

Y.K.K.(Yoshida Kogyo K.K.)

Y. K. K. -- Yoshida Kogyo K. K. (meaning Yoshida Industries, Ltd.) -- was the biggest manufacturer of zippers in the world and it was also Japan's leading producers of aluminum sashes. Around 1960, Y. K. K. opened its first overseas plant and as of April 1974 its 27 overseas subsidiary plants turned out zippers in 22 countries employing more than 3,700 foreign employees and with some 140 Japanese on overseas assignment. Reflecting the management philosophy of Mr. Tadao Yoshida, founder and president of the company, management of Y. K. K. overseas subsidiaries, was quite unique, particularly in the field of personnel policies and practices.

Company Background

Y. K. K. 's main products were metal and plastic zippers and building materials such as aluminum sashes, and of its 1973 sales of about ¥100 billion, aluminum building materials accounted for ¥60 billion and zippers ¥40 billion. The company's zippers held more than 90 per cent of the domestic market, and combined with its exports and overseas production of ¥32 billion, they accounted for a quarter of world market. Exhibit 1 shows the company's sales growth since 1965.

Y. K. K. , based in Tokyo and with a total capital stock of ¥5.6 billion, had 5 plants in Japan and both of its two main plants -- Ikuji and Kurobe plants -- were located in Toyama Prefecture facing to the Japan Sea. It employed about 11,000 workers, 45 per cent of which were women.

The origin of Y. K. K. went back to "San-S Company" which was established by Mr. Tadao Yoshida in 1934 in Nihonbashi, Tokyo. After a zipper plant with some 100 workers during its peak years had been burnt down in an air raid, Mr. Yoshida established Yoshida Kogyo K. K. in 1945 in his native town Uozu in Toyama Prefecture, and started again to produce zippers. In 1950, Y. K. K. imported from the United States new machinery which automatically put zipper teeth on tapes. This investment enabled the company to hold an overwhelming position in the domestic market and since then the company paid unceasing interest in the development of its own technology.

In the late 1950s, Y. K. K. completed the construction of the large scale Ikuji Plant in Kurobe City, Toyama Prefecture, and starting with plant exports to India, undertook construction of its overseas plants. Up to the early 1960s, Y. K. K. 's overseas plants were only in the countries of Southeast Asia, Oceania and South America. Then in 1964, it started zipper production in advanced industrial countries with the opening of a plant in New York and one in the Netherlands. Currently the company had 11 plants in the United States and on the other side of the Atlantic it had plants in the Netherlands, Britain, France, West Germany, Italy, Spain and Belgium. The list of Y. K. K. 's overseas subsidiaries is shown in Exhibit 2.

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What made Y. K. K. 's production system uniquely integrated as a zipper manufacturer was not only its continuous production methods from processing of raw materials -- aluminum and copper alloys in one hand and spinning, weaving and dyeing of raw cotton on the other -- to assembling of various components into finished products, but also its machine shop in Kurobe with some 1,200 engineers and mechanics and about 1,700 machine-tools, which developed and produced almost all machinery used in the company's production facilities including its overseas plants. It was said that the machine shop turned out 15,000 zipper and zipper parts machines every year.

Interview with President Yoshida

After finishing the course of a senior primary school and helping his eldest brother's small shop in his native place, Mr. Tadao Yoshida went to Tokyo, where he found a job of a clerk of chinaware dealer and then was sent to Shanghai for purchasing porcelain. When Mr. Yoshida started his own business in 1934 at the age of 25, he had only two employees: Mr. Kiichi Yoshikawa and Mr. Toshio Takahashi, who were currently executive vice presidents of Y. K. K. Mr. Hisamatsu Yoshida, elder brother of president Yoshida, worked for the company as senior executive vice president. President Yoshida spent the first half of a month in the Tokyo head office and the second half in the factory in Toyama.

In February 1974, the case writer had an interview with Mr. Yoshida.

Case writer : I should like to know what is the underlying principle of the management of Y. K. K.

President : My business philosophy is based on the concept of the "cycle of goodness." Since my boyhood, I was very fond of reading biographies of great men and when I read a biography of Andrew Carnegie, I was deeply inspired by his "Unless you render profit or goodness to others you cannot prosper" I was deeply impressed and inspired. At the same time I wondered if and how I could do as he had said. Gradually I came to believe that it is not good to make money without working so hard as to sweat, and that to buy things other people made when their prices fall down and sell them over to others when their prices go up is nothing but a rake-off. What is important is to make things by yourself. What is the most precious in man, I believe, is the ability to create something tangible out of nothing. By means of creativeness, man can make his life richer and can gain lots of profits. Now suppose that we succeed in reducing the cost of a certain product to ¥50 while other companies make the same product for ¥100. Then, we will return two-thirds of the balance or the cost saved to consumers and related industries, and we will retain the remaining one-third to ourselves, which we will use as much as possible for future investments. This is my idea of profits. Savings make the difference between human beings and animals. Inventiveness and savings are the two indispensable wheels for human progress. I would dare say that those people who made money without toiling but just through rising prices in a concerted way, as you have seen recently, are committing a sin against society. Some people are said to have earned as much as ¥100 million by merely buying and selling stocks of the companies for which they are not working. In my view point, this is a result of one of the shortcomings of capitalism. As I cannot favor speculative mentality to make money by means of stocks of companies which are not of your own,

Y. K. K. does not put its stocks on the market; we are trying to give Y. K. K. stocks to Y. K. K. employees as much as possible. As we can not afford to pay our workers as much as we wish, we make them our shareholders so that they can get dividends and enjoy better life. Because our employees have a sense of responsibility to the company performance as shareholders of Y. K. K. and try to work hard and exercise their creativeness, Y. K. K. can make products with better quality at smaller costs. The 40 years of history of our company is a history of realizing the idea of "cycle of goodness" in this way.

From last year to this year, costs of our raw materials went up more than 50 per cent, and some of them as much as 200 per cent. Even if we had boosted prices of our products by 50 per cent, our competitors could not have competed against us and we could have earned profits amounting to hundreds of million yen. But we did not. We did increase our prices last year, but we made our utmost efforts to make our price-hike as small as possible. As a result, we decided to squeeze this year's production cost on an assumption that we could have purchased raw materials ¥10 billion less than what we actually paid. Even with this, we will not go into red. We can rely on our own excellent production facilities. Our investments since the "Nixon shock" alone amount to ¥80 billion. But our wages have not been on the high side on the country and some of our people wanted larger price increase and bigger bonuses. I admonished them and reminded them making money by buying things at low prices and selling them at high prices is not compatible with the Y. K. K. 's principle because that money is not earned by our own efforts and toils. I told them that the now was the time for the Y. K. K. group to exert itself to serve society better by keeping prices as low as possible even if we were to use up the last bit of our stockpile. I also told them, "Situations are very bad, we cannot deny it. We are now, so to speak, in winter. But for Y. K. K. the winter will be crisp and clear. We need not to be miserable because we are sure that at this time next year we will be able to get raw materials more cheaply and abundantly. Let's prepare ourselves, therefore, for a new spring when we can offer society newly developed materials and products." I believe this is the way to contribute to society. Y. K. K. achieved the present position of the world's largest zipper manufacturer because we were and are aiming to serve society.

Y. K. K. investments made in the past years amounted to ¥190 billion -- some ¥160 billion in Japan and ¥30 billion in foreign countries -- including our plant in Kurobe which is unique in the world. We are confident that our products are of the best quality and the cheapest in the world. It is because we not only produce zippers and zipper parts but also we develop and produce ourselves machinery used in our factories all over the world.

Case writer : I heard you yourself have a lot of registered patents. . . .

President : Yes. But I do not remember the exact number; it must be somewhere between 400 and 500. To obtain a patent is not so difficult as people imagine. You have only to have a new idea for producing goods by a new method by means of new materials or saving of, for example, electricity or fuel consumption. Everywhere around us I found many things to be improved. I wonder why experts or specialists fail to take notice of them.

Case writer : Y. K. K. is one of few Japanese companies which started producing

overseas as early as the early 1960s and has successfully expanded its foreign operations since then, isn't it?

President : Now, Y. K. K. has about 30 plants throughout the world. It is just like to see seeds spread over the soil by wind and develop into a forest. But Y. K. K. in the United States, in the Netherlands, in Britain, etc. are not Japanese companies. They have their roots deep into the soil of the countries where they are operating. When I send our employees on foreign assignments, I always tell them, "As you are going to work, for instance, in Britain, try to get acclimated with local conditions and to behave as the British do. You are Japanese. You can do nothing about it. But try to be good citizen in your new community. Respect their manners, customs and traditions even when you may find them strange or funny. Do not forget to contribute your share to the progress of the local economy and welfare; remember that if you do not render services to your new community, you will neither be accepted by them nor succeed."

I hope to distribute overseas Y. K. K. stocks to their employees as we do in Japan as soon as possible. But we must be careful in doing so in foreign countries. They could sell Y. K. K. stocks at a good price. Once we have distributed stocks among local employees, they as shareholders have legitimate rights to keep or sell their stocks. If they want to sell them, we can do nothing about it. Suppose that our employees in the United States sold their stocks to someone of our American competitors. If he comes to see our plants, we cannot refuse him. Or, if someone could obtain a certain amount of stocks and wanted to sit at our board of directors, we cannot do anything but to accept him. The question is how we can give them a sense of participation in the management of their company as worker-shareholder; and how we can prevent stocks distributed among our local employees from being sold to outsiders. If and when we can find a solution of this problem, we will carry out gradually our stock-sharing plan in our subsidiaries abroad.

