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JAPANESE MANAGEMENT IN GERMANY

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Japanese Management in Germany:

A Peripatetic Seminar

Hamburg 9 & 10 November 1982

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The Context

In a period of extensive and profound changes in the global economic structure the relationship between Japan and Europe is of vital importance to both, as well as to the development of world trade. Misunderstandings, misjudgements and mismanagement foster protectionism. Against a rising and turbulent tide of reciprocal acrimony, against an increasingly powerful and vociferous lobby in the west - from managers, trade unionists, politicians and academics - to resort, once again, to the recipes of half-a-century ago and with all the potentially frightful consequences that may follow, it is essential to create opportunities for a constructive and sustained dialogue between Japanese and European businessmen.

Exchanges of this nature can take place at many levels. A recent recognition (at last!) on the part of European managers that Japanese macro- and micro-economic strategies have not only proved highly successful but indeed that there may be lessons to be derived has resulted in what began as a trickle but has assumed the proportions of a flow (not yet a flood) of western businessmen going to Japan on 'educational' missions - to the extent that one somewhat sceptical observer has remarked that 'le Japon est devenu le club Méditerranée du management' (Japan has become the club Méditerranée of Management). Whether Club Méditerranée or, as some would have it, the 'New Mecca', there is a danger in seeking instant remedies to a serious disease. Europe can derive benefits from a careful study of Japan with a view to innovating and improving its own industrial, technological and managerial processes. Europe and Japan must develop a more dynamic as well as harmonious relationship - as an important step towards averting disaster. In order to achieve both objectives, however, the relationship must be nurtured over a sustained period of time and perceived from different angles.

It is within this framework that the Institut der Deutschen Wirtschaft, the Société Internationale des Conseillers de Synthèse and the Euro-Asia Centre of INSEAD collaborated in the organisation of a seminar concentrating on the study of and dialogue with Japanese management in the Hamburg area of the Federal Republic of Germany. There are today some 40,000 Japanese residents in the European Community and the rate of Japanese investments in Europe is growing. While, needless to say, the study and the dialogue can only be fruitfully developed by first-hand experience, namely going to Japan, contacts with Japanese in Europe present certain significant complementary advantages:

1) The dialogue at this level can be facilitated in that the Japanese residents in Europe will possess a greater knowledge of European patterns of behaviour, problems and languages; hence the cultural and linguistic barriers are minimised.

2) In the context of learning it is possible that Japanese management in Europe can serve as a useful laboratory. Here Japanese managers are operating in the same social and industrial climate as their European counterparts. Enough evidence exists, however, to sustain the proposition that even within a foreign environment Japanese management has proved successful whether in terms of fostering good industrial relations or in output and productivity. An earlier (June, 1981) and similar pedagogical excursion had been organised by the Société Internationale des Conseillers de Synthèse and the Euro-Asia Centre focusing on Europe's densest concentration of Japanese production facilities, namely Wales. The exercise and the report it produced¹ acknowledged the fact and analysed the reasons of Japanese management's 'success' - in accordance with the terms defined above. The purpose of this visit, therefore, also included that of testing the hypothesis further in a different part of Europe.

1 Henri-Claude de Bettignies, Les Japonais chez les Gallois: une aventure pédagogique, 1981. The report can be obtained either from the Euro-Asia Centre, INSEAD, Blvd de Constance, 77305 Fontainebleau, or from the Société Internationale des Conseillers de Synthèse, 5 rue d'Alger, 75001 Paris.

The Issues

In the light of the Japanese challenge facing Europe and the equally formidable challenge of achieving a greater degree of collaboration, as opposed to confrontation, between Japan and Europe, the major issues to be raised in the course of the seminar were the following:

1) It is alleged in numerous publications, especially, though not exclusively, emanating from the U.S., that a key ingredient in the Japanese formula of success is their innovative management style. As inevitably happens with a 'fad', however - and the art of Japanese management certainly falls into that category - it becomes shrouded in luminous mythology. If Europeans are to work with and possibly eventually learn from the Japanese, it is essential that Japanese management be properly understood. The first issue, therefore, is: what is the correct interpretation of Japanese management, namely the reality as opposed to mythology?

2) Having addressed this first question, the second issue is to determine the extent to which Japanese managerial know-how can, or cannot, be transferred to Europe. Namely, given that in the past Japanese managers learned and borrowed significantly from Europe, should the proverbial shoe now be placed on the other foot, and if so, how does one get it on?

3) The third issue is the current highly controversial, indeed explosive, trade warfare between Japan and Europe. The economic tensions are jeopardising the state of world peace. This third issue, therefore, involved a major policy question, namely that of industrial and commercial cooperation.

Subsumed under the three headings, but certainly poignantly so, is the very fundamental question: will European industry survive?

It is clear that a two-day seminar cannot provide the solutions to these problems. It is essential, however, that they be raised, discussed, and debated and that fora of this nature can and must make significant contributions. Furthermore, while these issues are perhaps too often answered in abstract and/or global terms, the decision to concentrate on a particular area of Europe and its experience with Japan allows a narrower, more concrete focus and the collection of empirical data from which broader interpretations can be derived.

The pages which follow can perhaps best be described as the academic travelogue of this peripatetic seminar. The report, therefore, is a faithful record of what was seen and what was said. While a synthesis may have emerged at the conclusion, it appeared essential that the reader should see and understand the trajectory.

The Seminar

I Introduction to Japanese Management and Japanese Investments in Europe

Chairmen: Professor Henri-Claude de Bettignies, Director, Euro-Asia Centre, INSEAD, Fontainebleau and Professor Keith Thurley, London School of Economics and Political Science, London.

In regard to Japanese investments in Europe, it should be noted that, while having increased in the course of the last few years, nevertheless they represent a small fraction (see Appendix II) of total Japanese investments abroad. Furthermore, most of these investments are in banking, trading, and other services, with only a few involved in production or assembly. The Cardiff area represents a rare oasis - if that is the correct term - of actual Japanese manufacturing in Europe. Whether Japanese management in Europe can be perceived as a laboratory for what European managers themselves may wish to test in their own enterprises, it should be stressed that the sample is limited and that hence it would perhaps be both premature and misleading to draw too definite conclusions.

In terms of the historical development of western perceptions of Japanese management, so long as the Japanese remained in Japan the managerial system tended to be described as 'paternalistic', 'feudalistic', in fact highly exploitative. While this view undoubtedly remains in certain quarters in Europe, a greater and more objective interest in Japanese management arose as it moved abroad, especially to the US. The thesis that Japanese management 'worked' and achieved impressive productive results simply because it dealt with a labour force 'made in Japan' - which was essentially perceived as docile, pliable, mindless and anonymous - came to be challenged as Japanese managers created new or took over old enterprises in the United States and, in regard to the latter, appeared capable of transforming lame ducks into swans. It was, therefore, mainly in an American cradle that initially interest and quickly fascination for Japanese management-style was born.

While Japanese management in the US has been analysed both in professional journals and in the popular press and it appears that a number of techniques and their underlying philosophy have to some extent been successfully transferred across the Pacific, it was stressed that in Europe the situation has been somewhat different. This difference can be derived from the Japanese image of Europeans, namely that Europeans, as opposed to Americans, are complex, difficult people and that hence one should tread warily. Japanese executives, therefore, have been above all extremely cautious in transferring their style and techniques to Europe, fearful of arousing European susceptibilities. What has tended to emerge, therefore, has been a series of compromises. As a result, so far as an assessment of Japanese management is concerned, it could perhaps be suggested that the laboratory is still at a stage of construction, that the tests are difficult to decode and that there are certainly no easy lessons to be derived.

While Japanese managers in Europe may be cautious, this was not necessarily the adjective that sprang to mind in regard to some of their European counterparts in their attitudes to certain Japanese techniques - which in the transfer process risk being translated into gimmicks. Hence, as an illustration of this phenomenon it was pointed out that a recent convention in Paris on QC circles had attracted 900 applicants for 300 places. The danger in the current perception of the QC circle as a dynamic strategic device for increasing productivity, improving workers' morale, harmonising industrial relations, developing a sense of motivation, etc., was that the Japanese version of the QC circle should not be isolated from the Japanese, as opposed to the European, socio-cultural environment. Among other constraints, it had to be recognised that unions in Europe were not particularly enamoured with this particular innovation, partly for fear of seeing their position and influence being usurped. In this context it was stressed that too many mistakes had occurred in European managers seeking to adapt techniques due to their concentration on the content of the device rather than the process of transfer, errors which were compounded by businessmen wanting and expecting quick results - something which is in itself a reflection of the European socio-economic environment.

II The Local Environment - The Economic Region of Hamburg

Venue: Hamburg Chamber of Commerce

Host : Dr Siegfried Schöne, Head of Foreign Trade Department.

In terms of assessing the impact of Japan on a particular European region, it is of course necessary to have a clear view of the characteristics of the region. While economic relations between Japan and Europe are generally presented and analysed either in terms of the European community as a whole or the individual nations, the very heterogeneity of the European economic, social and political landscape will obviously mean that the nature of the impact will vary from region to region and that its thrust will be directly related to the socio-economic topography of any given region. That this meeting should have been held in the Hamburg Chamber of Commerce was especially propitious in view of the prominent role that chambers of commerce play in Germany (see Appendix III).

