Customer-Driven Human Resource Policies and Practices in Japan

John M. Hannon  
*Purdue University*

Yoko Sano  
*Keio University, Tokyo, Japan*

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John M. Hannon
Purdue University

Yoko Sano
Keio University

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John M. Hannon  
Assistant Professor  
Purdue University  
West Lafayette, IN USA  
and  
Visiting Lecturer  
Keio University  
Tokyo, JAPAN

Yoko Sano  
Professor  
Keio University  
Tokyo, JAPAN

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INTRODUCTION AND SUMMARY

Two distinctly different major customer groups, commercial customers and individual consumers, rule the Japanese marketplace. Whether you are selling electronic sub-components, hotel rooms, commemorative gifts, or office furnishings, it is the commercial customer, procuring a tangible product from a manufacturer or an intangible product from a service provider, who is the king, some even say god, of all. In fact, in the manufacturing sector, these close relationships and highly sensitive between-company exchanges have served as the genesis of the Japan's popular, and imitated, total quality management, just-in-time, and zero-defect movements.

However, some experts allege that in many instances individual consumers often do not receive like treatment. Several assertions underlie this charge. First, perhaps this inattention is attributable to the fact that though there are various housewives' associations, a well organized, powerful consumer movement, like the one that has emerged in the U.S. over the last several decades, has not developed. Alternatively, it may be that corporate expenditures exceed the purchases of individual consumers. Whatever the case, even among individual consumers, there is a relatively small number of demanding (some retailers would probably say, cantankerous) customers who defy the non-confrontational stereotypes that many in the West adhere to. Indeed, frequently as exacting and demanding as their major commercial counterparts, these individual consumers sometimes succeed in winning the same treatment as commercial customers.

Interestingly, if one were to pick up nearly any recent writing pertaining to the Western service sector, be it practitioner or research oriented, invariably you would find some, usually superficial, reference extolling the merits of the Japanese approach to service management. Unfortunately, it appears that many of these observers base these praises merely on their own experiences in restaurants, on airplanes, or at hotel reception desks. Take for example, Albrecht (1988, p.13), a popular author on service sector management, who epitomizes this premise by citing a Time magazine article which was based on, "a string of customer experiences by a Time senior editor who had just returned from living in Japan. He (the editor) was shocked to see the contrast between the highly deferential style of service in that culture and the indifferent--and often rude--service he found in his native country."

Nearly all of these perfunctory references are so broad and so predictable that they often elicit little more than a conciliatory shrug from those who have lived or worked in Japan for any extended period. Indeed, inexperienced or uninformed Westerners come to believe that they (the Japanese service providers) are the ones who must really know what they are doing. On the other hand, Japanese companies and management associations offer numerous seminars and study tours to learn more about American service sector management, implying that they (the American service providers) are the ones who must really know what they are doing.
Considering this apparent dissonance, it is somewhat surprising that very few managerial writers have systematically explored other than American approaches to service management in any detail (Carlson, 1987) is, of course, an exception. Perhaps what is even more surprising is the fact that although Roach (1991), and others, document the pressures and threats on American service providers, the solutions that experts advance have tended to look no farther than America's borders (Schlesinger and Heskett, 1991). The purpose of this paper is to see how the absolutely non accidental Japanese approach to service management might instruct service operations in America, and the rest of the world.

To accomplish this, we studied nineteen Japanese companies in nine different service sector segments. They include Japan Air Lines, the country's flagship air carrier, The Imperial Hotel, ANA, and Prince Hotels, upscale hotels, Seibu, Daiet, and Tokyu, major retailers, Yamato Transport and Nippon Express, delivery companies, some of the country's largest banks, Dai Ichi Kangyo, Hokkaido Takushoku and Sumitomo, an entertainment complex, Tokyo Dome, utility companies, Tokyo Gas and Tokyo Electric Power Company, office equipment providers, Ricoh and Canon, and restaurants Skylark and Love (which is operated by Morinaga—an international food and beverage conglomerate). Note that we did not necessarily choose this sample of companies to represent exemplary service organizations. Instead, it provides a cross-sectional look at an array of Japanese companies that vary in size, longevity, and service reputation. Other attributes of these companies appear in Table 1.