I always tell my local employees, "Make your best efforts in your work since all of you have ability and opportunities for advancement to directors, whether you work in office or in warehouse or in factory." When I visit our plants abroad, the first person I would speak to is a warehouseman or a delivery man. I tell them in this way, "You are doing a very important job of your company. And when you make delivery to plants or offices of our customers, you will find there one or two small things which can be easily improved but to which no one ever paid attention. Then, put forward your suggestions to them. They will appreciate your attentiveness and suggestions. They will realize that you are different from ordinary delivery men. Thus, you will win good reputation among them and they will come to listen to what you tell them. And then, you will be entitled to join our sales staff." Some of them were moved by my words to tears, some would blush with joy. They would tell me that they would work for Y. K. K. as long as they could. It is surprising to find that in the United States and in European countries as well as in developing countries there exists too wide a gap between executives and workers to allow effective communication. I cannot help feeling that workers in these countries sell themselves for daily

or monthly wages. In this respect, situation in Japan is much better than in other countries.

I remember one episode. It was when I visited our plant in the U. S. for the first time. After I had finished my business there, I was going to leave for Canada. It was Saturday. To my surprise, many workers of the plant came to see me off. "Why didn't you go out with your folk? This is Saturday. Or, do you have something to tell me?" said I. They told me that they had been deeply impressed by my speech which I made the day before because they had never had such inspiring remarks and that they had decided to come to see me off. However lofty and noble idea one may have, it is only pie in the sky unless we translate it into practice. So, we are giving serious consideration to stock-sharing plan in our overseas companies. At the beginning of this type of plan, foreign employees will agree not to let their shares go at any price. But since they are not accustomed to our way of thinking, avarice may make them change their mind. Even in Y. K. K. there were some employees who did not want to have Y. K. K. stocks which we offered them and some others who sold their shares to people other than Y. K. K. people. And some portion of our stocks are held by outsiders. Today our employment increases more rapidly than our issued stocks. Therefore, we now must ask our older worker-shareholders to transfer their stocks to new comers upon their retirement, or at the time of capital increase we ask them to turn over a part of their right for new stocks to younger employees so that as many employees as possible can participate in the stock-sharing plan.

Case writer : What is striking about your company is that, unlike other Japanese firms, many of Y. K. K. overseas subsidiaries are producing goods in North America and in Europe.

President : In advanced countries there are fewer restrictions and we can do our business with more satisfaction than in developing countries, where we are required to tie-up with local partners. From the view point of the Y. K. K. management principles, local partners tend to be rather obstacles than partakers. Many of them lack in the willingness to consider about betterment of employees. More often than not, they are eager to let employees work for wages as low as possible and to put all the profits into their pockets. When establishing joint ventures in Southeast Asian countries, most of the Japanese companies go into business with Chinese residents with whom they have dealings. But in many cases, that choice turns out to be the cause of failure. I always recommend those people who seek joint venture partners to choose nationals of the host country. If you have overseas Chinese as your partners, it can lead to local people's boycotting your company. People of many Southeast Asian countries seem to have a feeling that they have been economically oppressed for a long time by Chinese merchants. They tend to think, therefore, that the Japanese come into their country to exploit them hand in hand with the Chinese living in their country. You should not forget that every country has its own nationalism. It is all right to have a Chinese manager in the sales department, but management of factories should be put in hands of a local national. Unlike commercial business, a manufacturing company must have its roots deep in the soil of the host country. You cannot pull it out easily

even if you come to face unforeseeable and unfavorable situations. A factory is like a bridge; once you have built one at a certain place, you cannot move it to another place for many years to come. In many cases, local businessmen are short of money and are not good at doing business. But we must think in the long-run terms and help them in financing and transferring technical and management know-how.

Case writer : The personnel administration policies of Y. K. K. subsidiaries all over the world seems to have some common features. Can I understand that this means that you think all human beings are same throughout the world?

President : Yes, you are right. That is why we encourage local employees to participate in management. In the management system prevalent in Japan you must wait for ten or fifteen years before you are a department manager, and additional five or ten years to be a member of top management. If we tell our local employees to wait as their Japanese counterparts do just because it is the Japanese way, they will not be fully persuaded. In our overseas companies, therefore, we promote capable employees of two or three years service to the level of department manager or temporal members of the board of directors. Because we do not fully understand their abilities and character, they sit at the table of board of directors for one-term and are replaced by other candidates in the next term. We are hoping that in this way we can develop them into good executives.

Case writer : What do you think are the most important requirements of Japanese managers, especially of general managers of your overseas subsidiaries?

President : Well, as a matter of fact, we do not, or shall we say, we cannot afford to give much attention to that matter. They are sent to their international assignments without any special preparations and training. To speak frankly, they are sent to their new post of general manager of an overseas company without any well advanced notice and goes right to work visiting his new customers one after another. Because they are not specially trained for their new assignments abroad it can happen that we have complaints from our foreign customers that our new general manager could not fully understand what they told him over the phone. If I could find in our company some people who could act in my place, I would happily send such people abroad. But I can not, and I will not be able to. Although our international assignees are to develop their capability still further and they have to deepen their understanding of the basic philosophy of Y. K. K., they have very valuable assets: their youthfulness. They should work diligently fully utilizing their vitality. I always tell them, "You are to be pioneers of the country where you are going to work. You are expected to work not only for our company but also for the benefits of your host country. You should have pride that you are doing a task which may make your name written in the history of that country."

Case writer : Among local employees there will be some who will not agree to or sceptical of your philosophy, and other workers will listen to what they tell them.

President : In these days, even in Japan, you cannot expect to find simply honest people any more. Almost all people are slightly tainted

with the socialist ideology. In the past 40 years our company was exposed one crisis after another and every time we overcame difficulties unifying our strength. The only way to win trust of our foreign employees, therefore, is to put into practice what we are telling them, however trite or seemingly insignificant they may be. We do not hope to have only good workers. I think that all the workers of our company joined us, led by a certain bondage which is invisible to us. We must treat them kindly and it is our duty to make good workers of them. They are just like transplanted trees; it takes time before they are accustomed to new environments.

The basis of management philosophy of Y. K. K. should not be changed. But when my son and his colleagues assume responsible positions in the company, it will reflect their own value judgements and will be slightly different from what it is. Similarly, our principle idea must take different forms from country to country. Management philosophy must have flexibility to adapt itself to different times and different countries. Through this process, we can make it closer to the ideal one.

Management Practice -- Stock-Sharing Plan and Board of Directors Meeting

As it was Mr. Yoshida's policy, Y. K. K. stocks were not listed on the stock markets. About 2,100 shareholders who were Y. K. K. directors, employees and their families held 68 per cent (¥3,790 million) of the company's issued capital of ¥5,600 million, and about one-third of the issued capital (¥1,720 million) were held by employees below the director level. At the time of capital increase, shareholder-employees were encouraged to give up their rights for new stocks so that non-shareholder-employees might get some stocks. But the number of employees increased faster than capital and there were many employees who had no stocks. Par value of the stock was ¥10,000 and its dividend rate was 18 per cent. 13 per cent of monthly wages and 10 per cent of summer bonus and 50 per cent of winter bonus were deposited in the company's savings account through payroll reductions. Annual bonuses amounted to more than 5.5 month's pay.

The board of directors met once a month in Ikuji Plant in Toyama Prefecture. But more than 100 people sat at the meeting table because the meeting comprised managers and union representatives as well as directors. Some rank-and-file workers also attended the meeting by turns. This was the pattern of Y. K. K. board meeting since the company's establishment. When the size of the company had been small, all the employees had attended the meeting. At the board meeting any participant regardless of his position could express his opinions. The board meeting was regarded as a "forum for education" and a useful means of permeating the company's operating philosophy throughout the organization. Wage increases and size of bonuses were determined not through collective bargainings but over the table of the board meeting. The labor union of Y. K. K. was independent, not affiliated with any regional or national unions. The average age of men workers was 27 and women workers 21. The average annual income from labor of the former was ¥2,100,000 and of the latter ¥1,400,000. The wage packet of Y. K. K. did not include elements of educational backgrounds, and a worker with a large family could live in a large house which was provided by the company. The company began to feel the impacts of labor-shortage, but its turnover was lower than that of other companies. According to Mr. Morino, chief of labor relations section in Ikuji Plant, "It takes for ordinary employees three to five years to fully grasp the meaning of the 'cycle of goodness.'"

Relations Between Parent Company and Overseas Subsidiaries

The overseas operations division in the Y. K. K. main office handled such matters as selection of plant location, plant construction and communication with its overseas subsidiaries. On the other hand, the overseas operations section in the main factory located in Toyama Prefecture dealt with problems related to technology and production facilities to be incorporated in overseas plants and training of engineers to be sent abroad.

Mr. Hideo Hirata, Director and Manager of the overseas operations division, explained, "Over all direction and supervision of this division is maintained by President Yoshida. Most of our production facilities in developing countries were opened at the request of our agents in those countries. What is most important for us in advanced countries with larger markets is to meet demands promptly for various types of zippers, different in materials, colors, sizes, etc. So we started local production. Our policy of overseas operations is to establish fully owned companies wherever possible. Our competitive edge in international markets, particularly in the markets of advanced countries, comes from research and development efforts made in our main factory. Our sales policy is to sell our products directly to our customers without relying on intermediaries."