Hamburg, a member in the past of the Hanseatic League, has a long tradition of relative independence and of an international outlook. With a metropolitan population of 1.6 million, the economic region as a whole, one of the richest in the European Community, comprises some three millions. Its port, the fourth largest in Europe, is the centre and indeed raison d'être of Hamburg's industrial activity. The economic development of the city originated in the processing of raw materials, a function it continues to perform today, including tobacco and food processing, aluminium and steel plants, namely industrial activities connected with shipping. Hamburg is not only intimately involved with, but indeed dependent on foreign trade. Apart from handling 6% of all of Germany's export and 18% of her imports, Hamburg also acts as a service port for Scandinavia and for land-locked countries, namely Poland, Czechoslovakia, Switzerland and Austria. Hamburg caters to and profits from the US-USSR grain trade, but obviously stands to lose when sanctions or quotas are imposed, as occurred under the Carter administration. Similarly, Hamburg suffered the consequences of EEC sanctions against Argentina during Britain's war in the Falklands. Currently the city is apprehensive in the face of French Minister of Commerce Michel Jobert's protectionist policies.

In regard to investments Hamburg's position has somewhat deteriorated as a result of a regional policy programme which provided

incentives for investments in areas surrounding the city but not the city itself. This has led to an outflow of capital, with companies moving out of Hamburg and new ones settling in the periphery, all of which, however, still use Hamburg's infrastructure, especially communications and transport, but without paying taxes. This outflow of capital and the creation of new industries outside the city create problems which are further exacerbated by the fact that Hamburg's industry was mainly in the declining sector of ship-building. While the corporations concerned have diversified - notably in marine technology and implemented adjustment policies - the fact, nevertheless, that the ship-building industry includes numerous sub-contractors illustrates the danger of a situation whereby one industry plays such a crucial role. To date, however, the crisis has not been too acute - in contrast with other former ship-building centres, such as Glasgow - with unemployment in the city at about 8%, but roughly 50% of which are students and housewives. There are today some 800 industrial companies, only thirty-three of which employ more than one thousand people, and with industry as a whole providing 26% of the city's revenue.

Hamburg is a major centre for the German news media, roughly 70% of the Federal Republic's newspapers and periodicals being printed in the city. Most important to the economy is the service industry (especially transportation insurance) which accounts for 46% of Hamburg's revenue. Furthermore the city is a major centre for Germany's distribution network.

Before describing the actual Japanese presence in Hamburg, it might be useful after this brief survey of the region's economy to place it in the context of Euro-Japanese economic relations. Hamburg is definitely not one of the depressed regions of Europe, on the contrary. Nevertheless, its major industry, ship-building, is a declining industry, with obvious consequential effects on employment, but although this situation may at an earlier stage have been linked to Japanese competition, the unhealthy condition of shipbuilding is, with a few exceptions, a universal phenomenon, indeed one which is present in Japan also. There is no automobile industry in Hamburg. In regard to electronics there is one branch of AEG Telefunken in Hamburg, but one which is thriving due to its concentration on competitive electronic parts and components. Above all, however, as a port and a major centre of international commerce, Hamburg has a vital vested interest in the maintenance of free trade. As Europe, with France in the lead, swings toward protectionism, Hamburg worries.

The Japanese in Hamburg

The densest concentration of Japanese in the Federal Republic of Germany is in Düsseldorf, with more than 250 firms, followed by Hamburg with approximately 100 firms and Frankfurt in third place with close to 90. (Paradoxically, while Japan Air Lines services both the Hamburg and Frankfurt airports, it does not stop in Düsseldorf.)

Hamburg welcomes Japanese investments. Since 1972 the city has maintained an office in Tokyo - the Hamburg-Vertretung zur Förderung der Wirtschafts-, Verkehrs- und Fremdenverkehrsbeziehungen - which, among other things, seeks to induce Japanese inward investments. The 100 firms employ some 800 to 1,000 Japanese - the figure for local employees is unfortunately not currently available - leading to a total estimated Japanese population of some 2,500 in the area. Since early 1981 there is a Japanese school in Hamburg - the second in the Federal Republic, the first having been established in Düsseldorf - with an enrollment of over 200 pupils. There are also, not surprisingly, a number of Japanese restaurants. Hence, the Japanese have an infrastructure in Hamburg.

Eighteen Japanese corporations have their European central headquarters in Hamburg including Citizen Watch, Hitachi, Olympus, Minolta, Yashica and Sharp. Twelve corporations have their German headquarters, for example Asahi Pentax, Bridgestone, Casio and National Panasonic (Matsushita). The major Japanese trading companies - soqo shosha - are fully represented in Hamburg, using the city as a base not only for their activities in Germany, but also the Scandinavian countries, the Democratic Republic of Germany, Poland, Czechoslovakia, Hungary, Austria and Switzerland. Given Hamburg's importance as a press centre of Germany, not surprisingly many Japanese correspondents are based in the city. Out of the 100 Japanese corporations in Hamburg only one is engaged in full-scale production, namely the Hoya Lens Deutschland GmbH. In view of Hamburg's prominent position in German and European economic affairs, most American and European multinationals have established their German headquarters in the city. In terms of foreign capital investments Japan is in fourth place after, in descending order, the US, the UK and the Netherlands. In 1979 total Japanese investment amounted to DM 517 million, which by 1981 had increased a further DM 63 million, hence 12% in two years, to DM 580 million.

As a major shipping and trading centre Hamburg has also been in a pivotal position in German-Japanese trade. In 1980 Hamburg import-export firms handled 16.3% of all of Germany's imports from Japan and 10.3% of her exports, with the respective figures for the following year being 20% and 10.5%. The major imports are electrical and electronic products, precision instruments, optical goods, machines, time-pieces, pharmaceuticals and automobiles; exports included production machinery, pulp and paper, pharmaceuticals, precision instruments, optical goods as well as certain food and beverage products, notably cheese and coffee. In 1981 the port of Hamburg accounted for 53% of Japanese imports to Germany and 28% of German exports to Japan.

The perception in Hamburg, at least as expressed in the Chamber of Commerce, is that the region's economy has derived considerable benefit from both trade with Japan and Japanese investments. So far as the latter are concerned, there is an awareness of the possible dangers to local industry: although not situated in Hamburg, it is the case that, for example, YKK has decimated German zip manufacturers in a comparable manner to the fate of other European zip producers in the face of the YKK devastating challenge, with the ball-bearing story being somewhat similar. Given the city's international outlook and experience, officials are also aware of the effects which, for example, in an earlier period foreign investments had on the development of indigenous industries in Latin America. It is, however, very much up to the recipient society to determine its own response to foreign investment. The positive effects of both free trade and inward investments which Hamburg seeks to capitalise on are the consequent flows of new technologies and the stimulating challenge provided to local industries. Not only, therefore, has Hamburg derived benefits from Euro-Japanese economic relations in recent years, but there is also the belief that there is more to be gained in the future - hence the apprehension at creeping 'Jobertism'.

III Meeting with Mr Akio Miyabayashi, President, Minolta Europe

Profile of Akio Miyabayashi

Akio Miyabayashi apart from being a president is also very much of a personality. Born and educated in Japan, upon completion of his

university degree he studied in New York where he obtained his MBA from New York City University. He has been a resident in Europe for twelve years and speaks English, German and French fluently. His wife is German, but educated in Britain and whom he met in the United States. Akio Miyabayashi, therefore, could hardly be described as a 'typical Japanese'. His intimate knowledge of both Japan and the West, however, along with qualities of insight, articulateness, frankness and an infectious sense of humour, make him an ideal interpreter between the two societies - and indeed he is frequently called upon to 'explain' Japan in front of European audiences.

Profile of Minolta Europe

Minolta established its European headquarters in Hamburg in 1965; in 1975 it moved to neighbouring Schleswig-Holstein as a result of the regional investment incentives referred to earlier. Prior to the decision being taken in 1965 to settle in Hamburg, the main rival candidates on the short list were Amsterdam, Rotterdam, Zurich and Brussels. The criteria for selecting Hamburg were partly based on the strength and prospects of the German economy in general and Hamburg in particular owing to the necessity of an effective central focus for distribution, that Hamburg was the first port of call for many Japanese ships - and that in comparison with other major European ports such as Liverpool and Marseille there are far fewer problems of strikes and pilferage - and that the quality of the transportation network from the city ensured a rapid and smooth dispatch of Minolta cameras and copiers.

Minolta Europe, which is solely engaged in distribution, apart from its Hamburg headquarters has branches in eight European countries, which together employ 1,250 people, 300 of whom are based in Hamburg and Hannover. In 1981 Minolta's German operations amounted to a turnover of DM 500 million.

The president of Minolta Europe is, has been and probably will continue to be a Japanese, the main reason being the necessity of maintaining close contacts with Japan. The president, therefore, is responsible both to Minolta Japan and to the eight regional managers, including acting as intermediary between these and Japan. Otherwise the policy of Minolta is to appoint indigenous managers in their regional branches. The major perceived advantage here being that natives know their

own local conditions best and indeed how to deal with obstructionist policies or tactics when these arise - the assumption being, for example, that a Frenchman will be better equipped to respond rapidly to Mr Jobert's devices than would a Japanese. While being nationals of their respective countries, Minolta in its management recruitment policy also seeks individuals with international experience and exposure: thus, while the head of Minolta France is a Frenchman, he also obtained a Harvard MBA, his Dutch counterpart got an MBA from Michigan State and the general manager of Minolta Germany studied at Wharton.