<table>
<thead>
<tr>
<th>Company</th>
<th>Sector</th>
<th>Founding</th>
<th>Regular Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Air Lines Co., Ltd.</td>
<td>Airline</td>
<td>1953</td>
<td>21,440</td>
</tr>
<tr>
<td>Imperial Hotel, Ltd.</td>
<td>Lodging and Restaurant</td>
<td>1890</td>
<td>2,000</td>
</tr>
<tr>
<td>Prince Hotels</td>
<td>Lodging and Restaurant</td>
<td>1971</td>
<td>9,000</td>
</tr>
<tr>
<td>ANA Enterprises</td>
<td>Lodging and Restaurant</td>
<td>1952</td>
<td>1,250</td>
</tr>
<tr>
<td>The Seibu Department Store, Ltd.</td>
<td>Retail</td>
<td>1940</td>
<td>17,500</td>
</tr>
<tr>
<td>Tokyo Department Stores Co., Ltd.</td>
<td>Retail</td>
<td>1919</td>
<td>5,290</td>
</tr>
<tr>
<td>The Daieti</td>
<td>Retail</td>
<td>1957</td>
<td>2,100</td>
</tr>
<tr>
<td>Yamato Transport Co., Ltd.</td>
<td>Transportation</td>
<td>1929</td>
<td>44,221</td>
</tr>
<tr>
<td>Nippon Express Co., Ltd.</td>
<td>Transportation</td>
<td>1937</td>
<td>51,655</td>
</tr>
<tr>
<td>Dai Ichi Kangyo Bank, Ltd.</td>
<td>City Bank</td>
<td>1897</td>
<td>18,703</td>
</tr>
<tr>
<td>Sumitomo Bank, Ltd.</td>
<td>City Bank</td>
<td>1895</td>
<td>17,211</td>
</tr>
<tr>
<td>Hokkaido Takushoku Bank Co., Ltd.</td>
<td>City Bank</td>
<td>1900</td>
<td>6,300</td>
</tr>
<tr>
<td>Restaurant Morinaga Co., Ltd.</td>
<td>Fast Food Restaurant</td>
<td>1954</td>
<td>450</td>
</tr>
<tr>
<td>Skylark</td>
<td>Family Restaurant</td>
<td>1948</td>
<td>25,000</td>
</tr>
<tr>
<td>Tokyo Dome</td>
<td>Entertainment Complex</td>
<td>1936</td>
<td>1,200</td>
</tr>
<tr>
<td>Ricoh</td>
<td>Office Automation</td>
<td>1936</td>
<td>14,000</td>
</tr>
<tr>
<td>Canon</td>
<td>Office Automation</td>
<td>1937</td>
<td>20,186</td>
</tr>
<tr>
<td>Tokyo Gas</td>
<td>Utility</td>
<td>1885</td>
<td>13,000</td>
</tr>
<tr>
<td>Tokyo Electric Power Company</td>
<td>Utility</td>
<td>1950</td>
<td>40,000</td>
</tr>
</tbody>
</table>
In the first section of this paper, we define the Japanese service sector and provide a general overview of its importance, its sociological foundations, and the unique challenges of managing in Japan. In a similar fashion, the second section looks at the importance, sociological foundations, and managerial challenges in the American service sector. The third section provides a detailed explanation of the customer-driven human resource policies and practices found in the Japanese service sector. In this section, we examine the degree to which the designs of the recruiting, orientation, human resource development, performance measurement, and reward systems of Japanese service sector companies focus the workforce on meeting the needs of their customers.

In the final two sections, we offer some prescriptions, in the form of Lessons for American service organizations and Lessons for Japanese service organizations. In short, we conclude that the praiseworthy service delivered by Japanese companies is no accident.

Accordingly, it is apparent that companies in the American service sector must give more careful thought to developing a long-term, holistic approach to human resource development. Moreover, focusing on and building organizational loyalty, competence, and unity should improve the operations, profits, and long-term viability of American service providers.

As for the Japanese service providers, it appears that they, and their employees, could benefit immensely from an unleashing of the creative abilities and spirit of their talented employees. First, the organization must empower front line employees and encourage them to take some initiative. Then, rewards and recognition need to follow efforts and results. In addition, Japanese service companies must adopt more of a measurement mentality, as their brethren in the Japanese manufacturing sector have done for their production and distribution processes, even though the manufacturers, too, have tended to be averse to measuring employee productivity. In addition, Japanese service providers can also look to their colleagues in the West who have realized some success in (1) examining service processes, (2) setting service standards, and (3) linking performance outcomes with rewards.

THE AMERICAN SERVICE SECTOR

Fiscal Importance

Over the past two decades, the importance of manufacturing, when measured as a percentage of Gross Domestic Product (GDP)--which is GNP less overseas income, has been declining in the United States. Indeed, this has also been the case in most advanced nations. For example, in 1970 manufacturing alone represented 26% of GDP in the United States and by 1991 it had declined to 21% (Bank of Japan, 1992). Furthermore, by 1990 only about one of every six American workers was employed in the manufacturing sector (I.L.O., 1991).
**Sociological Considerations**

Although it is not our charge or intention to examine the sociological differences between the U.S. and Japan, it is important to briefly state some of the fundamental and glaring differences between the two societies, particularly those that might affect the way that employees, particularly those working in the service industry, might behave.

To start, some might argue that the United States is the epitome of self-interested capitalism. These, who hold to the rugged individualist explanation, would assert that America was founded and built by risk-takers, from the pilgrims to modern day entrepreneurs. Indeed, throughout the industrial and information revolutions the typical American worker has enjoyed more individual autonomy than many other workers around the globe. Even now, there is an increasing emphasis being placed on further empowering employees. Accordingly companies are pushing even more decision making responsibility and, in turn, accountability further down into the organization.

**Managerial Challenges**

The unique challenges faced by managers in the U.S. service sector are pervasive, pernicious and costly. Depending on the industry, employee turnover averages between 10% and 200% annually. Likewise, employee literacy studies suggest that in certain industries as many as one out of five workers are functionally illiterate. In addition, the task of scheduling an array of part-time workers, including, students, retirees, and working mothers, is growing increasingly complex. Finally, there are an increasing number of problems that are attributable to language difficulties, particularly in those regions that have had an influx of new immigrants. Of course, these problems are not unique to the service sector, but in some of the low-wage and low-skill jobs commonly found in this sector they tend to be exacerbated.