The directors meeting in February was called "Joint Meeting of Directors" because about 300 managers and directors of all subsidiaries and branches of the Y. K. K. group here and abroad were invited to attend the meeting to review annual production-sales plans. The joint meeting was held for three days. On the first day, representatives of all offices and factories expressed their views for about three minutes each. At the suggestion of Mr. Yoshida, each speaker prepared charts for his presentation. Annual plans were reviewed and discussed on the second day, and exchange of views on specific problems of each office and factory was held on the third day. In 1973, Mr. Yoshida invited to the joint meeting not only Japanese managers but also local executives of overseas subsidiaries and said, "Witnessing this meeting, you will understand, I hope, the sources from which comes out greatness of Y. K. K. as a worldwide enterprise. You do not need to be stingy with the travel expenses to this meeting. Working hard, you can easily earn as much money. But I want you to remind that what is more valuable than money is people, people who work hard. We must assume it our duty to bring up each one of our workers in the way a worker should go." National managers of Y. K. K. subsidiaries in Australia, West Germany and Hong Kong attended the 1974 joint meeting. Some 20 foreign workers who were staying in Japan as trainees also attended the meeting.

Considerably detailed information was transmitted from the parent company to overseas subsidiaries. From abroad, annual financial statements, monthly reports of productions, sales, stock and personnel as well as special reports on specific topics and occasional letters were sent to the main office. Communication through telephone and telex was also exchanged quite often regardless of expenses.

Y. K. K. had no written evaluation criteria of its subsidiaries performance. Evaluation was usually made on the basis of market share, growth rate of sales and profits. But what was most important for general manager was to achieve the annual target set for each company at the joint meeting of directors. Y. K. K. aimed at sales profit of 7 ~ 8 per cent both for domestic and overseas operations. General manager of each subsidiary was empowered to manage in his own way, and whenever any serious problems arouse in his company, he came to the main office to discuss how to solve them, or managers of the parent company went to that company to adjust policies and annual target to the changing conditions. If

they found the problems were too tough to be tackled by the general manager, they replaced him with new one.

Expansion of Y. K. K. Operations in Europe

Mr. Seihiro Nishizaki, deputy manager of overseas operations division, had been in Europe for five years from 1964, at first engaging in construction and management of the plant in the Netherlands which was Y. K. K. 's first in Europe, and then developing and implementing plans for opening new plants in other European countries. In 1963, Y. K. K. had more than 85 per cent of the domestic market and its exports accounted for about 30 per cent of its sales. In 1963, however, a rapid growth of the company slackened and its export ratio to total production dropped to less than 20 per cent. Mr. Nishizaki, chief of plant export section at that time, left Japan for Europe to study if it was possible for Y. K. K. to start production in Europe.

"At that time no Japanese firms had factory in Europe," recalled he of those days, "And since I had never been in sales and did not know where and how to proceed my research, I visited governmental agencies of each country I went and asked them off-handedly how favorable they think of the investment climate in their country. The Dutch government was most enthusiastic of our plan and was kind enough to introduce me to responsible people in its industrial development area. After visiting five or six places in the area, I found Sneek was most eager to attract foreign investment and its location, buildings to let for plants and housing conditions were better than other places. In retrospect, I think we were lucky enough to find a small city like Sneek, whose population at that time was only less than 20,000. Unlike in large cities which had many large companies and factories, Y. K. K. was very visible and impressive in a modest city like Sneek and people of the city from the mayor on down dealt with us most favorably."

When Mr. Nishizaki returned from his European survey tour, he was unexpectedly appointed as general manager of a Y. K. K. subsidiary to be established in the Netherlands. In March 1964, four months after the appointment, he left for his new assignment with two assistants and started up a new company. It was when he was 32 years old. Before leaving Japan he told president Yoshida that if Y. K. K. was to succeed in Europe they must develop the most suitable nylon zippers to meet local demand and in view of the wage difference between European countries and Japan they also must make more labor-saving machinery than that was currently used in Japan. Mr. Yoshida said, "Leave it to me. I will handle with these problems." And he added, "If our project in Europe does not go well, I as well as you are to blame: both of us will appologize for it before the board meeting." Mr. Doguchi who went to the Dutch plant with Mr. Nishizaki as an engineer at the age of 23 and who was promoted to the plant manager reminisced, "We left Japan with a grim resolution. We told ourselves that we would not come back alive to Japan unless we succeed. We were like kamikaze combats."

The first big problem Mr. Nishizaki faced on his new assignment was that of distribution channels. A Dutch importer-dealer had been given sole right to sell Y. K. K. products in the Netherlands and he demanded an extravagant compensation fee for revision of the contract. At this outrageous demand, Mr. Nishizaki decided to sell all the products of the new Dutch plant in West Germany because the plant had been originally established with the ultimate purpose of penetrating into markets of the European Community countries. This decision proved to be successful and they could have confidence that they could go along without relying on agents in European markets. This confidence also played an important role in developing successful sales strategy of other subsidiaries to be

established in the coming years in other European countries. From 1964 to 65, they developed the market in West Germany and set up a plant there; during the period of 1966~67, they expanded the French market and opened a plant in 1967~68, the company went into the Italian market and built a plant in the country. In each case, Y. K. K. expanded its operations in the same pattern: develop a national market, reinvest profits coming from the market in the form of establishing a branch office, incorporate the branch office into corporation so that it might engage in production operations, and then open a factory. In 1969~70, Y. K. K. concentrated its efforts in developing the British market. Except in Britain, Y. K. K. subsidiaries in West Germany, France, Italy, Belgium, Spain and Switzerland were established jointly by Y. K. K. and Yoshida (Nederland) B. V. "We could easily get approval from the government of these countries because new companies were not solely established by a Japanese firm," Mr. Nishizaki explained. "At the outset, our production costs had been considerably high, but we could gradually succeed in reducing the average cost by making most of the imported materials from Japan, and we could afford to spare money for better set-up of factories and training of our employees. When we found an approach employed in one country to be successful, we applied it in another country. But since conditions vary from one country from another in Europe, sometimes we failed. In short, we had a series of trials and errors and we had always to try to attune our policies with different business environment."

Mr. Nishizaki told on relations with local employees in the following way: "At that time, when machinery arrived from Japan, I was the first to do unpacking. It happened that a visitor came to see me while I was doing this sort of job. He told me that he wanted to see a manager and I told him I was a manager. 'No, I want to see the general manager,' said he. When I told him I was the general manager, he looked askance at me for a while. Office staff, when and if they did not have pressing work, helped factory hands, and factory workers in turn lent deliverymen a hand when they had time to spare. This was our way of doing business. While Europeans were infected with class prejudice, we made no attempt to differentiate ourselves from local employees. This attitude was uncommon in European countries where people were accustomed to find their own place in one of social stratum. But local employees showed favor to our idea that all those working in our company were in the same set."

Case writer asked Mr. Nishizaki, "You did not adapt yourselves to the local ways of dealing with people. Was it because you were confident of your policies?" "No, we were not," replied he. "On the contrary, we had deeply worried ourselves over the matter. If we had been specially trained and well versed in policies and procedures of personnel administration in foreign subsidiaries, we might have accommodated ourselves to local conditions. But we lacked such sort of expertise. We made up our mind, therefore, to deal with our employees with sincerity, which we understand is communicable among all human beings. And since the number of our employees was rather small, it was easier for us to make them understand our policies."

Except anonymous letters saying, "We shall never forget about Indonesia (a former Dutch colony which was occupied by Japan during the War)," Yoshida (Nederland) B. V. had not any unpleasant or serious problems vis-à-vis the local community. At the occasion of President Yoshida's visit of the Dutch plant in 1965, the company had its first bus trip as a token of rewarding employees service. Before long, the number of employees became too big for one bus but too small for two buses and management decided to invite employees families or sweethearts to the bus trip. Three or four companies in Sneek started bus trips for their employees. Yoshida (Nederland) B. V. was popular in the local community and experienced no difficulty in recruitment despite general labor shortage

in the country. The cities of Sneek and Kurobe became sister-cities in 1970 and have been pursuing closer friendly relations.

Relations with Local Communities

Because Y. K. K. 's aim of opening overseas plants was to "serve the local community," all the profits of each subsidiary were re-invested in the country where it was operating. Mr. Yoshida used to tell those people who were going to be sent abroad, "Do not mix with the other Japanese working abroad. Avoid to join Japanese associations over there unless you find difficulties in doing business without being a member of such associations. Try to learn the language of the country where you are going to work. Do not teach local employees Japanese."

Every year Y. K. K. invited about 2,000 people from all over the world to a two-week tour in Japan during which they visited Y. K. K. Toyama factory, Kyoto and Nikko. Most of these foreign visitors were customers of the Y. K. K. group, and some of them were public officials such as mayor, journalists, financial people of the city where one of Y. K. K. subsidiary was located. A small number of local employees also joined the tours; e. g. , a team from the U. S. comprising 150 customers and other related people plus 10 local employees, and another team from Britain consisting of 100 customers and 10 local employees. Cost of this program was paid by each of overseas subsidiaries and the parent company paid for expenses of receptions and so on. At the Toyama factory both directors and workers accorded foreign visitors a cordial welcome, showed them round production facilities to their satisfaction and had several occasions to make or renew acquaintance with each other. The purpose of the visitation program was to let customers, community leaders and local employees of each overseas subsidiary understand fully how Y. K. K. was operating in its main factory. According to one executive of the parent company, "The program has proved to be far much effective in promoting customer relations and in building up better corporate image than newspaper advertising."

