the evaluation process is performed by a number of superiors. In this way the supervisor pools his judgements with others and, therefore, isn't bound to only "objective" measures.

Attitudes toward the Nature and Role of Leadership

Japan is an interdependent society, a consensual society. While in the U.S. the common progression is from childhood dependence to adult independence, the Japanese maturation process stresses the goal of interdependence. This interdependence reveals itself in the corporate world through the cultural characteristics of collective responsibility and consensual decision making.

In Japanese organizations, responsibility for overseeing projects and for accepting rewards or punishments is borne collectively by all members of a sub-unit.⁶ In the U.S., individual responsibility is an essential part of the national culture. Attempts to impose collective values on employees in a U.S. corporation generally meet much resistance.

Because of the collective nature of the Japanese culture, consensual decision making is prominent. Managers will make decisions only after all those who are affected have had a chance to give their input. While such participative decision making often takes longer than executive decrees, by building a consensus, management can implement the decision much quicker.

Consensual decision making and collective responsibility are both elements of a larger whole-informal controls. While many U.S. firms must use explicit standards, rules, policies, and regulations, Japanese firms rely more heavily on implicit controls. These implicit controls come from a general understanding of the corporate philosophy and superordinate goals.7 According to Pascale and Athos, these superordinate goals are the overarching purposes to which an organization and its members dedicate themselves.8

Attitudes toward Work

With lifelong employment, the Japanese worker quickly finds his or her company can satisfy all personal primary needs. Since the corporation fulfills the employee's physiological, safety, love, self-esteem, and self-actualization needs, the employee's corporation and career become the central focus in life. This often puts the family in second place in the Japanese system of priorities.

By contrast, for most U.S. employees work fulfills only basic physiological needs. With the advent of unions, some workers are able to meet safety needs. But traditionally, higher-order needs have been met by religious institutions and the family.

Up until the last two decades, the attitudes of U.S. employees toward work were shaped by the Protestant work ethic. In many parts of the country, the notion that work is a God-given right and a moral obligation has changed. In the South and other areas where fundamental religions have a stronghold, the Protestant work ethic appears to continue.

Not only is a career viewed differently in Japan, but so is a career path. Japanese employees generally take unspecialized career paths. It is not unusual for a Japanese worker to start out as a bookkeeper and then move over to supervise the planning department. A nonspecialized career path increases loyalty to the organization and reduces the possibility of job hopping from one firm to another.⁹

Given the differences in attitudes between the Japanese and Americans, it's easy to see how Japan has succeeded in generating a more productive work force. But is Japan's situation unique? Are the Japanese attitudes culture-specific and nontransferable? Would Japanese attitudes even work in the U.S.? Let's take a look at a U.S. company that incorporates many Japanese cultural characteristics.

Texas Instruments: The Company with the Quasi-Japanese Culture

Texas Instruments (TI) is a multinational corporation engaged in the development, manufacture, and sale of a variety of electronic products for primarily industrial, consumer, and government markets. Over the past three decades, TI has experienced an average annual sales growth of 24 percent. In 1980, with over \$4 billion in sales, TI had 4.4 percent of the \$90 billion electronics market. During TI's intense growth, it

has sustained an average annual increase in productivity of 15 percent.¹⁰ And it has done this with an expanding work force which now numbers around 90,000.

How does TI achieve such productivity increases? By working at it. "We believe productivity improvement is basic to achieving all of our key company goals," said Mr. Patrick E. Haggerty, the late chairman of the board of Texas Instruments."

TI is reputed to have one of the tightest management systems in the U.S. Such control is essential in keeping costs down. TI's strategy for improving productivity to gain cost leadership is depicted below.

The three elements of this strategy—growth, people involvement, and success sharing—have resulted in the famous TI culture and the fact that TI is the third largest nonunion company in the U.S. Arnoldo C. Hax, of MIT's Sloan School of Management, likens TI to

Japanese companies, saying: "TI stresses a strong spirit of belonging, a strong work ethic, competitive zeal, company loyalty, and rational decision-making." 12

From the comments made, it looks as if Texas Instruments is "perfection incorporated." Not so. Just as recently as spring of 1981, TI laid off more than 2800 workers. The point is, that while not perfect, TI has created a culture and "for the kind of people there, it works," most of the time.¹³

Let's take a closer look at some of the elements of the TI culture.

TI's Attitude toward Employees

Part of TI's success lies in its attitude toward people. At TI, "each employee must be seen as a source

of ideas, not just as a pair of hands." TI seeks maximum job involvement coupled with reasonable job environment.

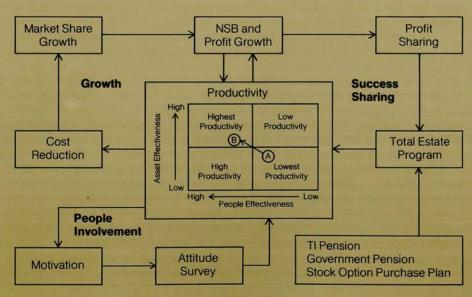
TI has incorporated its people approach into two elements in its interlocking program for productivity. As shown below, the two elements are "people involvement" and "success sharing."

An important part of the People Involvement Program is the team concept. As of 1979, more than two-thirds of all TI personnel were participating in some type of team program. In this program, teams made up from natural business units set their own improvement goals and measure their own progress toward these goals. In this way, a TI employee doesn't feel like just another face in the crowd.

Other important peopleinvolvement programs at TI include Work Simplification Training, corporate-wide attitude surveys, periodic department meetings to foster corporate goal congruence, and an "open door" policy dedicated to hearing employee complaints at any time and at any management level.¹⁵

The purpose, then, of the People Involvement loop is to motivate TI employees by providing satisfying and challenging work that meets their personal needs. The Success Sharing loop, on the other hand, provides the economic reward and incentive. It is designed to give the employee a "piece of the action" while stimulating company loyalty and the desire for a lifelong career. In this sense it is the American counterpart to the Japanese lifelong employment-the difference being that the TI plan appeases the U.S. worker's need for independence and a sense of ownership.

The Success Sharing Plan consists



Source: "Innovation at Texas Instruments," Computer, September 1979.

of competitive compensation for the industry, a pension plan, an employee stock-option purchase plan, and a profit-sharing plan paid in shares of company stock. For 1980, the company contributed \$63.8 million to profit sharing and \$32.7 million to the pension plan. The combined contribution of \$96.5 million was equivalent to 25 percent of Tl's pretax income.¹⁶

In summary, TI not only realizes that people are its most important asset, but it has also installed a formal system to meet the needs of its people in their roles as employees.

TI's Attitude toward the Nature of Leadership

TI is subdivided into small units called "Product Customer Centers." Each PCC is really a business within a business. It has its own product lines or services and its own markets. PCC managers are responsible for the successful operation of the entity, including growth, satisfying customer needs, and operating profitably.¹⁷

On the surface, it would appear TI is largely decentralized. But the company is also strongly centralized through its OST program: Objectives, Strategies, and Tactics. OST is TI's formalized plan for fostering innovation. Under OST, a projectoriented management structure focuses entirely on tomorrow's growth, while a more conventional operating hierarchy concentrates entirely on today's profitability.18 The OST system ensures that the corporation is not just a collection of patches, but a well-integrated patchwork quilt that covers what is intended. The OST program is TI's Americanized version of Japanese collective responsibility and consensual decision making.

The OST system is strengthened further by the IDEA program. The

thrust of IDEA is to provide immediate response, visibility, and initial funding for good new ideas. IDEA is an acronym for: Identify, Develop, Expose, and Act. TI's biggest success story from the IDEA program is its "Speak and Spell" and related child development products.

In addition to OST and IDEA, TI also makes heavy use of informal controls and superordinate goals as part of its leadership approach. TI achieves informal control by perpetuating its distinctive culture. According to TI's top executives, cultural continuity is the responsibility of management: "Today's managers must explain the culture and experience of the organization to the new generation."19 By passing on its culture, TI hopes to "align individual and corporate goals to the maximum extent possible."20 TI's policy of internal growth (as opposed to growth by acquisition) and the habit of promoting from within serve to strengthen cultural indoctrination.