While generalised comparisons are admittedly odious, there is nevertheless a point worth raising in the context of Japanese management in Europe, especially when comparing it with European management in Japan. The tendency is for a European to look for a 'good' - namely interesting, challenging and remunerative - job, with interest, challenge and remuneration to some extent being incremental in proportion to job mobility. Japanese companies have the advantage of scouting around and inducing high quality and experienced European executives. The tendency in Japan is to look for a 'good' company: it is the corporation rather than the job or position which confers social status and prestige. Quality graduates from high ranking universities will seek to enter elite companies, namely companies which are widely known and respected in Japanese society at large - Matsushita, Nissan, Fuji Bank, etc.. Given the system of lifetime employment there is very little inter-firm - as opposed to intra-firm - mobility. One of the greatest difficulties facing newly arrived foreign corporations - and no matter how good their reputation may be internationally - is that of recruiting quality personnel at all levels, managerial, clerical and, if in production, at the shop-floor. It appears to be a fact that just as European consumers are avid to purchase Japanese products, so are talented and experienced European executives willing, perhaps even eager, to work for Japanese corporations. The reason might well be the same in both cases, namely quality: the quality of the product for consumers, the quality of management for executives. This is a subject worthy of reflection and action - action geared towards improving the quality of European products and European management - rather than moaning.

Akio Miyabayashi on the Sources and Features of Japanese Management

One cannot underestimate the differences in the cultural contexts in which Japanese and European managerial styles and systems have evolved.

To cite only one, fairly basic, example, European nations, in spite of their transition to pastoral and agricultural economies, remained essentially 'hunting' societies: hunters require a dynamic head, namely strong leadership. Japanese social evolution, by contrast, has been significantly determined by the very nature of riziculture. Paddy-field riziculture, especially in the vital area of irrigation, necessitates cooperation and coexistence, namely a recognition that the only means of survival is collective interdependence. Village social administration, therefore, must be based far more on principles and qualities of coordination, arbitration and conciliation than leadership. This factor, along with others, including geographic and historical isolation, the poverty of natural resources, the necessity of maximising human resources, the perceived fate of a constant struggle for survival account for many of the characteristics of contemporary Japanese industrial society both in its inward and outward manifestations.

The modern Japanese corporation, therefore - and especially in view of the very short and recent time-lag in Japan's transition from a predominantly rural-rizicultural to an urban-industrial society - is to some extent a modified replica, both in terms of structures and values, of the traditional village. The boss should be primarily a coordinator, arbitrator, conciliator, rather than an autocratic leader. The necessity of interdependence for survival within the village and the fact that one did not leave one's village to work in another one - there was hardly any rural mobility in pre-industrial Japan - help to explain the phenomenon of life-time employment and the significant degree of intra-corporation cooperation, consultation and internal information flows. The fact that an individual's identity is derived primarily from the organization to which he belongs - hence in Japan one introduces oneself and one is introduced by prefacing the name of the organisation to the surname, as in 'Mitsubishi Denki no Toraiwa', or 'Mitsubishi Electric's Toraiwa' - is equally attributable to custom transferred from village society, especially since prior to 1868 peasants bore no surnames but were identified according to the village from where they came.

The struggle for survival syndrome exists at national, corporate and individual levels, which in turn permits an understanding of the phenomenon of acute competitiveness. The nation, given the paucity of natural resources and what is perceived as basically a hostile

international environment, must compete in order to survive and the corporation must struggle to survive against its competitors. Given that contemporary Japan is a meritocratic society - what the Japanese term the gakureki shakai, or school record society, namely that one's career, remuneration and marriage prospects are largely determined by one's academic achievements - it is essential to become competitive from an early age, an example being that five year olds are examined by their mothers on their homework prior to breakfast before going off to school. The struggle for survival, however, may take different forms, and in Japan emphasis is placed on knowing well one's competitors' strengths and weaknesses. In judo, for example, one is taught how to fall, before one is taught how to attack. In kendo one should induce one's opponent to engage the first thrust - either one is rapidly exterminated, or by exposing himself one has gained the advantage of perceiving the enemy's weak point (perhaps a japanised and apparently more successful version of 'Messieurs les Anglais, tirez les premiers ...'). At the corporate level, there can be no doubt that this competitive struggle for survival demands and elicits significant individual sacrifices. The Japanese work an average of 400 hours more per annum than Europeans; long work hours, to which must be added perhaps three hours or more of daily commuting, obviously impinge on family life, but while contrary to European stereotypes the Japanese are not necessarily 'workaholics', they do not believe that for the present at least there is any alternative and the fact that everyone is pretty much in the same boat prevents the emergence of undue expectations, jealousies or bitterness.

Another product of the struggle for survival is the acceptance of the necessity of change and innovation in the face of new circumstances. The European, given the lack of obsession with, perhaps even awareness of, the need to struggle to survive, is by inclination far more conservative. The 'that's the way I've been doing it for the last twenty years and that's also how I'm going to do it for the next twenty years' syndrome is inconceivable in the context of the Japanese mentality. Hence another key characteristic which emerges is that of flexibility - one has to be flexible in regard to one's job, the location of one's work and even the remuneration one obtains. The concept and practice of TQC (total quality control) is born from the twin forces of survival and flexibility, hence the ingrained nature of this method of management in the Japanese socio-cultural fabric.

The system of management has served Japan well and undoubtedly is one of the major contributory factors to the country's economic performance. There are, however, problems facing Japan in the not too distant future, in some cases the magnitude of which defies simple solutions. The most acute problem is the demographic one, namely that by the year 2,000 close to 20% of the population will be over 65 years of age. There are also signs that the younger generation is perhaps somewhat less committed to the idea of life-time employment. In view of the recession in world trade, Japan's dependence on exports, a dependence which is small in percentile terms of GNP - in 1980 12.5%, as opposed to 21% for the UK, 17.7% for France and 23.5% for the Federal Republic of Germany - but significant in that it is concentrated in certain key industrial sectors, is clearly a handicap both in economic terms and in the country's relations with its trading partners. This handicap is both a product of and compounded by Japan's near total reliance on imports of raw materials and especially energy. As both domestic and international circumstances change Japan will need to go on innovating - especially in technology - and adapting. Regarding such key cultural values as attitudes to work, however, little fundamental change is to be expected - as these circumstances are likely to make the challenge of survival more rather than less daunting.

Minolta Management in Germany

In approaching this subject two considerations should be borne in mind. Firstly, given the cultural context of Japanese management it is clear that a Japanese corporation cannot transfer Japanese managerial values and techniques lock, stock and barrel to a foreign environment. Secondly, in view of Minolta's policy of appointing local managers the Japanese influence is bound to be mitigated. Nevertheless, selective transfers and compromises are possible.

There is a determination to make the German employees of Minolta feel that they belong to a corporate community where a sense of family should prevail. The point was raised and accepted that in perhaps a number of Japanese corporations in Europe this community spirit had failed to materialise mainly because Japanese managers had remained aloof from their European colleagues and employees - that while the rhetoric was there they failed to translate it into reality. Minolta sought to overcome this problem partly by avoiding changing their expatriate Japanese personnel too frequently and partly by ensuring a devolution of authority.

Minolta had not tried to introduce the ringi system - a Japanese management method of consultation whereby a proposal is summarised on a document and circulated both horizontally and vertically within the corporation with space provided at the bottom for those favouring the proposal to affix their stamp, with refusal to affix one's stamp requiring the proposal to be redrafted. Minolta instead of written communication encouraged open and frequent oral communication. This was formalised in weekly management meetings and fortnightly departmental meetings as well as more informal gatherings among managers, including occasional luncheons, on an ad hoc basis to discuss problems which may have arisen.

On the other hand, Minolta had tried to develop QC circles within the company, but they did not work in that no suggestions were forthcoming, hence the attempt was abandoned. The reason for the failure of the QC experiment was due to perceptions of managerial roles - namely that managers are expected to make decisions and employees to execute them, not the other way round - and perhaps to complacency. In Japan even eighteen year old girls are capable of producing an average of twenty suggestions per annum, while Europeans may feel that they have better things to do with their time. Within the general framework of work ethics, it was felt that while perhaps the Japanese might learn to enjoy life a bit more, Europeans might develop a more positive attitude to work, for example in adopting fewer tactics such as 'intentional illness'.

In terms of the Minolta corporate community's social activities, in Germany these include an annual picnic, dance, christmas party, bar-b-que and tennis tournament. Here again, however, Minolta remains conscious of different national susceptibilities and characters. Thus, while in Minolta Germany or Minolta UK drinking bouts are accompanied by singing, in France they are accompanied by discussion. Nevertheless, even in France a family-type atmosphere prevails, especially in laying stress on the advantages of sharing problems rather than remaining alone.

Note: while there can be no doubt that Minolta Europe is a dynamic and successful company, it is perhaps not that simple to identify the Japanese ingredients in management terms and even less to determine the degree to which these are major factors in explaining the sources of the company's competitiveness. One would have, in any case, to take into consideration the quality of the products that Minolta manufactures in Japan, both cameras and copiers, the quality of marketing and promotion,

the extensive distribution network, etc. Nevertheless, so far as the quality of Minolta's European distribution network is concerned, this will obviously be directly related to the quality of the management. It is also clear that in a two-day seminar of this nature the depth of analysis is obviously limited; to get a clearer picture one would have, among other things, to interview Minolta's European managers and personnel. So far as the wide-ranging discussion with Akio Miyabayashi was concerned, while it was felt that the 'family atmosphere' was a contributory factor, nevertheless other attempts at instilling Japanese-style components, especially in regard to QC circles, had failed. Perhaps most significant was the impression that in spite of being in a European environment and in spite of Akio Miyabayashi's western experience, his own style of management was that of coordinator, arbitrator, conciliator, rather than top-down leadership. Authority was devolved which accounted for a sense of commitment and motivation of the individual managers operating in a team atmosphere. This may be one of the salient features in the quality of Minolta Europe management; is it, however, or need it be so distinctly 'Japanese'? - as one participant put it, while recognising the cultural differences in the Japanese and Western environments, so far as many aspects of Japanese management are concerned, could one not suggest that 'the Japanese apply management practices which westerners forget to remember?'