In addition to the visitation program, Y. K. K. had training programs of local employees in Japan; there were always many foreign employees receiving engineering training in the factories of the parent company for a period of 2 ~ 6 months. To make their staying in Japan as comfortable as possible the company had recently build a special dormitory for them, but they could spend a lot of time with Japanese workers on the job as well as on Sundays and holidays going out, for instance, on picnics together. Both visitation and training programs in Japan were considered as very useful means for infusing into foreign workers Y. K. K. management policies and their application.

Because all of the general managers of Y. K. K. overseas companies were in their 30's, from time to time they requested the parent company to send over one of top management to negotiate with, or to attend some special ceremonies held by local customers, financial institutions and governmental bodies. On the other hand, top management of the parent company from the president on down intended to visit overseas companies as often as possible taking such occasions as opening of a new plant.

Y. K. K. had also the "Overseas Training Tour Program" for employees of the parent company. Each year, 200 ~ 300 employees chosen by drawing from workers with more than three years of service were sent to countries in Southeast Asia, Europe and North America. Furnished by the company with personal expenses and a suit as well as round trip air tickets, they visited Y. K. K. plants, exchanged good wishes with local employees and made sight-seeing trips.

Personnel Policy

Y. K. K. had a Japanese way of personnel management in its overseas subsidiaries. Mr. Hirata, manager of overseas operations division, said on this point in the following way; "I think we should take a fresh look at the Japanese way of management. Management philosophy of Y. K. K. is based on a belief that all human beings, in spite of differences in races, customs and so on, have many things in common. I must admit that I am wondering if our local workers understand what we tell them of our policies as the Japanese workers do. But if they think there is something with which they can have sympathy or something challenging to them, we should be satisfied with them. We are sure that we can keep our policy effective even when we have 300 or 500 employees in each of our plants. If not, we had better to leave management in the hands of the locals."

"By promoting our employees to responsible positions regardless of their educational backgrounds and not making any distinctions between factory workers and office staff, we are challenging against customary employees relations. But the results come up to our expectations: our approach gives our workers incentives for work. Company trips by bus with employees and their families are also effective. Since many of our overseas plants are located in industrial development areas which are generally abundant in labor force and since we try to keep our wage level higher than the average of the community, we can attract good workers."

Several overseas subsidiaries of Y. K. K. began to have local top management; three in U. S. , one in Canada, Britain, Belgium and Italy and one "proxy director" in West Germany, France and the Netherlands.

The case writer asked, "It seems to me that most of overseas subsidiaries of Japanese companies do not recruit the elites of the host countries. How about your company?" To this question Mr. Nishizaki replied, "Neither we do. If we were in an industry which must start its overseas operations with large scale production, it might be possible for us to employ elite people on our staff. But our strategy of overseas operations is to start small and to grow gradually in commensurate with our local market development. Accordingly, our recruitment policy is to hire young people with potentiality and hopefully with willingness to work hard rather than people well educated and trained and to train and develop them within our own organization such as training programs in Japan. And the local elites tend to ask from the start for their own rooms with carpet and their own secretaries. I think that our recruiting and training policies will remain the same even when our overseas companies grow much bigger than they are now."

Expatriate Policy

All the general managers and plant managers sent from Y. K. K. to its subsidiaries abroad were in their 30's. Most of the general managers would have been on the level of section chief of sales department of the parent company had they been in Japan. All the plant managers in European operations were engineers graduated from senior high school and had been supervisors or foremen before they were sent abroad. Candidates for overseas assignments were selected on the basis of individual performance (technical skills, sales skills and administrative skills, etc.), personality and characters, aptitude to unfamiliar surroundings. Language skills were considered as "secondary requirement" and had no significance in selecting plant managers and engineers.

According to Mr. Hirata, "What is the most important is whether he is good

or not as an individual human being. In other words, whether he can be accepted as a representative of Y. K. K. However fluent in foreign languages and competent as a manager he may be, he can not be qualified for overseas assignments unless he understands fully the spirit of Y. K. K. And he must not be reserved. Our overseas managers are sent to their new assignments without much orientation and training. But since they are young, they are rich in vitality and flexibility in their thought and action. Because our president always encourages them by telling them, 'Do not be afraid of two or three misfires,' they can freely exercise their own initiative and potentialities. And in most cases, this resulted in satisfactory achievements."

Salaries of the Japanese managers abroad were decided by the parent company and they included what would be equivalent to the average annual bonuses they would receive on their domestic assignments. Their bonuses as well as pay raise were supposed to be fully reflecting performance of their own company; their bonuses ranged from 1.5 to 3 months' pay according to results for the year, and extra bonuses were given to the managers of the companies with excellent records. Even when the good results of a company was solely credited to the general manager of the company, all of its Japanese managers were given bigger bonuses.

Performance evaluation of each subsidiary was made according to its growth rate of sales, market share, profits and so on. Differences of business and economic environments, relations with employees and the local community were also taken into consideration.

Having worked for overseas assignments, the average managers received higher salaries than people working in the home country with comparable performance records. This was justified by the reason that "while managers in the home country have lots of people who are willing to support them or listen to their complaints when they face to difficult situations, overseas managers do not have such people around them. On the other hand, the latter have greater opportunities to exercise their own initiative and creativity as a manager. Consequently, they have greater chances for growth as an individual as well as a manager. When they come back to Japan, they usually be in abstract state of mind for a while, but as they adjust themselves again to Japanese surroundings, they give favorable influences over people working with them. The company, too, can rely on them."

When Mr. Nishizaki returned to Japan in 1969 after his five-year assignment in the Netherlands, the president said, "I will give you a special bonus." That special bonus turned out to be ¥3,500,000, far much surpassing his expectation. And since then it has become customary for the company to give a special bonus to people coming back from overseas assignments.

YKK FASTENERS (U.K.) LTD.

The United Kingdom imposed a high rate of tariffs on imported zippers. Y.K.K., therefore, established YKK Fasteners (U.K.) Ltd. in London in 1967 as a sales company. The company aimed to enter into the British markets with zippers produced in YKK Hong Kong by taking advantage of preferential tariffs treaty between the United Kingdom and Hong Kong. But business records of the new company was far from being satisfactory because delivery from Hong Kong took too much time to satisfy the British customers and because the products of the Hong Kong plant fell short of meeting varied demands of the British market.

In 1969, Mr. Takahashi was appointed as general manager of YKK (U.K.). He reshuffled supply channels to secure prompt delivery and completed a new plant in Runcorn investing ¥1,000 million. After the production of the new plant was well under way, the company started to show remarkable results; annual sales rose from ¥800 million in 1972 to ¥2,100 million in 1973, which accounted for 28 per cent of the British market. YKK (U.K.) had 30 employees (5 Japanese) in the London office and 160 employees (5 Japanese) in the Runcorn plant.

Mr. Takahashi said about management practice of YKK (U.K.), "I had only to follow faithfully what president Yoshida always tells us. Since the size of the company as well as mores here were different from what we were accustomed in Japan, I had to modify our management practice slightly. But the fundamental policies remain the same. I have invented nothing new in our way of doing business here. If you yourself are not fully convinced of the basic philosophy of Y.K.K., your management practice reveals lacks of confidence and can not be consistent. But fortunately, I had been under the guidance of Mr. Yoshida for more than 10 years. So, even in these unfamiliar surroundings I do not have any doubt of our management policies and I can behave here as naturally as I did in the home country."

The Runcorn plant of YKK (U.K.) was located in an industrial development area near Liverpool where one could get from London by a two-hour trip by express train. Liverpool, which had been the center of British ship building and woolen industries, suffered recently industrial decline and consequently increasing unemployment. The area was also known for its frequent industrial strife. The case writer visited the Runcorn plant in April 1973. 60 per cent of some 100 factory workers were women. The Runcorn plant was the biggest of all the Y.K.K. plants in Europe, and about 45 per cent of its raw materials were provided from local suppliers.

Mr. Minami, plant manager said, "Y.K.K. decided to set up a plant in this area because the government was eager to attracting foreign investments to develop this area. We were well aware that there had been a lot of labor disputes in this area. But I do not think this means that this area has nothing to offer; every place has its bright sides. For instance, unemployment rate in this area is the highest in this country. So, we can hire good workers without much difficulty. If we were located in an area where any company wants to go, we would have much difficulty in securing our work force. Every location has its advantages as well as disadvantages." Runcorn was not far from London which was a major market for zippers; covered by the government's incentive development plan, Runcorn could provide well developed utilities and housing; the area also offered some tax incentives, e. g., three-year tax credit for

investments. All of these factors were taken into account in deciding the location of a plant of YKK (U.K.).

Labor Problems

Mr. Minami, who was 36 years old, had been in India engaging in supervising the construction of a plant which had been the first plant export of Y.K.K.

He said on labor problems in the area, "I am still not very familiar with British labor problems. Some Japanese once warned me and said, 'If you knew anything about the history of the British labor movement, you could not help being very cautious in dealing with workers here.' The valor of ignorance? Perhaps they are right. In spite of many industrial development measures provided by the government such as tax credits for investments and subsidies for promoting employment, investments in manufacturing industries in this area are not growing so rapidly. This, I think, is mainly due to rampant labor management disputes in this area. One Englishman told me that he would prefer keeping his money on banking deposits which would pay good interest rates to investing the money in manufacturing just to be put out of business by work stoppages. While our plant was still under construction, there was a labor dispute which dragged on for one month. A newspaper reported on our project of coming into this area and said that we were bold enough to set up a plant in an area where strikes were everyday occurrence. As we were the first Japanese company making products in this country and as we had a problems over our labor union soon after our operations here started, our plant drew so much public attention that a TV station reported what we were doing. In a sense, we could get our existence here advertised for nothing..."