Even during its evolutionary period, TI's corporate goals took the superordinate form. In 1949, Patrick Haggerty, then general manager and later chairman of the board, set forth a dictum celebrated throughout TI: "We are a good little company. Now we must become a good big company." He explained that "bigness" began around \$200 million in sales. At that time TI had 792 employees and annual sales of about \$6,400,000.21

In 1962, with billings surpassing the \$200 million mark, Haggerty was quoted as saying:

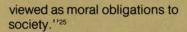
We have achieved the level of a good, big company, and, at worst, we can probably count on adequate performance and moderate future growth. But it is not our goal just to play in this league. Our sights are now set on becoming one of the successful giants, nationally and internationally. This means profits in hundreds of millions of dollars, instead of billings measured in those terms ²²

TI's 1979 corporate objectives reflect Haggerty's vision of TI becoming a major international force by stating in the preamble:

Texas Instruments exists to create, make, and market useful products and services to satisfy the needs of customers throughout the world. Because economic wealth is essential to the development of our society, we measure ourselves by the extent to which we contribute to that economic wealth—as expressed by sales growth and asset return. We believe our effectiveness in serving our customers and contributing to the economic wealth of society will be determined by our innovative skills.²³

So, as the preamble states, sales growth is the measure by which TI gauges its success. TI has successfully set higher and higher sales targets. In 1960 the goal was \$1 billion in annual sales. That goal was reached in 1973. TI's 1966 goal of \$3 billion was reached in 1979. In 1980 TI set its most ambitious goal yet—\$15 billion in annual sales by the late 1980s.²⁴

Thus, TI's superordinate goal revolves around bigness as measured by dollar sales and service to its customer base. As TI's top management states: "Our goal at TI is to create an organization and an institutional culture in which continuing productivity increases are



TI's Attitude toward Work

According to Arnoldo Hax of MIT, Texas Instruments "stresses a strong work ethic." Sometimes, this cultural characteristic rubs employees the wrong way. According to a *Business Week* Special Report on TI, one 17-year veteran who left for less-demanding pastures commented: "People were driven rather than motivated." Yet for the 90,000 people who still work at TI, the work ethic plays an important part in the TI experience.

As mentioned earlier, TI's People Involvement Program is geared towards stimulating employees to take a long-term view of their careers with the company. While TI does not promote the Japanese concept of nonspecialized career paths, it does foster career flexibility. A weekly Job Opportunity Bulletin lists openings at all TI locations and gives TI people first crack at them. As such, TI employees can make lateral moves to gain career breadth.²⁷

In summary, TI's attitude toward work incorporates Protestant work values with some allowance for nonspecialized career paths. The American culture is just not suited to the Japanese view of work as the primary satisfier of all human needs.

Is TI's Culture a Solution to U.S. Business Woes?

In many respects, TI's culture is specific to itself. It is designed as an implementing strategy for TI's own unique goals and combination of resources. TI's key to cultural cohesion is its commitment to internal growth which allows for cultural inculcation as new employees start at the bottom and rise through the ranks.

Yet in many other respects, TI's culture is transferable. TI's view of the employee as more than an interchangeable part is easily adopted. The people-involvement and success-sharing programs can apply to any business. Open-door policies and upward and downward communication are all possible.

TI's OST and IDEA programs can be implemented by any U.S. business willing to expend the effort. And the concept of superordinate goals is as old as Moses' dream of a promised land and a Zion people. Yes, many of TI's cultural characteristics can be implemented by others. But it takes a major shift in attitudes toward human beings, work, and the role of leadership.

Conclusion

Not unnoticed, Japan is winning the economic war. And it is doing it through a complete strategy for productivity—a strategy that involves both technology and labor. While many aspects of Japan's work culture are unique to the people of that island, many are transferable.

It is not surprising that successful U.S. companies have organizational cultures similar to Japanese companies. Yet, the U.S. cannot adopt the Japanese work culture on a wholesale basis. The underlying power of the American culture will not allow it. The solution seems to be in taking the best of the Japanese culture and adapting it to American value systems. This approach has best been summarized by the president of Texas Instruments, himself:

We institutionalize the TI culture—it's the way to ensure our growth. Whatever other corporations call it, they will have to come up with something similar. If we (the U.S. companies) don't do that, the overseas competition will take us.²⁸

Notes

'J. Peter Grace, "The Problem of Big Government," Executive Lectures Series speech at Brigham Young University, Provo, Utah, September 10, 1981.

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Pascale, op. cit. p. 83.

"William G. Ouchi and Alfred M. Jaeger, "Type Z Organization: Stability in the Midst of Mobility," Academy of Management Review, Volume 3, Number 2 (1978), pp. 305–314.

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¹⁰L. M. Rice, Jr., "Texas Instruments' Management Philosophies and Growth Experience," speech before the Instituto Panamericano de Alta Direccion de Empressa, Mexico, May, 1980.

"Patrick E. Haggerty, "The Role of Institutional Culture in an Industrial Corporation," speech delivered before the Salzburg Seminar on Multinational Enterprise, Summer 1976.

12"Texas Instruments Shows U.S. Business How to Survive in the 1980s," *Business Week* (September 18, 1978), p. 67.

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"Mark Shepard, Jr., and J. Fred Bucy, "Innovation at Texas Instruments," *Computer*, September 1979.

161980 Annual Report, Texas Instruments, Inc., p. 11.

"Haggerty, loc. cit.

18" Texas Instruments Shows . . .," op. cit., p. 76.

19Shepard and Bucy, loc. cit.

²⁰Haggerty, loc. cit.

²¹"What's Up and Down at Texas Instruments," Fortune, November, 1961.

²²First Quarter Report 1981, Texas Instruments, Inc., p. 1.

23 Shepard and Bucy, loc. cit.

24First Quarter, op. cit., p. 17.

25 Shepard and Bucy, loc. cit.

²⁶"Texas Instruments Shows . . .," op. cit., p. 70.

^{27"}Texas Instruments: At TI, You Start Out Ahead the Day You Start Work," a Texas Instruments recruiting brochure, p. 6.

za"Texas Instruments Shows . . .," op. cit., p. 68.



Lessons from Singapore

David Cherrington

Foreign competition is one of the major factors contributing to America's economic problems and is far more serious, and considerably more complex, than is generally acknowledged. Hundreds of thousands of U.S. jobs have been lost to foreign competition, especially in the textile, steel, auto, and electronics industries.

The "band-aid" solution to this

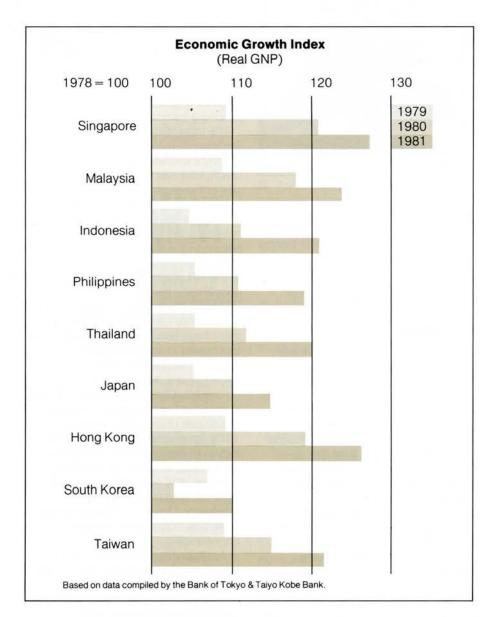
problem has been to label it *dumping* and demand government protection. But the problem of foreign competition cannot be solved by government action alone, and protectionism is neither a feasible nor a desirable solution.

To illustrate why foreign competition is such a serious threat to the U.S. economy, let's examine the conditions of one of our most successful foreign competitors—Singapore. Analysis of its social,

economic, and political conditions explains why Singapore can compete against the U.S. in foreign markets and thrive!

Economic Development

Singapore is a city-state situated on an island at the southern tip of the Malaysian Peninsula, slightly north of the equator. It covers 256 square miles and has a population of about 2.6 million. Of the world's 170 nations, Singapore led in economic



growth performance from 1979 to 1982, as illustrated in the chart above. While most countries were caught in a worldwide recession during 1981, Singapore experienced a 9.9 percent real growth rate in its economy. Indeed, from 1971 to 1981 the real growth rate in Singapore was 132.6 percent.¹ The nation also maintained full employment during most of these years.

Another indication of Singapore's economic success is its limited rate of inflation. Although it imports the bulk of its food and fuel, Singapore's consumer price index has increased only modestly during the past decade. Except for the fuel/food crisis years of 1973–74, the average increase in the CPI was only 3.9 percent per year for the decade prior

to 1981.2

The economic growth in Singapore stands in stark contrast to Western nations. While construction projects in America have almost disappeared, in Singapore construction is occurring everywhere. High-rise apartments, factories, and stores are springing up throughout the island.

Standard of Living

The standard of living for most Singaporeans has increased significantly since 1965. This improvement in the quality of life can be attributed to national policies that stimulated growth and equity, to employers who created meaningful and productive jobs, and to citizens who were willing to work dependably. Before 1965, Singapore was

described as a dirty Asian city where most of the people lived in dilapidated, crowded huts. Today most of these run-down huts have been replaced with high-rise apartments, called flats, that were designed and constructed by the Housing Development Board (HDB). Approximately 70 percent of the population live in these high-rise flats. Most flats are two- or three-bedroom apartments, although there are several grades ranging from the one-room standard flat to the five-bedroom "executive" flats.

Singapore's racial conflicts are minimal. Since Singapore is such a massive melting pot of nationalities, the HDB has made a conscientious attempt to reduce the possibility of racial tension by mixing races in each building. Families are assigned apartments according to income and family size, but not according to race.