IV Visit to National Panasonic GmbH Hamburg

Hosts: Dr Shigeyoshi Kawakatsu, General Manager
Mr Thomas Enderle, Head of Personnel and Legal Department
Mr Uwe Ladwig, Head of Marketing Planning

Profile of Matsushita Corporation

National Panasonic, Technics and Quasar are brand names of the huge Matsushita Electric empire. Matsushita manufactures a broad range of electrical and electronic products, the breakdown for FY 1981 in terms of percentage of total sales being described as follows: video equipment 32%, audio equipment 16%, home appliances 17%, communication and industrial equipment 12%, energy and kitchen-related products 5%, electronic components 9%. Total sales for 1981 amounted to \$15.6 billion and net income to \$709 million; overseas sales, including both exports and goods

produced in Matsushita's foreign companies, consisted of 46% of total sales. Matsushita has a total workforce of just under 120,000. It has its own trading company, namely the Matsushita Electric Trading Co.

Apart from its sheer size, Matsushita is a rather special company in different respects. It was founded in 1919 by Konosuke Matsushita (b. 1894), an entrepreneur with practically no education but great vision. The company bears very much the personal imprint of the founder and indeed Matsushita himself was one of the first and most fervent apostles of the new Japanese managerial testament. The author of several books on the spirit of enterprise, he has established his own 'seven commandments' - or 'objectives' as they are called - which serve as the gospel of the Matsushita mission and which in turn have inspired the 'seven basic principles for Matsushita personnel' (see Appendix IV). It was in 1932 that the inspiration for his sense of mission came - illustrated by the slogan 'happiness through an endless supply of goods' (e.g. VTRs) - and hence last year, the 50th anniversary of this illumination, where Matsushita was, so to speak, 'born again', was appropriately celebrated in Matsushita's operations worldwide.

Matsushita has forty overseas manufacturing companies, three of which are in Europe: Matsushita Electric (UK) Ltd, which manufactures colour televisions, a joint venture in Belgium, Philips Matsushita Battery Corporation N.V., and National Panasonic de Espana S.A., where vacuum cleaners are produced. There are 32 Matsushita overseas sales companies, 9 of which are in Europe, namely in Norway, Sweden, Denmark, the UK, Belgium, the Federal Republic of Germany, France, Switzerland and Italy. In Hamburg there are two companies, one for sales (which was the venue for the visit) and one for service. National Panasonic GmbH in Hamburg, which is responsible for sales throughout West Germany, might, therefore, be perceived as an outpost of the Japanese economic empire.

A Note on National Panasonic GmbH Managers

The composition of at least three of the National Panasonic GmbH managers in Hamburg is worth noting. The managing director, Mr Seinosuke Kuraku, has been living in Hamburg for twenty-one years. He has published a booklet in German, entitled Gemeinsam Wachsen (Together We Will Grow), which is a collection of his own philosophical thoughts - some of which are expressed in poetry - on management. In the preface he has reproduced the

feelings he recorded as a young man when he learned that Matsushita Electric was sending him to Germany, the English translation of which can be found in Appendix V. The text which follows, apart from his own reflections, also includes excerpts from the works of Goethe, Schiller, Hermann Hesse and references to the St. Matthew Passion of Bach, Beethoven's ninth symphony and other products of German musical and literary culture. The general manager, Dr Shigeyoshi Kawakatsu, has been living in Germany for twenty-five years and obtained his doctorate from the University of Kiel. The Head of Personnel and Legal Department, Mr Thomas Enderle, was born in Japan where he lived for twenty years. He read for a law degree at the University of Freiburg, is a barrister-at-law in Hamburg, and also did post-graduate studies at Tokyo University; bilingual in German and Japanese, he also speaks fluent English.

Profile of National Panasonic GmbH

National Panasonic GmbH in Hamburg is the service and distribution centre for the Federal Republic of Germany; there are other sales offices in the major German metropolises. The total number of German employees is 500 with 250 located in Hamburg, the number of Japanese being 15. Apart from the administrative offices, the establishment in Hamburg includes a laboratory and a warehouse. All products are imported from Japan and, needless to say, exclusively from Matsushita Electric. In some cases transactions are carried out through the Matsushita Electric Trading Company, in others the various divisions of Matsushita Electric are dealt with directly - in contrast to the more general pattern of tight centralisation to be found in Japanese companies, Matsushita is divided into a number of different product divisions which are individual profit centres. The laboratory, which employs nine people consisting of three technicians and six clerical staff, exists in order to test whether the television sets and radios meet German specifications, especially regarding interference from outside sources, which have been set by new regulations issued in 1979. National Panasonic conducts and is responsible for determining its own testing procedures without any German government supervision with the exception of the occasional ad hoc check. The huge warehouse - described by one participant as a 'cathedral of industry' - consists of multi-layered racks of products, stored by computer, placed and retrieved by multi-function fork-lift trucks. The whole operation is controlled by a highly sophisticated computer system which regulates storage and delivery of both goods and parts.

National Panasonic GmbH Management Structure and Style

Foreign companies must, of course, adhere to host-country legal requirements and generally to customs, National Panasonic GmbH being no exception. So far as industrial relations are concerned, a distinction is drawn in the Federal Republic of Germany between unions and work councils, the former being 'outside' the company, while the latter are 'inside'. The personnel manager, therefore, negotiates only with the works council. All general 'social environment' questions and personnel policies must be codetermined between management and the council - including all 'hire and/or fire' decisions - while purely economic strategy matters are mainly the prerogative of management. National Panasonic management claims to have a 'liberal' approach to the works council and that it goes well beyond legal requirements especially in such matters as disclosure of information. In its twenty-one year existence National Panasonic GmbH has not experienced a single strike - though this is not a particularly relevant phenomenon in the context of Germany since it has the lowest number, by a considerable margin, of days lost due to strike action among the OECD countries.

National Panasonic also has adopted a policy of localisation, appointing German managers except in cases where the contact with headquarters in Japan is important, thus both managing director and general manager are likely to remain Japanese nationals. (This is a common policy pattern among Japanese corporations overseas and one which may merit more question and discussion.) National Panasonic has not consciously sought to transfer Japanese management techniques to its German operations. There is no life-time employment system, nor have ringi or QC circles been adopted on the grounds that these products of Japanese culture are not suitable to a German environment. A policy of job-rotation, however, has been implemented to ensure flexibility. In terms of internal communications, each section holds a weekly meeting where the section chief informs employees of discussions and their outcome with top management and during which the employees are encouraged to make suggestions.

V Meeting with Management of Citizen Watch Europe GmbH

Speakers: Mr Yukio Sugamura, Head of Sales, Europe and North Africa
Mr Hisao Masuzawa, Head of Citizen Watch Factory, Hamburg

Profile of Citizen Corporation

Citizen corporation was established in 1931, a period when Japan's impending major war effort demanded a greater degree of self-generated technological development in defence-related fields. Citizen, therefore, is a member of that generation of enterprises, which also includes, for example, Nissan, created in view of the necessity to develop an indigenous automotive industry to supply the army, which following the war turned their industrial swords not into ploughshares, but into mass consumer goods. Today Citizen manufactures watches and clocks (under the brand names Citizen and Adet), but also machine tools, industrial robots and precision assembling machines. Citizen's overall strategy is one of diversification and the introduction and development of new technologies.

In 1981 the world-wide production of watches amounted to 350 million units, with 100 million produced by Japanese manufacturers out of which Citizen accounted for 35 million units hence 10% of world production. Exports correspond to over 70% of Citizen's production, namely 25 million units. The total European consumption of watches in the same year came to approximately 100 million pieces, with Citizen responsible for 3.75 million, namely 3 to 4% of market share in Europe. Citizen concentrates on mass production and for the middle price range, namely between DM 75 to DM 250, which is where the greatest demand exists. While Seiko apparently intends going up-market to challenge Swiss manufacturers, Citizen claims to have no such ambition and will remain roughly where it is, with the exception of possibly joining Japanese mass produced time pieces with Swiss high craftsmanship cases, resulting in a product which will sell in the region of DM 1,000.

Citizen has not been completely immune to the recession; although it is still growing, growth is far more moderate than in previous years. In terms of the watch industry in general, it is estimated that consumption has decreased by some 10%. In recent years prices have come down significantly, but the major problem has been one of over-capacity and hence an over-supply of wrist watches, a trend greatly accelerated by the introduction of quartz watches, with demand being limited in that few individuals own or wish to own more than two, at most three, watches. There is, however, a vicious circle here in that cost effectiveness requires achieving economies of scale through mass production; consequently all factories operate on mass production with the inevitable result that price competition is becoming increasingly more severe. In regard to the future of the European watch industry, it was felt that the outlook for the manufacturers of expensive and design-oriented watches, such as Rolex, Piaget, Cartier, is good, while that of the middle-price range manufacturers is gloomy. In the face of recession and market-saturation, Citizen believes it can survive by avoiding over-supply and over-concentration in any particular market.

In terms of market opportunities in the developing and under-developed economies, the problem is that a number of these enforce import-substitution policies. To establish a foothold in the markets and also to secure access to cheaper labour both for third country domestic markets and exports, Citizen has manufacturing facilities or joint venture arrangements in a number of countries. It has, for example, collaborated with Hindustan Machine Tools Corporation to build a watch-factory in India, with a similar arrangement existing in Mexico. Furthermore it has its own factories in Hong Kong, South Korea and Taiwan; with regard to China, Citizen is hesitating in developing production facilities, for although there is a potential for very high volume sales, the market nonetheless remains extremely volatile.

Citizen Watch Europe GmbH

There are four Citizen companies in Europe, namely Citizen Watch Europe GmbH in Hamburg, which is responsible for the organization of sales

and distribution throughout Europe with the exception of Germany and the United Kingdom which each have their own sales companies, and the Citizen Factory which assembles 350,000 units per annum. Citizen employs a total of 244 people in Europe and had a turnover in 1981 of DM 285 million.