**THE JAPANESE SERVICE SECTOR**

**Fiscal Importance**

As has been the case in America, in the Japanese domestic economy manufacturing as a percentage of Gross Domestic Product has also been on the decline. In 1970, manufacturing alone accounted for 36% of GDP in Japan and by 1991 it had fallen to 29% (Bank of Japan, 1992). Furthermore, by 1990, only one of three Japanese employees works in the manufacturing sector and one out of five companies falls in this category (I.L.O., 1991). In light of these trends, there certainly appears to be sufficient reason to believe that the importance of the service sector will continue to increase in both Japan and the U.S., especially as low technology operations, like the assembling of components, move to nations where work such as this can be performed more cost efficiently.
Sociological Considerations

One widely held belief is that the Japanese society fosters dependence (Doi, 1971) and relies on decision making by consensus (Nakane, 1970). This stands in contrast to the stereotype of the free-spirited Westerner, who questions authority and, ultimately, makes self-optimizing choices. Likewise, there are fundamental differences in the two cultures regarding the degree of respect accorded to age and the importance of harmony (Reischauer, 1988).

On the whole, it is safe to say that there is a more uniform set of expectations regarding service personnel in Japan, and their behaviors. Good service is no accident. Take the simple act of tipping. In Japan, tipping is nearly nonexistent. Customers expect standardized service, no more or no less. Similarly, millions of commuters expect that trains, the lifeblood of the country, will always arrive and depart on time, and they do.

To codify the delivery of standardized service, almost all Japanese companies have nearly identical lists of standard phrases and actions (including formal greetings, bowing protocols, and apologies) which all of their employees must know how to perform flawlessly. Failing to do so will certainly result in customer complaints, as one of the firms we studied has found. Of the 600 complaint letters it receives each month, half address product problems and the other half cite "people" problems. Failing to address the customer respectfully and inappropriate behaviors directed at customers were the two most frequent sources of discontent.

Managerial Challenges

Although some might quibble with the term "lifetime" employment, there is little doubt that for a certain, often small, segment of the Japanese service sector workforce there is an implicit understanding that the employment relationship will be long-term, about thirty to forty years. The employee and the employer enter into this relationship with a clear understanding that the employee's financial remuneration, benefits, perquisites, other rewards, and responsibility will, in large part, be a function of continued and consistent service (Ballon, 1992). From the employer's perspective, it expects loyalty and knows that there will be a payback for the huge investments it makes in its' employees.

Temporary, part-time, seasonal, and dispatched personnel, primarily women who scale back their working hours after childbirth or childrearing, fill the remaining, indeed the majority, of positions in the service sector.
CUSTOMER-DRIVEN HR POLICIES AND PRACTICES IN JAPAN

Recruiting

It is important to note that there are substantial differences as to how Japanese and Western employees enter a company. To begin with, cohorts drive the Japanese system. For instance, university graduates to be and companies begin courting each other (with professors or teachers often acting as go-betweens) at the start of each new school year (which begins in April). After an employer-employee match occurs (in many cases this happens before summer vacation begins at the end of July), some companies immediately begin to exert claims on their incoming cohort. Sponsoring group activities, like camping trips, and providing pre-employment training are but a few of the mechanisms they utilize. If not by the start of summer recess, the university market clears by October 1, the official signing day. Then, the junior college and high school labor markets begin.

Around April 1 of the following year, all the firm’s new employees usually begin their employment experience together, which consummates the recruiting and entry process. Some liken this whole process to a pre-arranged marriage. Thereafter, even though some in the cohort are destined to be more successful than others; they remain together as a class for the remainder of their careers. Only in industrial sectors where turnover is higher than average, like the retail industry, do some companies bring new employees into the firm more than once a year.

Introductory Company Literature

The first official, nonverbal contact a company has with its potential hires in any given year often comes in the form of a mass mailing. Companies spare little expense when they design and distribute recruitment materials to prospective employees. The elite companies, knowing that they will be extending job offers to only a small percentage of their applicants carefully manage this process so as not to offend any of the students, who they also covet as prospective customers and future partners.

Usually, the centerpiece of these campaigns is a high quality, glossy booklet that the company redesigns and mails to as many as 50,000 graduating university students throughout the country each year. Often, these publications focus on and explicitly state the company’s commitment to its customers. They also feature testimonials from and on-the-job experiences of recent hires. To produce and distribute these recruiting materials the minimal direct cost is in the $5.00 per book range (a $250,000 per year expense) and may run as high as $20.00 per book (or $1,000,000 per year). Not surprisingly, the costs associated with this recruiting tool have led some companies, like Dai Ichi Kangyo Bank and Tokyo Gas—who mails 40,000 postcards to graduating seniors, to only offer these books upon request.

Although these materials usually shine a very favorable light on the new employee’s future with the organization, some companies are careful to provide a realistic job preview
of sorts. For instance, the Tokyo Dome's materials convey the message that the jobs it offers are not showy or glamorous, rather that its employees work in the background to serve the customers, and not to enjoy or bring glory to themselves. In a similar fashion, ANA Hotels' pamphlets emphasize that the needs of its customers come before the needs of its employees and the hotel.

**Pre employment Tests and Essays**

Certain companies in Japan have developed and administer personality and achievement tests that allegedly predict an individual's competency and performance in jobs that require customer contact. For instance, Seibu Department Stores and Japan Air Lines are among the many companies that require applicants take such tests. In that the contents and empirical data demonstrating a link between scores on these tests and job performance are seldom, if ever disclosed, the validity of these tests is uncertain.