Although the flats were built by the government, the government encourages private ownership through their "Home Ownership for the People" scheme. The price of housing in Singapore is about twice the cost of comparable housing in the United States. Although the down payment is high and Singapore's wages are low, home ownership is within the reach of virtually every employed worker because of a compulsory Central Provident Fund (CPF). The CPF is similar to Social Security in the United States but with significant differences. While the Social Security tax rate in the United States is 6.7 percent for both the employer and employee, the CPF tax rate in Singapore is 23 percent for the employee and 22 percent for the employer. Rather than going into a central fund, CPF money is credited to individual accounts. Ninety percent of an individual's CPF money can be used for three expenditures: housing, buying shares of stock in the National Bus Company, and mortgage and life insurance. The money that is left in an employee's CPF fund is invested and becomes available to the employee upon retirement or disability, or to the employee's beneficiaries at death.

Wages

The wage structure in Singapore is similar to that in America, but wages

are considerably lower. Middle- and upper-level managers in the U.S. receive more than twice the compensation of comparable managers in Singapore. Among factory workers, the disparity is even greater. While the average factory worker in America earns over \$8.50 an hour, the average Singaporean factory worker interviewed for this article earned about \$1.80 (US) an hour. The average work week in Singapore is 5½ days, or 44 hours per week.

Forty-five Singaporeans were asked if they felt exploited by companies which paid low wages in Singapore while higher wages were paid for comparable work in the United States. Among those interviewed were two executives of General Electric in Singapore who were specifically questioned about the closing of their Ontario, California, plant and moving their production facilities to places like Taiwan and Singapore. Only one person thought the Singaporeans were being exploited. That person had attended college in the United States, travelled in Europe, and then returned to Singapore to make his fortune.

Meritocracy

When the prime minister, Lee Kuan Yew, was asked what was the most important factor in Singapore's rapid development, he attributed their success to the quality of the people in leadership positions. Leaders are selected on a strict merit system. The only criteria are a person's competence and ability to lead. The concept of meritocracy runs very deep in the culture of Singapore occupational status, political position, and educational opportunity are all based upon the idea that competence, ability, and dedicated effort should be rewarded.

In the employment setting, Singapore has a national policy encouraging employers to make pay and promotion decisions based on merit. Consequently, employees who aspire to higher levels of pay and organizational status realize the importance of training, personal preparation, and dedicated work. Singapore managers are very interested in performance evaluation



methods and have been experimenting with procedures for equating pay and promotion with performance analysis. The basic philosophy in Singapore is management by cooperation and competence, rather than by conflict or compromise. This approach is central to politics as well as business.

Labor Relations

Labor relations in Singapore are somewhat similar to labor relations in the United States, but again there are a few important differences. The most important exception is the greater degree of three-way cooperation between employers, unions, and the government. Rather than the traditional adversarial relationship found in the United States, labor relations in Singapore are characterized by shared power among employers, unions, and the government.

Employees in Singapore are protected by many of the same types of federal laws as employees in the United States. Injured workers are entitled to receive compensation. The Factories Act attempts to provide Singapore employees with a safe and healthy work place as the Occupational Safety and Health Act does in the United States. The **Employment Act requires employers** to pay time-and-a-half overtime pay for hours which exceed 44 hours per week and limits overtime hours to 72 hours per month. Each employee is entitled to 11 public holidays a year and 14 days annual leave. Women with less than two surviving children are entitled to eight weeks of maternity leave. If a contract of service must be terminated, the Employment Act requires both employers and employees to provide a four-week notice (for employees who have been employed for five years or more). The most unusual

feature of the Employment Act, however, is that it provides a formal grievance and discipline procedure which protects organizations from uncooperative employees and protects employees from capricious actions by employers.

The Industrial Relations Act gives Singapore employees the right to organize a union. The size of the union, however, must be equal to the size of the organization to create a balance of power. About 40 percent of Singapore's employees are union members, and 95 percent of those belong to the National Trade Union Council (NTUC), a federation similar to the AFL-CIO. The spirit of cooperation between employers and unions in Singapore is evidenced by the fact that for the past 41/2 years there have been no strikes. While this fact seems to suggest that labor unions in Singapore are not very strong, that is not the case. Labor unions have been very active in trying to improve the wages and working conditions of the union members. In 1978, for example, a total of 1,746 industrial disputes were referred to the Minister of Labor for conciliation. Of these, 435 were withdrawn, 32 were referred to the Industrial Arbitration Court, and the remainder were amicably settled through conciliation.4

Another important factor which contributes to industrial peace is the cultural norm of "face saving." Although employers and union leaders have a desire to settle disputes peacefully, they also want to avoid the appearance of weakness. Consequently, government intervention effectively settles most industrial disputes by providing a third-party statement of what is fair, allowing both parties to save face.

To increase the productivity and training of workers, Parliament created a Skills Development Fund Levy which requires all employers to pay 4 percent of their payroll to provide funds for upgrading the skills and expertise of employees. To use this money, employers develop proposals for training projects. The fund is administered by a tripartite council of representatives from government, employers, and employees who review the proposals and award grants.

National Wage Council

Perhaps the single most impressive evidence of the desire of Singaporeans to manage by cooperation rather than conflict comes from the operation of the National Wage Council (NWC).

The purpose of the National Wage Council is to assess economic conditions and make recommendations regarding wage increases and changes in tax rates.

The NWC, formed by the Singapore government in 1972, is not a statutory board and has no legal rule to follow. It is a tripartite advisory body which has been chaired by Professor Lim Chong Yah, professor of economics, National University of Singapore. The members of the National Wage Council are top-level union leaders from the National Trade Union Council, employers' representatives, and top civil servants from government. The purpose of the National Wage Council is to assess economic conditions and make recommendations regarding wage increases and changes in tax rates.

The National Wage Council has served a very effective role in the economic success of Singapore by creating an orderly adjustment in wages each year without undermining Singapore's export competitiveness and without taking away the fundamental right of unions and employers to negotiate wage changes.

Teaching Work Values

The universal desire to increase productivity and strengthen the work ethic in Singapore is shown by the appearance of two or three articles a day in the newspapers describing the importance of work values and how individuals have achieved success through hard work. Public service commercials appear frequently on national television emphasizing the importance of quality and dependability. November 1982 was declared national productivity month, and many programs endorsed the work ethic through radio and television advertisements, civic lectures, industrial conferences, and political speeches. All of these programs were designed to raise the level of concern among citizens

about the need to increase national productivity. Studies in moral development suggest that over time these types of public programs tend to successfully increase the work ethic of employees.

Confronting the Problem of Foreign Competition

Some of the major reasons for Singapore's economic success are quite obvious: their standard of living is improving, their wages are low, they are teaching work values, and there is a cooperative relationship between employers, unions, and the government. Consequently, Singapore enjoys a significant competitive advantage in producing and marketing consumer goods.

Singapore's Impact on the United States

In the past, the United States has been partially protected from the effects of foreign competition because of geographical and technological advantages. With improved transportation and communication systems, however, the geographical advantage of U.S. manufacturing has largely been eliminated. The technological advantage has rapidly diminished also, and will continue to decline with the expansion of worldwide communication and the universal sharing of information. As a consequence, American manufacturers will face increasing competition from foreign manufacturers who pay lower wages to a work force that is more highly trained, motivated, and dedicated to quality craftsmanship.

Thus the problem of foreign competition is not just a temporary problem. It is a serious, long-term problem that will get worse if directions are not changed. The U.S. faces the unpleasant option of either losing more jobs to foreign competition or making some adaptive changes: shifting to more capital-intensive industries which require more skilled labor, cutting wages, and/or improving productivity.

The U.S. has already been shifting rapidly to more capital-intensive industries requiring highly skilled labor, while "smokestack"

industries-those employing large numbers of relatively unskilled workers—have been disappearing. This shift will probably continue, creating more highly skilled jobs in the service and manufacturing industries, especially in computers. But this shift alone will not solve the unemployment problem, because the technological advantage the U.S. enjoys is only temporary. Other nations can quickly copy—and even improve upon—America's knowledge, training, and technology. The U.S. must aggressively pursue technological advances, but not expect them to create a permanent advantage.

Cutting wages, while politically a "hot potato," is probably an unpleasant necessity. If the U.S. wants to avoid losing jobs, wage levels almost certainly have to be reduced. American employees cannot hope to receive five times the income of foreign employees and expect to compensate for this difference through higher productivity. America's technological and geographical advantages cannot support such large pay differentials, especially when these advantages become neutralized through increasing education and capital formation in foreign countries.

Raising productivity through better work habits and greater cooperation is the most acceptable alternative for combating foreign competition. Creating better work habits by teaching work values is not an expensive or unrealistic objective. Creating a more cooperative working relationship between employers, unions, and government requires an investment of personal interest rather than an investment of money. The benefits of teaching work values and creating a cooperative relationship are crucial lessons to be learned from the current economic success of Singapore.

Notes

"Good Times Again," Asia Week, January 8, 1982, p. 20.