In initially seeking to penetrate the European market just over two decades ago, Citizen faced two major problems. The first was that being loosely affiliated to the Dai-Ichi Kangyo Bank Group (one of Japan's post-war major industrial groups), Citizen initially relied on the group's sogo shosha, C. Itoh. This, however, proved a short-lived experiment, for while the trading company was keen to sell the watches, it had neither the facilities nor the know-how, nor, apparently, the desire to service them. Hence Citizen had to establish quickly its own distribution and service network. The second problem was one of 'image', namely that Japanese watches were expected to be of poor quality; while Citizen improved the quality of its product, therefore, it was also faced with the challenge of improving the quality of its image in order to attract middle-income customers for its middle-price range products.

Citizen is currently facing a rather different problem. Having established a traditional European network of retailers, watch retailers and jewellers, in recent years a whole new sales network for watches has emerged, namely department stores, chemists, discount store, supermarkets, and so forth. The emergence of these 'parallel importers', who import directly from Japan, i.e. not through Citizen Watch Europe GmbH, and who sell watches at substantially cheaper prices, has led to problems and tensions with the traditional, more conservative retailers who do not pursue the same aggressive sales techniques as their new rivals. No immediate solution to this problem is apparent.

Citizen has not sought to introduce any Japanese-style management techniques into its European operations. It has, however, sought to improve communications between Japanese and Europeans by adopting a policy of appointing Japanese managers abroad for a period of a minimum of five years, possibly longer, as opposed to the more prevalent earlier three-year stints. Citizen also claims to go towards greater localisation, namely in

appointing more local managers, the criteria for recruitment including flexibility, an international outlook and a capacity to understand the Japanese way of thinking. In terms of the experience so far, however, the problem of flexibility appears to be acute: an example cited was that of a German manager recently promoted who, although he had considerable competence in the field of watch-making, seemed to have difficulties in adjusting to a general managerial position and especially in relation to problems of human resource management. The point was made that with the practice of 'job rotation' as implemented in Japanese corporations, individual managers accumulated experience in a number of areas, hence providing them with a broader scope when placed in position of general management, while Europeans tended to be over-specialised.

Citizen Watch Factory

The factory near Hamburg was established in 1974, as the first and so far only factory in Europe, with a capital of DM 300,000. The factory is engaged in assembling imported time-pieces from Japan with locally-made components, namely the case and strap. The major reason for establishing the factory was to develop Citizen's capacity in wrist-watches for women, an area in which Japan was behind, especially in design. Current turnover is DM 35 million with, as noted earlier, a production of 350,000 units per annum. Forty percent of production is for the European market, 30% is exported to the United States and Latin America, the remaining 30% being exported to Asia, including Japan where demand exists especially in the more expensive ladies' wrist-watches. The factory has capacity to produce a higher volume, but has no plan to do so at present in view of falling demand.

Citizen enjoys close and mutually beneficial collaborative arrangements with European case manufacturers. This cooperation is perceived as a harmonious and dynamic blend of superior Japanese technology with superior European craftsmanship. The current objective is not to increase volume, but to improve the quality of the design and innovate on style with a view to creating new demand. Decisions on product design are taken in Tokyo, but on the basis of proposals submitted from German

designers in consultation with Citizen's one locally-employed Japanese designer. Further cooperation is being sought, as noted earlier, to move somewhat up-market on an incremental basis.

The assembly plant employs twenty young girls, aged 18 to 20, and one male supervisor, with each girl producing an average of 100 units per day. The turnover rate is a startling 10 to 15 per annum, hence between 50 to 75% of the workforce, apparently due to marriages and pregnancies; this, however, does not constitute a problem in that technical know-how and training are unnecessary. Older married women would obviously be more reliable, but also much more expensive, hence diminishing Citizen's competitive advantage. Given the nature of the workforce and the turnover rate, any questions of creating a family atmosphere, consultation, QC circles, etc., appeared redundant.

A note on Japanese Competition in the Watch industry

The watch industry provides a number of illustrative examples of European industry's failure in general to understand and respond to the Japanese challenge. There are essentially two reasons why Swiss watch manufacturers ultimately experienced 'defeat' in this competition, with the exception, at present, of the high market brand producers. The first was that the Swiss refused to take the Japanese threat seriously, mainly because of atavistic perceptions of low-quality Japanese produced mechanical watches in the 1930s. 'Swiss' was a synonym for good quality watches in the same manner that 'British' was a synonym for motorcycles, 'German' for cameras and other optical instruments, and so on. In other words the factor of national arrogance prevented an earlier and more dynamic response.

The second reason relates to the problem of industrial restructuring, in this case from mechanical to electronic watch manufacturing. The learning-curve in micro-electronics is very steep, whereas in mechanical engineering it is primarily horizontal. Both advances in technology and achieving economies of scale resulted in rapid and dramatic price falls. The production of mechanical watches is based on

small units of operation and relying on technology suited especially to older men who have some ten years' training, while the production of electronic watches is based on mass assembly lines and with a technology primarily suited to young girls with no more than three months' training. Hence, although in both cases watches are the product, in fact they arise from two totally different industrial universes, the new one being one which Swiss manufacturers could not or chose not to fathom.

VI Partnership and Competition

Panel discussion chaired by Professor Gerhard Fels,
Vice-President, Institute for World Trade, University of Kiel.

Speakers: Richard Davies, Director, Policy Studies Institute, London
Mr Akio Miyabayashi, President, Minolta Europe
Mr Klaus Rosenkranz, President Jungheinrick
Unternehmensverwaltung, KG, Hamburg
Mr Jean van der Rest, Director, Fabrique Nationale Herstal,
Liège

At the concluding stages of the first, intensive day of the peripatetic seminar, some of the broader issues required to be placed in perspective. The fundamental problem facing European industry - and indeed the economies and societies which sustain industry - is that of adjustment. Adjustments have to be achieved in a context where European industry must survive in conditions of high labour costs, where developing countries are in an export-or-die situation in view of the necessity to pay their energy bills and where the NICs (Newly Industrial Countries) are becoming more and more intensely competitive. While Japan is in a state of constant and dynamic industrial restructuring, and the United States is undertaking the process, Europe lags behind. A major element identified in the readjustment-gap between Japan and Europe is that in the former lame duck industries are not nursed - at least not for too prolonged periods - and that hence while Japan is subsidising and supporting new industries, too many of Europe's dwindling resources are channelled into subsidising old industries.

The nature of the Japanese challenge and the opportunities available for adjustment were illustrated by the experience of the Herstal corporation in Liège. The Liège environment, if not 'typically' European at least symptomatic, is one of old industries - Liège having been one of the pioneering outposts of Europe's industrial revolution - with high wage levels, strong and obstructive unions, conservative management and a pervasive atmosphere of parochialism. Herstal corporation, being mainly in gun manufacture, had as its most important market the United States and on that basis an old established relationship with Browning. In the late sixties Browning became dissatisfied with its Belgian suppliers and turned to Japanese sources, especially Miroku. This was a severe blow to Herstal and indeed to the city of Liège in view of the importance of the corporation to the local economy. At the instigation of Herstal the Liège area embarked on a programme entitled 'opération Japon', a collaborative effort between local government officials, industrialists, trade unionists and university professors. Following a preparatory period of six months a Liège mission was dispatched to Japan. Following the completion of this programme, the situation has improved considerably both for Herstal and for Liège. Herstal has established links with Japanese firms, especially in supplying cheaper components, while the participants in the Liège programme were shaken from their complacency and, as at least a first step, there developed on the part of all four components of the programme team an awareness of the need for survival, an awareness which has not, until perhaps recently, been particularly evident in Europe.

Regarding the difficulties, indeed barriers, to penetrate the Japanese market - not one of the major issues covered by the seminar and hence little addressed - while it was recognised that it presented a number of specific problems, ranging from the complexity of the distribution system, the necessity to meet local rules and customs, etc., it was felt that readjustments in European industry should result in greater ability and competitiveness to export to Japan. These adjustments required not only better industrial strategies, improvements in management, but also innovative marketing techniques. A formula, or indeed prescription, for this exercise included three stages: in the first place one must be competitive in one's own market; secondly one's export performance should be tested in the US market; thirdly, assuming successful outcomes in the first and second stages, then one can embark on a 'Japanese offensive'.

While the Japanese experience is highly relevant to the whole problem of socio-industrial adjustment and restructuring policies in Europe, it has to be stressed that these policies do not necessarily involve too intensive a dosage of 'japanisation', namely that a number of Japanese advantages are or should be transferable. Three major areas were identified as follows:

1. Japan's educational system is extensive, with currently 94% obtaining twelve years of schooling and close to 40% carrying on to tertiary education, and intensive in its competitive system of creating an elite by meritocracy. The educational system is qualitatively admirably suited to the requirements of an industrial society. Furthermore, in the Japanese conception of things, education does not end in school, but continues by various means of training throughout one's career in the corporation. These educational structures and attitudes can - certainly should - be adopted in Europe.
2. In Japanese corporations employees are made to feel members of a community, with, for example, the gap between management and shopfloor reduced to its minimum. There is a highly developed intercorporate communication system in Japanese corporations both at horizontal and vertical levels, which should be emulated in Europe.
3. In Japan new technologies are adopted willingly and rapidly, whereas Europeans prefer a 'wait and see' policy. By developing more courage and initiative in introducing new technologies and manifesting a greater preparedness to take risks, Europeans will become more dynamic and hence more competitive.