Along with these standardized, or customized, personality and skills' tests, some firms require applicants to answer essay questions that focus on customer service and use their responses in the selection process. For instance, Prince Hotels asks prospects to (1) write about their feelings towards customers and (2) specify how they think new employees can become successful in the customer's eyes. Interestingly, ANA Hotels asks respondents to derive creative solutions to unique hypothetical situations such as describing the actions to take when a bridegroom is late because he is stuck in traffic.

Essays that focus on how to better serve existing customers and how to win over new clients also figure prominently in the continuing education decisions of many firms. For example, at Dai Ichi Kangyo Bank, the first hurdle for its 2,000 employees who would like to enroll overseas MBA program assignments is a language test. Then, the bank uses a set of essays that stress customer acquisition, retention, and service to make the final 10 selections from the 50 employees who pass the language test.

In spite of their often cited and well-documented influence on consumer markets stemming from their vast purchasing power, some believe that university students are incapable of understanding customer service until a company enlightens, or if you prefer indoctrinates, them. This was the reason cited by several of the firms we studied for their decision not to require students to address customer service in pre-employment essays or interviews.

**Interviews**

Given that the employment relationship in Japan often spans thirty to forty years, it is little wonder that the personal interview phase in the applicant evaluation process is lengthy and rigorous. Take the Imperial Hotel for example, where each of the 120 university graduates applying for the 10-15 annual openings undergo four days of interviews with top executives, department heads, and various members of the personnel department before being considered worthy of employment.
Some companies rely on role playing scenarios in the interview process. The firms use these exercises to judge the applicant's potential for serving customers. Prince Hotels is among those who include role playing scenarios in their interview process. It is noteworthy that they frequently play out reactive situations, such as those which deal with mistakes and unhappy customers, as well as proactive ones.

Other questions that potential employers sometimes ask during an interview may deal with: one's commitment to society, Tokyo Gas, previous work experience in the service sector, ANA Hotels, or experiences as a customer of the firm with whom the applicant is seeking employment, Tokyo Electric Power Company.

**Pre-employment Training Programs**

After the recruit to company match takes place in the early fall a virtually unbreakable covenant is formed. Thereafter, in many companies an approximately six-month pre-employment socialization process begins. During this period, the university student (now an employee-to-be) may visit the company, begin memorizing the company manuals, undertake a study of the industry and the competition, or participate in company sponsored social events. In addition, some companies even add the names of their committed recruits to their company mailing lists. In some instances, this means that the future entrants will begin to receive the company newsletter, which often provides customer performance and satisfaction data.

In some cases, companies require the employee-to-be to complete company developed correspondence courses. For example, Yamato Transport requires its new entrants to complete five such courses. In addition, university and junior college students who have committed to Yamato must attend at least one seminar that spans four days and three nights six months before they become regular, official employees. Similarly, the Tokyo Dome summons its new employees to a three day course in March to teach manners and other service concepts.

Some firms use these programs to reward the recruits and to build a harmonious team. For instance, Prince Hotels takes its new hires (or new faces, as they are sometimes affectionately referred to) on an all-expenses-paid trip to one of its overseas properties. In previous years, groups have traveled to Hawaii, Canada, Australia, and Singapore.

A look at what is perhaps the most comprehensive pre employment activity undertaken by any Japanese company is the ultimate symbol of the commitment that Japanese companies have to using human resource processes to cultivate a customer-driven mindset. Every February the Daiei company brings its incoming university graduates (1,000 in 1992) to America. During their all expenses paid, ten-day inspection tour of San Francisco and Los Angeles these employees-to-be observe and study the policies of American retailers and other service providers. Their experiences, both good and bad, influence their attitudes and behaviors towards customers over their entire career.
Orientation

Some assert that when a new employee joins a firm in Japan, he or she steps out of childhood and into adulthood. Moreover, some also assert that when this takes place the student leaves his or her biological family to join a new corporate family. For the employer views the new entrant as a piece of fine--but malleable--clay. The employee's lifelong shaping process officially begins during the annual freshman orientation. This orientation usually begins in late March or early April, and runs for about two weeks. From this point on some argue that the uniquely Japanese process of human resource development, rather than human resource management, ensues (Inohara, 1990).

President's Speech to New Entrants

The firm's orientation program invariably begins with an introductory ceremony where the president welcomes and exhorts the new entrants. Of course, each company flavors the talk to suit its own specific needs. For example, at the Imperial Hotel, the president also makes it a point to remind all present that they work for the most highly regarded hotel of its size in the world. At Ricoh company executives tell the new members, in no uncertain terms, that the company's goal is to be number one in customer satisfaction. Interestingly, the first address at Daiei is a pep talk in English. Later, housewives make speeches as distinguished guests. At JAL, the president focuses on two rather important themes, safety and customer service. At the annual Prince Hotels meeting, the president usually thanks the new hires for joining the Prince family, and exhorts them to adopt the mind of the customer.

At Yamato Transport the president, aided by a strikingly vivid metaphor, emphasizes that every employee is a representative of Yamato. He points out that customer service and safety should come first--and that subsequently the business results will take care of themselves. To make his point, he puts forward the assertion that, from the customers' viewpoint, the Yamato Transport company should be like kintaro-ame. This is a type of Japanese candy roll which, no matter where you slice it, it shows the identical face of Kintaro—who is a brave and victorious boy hero according to a legendary children's fable.