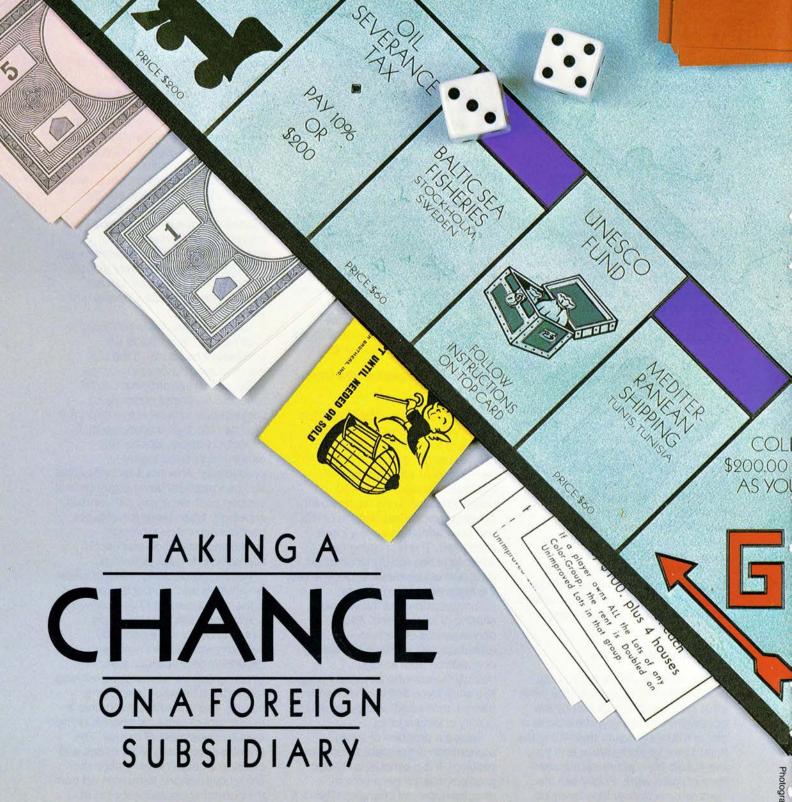
²Lim Chong Yah, "The NWC As I See It," pp. 52–59.

³Data published by Business Environment Risk Information, Ltd., 1981.

'Singapore '80 (Singapore: Singapore National Printers, Ltd., 1981), p. 53.

5Lim Chong Yah, op. cit., p. 54.





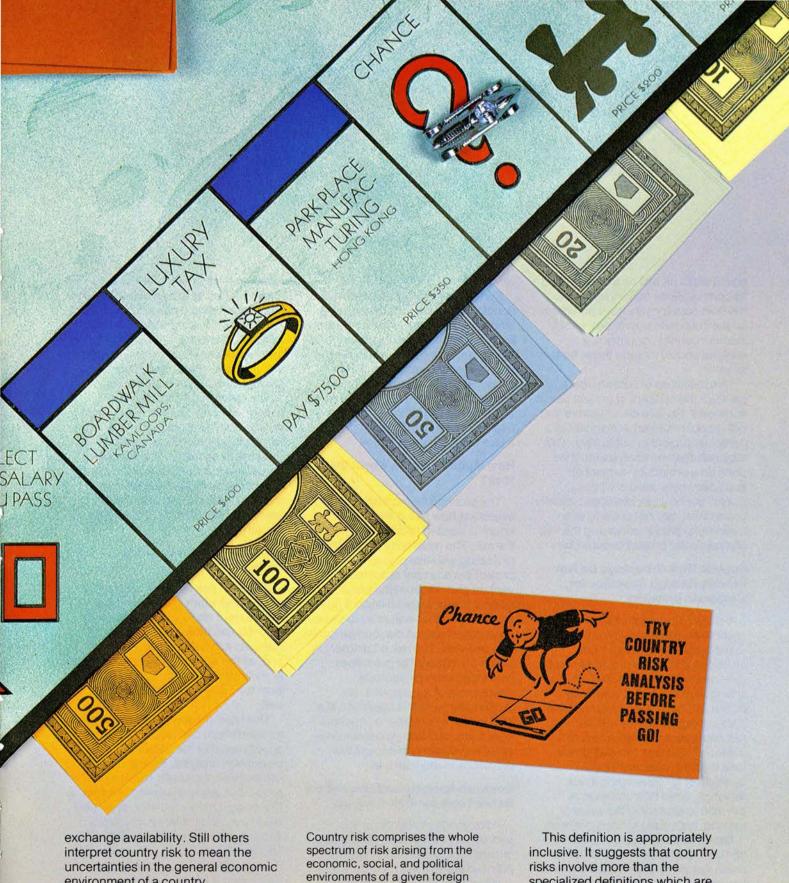
Brent D. Wilson

Devaluation in Mexico, expropriation in Chile, nationalization in Nigeria, revolutions in Iran, and changing monetary and fiscal policies in Great Britain. What do these all have in common? These events represent a sampling of the kinds of problems encountered by foreign subsidiaries of multinational companies—events that are difficult to forecast.

Although the headline-attracting political events have received the most public notice, multinationals have also been affected by changing tax regulations, employment restrictions, and other regulatory and economic occurrences. All of these

factors, which affect the profitability of the foreign subsidiaries, are known collectively as *country risk*.

One difficulty in discussing country risk is the lack of a universally accepted, all-encompassing definition. For some managers, country risk connotes political uncertainty. Others are concerned with balance of payments and foreign



environment of a country.

All the above-mentioned factors can affect the return on an investment in a foreign country and should be included in any risk analysis performed by the multinational:

country (including government policies framed in response to trends in these environments) having potentially favorable or adverse consequences for the profitability and/or recovery of debt or equity investments made in that country.1

specialized definitions which are frequently used.

The critical determinant of country risk is the impact on the investment. Therefore, country risk analysis should include an examination of factors within the control of the host



government as well as those beyond its control. Since factors foreign to the host country may have an effect on the corporate operations within the host country, country risk analysis should include those factors as well.

This definition of country risk parallels the concept of project risk. It is important to include all factors that will impact return on investment in a particular project or subsidiary. This suggests that the analysis must be done on a project-by-project or subsidiary-by-subsidiary basis. Overall country risk rankings typically undertaken may not provide very meaningful data in assessing the risk of a particular project or subsidiary.

Popular Risk Groupings Do Not Provide Enough Specifics for Corporate Investors

Popular groupings or rankings seem to dominate the literature on country risk. *Euromoney* and *Institutional Investor* provide annual rankings of countries based on specified measures of what they define as "risk." Many multinational banks group countries into various risk categories, ranked A to E or 1 to 5. Most discussion focuses on the best method (quantitative or qualitative) for developing these rankings, while little attention is devoted to assessing the value of ranking, especially for corporations.

Group ranking may be useful for bankers, but it does not provide much insight to other industries or corporate investors regarding the expected return from a specific investment. There are examples of subsidiaries operating very profitably in "high risk" countries and examples of subsidiaries with difficulties in "low risk"

environments.

Furthermore, analysis based on country risk groupings or rankings omits important risk/return tradeoffs. From a value-maximizing standpoint, a corporation might invest in a very risky project or subsidiary if the expected return were sufficient to compensate for the risk. Conversely, an investment in a "safe" country might not be acceptable if it provided a less than adequate return.

How Much Return Is Worth the Risk?

The problem facing managers is assessing how much additional return is needed to compensate for the risk. The most common method of dealing with this problem is to project the financial outcome of a venture and discount the projections, using a risk-adjusted discount rate, according to the venture's riskinessan approach called discounted cash flow analysis. The risk adjustment is based on managerial guidelines developed from an informal assessment of a corporate risk profile. Although this approach is a step in the right direction, it suffers from some well-known weaknesses, including skewing of acceptable projects and arbitrariness.

Scenario Analysis and Simulation: Better Tools for Risk Analysis

As a means of improving the process, a combination of scenario analysis and simulation provides promising potential.

Rather than make a blanket risk assessment, the analyst should develop a series of scenarios covering the likely patterns of social, economic, and political events in a country. The analyst can then develop a range of potential

investment cash flows for each scenario. Rather than discounting the cash flows using a risk-adjusted hurdle rate, the corporate risk-free rate should be used. Assigning probabilities to each of the scenarios and the associated cash flows provides the basis for simulation.

The result of the simulation is a histogram of discounted cash flow results. This histogram provides the two critical elements needed for the investment decision—the expected return and the *variability* of the return. This provides better data for the manager undertaking risk/return analysis for investment in a foreign country.

Risk Analysis: An Ongoing Process

Although risk analysis is normally considered when investments are first made, it should also be done on a continuing basis. Any country presents a dynamic environment, and, as the environment changes, the likely future scenarios and cash flows from the investment will change as well

This type of country risk analysis for investment decisions is basically an extension of the traditional investment analysis. Proper country risk analysis, however, requires an exhaustive analysis of many factors. The analyst must utilize the analytical skills of political science, sociology, and economics, as well as traditional finance. The blending of these skills into a comprehensive analytical framework is not a simple task; nevertheless, it is a crucial one for the success of foreign operations.

Note

'Irving S. Friedman, "Evaluation of Risk in International Lending: A Lender's Perspective," International Banking, p. 120.



DR. FREDERIK J. PHILIPS International executive of the year

"Centuries ago, in what were called the civilized countries, only one kind of management was known. The man at the top decreed what had to be done, and everyone obeyed him whether they agreed with him or not.

"Similarly, only one organizational system was known in Europe before the industrial revolution—that of the army: generals, brigadiers, colonels, majors, captains, lieutenants, sergeants, corporals, and privates. An order was given at the top and carried out all down the line without hesitation or questioning. Individual initiative and the ability to make decisions on the spot were only needed when communications broke down on the battlefield itself; and, on the whole, the system worked pretty well.