Soon after the operation of the Runcorn plant was under way, representatives of the General Union came to the plant and brought its workers together in the cafeteria to persuade them to join the union. At that time, there were about sixty workers and a half of them joined the union. As a counter measure, the management expressed its intention to cut the company's wages rates to the prevailing union rates. At a meeting with employees, Mr. Minami asked them why they wanted to be the member of the union. To this question, they replied that they had a feeling that the plant manager would not listen to grievances brought to him by representatives of employees and that they needed some protection in case of being discharged. And he explained them, "Management is willing to observe the established rules in your country. But since we are not yet well versed in your practices and customs, we must try to learn from you. But do not make unreasonable demands. We are convinced that interests of management and employees are compatible and our way of management is based on that conviction and aims to make both the company and employees prosperous." According to him, all the union members of the company spontaneously got off the union within three months.

Soon after that, an unregistered union was organized in the company and it had a meeting with management once a month. At the meeting representatives of employees and management exchanged requests or suggestions each other.

When the case writer asked Mr. Minami what was the most difficult problem he had ever had, he replied, "I think that most serious problems are still to come. What was very trying and embarrassing but which was beyond our control was strikes of the relates industries. Last winter, we were affected by the strikes in steel industry and electricity company. We were often vexed by strikes in cotton yarn companies, packaging companies and construction industries."

With regard to possible problems in the years to come, he said, "We must be prepared to deal with new type of labor management problems which will arise

when our employment expands to 200 or 300. But as we have been operating in our own way since the time when we had only a small number of employees, labor-management situations in our company in future will not be so serious as those in other companies in this country."

Working Conditions

Many workers of the Runcorn plant were married women and young men in their 20's, and the average wage for women was £18 a week and for men £25. The wage packet was made up of wage based on job, performance, length of service and piece work pay. In England there was no bonus system similar to that prevailing in Japan: the bonus was a special payment paid at the time of Christmas which amounted to a week's pay. YKK (U.K.) paid Christmas bonus equaling to one month's pay, and increased wages by 10 - 15 per cent annually.

Working hours of the company were 5-day, 40-hour week, and workers got a 10-minute tea-time at 10:00 am. and 3:00 p.m. Sometimes, Japanese managers worked on Saturdays. Since there were few workers who came to plant by their own cars, the company provided commuting buses at reduced fares for its workers.

When the case writer visited the plant, he saw young male workers with long hair play football at lunch time in an open space in front of the plant office. Seeing them enjoy the game, Mr. Minami said, "As we have a piece of spare land, I am telling them that we will make a football field for them. I also encourage them to make their own football team so that they may have a chance to make a playing tour to Japan. They find the idea very exciting."

The company recruited its most employees through public employment service office but found it rather difficult to have able young men workers. Mr. Minami had a feeling that workers in this country were brought up as the people of the lower classes but that they were on straight side in their thinking and behavior. He also sensed that British managers in general were eager to give orders to their subordinates but not so eager to work hard themselves. In YKK (U.K.), too, the most diligent and capable workers were found among specialists and members on the middle management level. Turnover rate of workers was low but "5 per cent of the bottom" were always renewed.

Labor Practices

"Did you find anything difficult to understand about British labor practices?" asked the case writer and Mr. Minami replied, "Not particularly. If there is something which is difficult for us to understand, it is because we see the matter from a view point of Japanese customs. If we can put the matter in the right place of the traditional and social context of this country, we can understand why such and such a thing is taken for granted here."

British workers seemed to the Japanese managers not to be neat and cooperative enough: operators did not clean up their machines when their work was over -- that was to be done by sweepers, not by themselves; truck drivers did not give their hands to load or unload their cargoes -- the union forbade them to do so. Carrol who was the only woman clerical worker in the factory could type and operate teleprinters. When Mr. Minami said, "We do not need a typist nor a teleprinter in this office for the moment. I want you instead to serve tea to visitors as well as to do the assignments we gave", she indignantly retorted him, "I have never been treated in such a rude way." Mr. Minami told the case writer, "No demarcation in this plant. All of us must aim to be 'generalists' tackling with any kind of jobs. When our company grows larger, we will need 'division of labor,' but

for the moment if this small factory of us is to survive, we must help each other." And he added, "In this factory, there is no organization as it should be. Layers and steps are not necessary in a modest factory with less than 100 workers. I told them to bring up to me all the problems and complaints they have. And I am working with them just a member of a team."

Mr. Minami's staff composed of Mr. D'Arcy who was assistant plant manager, Carrol and a young Japanese who dealt with outside relations and communications with the parent company. Another Japanese was engaged in sales and the remaining two Japanese were engineers.

Relations with the Local Community

In the industrial estate in Runcorn there were about 100 factories. Local employers were going to set up an employers association of the district and they invited Mr. Minami to join it. Some English managers asked him seriously to teach them the Japanese way of management, and he said to them, "You have your own established way, and it is we who are trying to learn your method." A factory in Yorkshire which supplied YKK (U.K.) with cotton yarn had many Indian workers. "We have no intention to employ Indian workers," said Mr. Minami, "it is not because of racial prejudice but because we are here to serve this country and its people. To depend on Indian workers which may cause less labor problems means that we have failed in dealing with British workers." When Mr. Minami took the case writer to lunch by his Ford car, the case writer observed that it was amazing to see so many Japanese cars in European cities and, Mr. Minami said, "It is against the Y.K.K. policy to use a Japanese car when you are on overseas assignments."

Every year, YKK (U.K.) invited to Japan for a two-week tour about 100 customers (mainly garment manufacturers) and leaders of the local community such as the chairman of county council, mayor, and officials working on industrial development programs as well as 10 YKK employees, 5 of whom from the Runcorn plant. Program in Japan consisted of visiting Y.K.K. factories, meeting with top management of the parent company and sight-seeing trips to Kyoto and Nikko. Employees themselves elected candidates of employee-participant in the visitation program to Japan and the management selected final participants taking their years of service into consideration. In addition to this program, the company sent three employees every year to the parent company for a period from one to two months for the purpose of training and infusing them the basic principle of Y.K.K. No male employees who had training in Japan left the company. Some women employees quit the company after the training in Japan but they had their own special reasons for quitting.

Conversation with Mr. D'Arcy.

When the case writer's interview at the plant was over, Mr. Minami asked Mr. D'Arcy, assistant plant manager, to take the case writer to the Liverpool Station by his car. During some thirty minutes to the station, he was kind enough to answer several questions of the case writer. Mr. D'Arcy had worked for a British automobile factory before he joined YKK (U.K.)

-- Why did you change your job?

"Because they staged strikes so often in automobile industries."

-- Why do you think there are so many strikes in your country?

"As far as automobile factories are concerned, workers are doing tedious and uninspiring jobs. So they feel, I think, that they are doing something important when they stage strikes."

-- Do you find any difference between behavior of Japanese managers and that of British managers?

"A great deal of differences. Japanese managers, for instance, do not hesitate to go and stay in factory floor while English managers will never do such sort of things.

-- In your opinion, which way do British workers prefer?

"It is difficult to answer that question. But I myself like better the Japanese way.

On the way to the station, Mr. D'Arcy showed the case writer the factories of well known companies located in the industrial estate and then he pointed to a two-storied flat and said, "That is the apartment house in which the Japanese managers of YKK (U.K.) including the Minamis live." That was a modest apartment house built by the local government. Seeing that, the case writer remembered Mr. Minami's word, "Some local people told me 'Managers should live in better quarters' But I do not mind such a thing."

Before long, the car entered into the city of Liverpool. "Many of employees of YKK were born and brought up in this city. So was I", said Mr. D'Arcy. He indicated tall apartment houses near the dockyard and said that he was born in one of these buildings. There was not much liveliness in the vicinity of the dockyards which had enjoyed the reputation of the most thriving dockyards in Europe. The case-writer understood that Mr. Minami was not exaggerating when he said that parts of the city were almost in ruins. "By the way, Liverpool is native town of the Beatles, isn't it?" asked the case writer. "Yes," said Mr. D'Arcy, "when I was young, I frequented the underground club where they used to play before they made a tremendous to-do in the world." And he took a round-about way into an alley to show the case writer the building. "Mr. Minami told me I would have a chance to visit Japan next year. I am looking forward to it," he said happily.

Personnel Administration

In October 1971 president Yoshida visited the Runcorn plant. According to Mr. Takahashi, general manager of YKK (U.K.), "For ordinary British employees, managers are 'great men' and president of the head office is almost 'a man of noble rank.' But when Mr. Yoshida visits a factory, he deals with employees frankly and considerately, and they are impressed by his unaffected manner. They can tell whether he is making a speech as a matter of form or he really has something to tell them and he really wants to communicate with them." It was said that Mr. Yoshida sang a love song currently popular among young Japanese to YKK (U.K.) employees at a party.

"What is important for us," said Mr. Takahashi, "is to observe local customs without abandoning our basic principles. It is better, I think, to refrain from stressing the Japanese way of doing as long as it does not affect our business seriously." One of the company's principles was, in the field of sales, to pay much attention to the needs of modest customers like dressmakers and, internally, to take good care of those workers doing chores in factory or warehouse. In England, a worker who started as a warehouseman was expected to remain as a warehouseman through his life, and a salesman was expected to finish his career as a salesman, and a blue-collar worker was rarely promoted to white-collar positions. But YKK (U.K.) held a view that all men are equal and treated all its employees on the same basis and offered ample opportunities for advancement to any capable workers. To cite a few examples: an able salesman who had worked for the company for three years was appointed as the director in charge of sales activities; a warehouse keeper with ingenuity was promoted to a salesman; a driver with four years service became a sales assistant. And those workers who had been many years in the company and diligent but not

'smart' enough were promoted to leaders of work groups both in the factory and in the office.