Orientation Camp

Perhaps the most effective and powerful event in the socialization process is the two-week orientation that incoming employees in the same cohort attend together. In smaller companies and certain service industries, the firm often assigns new university graduates to entry level positions (rather than specialized or elite developmental programs). If this is the case, high school, junior college, and university graduates often share the same orientation program. In most large companies, and others where several distinct groups on different career tracks make up the new cohort, the companies usually break out into several sub-groups. Whatever the case may be, these sessions usually take place at the company's headquarters or at company owned, or rented, country resort.
The importance of properly welcoming the new entrants to their new corporate family and carefully socializing them is evident at the Imperial Hotel. For instance, those who are to train the new entrants undergo their own thorough and polished training program. Once a week for five weeks, a cross-functional team, comprised of a dozen employees representing all the functions within the hotel, meets for three hours at a time to ready themselves for the upcoming new entrant training. By now, each of these trainees has reached the stage in their career, often after three to four years, where they will begin to undertake some responsibility for perpetuating the Imperial tradition. Not surprisingly, the duration and rigor of this "train the trainer" program exceeds that of most introductory training programs for the new employees themselves in America and the West.

As noted, most of the orientation programs span between several days and two weeks in duration. The Imperial Hotel's program runs for 10 working days, beginning early in the morning and ending in the early evening. Tokyo Electric (2 weeks), Tokyo Gas (13 days) and Ricoh (20 days) conduct similar programs. JAL devotes two of its five days and Skylark devotes two of its ten days to customer service training.

Dai Ichi Kangyo Bank's program is among the longest in duration and reputed to be among the most difficult. It begins with a one-month camp for the 500 new, and predominantly male, university graduates. During this orientation, they undertake exhaustive group and independent study programs that focus on proper business behaviors, customer expectations, and product information. In addition, a one-week follow-up and refresher session, which features customer role playing scenarios among other activities, occurs in August. Similarly, the Tokyo Dome holds a three day "service mind orientation" several months after its initial orientation.

In an interesting twist, in a type of baptism by fire, Nippon Express cuts its new employees loose for several days and tells them to roam about the city to (1) observe the flow of business and (2) practice making introductory calls on prospective customers. Apparently this exercise gives the new employees a better understanding of Nippon Express' role in maintaining and improving the Japanese society.

Non Regular Employee Orientation

Non-regular employees (seasonal, part-time, and temporary workers) at the very least usually receive some rudimentary training on the history of the company and its current operations. More importantly perhaps, these individuals receive extensive instruction regarding company manners and customer service expectations. Essentially, the goal is to impart the company's collective wisdom and mind-set to every employee that represents the company. In certain sectors, such as restaurants and retail establishments, non-regular employees may outnumber regular employees by four to one.

Although the training for non-regular employees may be basic, it is not necessarily short. For instance, even the part-time employees of Morinaga's Love restaurants receive
between 15 and 24 hours of training before they begin interfacing with customers in their roles as cashiers, cooks, and custodians. Non regular employees at Skylark receive about 30 hours of preparation and, likewise, those who go to work at the Tokyo Dome undergo some 40 hours of training. All to say, the attention to detail is obvious, even in the preparation of the lowest paid employees.

**Dispatched employee orientation**

Among the most interesting challenges faced by firms in Japan, in both the manufacturing and service sector, is the need to insure that *all* the employees on the premises behave in the same manner. This is especially true for those employees dispatched to the firm from wholesalers, employee pools, and outside agencies (who, like non regular employees, may outnumber regular employees by as much as two to one in retail and other service sectors).

Sometimes, the host company bears some or all the responsibility for training these dispatched employees. When this is not the case, because of economic or legal considerations, the host company's section managers almost always interview and counsel prospective assignees before they permit them to go onto the sales floor. Indeed, retailers can refuse to hire dispatched employees or they can demand that dispatched employees be reassigned if they do not fit the company's mold.

**Human Resource Development**

**Company Code**

Almost every Japanese company has a set of three to ten statements that comprises its official company code. It should come as no surprise that many of these corporate codes prominently feature the customer. For example, the initial precept at Seibu is simply, "The customer comes first."

In a somewhat more exotic fashion, Dai Ichi Kangyo Bank depicts its philosophy in the form of a triangle which has the firm's physical offerings (products--time savings accounts, investments), physical delivery systems (infrastructure--branches, ATM), and human delivery systems (employee behaviors--manners, competence) at the three points. At the center of the triangle is the desired outcome, which depends on the existence and balance of these three points. Ricoh's "three loves spirit" simply, but ever so eloquently, points to a love for people (including customers and all members of society), love for nation, and love for work.

Often, companies place these codes in prominent places on an array of accessories (including pocket appointment books, watches, telephone cards, and wallet insertions) that they give to their employees each year. Undoubtedly, firms design and distribute these accessories to reinforce the firm's overall mission, a commitment to its customers.
Somewhat surprisingly, there are some corporate codes and many company songs that do not mention customers or customers' needs at all. Perhaps this is because many of these codes and songs were drafted in an era when the emphasis was more on reconstruction, business expansion, employer paternalism, and employee loyalty. Increasingly, however, companies are utilizing morning songs, like Ricoh's, or oaths, like Daiei's, to urge employees to reflect and, "To put themselves in the customer's place."