"I think many organizational charts still look the same today, and some industrialists take on the role of oldstyle generals and expect their company's employees to respond accordingly. And, as you see, it does not work anymore because industrial products are now too sophisticated, because design methods are so advanced, because production is so complicated, and because a good company cannot be run by one man or one woman. One person simply cannot know it all. Today, there has to be skill, knowledge, and know-how at every level of the activity, and that

brainpower has to be given an opportunity to flower. The old way of one person giving the orders and all the others obeying is out of date."

These were among the comments of Dr. Frederik J. Philips upon receipt of Brigham Young University's 1982 International Executive of the Year Award. Dr. Philips is president and chairman of the board, emeritus, of N. V. Philips' Gloeilampenfabriken, an electrical and electronic corporation located in Eindhoven, the Netherlands. The corporation is the largest electronic company outside the U.S., with annual sales of more than \$17 billion.

The IEY award is presented annually by the BYU School of Management to an outstanding executive who has demonstrated exceptional leadership and high moral and ethical standards in professional, family, and community affairs.

Other excerpts from his acceptance speech entitled *The Human Factor in Management* follow.

"Now, employees read the same papers and watch the same television programs as the members of the board read and watch. They even frequent the same countries on holidays as members of the board. Their children go to universities. Horizons have widened, and knowledge has grown and deepened. Employees expect to contribute more to society, and they expect more of society. They are not prepared just to be regarded as machines that have to perform some undefined role in the manufacturing process. Now, employees have knowledge and skill, and they expect them to be used to the fullest. Good managers know they need that knowledge right down the line, and that they must have the total cooperation of the work force if the company is to be successful and survive.

"Now, I should like to say a few words about how an organization can be shaped and run to achieve maximum effectiveness. It seems to me there are three elements in this: management by consent, quality from top to bottom, and commitment and flexibility.

"The Japanese way of management by consent is an intriguing subject in itself. Personally, I do not think we should try to copy their methods. We are not Japanese. . . . [However] I think it is essential that discussions should be held before decisions are taken and . . . everyone should have a chance to contribute ideas and to disagree with the chairman without any danger that it will count against him or her in any way.

"Of course, in the end, there must be an agreed, common conclusion ... but the result must be that the committee members regard the decision as a plan to which they have all contributed and for the success of which they feel collectively responsible.

"During this speech, I have tried to put forward some ideas for achieving quality of work, quality products, and the quality treatment of people. You will have noticed that I have not talked about productivity, but quality, because productivity will automatically result from high quality. But, make no mistake about it, quality has to start at the top and then it has to exist all along the line. It is no good having quality on the shop floor if the quality of the senior management does not set the standard.

"I have also tried to show that if one is going to make a success of an organization, whether it be an industrial organization, a hospital, a school, or even a university, one must care for people, from the most senior manager to the newest recruit. Success cannot be achieved by decree.

"Finally, I am sometimes asked whether our Creator has a place in all this. I am convinced that business has a major role to play in spreading prosperity throughout the world. I have often said, for example, that our company should be part of the cure of the world and not part of the disease. Our Creator challenges us to do this in the right way. God only has man to fulfill His plan for the world, and we managers bear a very great responsibility. I could never have done my work without His help. He can speak into my heart and pass on His wisdom when human wisdom has failed, and His wisdom is available to everyone-even to a manager.

"Let that be our hope."≡





packed his bags and came home.

When the expatriate arrived home, however, there were no open arms. His peers and subordinates had all been promoted, and he was unfamiliar with the new people and with the many new domestic operations. There was no clearly defined position for him, and little responsibility. He was just "a big fish in a little pond." Financially, he was better off than before he left for Korea. But real estate prices had soared and he couldn't afford a home. A reverse culture shock set in-he became ineffective at work and depressed, and his wife divorced him. Six months after his return to UMI headquarters, he guit and took a job at his brother's insurance company in Houston.

How Widespread Are These Repatriation Blues?

Approximately 29,000 U.S. managers work abroad in a given year.¹ These people are known as expatriate managers (EXMs). About one-third of them will be reassigned stateside or will be repatriated into domestic organizations. Nevertheless, fewer than half the firms sending managers overseas have any defined repatriation program.²

Upon completion of a foreign assignment, EXMs often experience problems in readjusting to life at home and work. Inflation and absence from the real estate market create financial burdens on repatriates and their families.3 A reverse culture shock is common and slows the readjustment process.4 In their overseas positions, repatriates operated with a great deal of autonomy and authority. When they return, they have difficulty finding a position, and, when they do, the position is often ill-defined, with less responsibility, freedom, or opportunity to use their international experience.5 Consider these

illuminating facts from a Korn/Ferry International survey:6

- Although almost all repatriates reported a satisfactory overseas experience, trouble began when they got home.
- Roughly half the repatriates surveyed reported that they were not given a clear definition of their new jobs.
- Forty-seven percent of the repatriates reported that their new jobs were less satisfying than their jobs before going abroad.
- Ninety-three percent felt that their decision-making autonomy in their new jobs was insufficient.
- And nearly 60 percent of the repatriates reported that they would not accept the same overseas assignment again.

Despite a good track record while abroad, EXMs are likely to fall through the cracks and be assigned to less meaningful jobs back home. Our own research indicates that the feeling of being outside the organization's mainstream results in a higher degree of insecurity for EXMs than for domestic managers. Many eventually recover from these repatriation injuries, but many do not. A sizable number of repatriates leave the company after a short and frustrating effort to reintegrate into the domestic operation. And for those who do stay with the company, their international experience is seldom used.

In addition to frustrating the individual, such conditions also represent a loss of a valuable resource to multinational corporations. At this time of increasing complexity for global enterprises, the need for international savvy is great.

How Can Companies Better Develop a Repatriation Program?

When constructing a repatriation program, the first question asked should not be *how*, but *why* someone

was sent abroad in the first place. The parameters for deciding who should work abroad are still fuzzy for many executives.

A major thrust of this article is to conceptualize the repatriation process beginning before any manager is ever sent abroad. Parallels often emerge between how expatriates are dispatched and how they are retrieved. Those organizations that give a manager three weeks to sell his home and move to Manila have difficulty finding a spot for him when he returns in three years. Conversely, organizations that carefully select and thoroughly train EXMs generally experience little difficulty repatriating their people. The logic of this phenomenon is straightforward: a well-conceived, rational process is set in motion at the beginning, including an effective scheme for reintegrating EXMs. And a crucial starting point for this process is to determine whether it is really necessary to send out an EXM in the first place.

Indeed, several factors have combined to significantly reduce the number of U.S. EXMs over the last decade: Costs have risen to an average of about \$230,000 a year per EXM. (It is increasingly difficult to justify the use of an EXM at that price if less expensive alternatives are available.) Also, more local managers capable of running the foreign operation are now available. But there are additional factors that will put the staffing decision for foreign subsidiaries in the context of a rational international management strategy.

What Factors Can or Should Dictate an International Management Strategy?

To start with, the very nature and scope of the specific enterprise may dictate a policy for staffing foreign subsidiaries. For instance, Hewlett-

Fewer than half the firms sending managers

Scale of Multinationalization									
Some Determining Variables	National	International	Multinational	Transnational					
Location	All services, production, marketing in a single country	Some services, production, marketing in for- eign subsidiaries	Services, production, marketing in many locations worldwide	Services, production, marketing in any location worldwide that is required					
Boundaries Stays within a single national boundary		Cross the national boundary only to produce less expensively or obtain a big profit	Moves freely across national boundaries to compete in the market	National boundaries are almost irrelevant Revenues come from all over					
Revenue all from a single country		Major portion of revenue still comes from a single country	Major portion of revenue comes from outside HQ's country						

Packard is a manufacturing company with some internationally based production facilities and sales offices. Despite the fact that revenue generated abroad is increasing, it may be inappropriate to categorize Hewlett-Packard as a multinational company. Rather, it is a U.S. company producing and marketing abroad. Hewlett-Packard has strong roots in American soil and crosses borders only to produce a product less expensively or to open a potentially profitable market. As a result, Hewlett-Packard has fewer than one hundred EXMs abroad. They are dispatched only when there is a situation that absolutely requires the presence of someone from Palo Alto. We might label Hewlett-Packard as an international company.

By contrast, Bank of America has a very different approach to the use of EXMs. Over half of Bank of America's revenue comes from outside the U.S., and it is imperative that they become very knowledgeable about local economic, cultural, and political systems. Thus, when Bank of America goes to Rome, they do as the Romans do. Hanging out the Stars and Stripes each day may send the Romans next door to Mitsubishi Bank. And, when the Romans come to San Francisco or New York, there had better be someone there who knows how the Romans do business. For a global banking institution, national boundaries are very important but smoothly traversed. Bank of America, therefore, is a multinational organization. Not surprisingly, Bank of America has nearly one thousand EXMs.