Sometimes the company's customary practices of personnel administration caused some troubles. When management decided to bring in a time clock in the office, an elderly employee was opposed to it and said, "You want to have a time clock because you do not trust us. We do not need a time clock in the office." Mr. Takahashi retorted, "Would it be quite proper to say that it is all right to have a time clock in the factory but it is a sign of mistrust to have one in the office? I do not think it makes sense. I want to see that office workers are treated in the same way as factory workers."

So far, YKK (U.K.) had never employed university graduates. Its policy was to "cultivate virgin soil" rather than rely on "ready made" people. Management was well aware, however, that as the company would expand and its activities would diversify they would find it necessary to recruit specialists in such areas as public relations, accounting, etc. They also felt that university graduates would want to have managerial positions from the start. But if necessity compelled them and if they could find promising candidates, they would employ some university graduates in the future.

Relations with the Parent Company

Mr. Takahashi said, "Perhaps the only thing the parent company has decisive power over the affairs of our company is treatment of me." Each overseas subsidiary had considerable autonomy in doing its business: each company had freedom and responsibility in selecting its products mix and in pricing. As for the treatment of Japanese employees on overseas assignment, the parent company made its suggestions but general managers were responsible for the final decision over their subordinates. According to the policy of Y. K. K., all the profits of its overseas subsidiaries were reinvested in the countries where they were operating. The only policy applied to investments in production facilities of a subsidiary was to "put into investments as much money as the general manager deems it to be necessary." Therefore, the parent company rarely modified the investment plans that were developed by the subsidiaries. "But we are well aware that if we make up a slipshod plan, we will be criticized by the parent company," said Mr. Takahashi. "According to our past records, however, we can fairly say that companies whose operations are going well have more investment plans than others. We can also say that companies with larger investments proved to be more successful than others."

Main periodical reports of overseas subsidiaries to the parent company were annual financial statements, monthly sales reports and annual plans (sales, ordering, financing and production facilities). Each subsidiary's annual plans were submitted to and reviewed at the "joint meeting" in February where general managers of all the subsidiaries met with top management of the parent company. The case writer asked Mr. Takahashi if he had any idea of how the performance of his company was evaluated by the parent company. He said that the evaluation would be made on the basis of sales records, appropriate rate of profits, employees relations, and popularity in the local community. As for the latter two, he added, "If we have some troubles with them, the staff of the parent company becomes aware of them before long because we have many visitors from the parent company and because there are a lot of occasions when our own employees go to Japan." In conclusion, Mr. Takahashi said, "I am happy to say that the parent company takes a long outlook in evaluating our overall performance. If you have good records for one or two years, they take it calmly. But three or four years later, you will understand that they accurately measure and reward your contribution." (See Appendix 1.)

YOSHIDA (FRANCE) S.A.R.L.

When the case writer visited the Lille plant of Yoshida (France) S. A. R. L. in April 1973, it had been in operation for only six months. Lille, where one could get in two hours from Paris by a north-bound express train, was the third largest industrial city in France located in a region near the border dividing France and Belgium. The Plant of Yoshida (France) was in an industrial development area adjacent to the city of Lille. In the Paris office of the company there were six Japanese including Mr. Furuya, general manager, and 20 French employees and in the Lille plant three Japanese and 31 French workers (of which 19 were men.)

The company was established around the end of 1967. Government approval could be obtained without much difficulty because situations at that time were different from today's and because the company was established as a sales unit by Yoshida (Nederland) R.V. For the first two or three years of its existence, Yoshida (France) limited its activities to sales operations and it was only in 1970 that it started production in a small service plant in the suburbs of Paris. And in October 1972 the Lille plant started its operation. But before they could put "the first Japanese plant in France" well under way, the company had had many serious difficulties. Since the French government was very cautious of accepting foreign capital, the company had to consume much time to go through the necessary formalities and fulfill the requirements. Although the company had originally been approved by the government to engage in sales and production activities, when it applied to the government for approval of financing the plant construction with money which would be introduced from Japan in the form of capital increase and loans, it had to draw up a plan with specified figures on production, sales, funds and employees for the five years to come and submit it to the Foreign Investment Council. The application was kept pending. The company modified the plan again and again and obtained approval at the third application. By that time, the plant construction was almost completed. If the actual production volume topped the figure in the plan, the government never failed in intervening and demanding explanations. To avoid this kind of troubles, the company modified the plan so that production realized might not outnumber the planned figure. But the government found such a figure too ambitious to approve and demanded the company to reduce production. Nevertheless, Yoshida (France) had been making fair progress in its sales. According to Mr. Furuya, "If there were not so many government restrictions, I would take greater pleasure in doing business in this country than in any other country."

A Japanese View on French Workers

The three Japanese working in the Lille plant were the plant manager, Mr. Doguchi and two engineers. Before he was appointed to the present position, he had been plant manager of the Sneek plant of Yoshida (Nederland). To Japanese managers, French workers' views on company seemed to be quite different from Japanese workers': French employees worked for their own individual welfare, but not for the organizations to which they belonged. When management said, "We want you to make the maximum efforts to make a profit this year. If we can go into the black, you will have a bonus," they replied, "Profits are what the company is to be concerned with. We have nothing to do with it." "But if the company can make progress," said manager, "it enables us to make your

living improved." "Well, if we want a better pay," said employees with a shrug of the shoulders, "we'll go where we can get what we want to have." The Japanese managers had a feeling that French businessmen aimed to keep a certain level of profits rather than to pursue bigger profits and that French workers would stop working harder once they achieved a certain level of affluence.

In France, workers were given two paid holidays a month and it was customary for them to accumulate holidays and to have one-month summer vacation spending all the 24 annual paid holidays at once with 4 weekends during the month. The Lille plant was closed from July 15 to August 15 and the office in Paris was closed for one or two weeks during the period. But the Japanese of the company had a vacation of only one week. They would say, "When other people are on vacation, you can deal with a lot of work which remain to be done without being disturbed with routine tasks." In the summer vacation period, the building where the Furuyas lived would become almost empty; even the concierge left for vacation with a part-time gardner in his place. During summer vacation, almost all the employees of the Paris office left the city while about a half of the employees of the Lille plant left the city. Ordinary French workers wanted to have as large a vacation and salary as possible while they made a clear distinction between their company and their individual life. The Japanese managers felt that they could do nothing about it except to accept it.

Human Relations

Mr. Doguchi, plant manager, told the case writer, "Europeans have different views of things from ours. But this does not mean that they and we are completely different. If we have prejudgement or suspicion against them, we can't get along with them. They find delightful what we Japanese find delightful: what we don't like, neither do they. Even if way of thinking is different, we can communicate with them if we have a good faith." Mr. Furuya put it in the following way, "Whichever country you may go, you are coming contact with human beings. If you don't lack in sincerity in dealing with them, you won't rouse their antipathy. What is important is to enjoy things together with them as well as to work together. President Yoshida always insists, "When in a foreign country, never do anything you Japanese by yourselves." Because we have been in constant touch with our employees, they have so far been willing to do what we tell them to do, even when we ask them to do something quite difficult or troublesome."

In the plant, Mr. Doguchi and two Japanese engineers often helped workers to load delivery packages on trucks. In the Paris office, too, when they had a large shipment, the entire office from the general manager down worked together. When a new comer watched the scene, he would say saucer-eyed, "But this is a work to be done by stockmen!" Both in office and factory, a morning meeting was held on Monday. In the factory, plant manager transmitted orders or messages from the management at the meeting and workers expressed their views or made suggestions.

Mr Furuya and Mr. Doguchi invited the case writer to have lunch in the employee cafeteria of the factory where all the people had the same dish supplied from a near-by restaurant. Lunch cost 6 francs and the company paid 3 francs. Mr. Carpro, chief of sales section and the only employee in the factory who could speak English took seat next to the case writer. Mr. Carpro said, "Last year, I went to Japan with our customers. That was my first visit to Japan. Unfortunately, I could not see almost anything I wanted to see myself because I was so busy in interpreting. I do hope to visit your country again." When lunch with beer was over, the Japanese managers started to play table-tennis with

employees in the cafeteria. In Paris, complying with its employees wishes, the company changed a room in the office into a cafeteria, where all the people in the office including Japanese managers had lunch. But by and by employees started to have lunch outside and only the Japanese and French managers still had lunch in the cafeteria.

In the Lille plant, "YKK Bar" opened when the day's work was over. Workers chatted with Japanese managers for half an hour or so drinking beer of half a franc. This habit of YKK employees was rather unusual among French workers who wanted to go home soon after the day's work was over. From time to time, the company organized such recreational activities as picnics, hikes and dance parties. This year, they had a plan to make a one-day bus trip to the Netherlands together with employees' families.

Working Conditions

Workers of YKK Lille factory worked 40 hours on a five-day week basis. Factory started at 8:30 a. m. but most of the workers were in by 8:15. In the Northern France some people still worked half a day on Saturdays and the workers of YKK came to factory on Saturdays when they were asked to do so. Management saw to it that wages of the company were "always a bit ahead of these of the companies in the area." The minimum wage was regulated at 4.75 francs an hour but the company paid men workers from 6 to 6.5 francs and women workers 5.5 francs. In France wages were mostly determined according to kinds of jobs. But YKK (France) took the length of service into consideration in determining wages because "even if a worker continued the same kind of job, he or she contributes to the growth of the company nonetheless."