**Initial Job Assignment**

A strikingly unique feature of the Japanese management system is the new university graduate's first job assignment. For example, a newly hired university graduate at an American company might spend an hour, a day, or, at most, a week in the lowest of entry level positions. On the other hand, it is not uncommon for a new Japanese graduate from the most prestigious of universities to spend upwards of a year performing a job far below the level of their education and social standing. This phenomenon is very common in the manufacturing and service sectors.

For example, at Nippon Express, new university graduates work for an average of two to three years in the field, before obtaining their first staff or managerial position at headquarters. Likewise, just as their forerunners did, many of those joining Japan Railways must stand at a ticket wicket punching commuters' rail tickets as a part of their rite of passage. Similarly, bright, new university graduates at the Imperial Hotel, even those from the very top universities in Japan, might serve as bellboys or room attendants for a year or more. The most extreme of these initial assignments may be the responsibilities given to the new entrants at some of Japan's leading resort hotel companies. These individuals are responsible for cleaning and managing the resort's restrooms. Supposedly, all of these freshmen, are paying their dues and gaining a better understanding of: their company's particular role in society and the customers they will serve and answer to for the next 30-35 years.

Ricoh's interesting, though altogether logical, OJT program, which puts new engineers into the sales function for two months to learn how its customers use and receive the firm's products. This approach exemplifies the many initial assignment programs that are prevalent throughout the service sector. For the most part, they are successful in connecting the employee and the customer from the onset.

After their initial, formal orientation and subsequent allocation to a particular department, in some cases new employees will spend between a week and a year observing their seniors and being trained on the job before they have any direct contact with or responsibility for a customer. For example, new drivers at Yamato Transport undergo four weeks of behind-the-scenes training and two weeks of supervised on-the-job training before Yamato allows them to interact with customers unsupervised.

It is also worth noting that it is not just new employees who feel compelled to interface with customers. In the spirit of continuous improvement and development,
Daiei’s staff personnel work in the sales function twice a year so that they never stray too far from their customers.

**Job Rotation**

As is the case in the Japanese manufacturing sector, companies in the service sector, too, use job rotation. Invariably, it serves as a key component in the Japanese approach to human resource development. Typically, each new employee will move through two to three altogether different functions in the early stages of their career. The duration of each assignment ranges from 3 months to three years. Even those who successfully move up to executive positions find themselves spiraling or zig-zagging across various functions as they move to the higher echelons in the organization.

Not only do people move in and out of functions, Japanese service companies also routinely circulate their employees between headquarters and branches, and from branch to branch, to foster uniformity, communication, and personal development. On the other hand, it is generally safe to say that American companies often limit these opportunities to the best and brightest. Alternatively, it appears that Japanese firms make more widespread, and better, use of the job rotation concept.

**Senpai/Kohai Developmental Relationship**

Maybe the least well understood, and under-rated, strength of the Japanese management system is the so-called senpai/kohai relationship. Although there are some who go so far as to argue that this phenomenon is the cornerstone of Japanese management (Suzuki and Skaperdas, 1985), it has received little systematic study. Although this translation is not perfect, the senpai/kohai relationship is more than a so-called professional mentor. Instead, other than the fact that endures for life rather than a few years, it is somewhat similar to the big brother or big sister system that one might find in a fraternity or sorority at many American universities.

Essentially, Suzuki and Skaperdas (1985) suggest that the Japanese company is not one pyramid made up of tens of thousands of employees who are loyal to a company president or to the company itself. Rather, they argue that the company consists of thousands of four- to ten-person senpai centered, miniature pyramids which, when viewed from afar, blend to give the appearance of a single organizational structure.

Unlike the notion of an executive mentor, which has gained a fair amount of attention over the last decade in America, the senpai is usually only several years senior to the kohai. Sometimes, the two employees live in the same company dormitory and commute to work together. When this is the case, the intensity and depth of the senpai/kohai relationship deepens.

The senpai, who is usually a member of the same work group (in a high school or college setting—the same team, association, or club), in conjunction with the employee’s manager, is responsible for protecting and shaping the new entrant. In return, the kohai is
loyal to and serves his senpai, who, a kohai himself, in turn does the same to his senpai. One example of the success of this method for handing down corporate culture and identity is manifest in the fact that throughout its 100-year history the Imperial Hotel had never had a service manual to address issues of comport and the like.

Model senpai/kohai relationships that are worthy of recognition are solicited and publicized. In some cases, companies point to these relationships in orientation and training programs for all to see and emulate.

Internal Training and Development Programs

Internal training programs that focus on the customer are a standard practice for many firms in the Japanese service sector. They may come in the form of one-day seminars that are mandatory for all the employees within the firm or programs of longer duration that apply to select job levels.

For instance, all the employees of the Imperial Hotel must attend a one-day seminar on customer service every year. Likewise, all the employees at the Tokyo Dome also participate in a three day, two night "service mind orientation." In addition, Imperial Hotel executives must complete five additional days of customer service related training each year and middle managers must complete two to three additional days. To provide training like this some companies like the Tokyo Dome (5 people) and Tokyo Electric (570 people) have trainers on staff who are capable of teaching Customer Service principles.

Many of the firms in the Japanese service sector, and many in this sample, hold that it is absolutely necessary to be a customer to see, think, and feel like their very own customers. As such, these firms see to it that their employees become astute observers of their own company, as well as their competitors.