A third example is the Bechtel Corporation, which might best be referred to as a *transnational* company. To a transnational company, national boundaries become blurred. The products of a

highly specialized, heavyconstruction company are so unique that task complexities become the primary focus. Accordingly, the approach to international management is project-oriented; when there's a dam to be built, what matters is whether the concrete cracks. The work specifications may need alteration, but the management process, while taking into account the local realities, has a much more standard dimension. Accordingly, Bechtel doesn't have even one EXM; they just have people assigned to see that bridges and buildings get built the way they are supposed to be built.

We argue that use of EXMs should not be made without a careful evaluation of the organizational context. A scale of multinationalization (as shown above) can assist this decision process. An international company may require

overseas have any defined repatriation program.

only limited use of EXMs, perhaps during the subsidiary's start-up phase, or to solve a technical problem. A multinational company (like Bank of America) will likely require more frequent use of EXMs than an international company (like Hewlett-Packard). The multinational's EXMs will be used to capture specific business interests abroad, to more effectively coordinate the global operations, and to develop international managerial know-how. A transnational firm (like Bechtel)there are probably only a handful worldwide-will simply send someone to Manila or Manhattan if they are needed to get the job done. A careful analysis of where a specific company falls on this multinationalization scale provides a conceptual base on which to evaluate the possible use of an EXM.

Understanding the distinctions among types of worldwide operations can also explain differences in international performance between two seemingly similar organizations. General Motors and Ford Motor Company are two externally similar companies that have different international management policies. The differences are nicely accounted for by our scale of multinationalization. According to Peter Drucker, General Motors is not a truly multinational organization.7 It is, rather, still very much a made-in-America-for-Americans industry. Seventy-five percent of GM's total revenue last year was generated in America.8 GM's cadre of five top managers includes no one with international experience and no one who speaks a foreign language.9 Also, GM is not competing effectively abroad, but they remain dominant over U.S. car manufacturers. On the other hand, Ford Motor Company generates nearly half its total revenues abroad. Among those at the top of Ford's hierarchy are several internationally experienced

executives. Ford seems to understand the world marketplace and competes well in Europe and other areas of the world. Thus, Ford is a multinational company.

Once a company has been placed on the scale, other important factors in the decision of whether to use an EXM, for such tasks as global coordination or developing international management expertise, will be simpler to make. In many cases it will be obvious that a domestic national manager should be used to manage the foreign operation rather than a costly EXM. This clearly diminishes the repatriation problem. In other cases, however, there is strong justification for using an EXM. And the rationale used in arriving at the decision to send a manager abroad can easily transfer itself to the design of an effective system to bring the manager home.

How Can We Reintegrate the Expatriate?

If a decision is made to send EXMs abroad, eventually they will come home, usually in two to four years. Parenthetically, most European firms do not share this problem with U.S. firms. When European firms send EXMs abroad, the general tendency is for them to remain abroad for most of their career and assimilate into the local culture. Dut most American managers accept a position overseas with the expectation that they will be home before the next presidential election.

Of course some EXMs stay abroad longer than four years, either by choice or by assignment. The difficulties that occur during repatriation can grow larger with the passage of time and become more acute in specific locations.¹¹ For example, an EXM who spent two years in Tokyo will be easier to repatriate than the one who spent ten years there. And the EXM who spent ten years in Tokyo—working in an

economic climate similar to our own—will be easier to repatriate than the one who spent ten years in Tehran, where the economic, political, and social climate is vastly different. Paradoxically, a key factor in EXM success abroad is the ability to assimilate the local culture, the same factor that increases the difficulty of their repatriation.

But even the easier instances present problems, such as readjustment to domestic life and reintegration into the domestic organization. A carefully designed repatriation program can reduce these kinds of problems, if it is functioning properly. The more difficult EXM repatriation cases will probably require more than a program-they will require sensitive people with the ability and authority to tap needed company resources. The repatriated Tokyo manager may have developed a taste for sushi over steak, but the repatriated Tehran manager may have developed a philosophical aversion to steak. Again, if a careful, rational expatriation process existed before the manager left for Tehran, he or she will have an easier time reintegrating into the organization.

It is essential that the framework of the repatriation system be known to EXM candidates *before* they accept overseas assignments. When managers are struggling to make the decision of whether to accept an expatriate position, career impact is by far the most important factor. 12 Companies that do not adequately assure potential EXMs that there will be a good slot open for them when they return have a harder time recruiting quality EXMs when they are needed. 13

Some EXMs insist on a formal contract that defines their length of stay abroad, their position level, and the location to which they will return. Although companies may agree to this guarantee, top managers

sometimes resist the inflexibility of these repatriation agreements.

Another way to enhance the probability of an effective repatriation is to initiate a sponsor system.14 Under such a system, an individual in the domestic organization is assigned to promote the EXM's interests at home and have responsibility for reviewing the EXM's performance appraisal. The sponsor system will likely function best if a high-ranking executive is assigned as the sponsor. In anticipation of the EXM's return, the sponsor can monitor, or possibly create, job openings of interest to the EXM and promote his or her selection for that job. The sponsor can also function informally as a link with the domestic organization, keeping the EXM informed of important developments at work back home.

Once the EXM returns, a formal reorientation to the home office and a professional update program will help the repatriated manager to adjust quickly and function more effectively.¹⁵

And don't forget the families. Often EXMs' families need some help readjusting to life back home. One survey reports that 74 percent of repatriated managers said they needed assistance, but only 3 percent received it.16 If there are older children in the family who have been abroad for a long period of time or during their adolescent years, a social readjustment program may be necessary. These children have missed a crucial socialization process, and, as a result, many reexperience the same feelings they had when they first went abroad. The management literature is mute on ways to ameliorate this problem. Perhaps some counseling, either with trained professionals or with peers who have recently gone through a similar experience, would be a positive beginning.

Another action companies could take to greatly ease readjustment is

to maintain EXM homes while they are abroad.¹⁷ If EXMs sell their homes when they go overseas, they often have financial difficulty getting back into the real estate market. A program that rents or otherwise keeps the home available (such as split payments) for EXMs and their families until their return to the U.S. will ease the financial burden of repatriation. Moreover, it may lessen the reverse culture shock that can occur when EXMs and their families move back into once-familiar surroundings.

The most important element in a successful repatriation is assignment of repatriated managers to a clearly defined job with challenging responsibilities prior to their return home. In addition, in many situations these repatriated managers should be given a job that allows them to use some of the international experience they have acquired while managing abroad. They can be a valuable resource to the organization, since in most companies the responsibility for global operations is no longer centralized in an international division, but dispersed to each product division where international orientations and know-how can be lacking.18

Our consideration of this important aspect of the international assignment suggests fruitful avenues of research for both the management and the academic fields. There is clearly a growing realization that the multinational environment has changed dramatically, but our multinational personnel practices have not kept pace. There are many things that could be done, but seldom are. And there are many complex issues regarding organizational strategy, planning, and design which need further study and experimentation in this area. As evidence that this process is underway, an increasing number of managers and personnel specialists are being assigned to these areas,

and some organizations are having notable success. Of course, the cost of not solving the repatriation problem is not only the misused resource when the EXM returns home, but also the lack of competent "Yankees" willing to go abroad at all. ≡

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candidates before they accept overseas assignments.

COMMENT

JAPA MANAG The cherries

Alan D

eiko is an attractive 25-year-old woman living in Japan. She has a four-year degree from the number one women's college in Tokyo. She graduated in the top 10 percent of her class and landed a position in the personnel department of a large Japanese insurance company. She was active in several of the company's clubs and was made the assistant director of the drama club. Keiko loves the theatre.

Last month Keiko married. In accord with company policy, she was terminated from her job. She now stays in her 12-by-24-foot apartment all day, except for a brief afternoon excursion when she does the daily shopping. Her husband is a rising young executive; she rarely sees him. It is inappropriate for her to go out socially without her husband, so she has not been to the theatre since her honeymoon. She does not expect to go to the theatre again this year.

Yumiko is a trained, professional pharmacist. Working for an independent pharmacy in the Mt. Fuji region, she was able to continue working for the pharmacy until she became pregnant. At that time, social pressure on her and the pharmacy dictated her departure.

Yumiko's only child, a seven-year-old girl, is now in school. Nevertheless, as a mother, Yumiko has not been invited to return to work. Rather than spend her entire day at home, she was finally able to convince a local pharmacy to allow her to work half-days as an unpaid volunteer.

Susan and Tony are dancers by profession, Americans by birth. Several months ago their agent, informed them of a wonderful opportunity to advance their careers—a contract to perform as regulars on a Japanese TV series. They jumped at the opportunity.



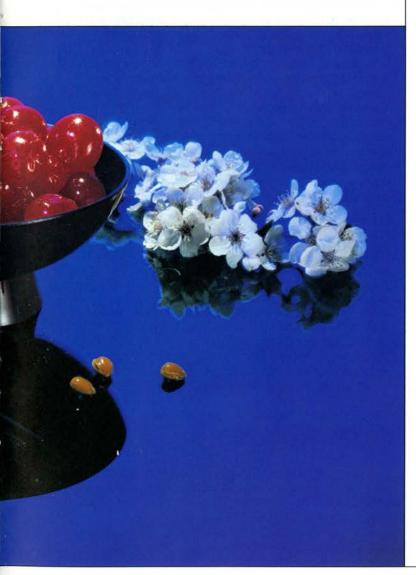
Photograph by W. Mike Nielson and Brent Burch.