In December 1972, as the things went pretty well in the year, the company paid Christmas bonus equaling to one-month's pay. Because it was customary for companies in France to pay Christmas bonus of one-month's wage to white collar employees and one week's wage to blue collar workers, the workers of the Lille plant were very much pleased to get such a bonus of unexpected amount. The Japanese managers, too, were happy and proud because they could put into practice what they always said to their employees: "If your company goes better, your life will get better." Some companies with good working conditions gave a bonus of one-week's pay before summer vacation. Mr. Doguchi asked Mr. Furuya to do the same thing in the company. Mr. Furuya agreed to do so and added, "If our sales tops so and so francs, we will have a party at a restaurant to reward our employees services."

Workers of the near-by factories went out on strikes from time to time. The employees of YKK (France) were also interested in labor union, and the other day, representatives of the leftist union in the district came to the factory in the hope of organizing its employees. Management of the company, however, was confident that even if a labor union was organized in the company they would not have serious problems with the union because they had already established good employees relations.

The Japanese Managers

When Mr. Furuya was appointed to the general manager of YKK (France) one year ago, he was a chief of a sales section of the parent company, and this was his first overseas assignment. When he left Japan, Mr. Yoshida encouraged him, "You have been in our company for ten years. Now it is the time for you to exercise your potentialities as you like in France."

"Just think of his entrusting management of the subsidiary in France with such a stripling like me," said Mr. Furuya, "How bold he is! Almost intrepid, I would say. I must meet his expectation all the more because he entrusts me. . . . In the area of investment projects, too, we can do as we like as far as our projects make sense. Recently we had applied to the parent company for bringing in one of the newest type of plastic injection machines in our plant. Mr. Yoshida thought over the application a little but he approved it. Our plant will be the first to have such type of machines in all the YKK overseas factories. . . . Yes, you can say that we have complete autonomy."

Neither Mr. Furuya nor Mr. Doguchi could speak French well. "Well, sometimes we feel ashamed not to speak French well when we meet young men of Japanese trading companies who just arrived here from Japan and speak French so well," said Mr. Furuya, "In order to get an overseas company acclimated to local conditions, we managers must overcome the language barriers. But our approach is to learn the language through direct contacts with the local national rather than going to school to learn it. One advantage of our approach is that it forces us to get mingled with our employees. And they become to know that we are really trying to make us understood and they get sympathetic with us and then it is their turn to make efforts to make themselves understood to us. We are trying to make up for the lack of communication resulting from insufficient language skills through direct contacts with employees in recreation periods as well as in work time. Fortunately, no serious troubles so far arouse from language problems." When Mr. Furuya had important visitors or some important letters to write, he relied on a Japanese girl interpreter on part-time basis.

The period during which Y.K.K. employees were on foreign assignments had been about five years, but it recently extended to ten years. Mr. Furuya said, "I hope young men of Y.K.K. to work hard on overseas assignments for a period of ten years. But as for engineers, I would rather send them back home after about three years." Mr. Doguchi recently went back to Japan about four weeks with his family but he said, "I was surprised to find that I did not feel quite at home while I was staying in Japan."

Unionization and Human Relations

In June 1973, a labor union was organized in the Lille Plant. Two of the four union officials elected belonged to the Communist-led C.G.T. (Confederation Generale du Travail) But because there were some errors found in the election process, the election of the union officials was held all over again and no C.G.T. members were elected this time. At the outset, the union counted about ten C.G.T. members but gradually they reduced to five. According to Mr. Doguchi, "It seems that they came to be tuned into our thinking and they found it useless to pay union fee of 10 francs to C.G.T. Our union is friendly with management because its members already know well what we are doing for them."

As his words show, management of the company was optimistic about its labor management. At the beginning, the workers of the Lille plant had been skeptical of what management had been telling them. They used to say, "We admit that what our managers tell us is really wonderful. But we also know that many French employers also tell their workers wonderful things but that they do not put them into practice. We wonder if our Japanese managers can do what they tell us." "By the time when we had been here for a little more than one year, we could feel that our words started to be taken at their face value by our employees," recalled Mr. Doguchi, "At Christmas party in 1973, many of them told me that they would trust us because we had done as we had told them. We are confident of our management philosophy. What is vital is to put it into practice."

For the year-end bonus, the employees of the Paris office got from one to two months' pay according to appraisal of individual performance, and one employee received two months' pay. In the Lille plant, size of the bonus ranged from one month to one and a half months' pay and it was determined on the basis of attendance, work efficiency and "earnestness." Three workers were qualified for the biggest bonus in the plant. When the plant manager personally explained to one girl worker who was one of the three why he thought she deserved such a reward, she was moved to tears.

At the beginning, the company's turnover rate was rather high but gradually the rate dropped off and few employees quit the company recently. Mr. Furuya recently stopped unloading packages but Mr. Doguchi still helped workers in the storehouse from time to time. They found that if managers would help workers too often, they seemed to have a feeling that there was something wrong with their work or that their own jobs were being stolen away.

Training and Development of Employees

Development of French manager went on as management expected. There were three promising employees in the Paris office and two in the Lille plant. In the plant, Mr. Carplo who had been the chief of sales section when the case writer had visited was promoted to assistant plant manager. In the office, a 28-year-old employee, who was a graduate of a commercial high school and who was never late for nor absent from work and stayed working late every day, was advanced to chief of the accounting section. The three in the office worked late and sometimes the Japanese managers could not leave the office because they were still working. The Japanese manager said about them, "These people who are to be advanced to the managerial level must do a lot of work. They are different from others." Loyalty to the company as well as sense of responsibility and dilligency was an important element in deciding promotion and pay raise.

Because French office workers could not get pay raise unless they acquired some new qualification, most of them tended to draw a line around their own jobs and hate to teach others how they do their jobs. In order to change this tendency, Mr. Furuya often said to them, "I know you work very hard and very well. But one who has some expertise or skills should teach and transfer them to others. In so doing, you can cultivate your own leadership. I promise you that you will have a pay raise if you can teach others what you have learnt, and even if you do not obtain another new qualification."

Exhibit 1
Y.K.K. (Yoshida Kogyo K.K.)
Growth of Sales. (1965-1974)

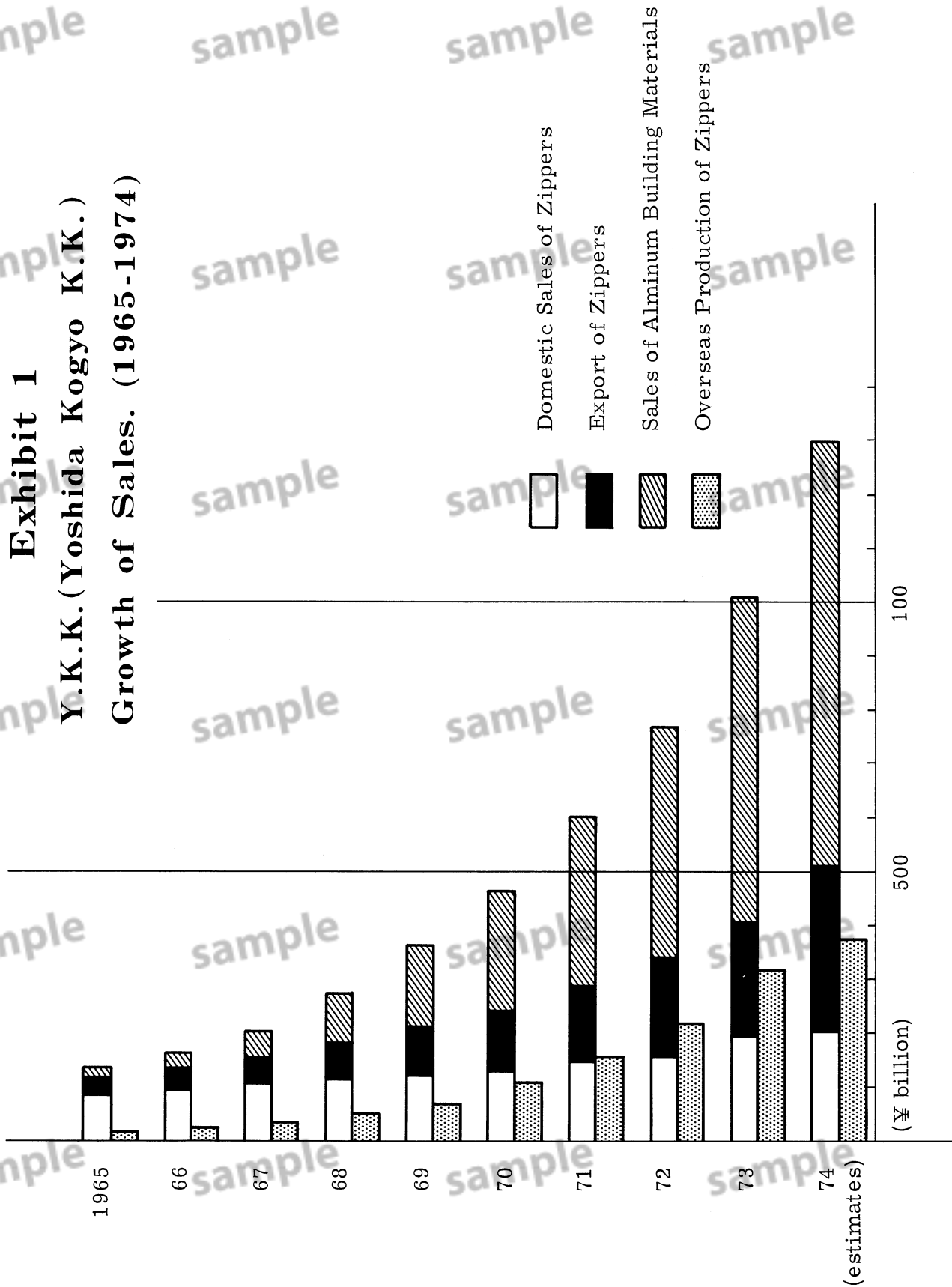


Exhibit 2

Y. K. K. (Yoshida Kogyo K. K.) Overseas Subsidiaries

(as of April 1974)