For example, periodically, the Imperial Hotel grants its employees free stays in the Hotel, so that they might see the operation in a different light. Similarly, the Hotel sometimes pays for its rank and file employees to stay at its competitors' properties. Finally, some select employees visit premier hotels throughout the world, at the company's expense, to benchmark their operations against these service leaders. In a similar manner, Seibu only schedules its employees five days a week. On a sixth day, though, Seibu encourages them to visit the stores of its competitors. Here they are to look at their rivals' operations in light of their own. Seibu will even pay any transportation costs its employees who live outside Tokyo incur when making these visits.

Interestingly, it appears that these firms do not limit these evaluative activities to the examination of domestic competitors. For instance, one Japanese retailer sent its employees on an investigative, and perhaps a team building, trip to visit the American retailer Nordstrom. This company also encourages its employees to study the practices of Amway, the worldwide direct sales company, and other financially successful companies.
External Training and Development Programs

For the most part, it is the employer, or another member of the same keiretsu (collection of inter-linked companies), that conducts most of its own training programs. However, the Japan Management Association and the Japan Productivity Center conduct relatively new courses that focus on service management and organize study tours abroad to see how service is being rendered elsewhere. The goal of these activities is to enlighten and educate middle managers and executives, who in turn are to impart this wisdom throughout their organization.

Companies also call upon industry or process experts for training purposes. For example, the phone operators at one of the companies we studied attend customer service courses at NTT, the Japanese telephone and telecommunications company.

Employee Teams

Somewhat interestingly, many Japanese firms in the service sector appear to have abandoned their formal Quality Circle programs. However, various cross-functional employee groups are often still being utilized to solve problems and facilitate communication.

At the Imperial Hotel, for example, once a week over 100 employees representing each of the Hotel's six functions meet for an hour to address those issues that are affecting customer service. Similarly, twice a month, all the employees, both full and part time, at each of Morinaga Love's restaurants meet to review the quality of their operations. Skylark's employees meet at their respective stores once a month for four hours. At Nippon Express the employees of each branch meet every morning to review the branch's performance for the preceding day.

Customer Feedback Groups

Increasingly, companies in the Japanese service sector are relying on impartial, external overseers to monitor their customer service proficiency. Usually, these evaluators pose as customers to critically evaluate company's employees and procedures. For example, Japan Air Lines implemented a program in the Spring of 1993. This effort focuses on JAL's strategic and most competitive international routes. In exchange for a round-trip, first-class ticket, 1,000 monitors are to provide JAL with extensive feedback on the quality of its customer service.

Company employees also police themselves. For instance, in every Seibu Department Store, there is an individual responsible for roaming the sales floors to insure that customers are being treated properly. Reports issued by these individuals sometimes serve as case studies during the pre-employment and orientation stages. Likewise, the Sumitomo Bank is initiating a project where a group of employees will visit each of its branches to check on the quality of customer service being rendered. Using video
cameras, they capture customer-employee exchanges—and then use them for training and developing employees.

On a daily basis, individual employee journals like those prepared by the tellers at Hokkaido Takushoku Bank, as well as other banks, and store journals such as those submitted by each Skylark restaurant, provide invaluable, timely feedback on customer relations. Firms then use this information for development, disciplinary, or reward purposes.

Customers also provide feedback through various mechanisms. For example, Tokyo Gas and Tokyo Electric both provide postage paid postcards to their customers each time they perform a service. Although the response rates are predictably low, about 5%, they still generate an abundance of useful information.

An innovative and relatively new program at the Prince Hotels is a monthly customer feedback session. At these gatherings, employees come together to hear the experiences—the voices, if you will—of customers who stayed at the property within the preceding month.

Performance Management Systems

As a rule, customer outcomes do not have a direct bearing on the annual performance evaluation process in the Japanese service sector. In general, performance evaluations are likely to reflect more of a long-term view by addressing such issues as character, effort, and, even, potential. An exception to this rule of thumb and perhaps a precursor of what is to come is Ricoh’s inclusion of a section addressing its employees’ attitudes towards customers on its performance appraisal form. As is the case for the appraisal process, customer related performance outcomes seldom have much direct influence on promotion decisions. Certainly though, there are some specific situations where customer outcomes do overtly influence assessments of individual or group performance.

Employee Discipline

Although the prevailing procedures and protocols are to refrain from judging an employee based on a single service related mistake, customer complaints, or claims, do play an important role in company initiated and self-imposed discipline. Perhaps it may be attributable to their infrequent occurrence, but written customer communiqués at the Imperial Hotel, known as “blue letters,” usually generate a near instantaneous response from the President’s office.

At most service companies these complaints, often forcefully, make their way into company training and development programs, too. This approach conveys the importance of satisfying customers in the most vivid of terms to everyone, especially new managers.
In the Japanese service sector, an employee or employee group that provides poor customer service will usually extend a written, telephone, or face-to-face apology. Managers or even chief executives may also communicate their regret. They do so on behalf of both the company and the employee at fault. If the situation warrants, these apologies occur in public. In one, admittedly extreme, example after a customer in a family restaurant detected a problem with his noodles, "...he demanded to see the person in charge. Mr. A. (the Assistant Manager) was forced to formally apologize by kneeling and bowing his head to the floor in front of the restaurant full of customers." (National Defense Counsel for the Victims of Karoshi, 1990, p.33.)

Seldom is the responsibility for, or the responsibility to rectify, a service failure borne by a single person. In many cases, the employee's work group participates in diagnosing and determining a remedy for severe service related problems that necessitate disciplinary action.