COMMENT

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and the pits

Hansen



Once in Japan, they were shocked at the immodesty and exploitation involved in both costuming and choreography. They found that they were on twenty-four-hour-a-day call. Their private lives were monitored. They were forbidden to date, and many times they were even forbidden to leave their apartments.

When Susan exploded, "You don't own us!" the response was, "Yes we do."

At the end of their six-month contract, Susan and Tony were offered an extended contract with large salaries and bonuses. They flatly refused and were on their way back to the states within the week.

Recently, a great deal has been said about Japanese management—some see it as a panacea for American productivity problems. Unfortunately, the evangelists of this approach frequently ignore some of the pitfalls of the Japanese management style. For anyone who has studied the culture, it is clear that the Japanese management style succeeds partly because it is an inordinately discriminatory style of management. Before investing heavily in developing the Japanese management style, we should look at the system more closely and determine whether or not the price in human dignity is too high.

Why the Attraction to Japanese Management?

Over the past few years there has been a great deal of excitement and curiosity regarding the spectacular business success of the Japanese. Many American businesses, clamoring for the success of their Oriental counterparts, have attempted to copy Japanese management practices, much as the Japanese duplicated American technology in the past.

Before copying Japanese management practices, we must consider some important questions: "How accurate are the press descriptions of Japanese

management accomplishments?" and "How applicable is Japanese management style to U.S. management systems?"

Three of the most lauded characteristics of Japanese management are:

- trust between employees and employer
- · lifetime employment
- development of cooperation and consensus among Japanese workers

Let's look at each of these in light of the questions posed above.

Trust between Employees and Employer

The degree of trust which Japanese management places in employees and, in turn, the trust the employees hold for the companies are described by writers as perhaps the keystone of Japanese management.

For some, trust does indeed exist. But let's look at another example:

Ken does not need to worry about trust between employees and employers—he is self-employed. Unfortunately, Ken does not want to be self-employed. He would like to work for a major Japanese company or even a medium-sized Japanese company, but he never will. Ken is a third-generation Korean-Japanese.

Instead, Ken works as a street vendor. Every evening he pushes his wagon in front of a local train station and prepares his boiling pots from which he serves hot ramens (noodles). Ken stays there until the last person off the train leaves, and then he goes home to his books. While Ken's peers are studying feverishly for a second try at the college entrance exams, Ken studies for his citizenship exams. He has no hope of any future in college or business until he becomes a Japanese citizen.

Not all—not even most—people who work within the Japanese economy enjoy the high mutual trust so glowingly described by admirers of Japanese management.

In order to maintain harmony, cohesion, and trust in the major Japanese companies, the background of prospective new employees is carefully investigated. Family members, neighbors, and teachers are interviewed regarding the candidate's habits and abilities. The company also inquires about the candidate's political views, religion, and social life.

If the candidate's political views are not in line with those of the company, he* is unlikely to be employed. If he is involved in one of the active or proselyting religions, the company fears that his time will be divided, or that he will try proselyting at work. If he has an active social life and dates a lot, the company will have reservations about how dedicated he will be to his work.

Along with in-depth interviews, the company frequently searches the genealogy of candidates. If the candidate has any "Eta" (the Japanese equivalent to India's Untouchable class) in his ancestry, he will never

*The masculine pronoun is used here and elsewhere throughout this article because women are not considered part of the permanent workforce.



be employed by a major corporation. As a result, many families with Eta ancestry go to great expense to have such information displaced or destroyed.

Minority populations, such as the Koreans, are rarely considered for corporate positions and generally find themselves relegated to low-paying, low-prestige positions such as street vendors.

In general, for an American company to develop the same sort of intrinsic cohesion and trust, they would hire only WASP's, after doing a thorough background check to assure themselves of the reliability of the candidates. Further, they would try to make sure that the candidate would put no time or effort into any religious or social activity outside of work. Finally, they would check government records as far back as possible to make sure that no member of the candidate's ancestry had ever committed a felony.

Lifetime Employment

Although many large Japanese corporations offer "lifetime" employment, exactly what does that mean? In Japan, lifetime employment is defined as *until retirement*. Retirement is mandatory in most companies at age 55. This is a lifetime?

Mr. Maeda is a pleasant, rather awkward-looking man, age 59. He wears the brown jacket that designates that he is a custodian at a mammoth Japanese trading company. He has worked there as a custodian for the past four years. Younger workers enjoy his greeting each morning and appreciate the interest he takes in them. Older workers seem to avoid his glance when they walk by. Mr. Maeda doesn't seem to notice.

Five years ago, Mr. Maeda was the personnel director for the same trading company. He had worked, lived, and played for the company since his graduation from Waseda University. At age 55, Mr. Maeda was given a quiet farewell party, wherein he was honorably retired from the company. The company generously transferred the equivalent of seven years' salary into his account, which also served to sever all interest in and

Women
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responsibility for Mr. Maeda.

Mr. Maeda, like many 55-year-old executives and workers, was at a loss. If he carefully invested his lump-sum retirement combined with his savings, he could live modestly as long as there was a zero inflation rate. All the clubs and organizations Mr. Maeda had belonged to were within the company, so his activity in these organizations was terminated when he retired. His friends and associates were all people he had worked with.

Not surprisingly, Mr. Maeda used his connections in the company to secure an ''arubaito'' (part-time position) as a custodian where he had once been a powerful executive.

In reality, only 35 percent of the Japanese workers are in positions that offer "lifetime" employment. These are generally the industrial giants. They are served by a host of small satellite companies that do contract work or make parts for the larger organization.

These smaller companies are often lauded for the service and devotion they give to the parent companies, but what is overlooked is that during a recession, they are the first to be cut off from contracts in order to assure "lifetime" employment for parent-company employees.

One reason for mandatory retirement at age 55 is to create promotion opportunities for younger workers. Since promotions are based more on seniority than ability, it is important to keep a steady flow of promotions coming to help offset the frustrations of able employees who must wait for their boss's promotion in order to move up in the company. If the retirement age were changed to 60—an idea that is currently gaining momentum in Japanese business circles—promotions would come to a virtual standstill for five years.

So-called lifetime employment has its costs. And for women, it is simply not available. An example:

Emi is bored. She has a college degree from one of the top women's colleges in Tokyo, and today she is selling vegetables at her uncle's vegetable stand.

Three months ago she was working for a major

Japanese corporation. (Even the memory of serving tea and biscuits to visiting executives is pleasant.) But times were tough, business had dipped, and the company had asked for voluntary, temporary resignations. Emi and the rest of the female staff knew what this meant: It was time for the women to smile and offer to take some time off for the good of the company. Emi was among the women whose offer was accepted.

Emi's worst fear was that now, at age 29, she was getting old for a working woman (many companies still had mandatory retirement for women after five to ten years of service), and it was unlikely that she would be recalled for work when the economy revived. Her choices appeared to be between the vegetable stand and asking her aunt to find a suitable husband for her.

Within the Japanese business system, women are considered temporary employees with no career opportunities. They are almost never included among those who are assured ''lifetime'' employment. In recessionary periods, women are expected to voluntarily leave the workforce and return at the convenience of the company or not return at all.

Women do have their place in the employment picture, however. One major Japanese corporation recruits heavily at major women's colleges. It finds that having young, attractive, intelligent women in its workforce attracts and helps retain talented male applicants from major Japanese universities. These young women also make ideal spouse-candidates for rising young executives.

How would such lifetime employment be accepted in American culture? You know the answer to that. Mandatory early retirement, lack of ongoing pension support, and blatant sexual discrimination are inconsistent with our society.

Cooperation among Workers

One other widely touted characteristic of Japanese management needs elaboration:

The Japanese themselves attribute much of the success they have found in business to the ability of their employees to cooperate and work in consensus. Another example will illustrate my point:

Mr. Aoki works as an engineer for one of the ten largest construction companies in Japan. His company does approximately 80 percent of its work domestically and 20 percent overseas. Mr. Aoki entered the company five years ago with no aspirations for traveling overseas, but the company decided that it wanted him to go abroad and study advanced engineering for three years.

Although Aoki desperately wanted to remain in Japan, his superiors' minds were made up. He enrolled in an intensive English-language program for three months (which cost the company several thousand dollars), and, although he wanted to cooperate with his company's leaders, he really had no desire to learn the language. In short, he intensely feared leaving his homeland. Finally, after being hospitalized with an ulcer and on the verge of a nervous breakdown, he informed his company that he could not go.

The program was canceled, and, although Mr. Aoki was not fired, his career was likewise canceled—its progression stopped dead.

The Japanese management style is quite effective in causing high productivity and cohesion, but it succeeds at the expense of the individual Japanese worker's freedom. Employees are intentionally and strongly socialized into the company's world, cutting off ties to almost all external organizations. They do not select their own career objectives, but have them dictated to them.