Company	Country	Location of Main Office	Established in	Type of Ownership	Number of Estab- lishment	Type of Establishment	Number of Employees		
							Local Nationals	Expatriate	Total
YKK Zipper (U.S.A.) Inc.	U. S. A.	New Jersey	Aug. 1960	Fully Owned	15	Office, Plant	190	32	222
Union Yoshida Industries Corp., Ltd.	Thailand	Bangkok	Apr. 1962	Joint Venture	1	Office, Plant	672	3	675
Malayan Zips Sdn., Bhd.	Malaysia	Johore Bahru	Jun. 1963	Joint Venture	2	Office, Plant	181	3	184
Slidefast (N.Z.) Ltd.	New Zealand	Auckland	Dec. 1963	Joint Venture	1	Office, Plant	51	0	51
Yoshida De Costa Rica Ltda.	Costa Rica	San Jose	Dec. 1963	Joint Venture	1	Office, Plant	181	2	183
Yoshida (Nederland) B. V.	Holland	Sneek	May 1964	Fully Owned	3	Office, Plant	76	4	80
YKK Zipper (W.I.) Ltd.	Trinidad	Port of Spain	Apr. 1965	Joint Venture	1	Office, Plant	83	1	84
Taiwan Zipper Co., Ltd.	Taiwan	Chung Li	May 1965	Joint Venture	2	Office, Plant	925	5	933
YKK Zipper Co. (Hong Kong) Ltd.	Hong Kong	Kowloon	Sep. 1966	Fully Owned	2	Office, Plant	175	7	182
YKK Fasteners (U.K.) Ltd.	England	London	Mar. 1967	Joint Venture	3	Office, Plant	180	12	192
Yoshida (France) S. A. R. L.	France	Paris	Dec. 1967	Fully Owned	5	Office, Plant	77	10	87
Yoshida (Deutschland) G. m. b. H.	West Germany	Monchengladbach	Dec. 1967	Fully Owned	7	Office, Plant	68	12	80
YKK Zipper Co. (Canada) Ltd.	Canada	Montreal	Jun. 1968	Fully Owned	4	Office, Plant	64	10	74
YKK Australia Pty., Ltd.	Australia	Sydney	Jun. 1968	Joint Venture	2	Office, Plant	56	3	59
Yoshida De El Salvador	El Salvador	San Salvador	Dec. 1968	Joint Venture	1	Office, Plant	135	2	137
Yoshida-Fossanese S. p. A.	Italy	Vercelli	Jan. 1969	Joint Venture	6	Office, Plant	99	8	107
YKK Zipper (S'pore) Private Ltd.	Singapore	Juron	Dec. 1969	Joint Venture	1	Office, Plant	88	2	90
Yoshida Espanola S. A.	Spain	Barcelona	Feb. 1971	Joint Venture	3	Office, Plant	18	4	22
N. V. Yoshida (Belgium) S. A.	Belgium	Gent	Apr. 1971	Joint Venture	1	Office, Plant	9	1	10
YKK Zipper (Middle East) S. A. L.	Lebanon	Beirut	Aug. 1971	Joint Venture	1	Office, Plant	5	2	7
YKK Indonesia Zipper Co., Ltd.	Indonesia	Djakarta	Jan. 1972	Joint Venture	1	Office, Plant	155	3	158
YKK-Belding, Inc.	U. S. A.	Atlanta	May 1972	Joint Venture	3	Office	6	1	77
YKK Industries (U.S.A.) Inc.	U. S. A.	Macon	Jan. 1973	Fully Owned	1	Plant	155	11	166
Hong Kong Ing Kwok Investments	Hong Kong	Hong Kong	Apr. 1973	Fully Owned	1	Office	2	1	3
YKK Export, Inc.	U. S. A.	New Jersey	May 1973	Fully Owned	1	Office	4	1	5
Hong Kong Ing Kwok Industrial Co., Ltd.	Hong Kong	Hong Kong	Sep. 1973	Fully Owned	1	Plant	53	2	55
Yoshida Brasileira Industria e Comercio LTDA.	Brazil	Sao Paulo	Apr. 1974	Fully Owned	1	Office, Plant	—	—	—
					(71)		(3,711)	(142)	(3,853)

In addition to the above overseas subsidiaries, Y. K. K. had technical assistance arrangements with the following seven companies in five countries: Korea Zipper Co., Ltd. (Korea, Seoul), Union Fastener Corporation (Pty.) Ltd. (South Africa, Johannesburg), Ecuadorian Agency For Foreign Firms (Ecuador, Guayaquil), Satco, Inc. (Philippines, Quezon), United Fastener Corporation (Philippines, Quezon), Pagasa Industrial Corporation (Philippines, Quezon), Manufacture Bao Ly (Cambodge, Phnom-penh).

Appendix 1

Making Zipper : All the way with YKK

Making Zippers: All the Way with Y.K.K.

"They're bloody sociable, and they're fairer than English bosses. They consider you more. If you have complaints, they listen. Because they are fair with us, we pay them back by pulling our weight."

So says Lillian Gallagher, 41, a British housewife who earns \$50 a week as a packer at the Japanese-owned Y.K.K. zipper plant in Runcorn, a modern industrial development 18 miles from Liverpool. Hers is a rare testimonial in

TOPIX



Britain, where labor and management sometimes seem less interested in pulling their weight than tearing each other apart. It is even rarer in the strongly Laborite Merseyside, where unemployment and distrust of management are about equally high. Yet in Runcorn, the prevailing spirit is "All the way with Y.K.K."—the corporate initials of Yoshida, the global Japanese firm that has become the world's leading zipper manufacturer.

Troubled by increasing costs and the three to six months' time it took to ship zippers from Japan to the United Kingdom, Y.K.K. in 1969 decided to invest \$3.5 million in a British plant. The gamble—it was the first direct Japanese manufacturing investment in Britain—has been a mighty success. The Runcorn plant has never been hit by a strike or a slowdown. It does not have a union. The 150 British employees (there are twelve Japanese working at the management level) voted down a unionization plan last year for fear that it might cost them their Christmas bonuses of \$250.

Inside, the plant is an odd blend of Eastern and Western industrial styles. Pop music throbs out of loudspeakers. A multinational collection of American weaving machines, West German and British dyers and Japanese finishing machines turn out zippers at a rate of 6,000,000 a month. The machines whirl under the usually watchful eyes of long-haired young men who are paid \$66.25 a week and, as one of them puts it, "all the ale we can sink." The visible Japanese presence is contributed by the plant managers, who wear the inevitable company work jackets. Worn by all male employees, Y.K.K.'s blue blazers have the company initials proudly displayed on the left breast pocket and no fewer than six zippers on the front, the pockets and the cuffs.

General Manager Hiroo Minami, 36, who has worked in Y.K.K. installations in India and Australia, concedes that he "heard a lot of bad" about British workers before he came to Runcorn. Yet Y.K.K.'s experience in Runcorn has turned out to be "not so bad." Minami feels that there is basically no difference in performance between British

and Japanese workers, although there are some differences in attitude. Japanese blue-collar workers accept a system in which their pay increases with their length of company service. British workers, says Minami, "all want the same wages no matter how long they've been with the company."

Japanese-style corporate paternalism is strong at Runcorn. Y.K.K. provides cut-rate bus service from their homes for its employees, and Minami is forever throwing morale-boosting, all-hands-welcome parties at the Esso Motel in Runcorn or, on special occasions, at the Adelphi Hotel in Liverpool. After work on Friday, the Japanese make a point of dropping into Tanner's Pub near the plant. Says Euphemia Fitzmaurice, 49, a Y.K.K. packer: "When we get into the local [pub] and they're there, they let on to know you. They don't just snub you."

The British employees like to ask one another "What doing?" in a good-humored imitation of their bosses' awkward English. They also note that the Japanese are extremely frugal: waste materials are stacked away and never

discarded. Tommy Hughes, an 18-year-old machine operator, complains that the Japanese "have vile tempers. As soon as something goes wrong, no matter how small, they act like little kids." Explains Alan D'Arcy, 32, Minami's assistant factory manager, "Impatience seems to be a part of their national temperament. They have to panic a job along. The result is a lot of little rows. But they're over in half an hour. Nothing lasts, and you soon get used to the fact that this is just the way they are."

The British workers have also noticed that their bosses never take long weekends, never roll back to the office from a long lunch at 4:30 and then go home at 5. John Davies, 45, who represents the employees on the plant's Japanese-style "works committee," renders the final verdict: "We asked to finish at 4:30 p.m. instead of 5 on Fridays; they gave us that. We asked for a Christmas holiday; they gave us that. We asked for a sickness scheme, and they gave us that too. These Japanese seem to understand us. I wouldn't want to work for an English firm again."

TIME, AUGUST 6, 1973

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