These considerations, however, illustrate the challenge facing Europe in that while individual corporations may seek to 'learn from Japan' and adjust accordingly, European managers operate in a social, political, economic and cultural environment. In order for the corporations to become more dynamic the society as a whole must also provide a conducive environment and thus institutional innovations, especially in regard to investments in human resources, are of paramount importance at the macro-level. At this particular juncture, however, and the consequences following the regression of world

trade, 'Jobertism' is a more likely instinctive response than the imperatives of institutional innovation and imaginative policies. Managers, therefore, are faced with the twin challenge of innovating within their own corporations and bringing pressure to bear on governments for improving in a positive, rather than negative/protectionist manner, the general socio-economic environment - with a view to walking into the future forwards rather than being pulled into it backwards.

It is in this context that, while the initiative and the responsibility lie with individuals throughout Europe, there has evolved what might be termed institutional obstacles to innovation. Following the traumatic experience of the war and with a determination that the West should rise from the ashes, men with vision embarked on bold and enlightened concepts and programmes: the UN, the GATT, the Common Market, were the overt, concrete manifestations of a dream for a much better world. To say that the dream turned into a nightmare would be an exaggeration. Nonetheless however, the idealistic spark which ignited the process has virtually been extinguished. Trans-national and national institutions often appear to cause more problems than they solve. With the perspective of nearly four decades of hindsight, while contemplating the institutions we have, we can ask whether in spirit they correspond to the vision from which they originally emerged. In lieu of idealism and dynamism, bureaucratism rules. To dismantle the whole edifice, to begin afresh on a tabula rasa may be excessive, but among the requirements for European regeneration, institutional innovation is in urgent demand.

VII Visit to Beiersdorf AG (Hamburg - Hausbruch)

Hosts: Mr Jürgen Peddinghaus, Member of the Board, Works Director,
Head of Tesa Division
Dr Winfried Grützner, Head Legal Department
Mr Ekkehard Kaum, Head Information Department

Profile of Beiersdorf AG

Beiersdorf celebrated its centenary anniversary in 1982. In the last six years and in spite of the recession it has achieved impressive growth rates. From a worldwide sales total in 1976 of just under DM 1,200 million, in 1981 the figure was DM 2,043 million, involving almost a 15% increase over the previous year. According to Beiersdorf, 'it was the diversity of our product range, the international orientation of our business activities and our timely adjustments to the economic conditions that helped us master the difficulties of 1981'. The diversity of its products and the international orientation of its business are reflected in Beiersdorf's structures and figures.

Beiersdorf is divided into four product divisions: the cosmed division, the best known products being those marketed under the Nivea brand name - with Nivea cream apparently applied to two million square metres of skin annually for sunbathing purposes; the medical division, catering for both consumer and hospital markets, mainly in various forms of adhesive dressings, but also including anti-rheumatism products, pregnancy test sets and a range of medical aids and hygiene products; the pharmaceutical division, primarily cardioglycoside preparations, but also Digacin and ph5-Eucerin; the adhesive tape division, under the brand name Tesa, supplies to both industry (70%) and private consumers (30%), and it is the second largest tape manufacturer in the world. In terms of percentage of worldwide turnover in 1981, the four divisions account individually as follows: cosmed - 42.6%, medical - 20%, pharmaceutical - 4.7%, Tesa - 32.7%.

In 1981 the domestic market accounted for 42.4% of total sales, with the European market a further 33.7%, North America 5%, and other countries 19%. Japan's market amounted to DM 124.8 million, which is greater than North America's and corresponding to 6.1% of Beiersdorf's total turnover. In terms of overseas subsidiaries, whether wholly-owned or joint ventures, Beiersdorf has seventeen companies in Europe, three in North America, six in Latin America, two in Africa, three in Japan, one in Thailand, one in Indonesia and one in Australia. Beiersdorf's total

workforce is 13,305, of whom 7,014 are in Germany and 6,291 abroad. The significance of Beiersdorf's overseas operations can be judged by the fact that while German sales in the period 1980 to 1981 increased by 6.3% and European sales by 12%, in North America the increase was 32.2% and in other countries by 41.1%.

Beiersdorf in Japan

Beiersdorf, as noted above, has three companies in Japan. These are: BDF Medical K.K. with a share capital of Yen 50 million and 90% ownership, BDF Tesa Co. Ltd. with Yen 100 million capital and 90% ownership, and Nivea Kao Co. Ltd. with a share capital of Yen 700 million and a participation of 50%. Out of four of Beiersdorf's divisions three operate in Japan (the fourth, the pharmaceutical division concentrating its activities on the German market). 80% of the sales of Beiersdorf's products in Japan are accounted for by cosmed products (1981 DM 100 million), the rest being adhesive tapes and medical products. BDF Tesa supplies a variety of tapes to the motorcar, electronic and packaging industries while BDF Medical's clients are hospitals throughout Japan. The majority of Tesa and Medical products are imported from Germany, whereas certain slitting and packaging operations take place in Japan. Cosmed products are marketed by Nivea Kao Co. Ltd. The joint venture was established some ten years ago and has developed over the years into a major business, supplying the Japanese market with a range of different toiletry brands. Kao Corporation, the Japanese partner, provides the manufacturing facilities and engages in the distribution whereas Beiersdorf contributes brands and formulae and is responsible for the marketing activities. The management of the joint company consists of a Japanese and a German executive.

Beiersdorf is quite satisfied with this joint venture and its partnership in Japan. The requirements for a successful venture on the basis of its own experience, is to provide well accepted products for the Japanese consumer market and/or to develop products in the high technology field with a good Japanese partner. The European partner must possess a sound knowledge and understanding of Japanese business practices. Beiersdorf has not experienced any particular difficulties due to the expertise and networks of its Japanese joint venture partners.

In addition to the three joint venture companies, Beiersdorf has also established a cooperation with the Japanese company, Seibu chemicals. The purpose of this venture was to compete against 3M Corporation which enjoyed a worldwide monopoly in the area of reflective road signs. Seibu manufactures in Japan with Beiersdorf technology. The collaboration, started in 1977, has resulted in Beiersdorf successfully entering the European market, whereas Seibu serves the US market.

Beiersdorf believes that not only has it been able to work well in Japan and with Japanese partners, but that it can continue to do so. Through this angle of competitive collaboration, Beiersdorf also feels that it can survive the Japanese challenge. For one thing it has the benefit of the experience of what happened in other industrial sectors, namely electronics, automobiles, and so on; those sectors were generally unprepared, through lack of foresight, whereas Beiersdorf is acutely aware of the direction and dynamism of Japanese industrial strategies. Beiersdorf can 'learn from Japan' and at the same time develop its own skills and qualities.

In this process of working with Japanese partners and adjusting in the face of Japanese competition, Beiersdorf has deliberately not sought to adopt Japanese management principles or practices. While recognizing that Japanese corporations have a highly developed team approach, the more individualistic nature of European managers would not allow a successful transfer. Beiersdorf seeks to place its managerial emphasis on individual skills and motivation, while also attempting to eradicate some of the weaknesses of individualism. The main focus is to decrease arrogance and develop a greater ability to listen and to generate a greater determination to analyse problems thoroughly rather than looking for quick solutions.

Management at Beiersdorf in the Hamburg plant

Beiersdorf operates within the context of the Codetermination Act (Mitbestimmungsgesetz) which came into force on 1 July 1976. As a result, all German companies employing more than 2,000 people must have a supervisory board comprising an equal number of shareholders and labour representatives. Furthermore the position of Arbeitsdirektor (works director) was created, who is responsible for personnel and social affairs. Misunderstandings have arisen over the precise nature of the Arbeitsdirektor.

- . The first type of Arbeitsdirektor was created with the Codetermination Law of 1952 for the Coal and Steel Industry. This type of Arbeitsdirektor is elected by the Unions and represents the employees. He is member of the board of directors.
- . The second type of Arbeitsdirektor was created with the Codetermination Law of 1976, applicable to all companies employing more than 2,000 people. This type of Arbeitsdirektor is elected by the Supervisory board as any other member of the executive board. He is - in almost all cases - not a member of the Union.

Beiersdorf, not being part of the Coal and Steel Industry, has incorporated the second type of Arbeitsdirektor, a position currently being held by Mr Peddinghaus. Mr Peddinghaus carries another function within the executive board, namely as division manager for Tesa. (The structure of Beiersdorf's Labour Management System is presented in Appendix VI). Beiersdorf must also, in common with German corporations in general and according to law, incorporate a works council (Betriebsrat). The works council's jurisdiction, as noted earlier in the section relating to National Panasonic, is primarily in the area of personnel matters. Beiersdorf, however, goes further than the limitations set down by law and practices an open system of information exchange relating to corporate technological developments and business strategies.

In order to try to ensure high quality in its workforce, Beiersdorf places emphasis on a careful and thorough recruitment selection system and on in-house training. A programme for personnel development has been instituted which seeks to improve efficiency and enhance leadership qualities. Various indicators of industrial relations point to a satisfactory situation for Beiersdorf: labour turnover is low, the absenteeism rate stands at 7.5% overall, with the highest being among women at 12%. In regard to young employees, Beiersdorf stresses not just functional authority, but also personal authority - in terms of strengthening qualities of discipline, punctuality, attention to detail, and so forth. Social and athletic facilities are provided for the workforce, there is a single status canteen system and 'togetherness' is also fostered by each division having regular interdisciplinary dinner meetings.

Beiersdorf has also instituted an improvement proposal system with material incentives. This, however, has not yet achieved the expected degree of success and so Beiersdorf is still concerned to find mechanisms to enhance worker motivation, though it is not yet confident of having found a solution. To some extent the scheme has been hampered by interference from the works council. Another difficulty in this area arises from sheer size and that such techniques can be more readily introduced and developed in smaller organizations. Nevertheless, Beiersdorf sees this whole area as posing a particular challenge 'where something needs to be done'.