A worker can find himself shipped overseas without his family for two to five years at a time. His free time is subject to the whims of his organization. He can find himself frustrated both by his work and by the need to be subject to a supervisor who may well be less than competent, but senior. He may find himself in a loveless marriage to satisfy the corporation. He frequently turns to heavy drinking, although it is rarely reported as "alcoholism," as this would sound a death knell for his career.

Among the reasons why an aura of cooperation and consensus prevails in Japan are the natural, cultural respect for seniors and the desire to please supervisors.

A humorous (but often costly) example of this can be found in many larger Japanese corporations. No one goes home before his superior goes home.

If the president does not leave until 6:00, the vice-president will not leave until 6:15, the division managers will not leave until 6:30, the department managers will not leave until 6:45, the deputy department managers until 7:00, and the rank-and-file employees until 7:15. As a result, 10,000 employees may be sitting at their desks with nothing to do, waiting one to two hours because the president stayed late, perhaps discussing a Tokyo Giants baseball game with another company president over the telephone.

Japanese management style is quite effective at inducing high productivity and cohesion, but it succeeds, at least to some extent, at the expense of the Japanese worker and his family. Most Americans would be unwilling to pay such a price.

Other Factors to Consider Regarding Japan's Success

When trying to analyze the "spectacular success" of the Japanese in business and international trade, we need to remember that their success is not based on a single factor, but rather on a number of interdependent factors.

 The Japanese government is extremely probusiness, helping subsidize Japanese industry with tax breaks and incentives, as well as providing barriers to protect domestic industries.

For example, in the late 1970s a large U.S. insurance group was trying to get the rights to insure their international clients in Japan. They were cut off by the domestic industrial insurance companies which were afraid of the expertise that American companies had in industrial fire insurance.

Japanese
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• Unions are large, but not threatening. Unions work for the benefit of the Japanese worker in "cooperation" with the corporation.

Perhaps the most militant of the labor unions represents the workers of the Japanese National Railway. Every spring they hold a one- to three-day strike to call attention to their contract negotiations, but then return to work in order to not disrupt the economy.

- The Japanese people are phenomenal savers. They save large parts of their incomes at low interest rates, and this provides the base for lower interest rate industrial expansion and modernization loans.
- Japan is a country with a homogeneous race. The very small percent of non-Japanese natives are generally excluded from the main work force, so racial tensions, often present in a more diverse workforce, are held to a minimum.
- The Japanese societal tradition places high regard on honoring one's seniors and maintaining quiet respect. The general belief is that the whole is more important than the parts. This generates an attitude of willing sacrifice for a greater cause.

Certainly Japanese management style, as well as the successful management styles of other countries, offers American businessmen much to examine and consider. However, such styles should be examined with a critical eye. Racial and sexual discrimination are illegal in the United States. Unions consider themselves the adversary rather than the friend of big business. Likewise, government is frequently an adversary of, rather than an ally of, big business. American workers generally have an attitude of "What's in it for me?" rather than "What can I do to make this organization really hum?" And it seems highly improbable that 65 percent of the American workforce would willingly sacrifice promotions and suffer unemployment so that 35 percent could be gifted with the honor of "lifetime" employment.

If we try to swallow the cherries and ignore the pits of Japanese management, American business may end up with a bellyache. ■

TRAINING THE INTERNATIONAL STUDENT Opportunities for Worldwide Service

Stephen L. Brower

Approximately 312,000 foreign students were enrolled in U.S. postsecondary education in the academic year 1981, according to The American Council of Education. They projected over a million foreign students would be in the U.S. by 1990.

One thing seems to be clear—the BYU School of Management is sailing in somewhat uncharted waters as it seeks to determine what role it has in serving foreign students.

One reason for this is that no clear national philosophy or policy related to the education of foreign students exists. Policy is left to be deduced from scattered references in federal exchange program legislation (for example, that governing the Fulbright Program), which declare student exchanges to be of national importance.

As a Church-sponsored university, another issue faces BYU in its efforts to reach abroad. To what extent can the training of international managers benefit the worldwide Church?

With the rapid growth of the Church, especially in developing

countries, it seems obvious that there is a need to teach basic managerial skills which enhance the personal career opportunities of international Church members and to accelerate the training of potential leaders who can help staff rapidly growing wards and stakes.

Seeking to find our way through the maze of complex issues surrounding the training of foreign students, Dean William G. Dyer commissioned a study to look at our experience to date with foreign students.

A profile of international students who have graduated from BYU's School of Management up to 1981 indicates the following characteristics:

- 1. Most are male.
- 2. More than one-third of all foreign students who have studied in the School of Management are currently enrolled.
- 3. Foreign students are older than the average BYU student. The average age is in the 27- to 28-year range.
- 4. Over one-fourth of the foreign undergraduate students who have enrolled in the School of Management are currently in the Business Fundamentals program seeking to qualify for admittance to

one of the School of Management programs.

- 5. Over half of the international graduate students are trained in the two professional management programs: Master of Business Administration (36 percent) and the Institute of Public Management (22 percent).
- 6. International students from Canada and the Orient dominate the international student body in the School of Management.

Do Foreign Students Return to Their Homelands?

A long-standing concern of the BYU Board of Trustees has been related to "returnability" of foreign students. Will the foreign student, trained at BYU, return home to live, find suitable employment, and also be qualified and worthy to provide Church leadership?

Two recent studies on this subject at BYU suggest that graduates of the School of Management have a good record of returning home (or intending to return home). A study by the BYU International Office dated 1981 titled "Career Path Survey" found that School of Management graduates have a higher rate of returning home to pursue careers than students of any other program on campus. Graduate School of Management foreign students return home at the rate of 64 percent, and all School of Management students

average a 60 percent returnability rate as compared to a 42 percent returnability rate for all BYU foreign students.

Are We Training Enough Leaders for the Different Regions?

One might expect, also, that there would be a need in the more rapidly growing international areas of the Church for training a proportionately larger reserve of potential leaders. Note in the table at right that in the case of Canada, the Asiatic regions (particularly the Orient), and Africa, the School of Management has trained from 2.5 to 8.5 times as many leaders as might be expected to be needed, based on relative proportion of Church members by region. It is also significant to note that Latin

Comparison of the Proportion of BYU-School of Management Foreign Students by Region with the Proportion of Total International LDS Church Membership by Regions of the World, 1981

	Percent BYU- SOM Foreign Student	Percent of the International Church Membership	SOM-Times Greater, Lesser	
Canada	34.0	6.3	+ 5.4	
Asia	30.6	12.5	+ .25	
South America	7.5	31.3	-4.2	
Central America	7.2	23.7	-3.3	
Europe	7.8	14.7	-1.9	
Oceania*	6.1	10.6	-1.7	
Africa	6.9	.8	+ 8.6	

^{*}This does not include students from the South Pacific graduating from the BYU-Hawaii campus.

American regions and Europe are relatively disadvantaged (in

proportion to their general Church membership) regarding potential leaders trained by the School of Management.

Are We Providing Relevant Training for the Foreign Manager?

It is interesting to note that former BYU foreign students polled gave a high rating regarding the relevance of their education to their work since graduation. A significant positive correlation was found between the length of time foreign students had worked in a given job and their view of the relevance of the training received at the BYU School of Management.

Where Do We Go from Here?

Whether the BYU School of Management has a small or large role in the training of foreign students, either on campus or by exporting curriculum or resources, is not clear at present. In our effort to "be responsive" to the foreign student who comes here, we are seeking to learn how to better serve.

Two recent efforts illustrate this responsiveness: The School's National Advisory Council has created a foreign student loan guarantee fund. Additionally, faculty with interest and experience in international management have recently joined us.

In short, we see increasing evidence that great benefits can and do come to the worldwide Church as well as to the foreign student who receives training in the School of Management.

Profile of International Students in BYU's School of Management, 1966 to 1981										
	Undergraduate No. %		Graduate No. %		No.	Total No. %				
Total population	233	67.1	114	% 32.9	347	100				
Sex Male Female	181 52	77.7 22.3	97 17	85.1 14.9	278 69	80.1 19.9				
Status Current Alumni	95 138	40.8 59.2	39 75	34.2 65.8	134 213	38.6 61.4				
Average age	age 27.7		30.4		28	28.1				
Average GPA	2.78		3.25) -1					
Major Accounting Business Management Business Education Public Management Organizational Behavior Managerial Economics Other*	47 91 22 N/A N/A 6	20.2 39.0 9.4 N/A N/A 2.6 28.9	15 41 11 25 19 1	13.1 36.0 9.6 21.9 16.7 1.8	62 132 33 25 19 8 68	17.9 38.0 9.5 7.2 5.5 2.3 19.6				
Area of origin Canada Orient Asia (except Orient) Europe South America Central Am. & Caribbean Africa Oceania & Indonesia	90 40 26 15 19 15 17	38.6 17.2 11.2 6.4 8.2 6.4 7.3 4.7	28 29 11 12 7 10 7	24.6 25.4 9.7 10.5 6.1 8.8 6.1 8.8	118 69 37 27 26 25 24 21	34.0 19.9 10.7 7.8 7.5 7.2 6.9 6.1				

*Mainly Business Fundamentals students seeking to be admitted to Business Management.

ABOUT THE AUTHORS



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