VIII Visit to Olympus, Winter & Ibe

Host: Mr Hans-Joachim Winter, General Manager.

Profile of Olympus, Winter & Ibe

The company Winter & Ibe was established by Mr Winter and Mr Ibe, refugees from East Germany, in 1954. From the beginning it specialised in making endoscopes, especially in relation to medicine, particularly in urology and gynaecology, but also as instruments for technical inspections in the aerospace and automotive industries. In 1954, the company consisted of three individuals, by 1975 it had grown to fifty, in 1979 when it merged with Olympus it had increased to eighty and at present the total number of employees is 140, fifteen of whom are in administration, ten in charge of German market sales and the rest in production. From FY 1981 to 1982 turnover has increased by 38%.

The competition to Winter & Ibe consisted of three firms, two German and one American. Winter & Ibe had a good export performance, generally at about 70% of turnover. In 1975, Mr Winter tried to open and develop the Japanese market. It was then that the encounter with Olympus began. Olympus was at first perceived primarily as a future competitor. On the other hand it also offered Winter & Ibe a possible channel for distribution in Japan. Furthermore there was the risk that Olympus might obtain Winter & Ibe know-how and develop its own technology. Collaboration, therefore, seemed advisable. At first an arrangement was reached whereby Olympus became Winter & Ibe's agents in

Japan. From that initial basis the two companies joined forces in R and D. Winter & Ibe had no financial problems, it possessed its own technology and was secure in the European market - hence Winter & Ibe was in a position of strength. The future, however, held some uncertainties, especially with Olympus clearly aiming to come on the market. Negotiations for a merger were undertaken, during which Mr Winter and Mr Ibe learned to be patient as endless meetings were held. Finally, in 1979 the merger took place. Olympus obtained a 70% share and Mr Winter and Mr Ibe retained a 15% share each.

Industrial Cooperation: the Olympus, Winter & Ibe Case

When the merger took place some members of the Hamburg business community gave dire warnings that the Japanese would destroy Winter & Ibe and swallow them. In the four year period since the merger, however, the two German partners are satisfied, indeed pleased, with the results. There were two important ingredients which were present for a venture such as this to be successful. Firstly, Winter & Ibe was negotiating from a position of strength: Olympus needed it as much as vice versa. Secondly, the four year 'incubation' period, namely 1975 to 1979 allowed both partners to develop strong personal bonds - this is especially important in Japan where business relationships are more personal than contractual. There are a number of other significant features.

There is no Japanese management involved in the German operation, in fact no Japanese on the site, though close contact is maintained with the Olympus office in Hamburg and Japanese engineers occasionally come to discuss the venture's R and D programme. The healthy state of the cooperation is further enhanced because of a fruitful and mutually beneficial technological and marketing fit. Winter & Ibe had the know-how and close contacts with individuals and institutions in Germany and indeed throughout Europe involved in the fields of gynaecology and urology. Olympus' brand name and the advanced technology and quality of its lenses, on the other hand, are internationally well known: it also has an effective sales network in Japan, with fifty agents specialising in medical appliances and close relations with Japanese hospitals and doctors, and dealerships throughout the world. In fact since the merger the company has significantly increased its international market-share; as a

medium-sized German firm it would have been impossible to have penetrated the markets that have been reached, notably in Latin America, the Far East and especially Japan where the company has a 30% market share. Furthermore, Olympus has the capacity and the resources to engage in basic research, hence thanks to the merger the R and D programme has been greatly developed. Productivity at the company has also improved substantially, partly because of the necessity to meet Japanese standards in quality, partly due to more machinery and automation having been introduced by Olympus - automation it should be noted, which resulted in the company increasing rather than decreasing its labour force.

There are, not surprisingly, a few problems. The major problem relates to decision making and especially introducing new products. Prior to the merger the average time from conception of a new product to its manufacture would be four to five months, whereas since the merger the necessary time for evaluation and discussion is somewhat longer. This is a source of some anxiety especially in view of the speed with which medical technology is progressing currently and hence the necessity to keep up. This is perhaps an unfortunate, certainly negative, possibly inevitable consequence of a Euro-Japanese merger; the decision-making - or decision-reaching - process in Japanese companies, given the necessity to consult widely throughout the corporation, the need to achieve a consensus, the highly centralised character of many Japanese corporations, can be and generally is agonizingly slow. That, however, is the only major blemish in an otherwise lucrative and cooperative collaboration. While it may conceivably serve as a model, it should be stressed that some of the crucial ingredients indicated here - operating from a position of strength, solid personal relations, a good technological fit, reciprocal advantages in marketing and distribution, potential for joint R and D programmes - cannot be missing for ensuring a recipe of success.

Management at Olympus, Winter & Ibe

No attempt has been made to transfer Japanese management style or techniques to the German company. Nor would such a transfer appear to be necessary. It is a small company with a 'family-type' atmosphere engendered by the two founding entrepreneurs - the current General Manager, Mr Hans-Joachim Winter, is the son of the co-founder. The major emphasis has been to improve quality. Originally the company was engaged exclusively in handicraft production, though since the merger a greater degree of industrial production has been introduced and the company has developed its own machinery.

The degree of automation has consisted mainly in the introduction of a computerised machine (manufactured by Boley-Siemens) in 1981 which produces many of the the components which hitherto had to be purchased from outside suppliers. In terms of quality control, all instruments are tested since the use to which they will be put requires very high standards of quality and reliability. Due to scientific developments, the product's life cycle is short, there being a 60% turnover rate for products not older than five years, although this naturally varies in different parts of the world depending on stages of medical development. Production is highly specialised and therefore operating on a very low volume basis, ranging from ten per lot to a maximum of a thousand.

In regard to the labour force there is a major difficulty in finding trained personnel. The educational background of the current workforce at production levels varies, with none having reached the stage of abitur. All training is done by the company. Given the degree of precision and minute attention to detail required in the work, the employees' assignments are changed three times per day, partly to avoid monotony, but mainly to ease pressure on the eyes.

Apart from requiring skill, the work is clean. The individual worker is still very much of a craftsman. The atmosphere, both in terms of the place of work and social relations, appears pleasant. Job satisfaction would seem to be high, certainly the labour turnover rate is very low, in 1981, for example, there having been only two departures.

IX Analysis and Conclusions

Discussion chaired by Professor Keith Thurley.

Japanese Management

In assessing the characteristics and qualities of Japanese management the emphasis was not to review the general framework and its various components but rather to see what was especially striking and significant.

Perhaps the feature which appeared both admirable and formidable was the fundamental moral commitment fostered in individual Japanese corporations. Employees are imbued with a powerful corporate ideological motivation, complemented by dedication to the corporate identity. This 'spiritual' input results in a total single-minded determination to achieve corporate objectives. The system and the values inherent in it could be described as one of cooperation for survival. This pervasive sense of the necessity of a struggle for survival and the paramount prerequisite of cooperation to achieve survival are the underlying forces behind Japanese corporate strategies.

These factors in turn generate a long-term vision. In contrast to Western firms which concentrate on short-term profits, Japanese firms are much more future-oriented. A long-term perspective requires a clarity of vision which is broad in conception, hence the 'internationalistic' outlook of Japanese corporations, the keen desire to study not only foreign markets, but also foreign technologies, institutions and ideas.

While these values and necessities are universal - after all, survival cannot be a Japanese monopoly - the challenge is to assess why Japanese management has been successful in fostering these principles. The key ingredient here would appear to be found in the effective investment in and management of human resources. Both at macro and at corporate levels education receives priority consideration; thus, individuals are not just taught about new technologies, but why these new technologies should be introduced and developed. Within the corporation through training, QC circles, suggestions, etc., workers are encouraged to think and therefore contribute not only their brawn-power but also their brain-power.

The Transferability of Japanese Management

The visits to Japanese companies in Hamburg and discussions with managers confirmed the impression that there is little attempt to transfer Japanese techniques to European operations - in contrast to the enthusiasm, indeed zeal, of a number of European managers to introduce QC circles, etc. The qualities of caution and pragmatism on the part of Japanese managers were manifest. The feature which appeared significant, however, was the ability of

Japanese managers to listen and to encourage. A European worker in a Japanese company feels that he is given proper recognition, that if, for example, he makes a suggestion it is taken seriously, hence developing his sense of self-confidence.

The Japanese have been successful both at home and in international markets because of their strategic priority given to quality - quality of the product, of the service, of the marketing, of the promotion, etc. This quality of the manufacturing and sales process arises from the quality of the workforce. The quality of the workforce is nurtured and fostered because of the quality of management in developing a sense of motivation, dedication and conscientiousness. Europeans must do the same to meet the challenge; while scrutinising the Japanese recipe, however, they must create their own more suited to their environment.

Euro-Japanese Relations

Hamburg does not suffer from Japanese trade, on the contrary it has benefitted significantly as has been made clear in the preceding pages. While Europeans must develop strategies for penetrating the Japanese market and apply pressures for facilitating this process when these are justified, there is no case for closing Europe to Japanese goods and investments. While it is true that the balance of trade is highly unfavourable to Europe, the problem and indeed the causes of the problem should be analysed within a European context. The degree to which a dynamic response can be developed depends on the recipient of the goods and investments, not the sender. The 'problem', therefore, is a European one and not Japanese.

Will European industry survive?

The short answer is, unfortunately, probably negative. This, however, does not justify the question being dismissed: too much is at stake. It is clear that the current trend of protectionism will confirm and accelerate the demise of European industry. The alternatives are undoubtedly difficult, but of vital necessity.

The Japanese instinct and strategy for survival are a powerful combination. In Europe the quest for survival is blurred, perceived by only a small minority, mainly because of the excesses of comfort, indulgence and insouciance of the previous decades - 'we never had it so good'. The development of an awareness of the stark realities facing us is a first and fundamental step. There is also a necessity to destroy European psychological barriers, namely to emphasise internationalism at the expense of parochialism. Assessing the dynamics of Japanese corporations is a major element in this process - one, however, which is in jeopardy in view of the trend of protectionism being accompanied by a trend of racism, a new 'yellow peril' syndrome, fostered by European political leaders.

In the European environment the challenge above all lies in adopting more vigorous policies and attitudes in the whole area of managing human resources. While the future of European industry lies in technology, new technologies and their effective implementation cannot be achieved without social innovation. Education in the very broad sense of the term and applied extensively, namely not simply 'school education' but also education within corporations and at all levels, needs to be strongly developed. The general public also needs to be more properly, more persuasively informed of corporations' values and objectives. The 'image' of industry - and of managers - in Europe is poor. The onus of responsibility for achieving a greater and more dynamic integration of industry and society lies with European managers. Qualities of not just corporate but indeed social leadership must be fostered.

The age of European global hegemony has been over for some time, but there is a perception gap - the point has not been sufficiently driven home. The realisation of the necessity to struggle to survive will also require a realisation of the need for innovation. Innovation is required in several different dimensions and levels: innovations in Europe's moral code and in attitudes, innovations in Europe's institutions and systems, innovations in the written and unwritten rules which govern, too often hamper, European societies. These innovations must be pursued at the levels of (i) individual corporations, (ii) the European nation-states, (iii) the European Community. The challenge of survival is a daunting one, but is there an alternative?

Note. The report has been compiled on the basis of notes taken during meetings and discussions. The views, interpretations and policy recommendations were introduced and developed by and among the participants. The report, however, is not a collective enterprise, but was prepared solely by the rapporteur. Neither the whole report nor any of its parts necessarily represent the views of the individual participants, nor should these be attributed to them.

APPENDIX I

List of Participants

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Mr. Dobler	Baresel GmbH & Co., Stuttgart
Mr. Enderle	National Panasonic GmbH, Hamburg
Dr. Ernst	Former Head of the EC-Delegation to Japan
Prof. Fels	Institute for World Trade, University of Kiel
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Mr. Merz	University of Freiburg

Mr. Miya	Bank of Tokyo Ltd., Hamburg
Mr. Miyabayashi	Minolta Europe, Ahrensburg
Mr. Müller	Agfa Gevaert, Leverkusen
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Mr. Veerla	Central Pacific Europe GmbH, Hamburg
Mr. Winter	Bundesverband der Deutschen Industrie, Köln

APPENDIX II

Japanese Direct Overseas Investments

	North America	Europe	Oceania	Asia	C & S America	Middle East	Africa
Extractive	9.78%	3.4%	40.8%	39.3%	18.9%	45.6%	44.5%
Manufacturing	24.5%	18.1%	31.1%	44.3%	52.0%	48.2%	7.4%
Service	65.8%	78.6%	28.0%	16.4%	29.0%	6.3%	48.2%
% of Total	25.2%	9.7%	5.3%	28.7%	16.4%	10.5%	4.2%

% by Industry:

- Extractive	25.5%
- Manufacturing	35.9%
- Service	38.5%

Manufacturing:

- Chemicals	23.0%
- Iron & Non-Ferrous	16.6%
- Metals	-
- Textiles	15.9%
- Electrical	11.9%
- Machinery	-
- Other	32.5%

Service:

- Commercial	38.5%
- Banking & Securities	19.6%
- Other	41.9%

APPENDIX II (cont'd)

Japanese Direct Overseas Investments

2. By number of employees:

North America	69,000
Latin America	100,000
Asia	450,000
Middle East	15,000
Europe	33,000
Oceania	23,000
Africa	37,000

APPENDIX III

German Chambers of Commerce

There are a number of features of chambers of commerce in Germany which distinguish them from chambers of commerce in other countries. Taken together these account for the fact that German chambers of commerce are for more powerful institutions than their counterparts in other European countries.

Thus, as opposed to the UK model whereby chambers of commerce are free associations of individual companies, the German chambers are based on a 1956 Bundestag statute which declared them public law corporations with corporate membership being mandatory although in fact their official status was initially conceived over a century ago. The chambers of commerce maintain close contacts with municipal and lander governments and, through the Federation of German chambers of commerce, with the Federal Government. While the chambers act as an industrial pressure group in the regions, they are also involved in industrial coordination and a degree of 'administrative guidance' in determining industrial policy.

The role and influence of the chambers are not limited to Germany - whose membership includes foreign companies - but are also extensive abroad. In fact, the German chambers of commerce in foreign countries play in commercial affairs a more important role than the embassies, their activities including trade, technology transfers, investments, establishment of joint-ventures, collaborative R & D programmes, etc. The German chambers abroad are also open to foreign partners, hence the Tokyo German chamber of commerce, for example, includes many Japanese members.

APPENDIX IV

MATSUSHITA'S SEVEN OBJECTIVES

National Service through Industry

Our purpose shall be not solely to gain wealth nor to display industrial strength, but to contribute to the progress and welfare of the community and nation.

Fairness

We shall be fair and just in all our business and individual dealings. Without this spirit no man can win respect nor can he respect himself no matter how wise or capable he may be.

Harmony and Cooperation

Alone we are weak, together we are strong. We shall work together as a family in mutual trust and responsibility. An association of talented men is but an unruly mob unless each member is imbued with this spirit.

Struggle for Betterment

It shall be our policy to encourage trust and self-reliance so that everyone may gain self-respect through his own endeavour, and to struggle hard for betterment. Without this spirit, true peace and progress cannot be achieved.

Courtesy and Humility

We shall respect the rights of others. We shall be cordial and modest. We shall praise and encourage freely. Without this spirit there is no social order.

Adjustment and Assimilation

Progress cannot be achieved unless we adjust to the ever-changing conditions around us. As the world moves forward, we must keep in step.

Gratitude

We shall repay the kindness of our associates, our community, our nation, and our foreign friends with gratitude. This spirit of gratitude will give us peace, joy and unlimited strength to overcome all difficulties.

BASIC PRINCIPLES FOR PERSONNEL

1. The Basic Principles of Matsushita must be thoroughly understood.
2. It must be realized and accepted that the source of all good management rests in the personnel.
3. Managers must be sincere and show a warm concern for their personnel.
4. Without using our power of authority, we must work to gain cooperation by trust and understanding.
5. In order for the individual to develop, we must supply appropriate demands.
6. Each person must be given some responsibility and authority.
7. Harmonious cooperation is essential for good management.

APPENDIX V

The young heart must serve the greatness of nature:

November 1961

I learned to walk,
and to day I wish to learn to walk again.

Like autumn, today the international trade relations come up against the ice-cold winter wind due to the worsening of East-West relations... a challenge of our time.

As far as I am concerned personally, I was asked by Matsushita Electric, to go to Hamburg for almost two years as representative for Europe. At the end of November I will fly from Haneda-Airport to Germany and leave Japan for some time.

With this greeting I thank you for your friendship and ask you to continue in the future to always be available to give me advice.

S. Kuraku

(Extract from Gemeinsam Wachsen)

German Stock Corporation and their Labour Management Relations
 (Example Beiersdorf AG without distribution centres and subsidiaries)

Structure:

Duties and Rights:

Supervisory Board (12)

Composition (12 to 20 members with corporations which as a rule have more than 2.000 employees):

6 from shareholders' side,
 6 from the labour side —
 among them:
 2 representatives of labour unions,
 4 employees of the company
 among them:
 1 in managerial position.

The chairman, usually a representative of the shareholders, is entitled to two votes if any vote results in tie.

The Supervisory Board is elected for a term of 4 years by the shareholders and the employees.

→ As to the political scene of the new Co-Determination Law of 1976

Executive Board (7)

among them:
 1 Labour Director
 (Works Director)

Employees in managerial positions (ca. 115)

Employees without managerial responsibility (ca. 4.700)
 - workers (wage-earners) and salaried employees -

Works Council (27)

(Employee Council or Shop Council)
 among them:
 6 steadily released from work.
 The Works Council is elected by the employees for a term of 3 years.

Economic Committee (10)

The Economic Committee is appointed by the Works Council for the same term.

The Supervisory Board supervises the management; for this purpose it may inspect and examine the books and records of the company as well as the assets. It represents the company towards the members of the Executive Board in and out of court.

According to specific regulations in the Articles of Association of the company the Executive Board for certain decisions needs the approval of the Supervisory Board (e.g. as to investments exceeding a certain amount, real estate, long-term credits, subsidiaries, general authorities to represent the company).

The Supervisory Board appoints the members of the Executive Board by a majority of at least two-thirds of the votes of its members. In case this majority was not reached, a special committee within one month has to make a new proposal for appointment by a simple majority. If again an appointment cannot be made, the chairman shall have two votes in a third poll.

The Executive Board (Board of Management) has to direct the stock corporation as a matter of its own responsibility and represents it in and out of court.

The responsibilities of the Labour Director (Works Director) are not specified by law but relate to personnel and social matters. His appointment and removal is governed by the same rules as those which apply to any other member of the Executive Board; he has equal rights.

The Executive Board has to inform the Works Council in time and thoroughly of certain matters. The agreement of the Works Councils is needed for certain decisions in social and personnel matters, including dismissals

The Executive Board has to inform thoroughly the Economic Committee in advance about economic matters once a month for information purposes of the employees. The Economic Committee reports fully to the Works Council;