Performance Measurement

It appears that, provisions for collecting and evaluating customer feedback do not seem to be as systematic or sophisticated in the Japanese service sector as they are in the American service sector. Some might argue that among the Japanese in the Japanese society spoken or written words are not necessary to gauge the level of customer satisfaction. Perhaps this is one of the reasons why Japanese companies compile and track voluminous amounts of operational and financial performance data (such as sales, expenses, volumes, and market share) while relying on personal contacts and relationships to monitor customer satisfaction and complaints.

One notable exception is Morinaga Love's system for the measuring and tracking of customer satisfaction levels on a monthly basis. Another tracking system at a high volume service provider in this sample also closely tracks customer satisfaction levels via regular customer surveys. At present, this company is in the midst of a campaign to win over the 10% of its customers who say the service they receive is inadequate. Ricoh focuses on and studies those customers who do make repurchases to pinpoint whether the source of dissatisfaction is the company's people or products.

Like its highly regarded American colleague Embassy Suites, one Japanese hotel company has recently begun to track customer satisfaction in a more timely fashion. For example, they, too, conduct daily guest surveys to gather near instantaneous feedback. In addition, at check-out, employees systematically query every customer about the quality of the service they received. This seems to be more effective than the traditional post card system which, for example, generates a 1% response rate for one Japanese hotel company in the sample.

One of the "city" banks employs another interesting twist. This company conducts its own simulated customer survey by calling its own employees to gauge employee
attitudes and knowledge. The bank tracks the results of this survey and reports them to the its employees.

Performance Measurement Disclosure

On the whole, the disclosure of accounting or customer performance data ranges from nondisclosure, to unofficial disclosure, to open disclosure—which is the case for the bank survey. It certainly appears that Japanese companies in the service sector collect and disclose less work process and employee performance data than their manufacturing counterparts in Japan. This also holds true when one compares these companies with their service and manufacturing counterparts in America.

For example, there is no Federal Aviation Administration like entity in Japan that is responsible for collecting and making public customer complaint and on-time data for Japanese air carriers. Accordingly, this type of information seldom makes its way into the popular press. On the other hand, this is not to say that unofficial, within-company performance measurement does not occur. For instance, according to an executive, if one were to conduct a random sample in the lobby of the Imperial Hotel nearly all the employees would be able to accurately estimate the Hotel's occupancy level and they would be aware of any serious service related problems.

It does appear, however, that the compilation and open disclosure of operating and customer performance data is slowly becoming a standard operating practice for Japan service sector companies. For example, Japan Air Lines makes daily load factor announcements and publishes its customer satisfaction survey results in its monthly newsletter. Likewise, Yamato Transport maintains and displays service level charts for its key performance indicators. Alternatively, Daiei disseminates within-store, rather than corporate-wide, data to its employees.

Reward Systems

There is little disagreement that compensation in Japan is largely a function of age, position and years of service with one's company (Ballon, 1992). As such, it should not come as a surprise that few Japanese firms have adopted the practice of linking pay to financial performance outcomes like sales volumes, much less customer performance outcomes, such as customer satisfaction levels and complaint volumes. Indeed, the most frequent responses to questions probing this linkage were along the lines of, "That is a difficult question......, it sounds good in theory...but."

On Paper, at least, some firms have at least developed programs that tie pay to extraordinary customer service. How frequently these programs actually make pay outs is another question altogether. One thing is clear, though; seldom will a company reward an employee for merely being well mannered and following its policies.
Individual Rewards

Although it runs somewhat counter to the goal of fostering group cooperation and harmony, some Japanese firms have adopted the concept that has gained some acceptance in the West whereby individual awards are linked to the provision of outstanding customer service. For example, JAL makes awards up to $250 for good proposals, including those that address customer service issues. Similarly, Nippon Express grants awards up to $400, Prince Hotels provides awards up to $4,000, in Prince tickets, and Daiei rewards it best employee of the store winners $200 for providing outstanding service.

Other companies, such as Seibu, utilize in-store coupons with values as high as $850 to reward employees who provide praiseworthy service. Although its awards are somewhat smaller in magnitude, Yamato Transport reported that it made awards to 180 of its employees in 1992, many of which recognized exemplary acts undertaken to serve a Yamato customer.

Although many companies have adopted programs like this, their usage remains unclear. For the time being, individual rewards are more likely to come from passing a government administered certification exam or winning a quality competition than for delivering outstanding service.

Group Rewards

Arguably, group-based awards are more natural and appropriate in a Japanese setting. This may explain why group awards seem to be increasingly gaining acceptance in the Japanese service sector. At JAL, for example, any group of employees that provides superior service will be eligible for bonuses of up to $800. At Skylark a shift-based work unit may be eligible for a $500 reward based in part on customer service. Tokyo Electric grants employees awards up to $500. Similarly, to reward groups and to foster harmony, some Japanese firms, like Seibu, provide work groups with restaurant coupons so that high performing groups can partake of a special meal together or hold a party.

On a somewhat larger scale, Tokyo Gas bestows a "best region" award on one of its five regions. Ten percent of the points that the company uses to evaluate its regions are customer service based. The region, and it's approximately 1500 employees, share $50,000.

Corporate Rewards

Quite simply, corporate-wide profit-sharing, gain-sharing, and bonus systems that link customer service outcomes, as opposed to financial performance measures like revenues or income, to corporate wide rewards have not gained widespread acceptance in Japan.
Conclusions

Some Lessons for America

1. Consider adopting more of a cohort mentality.

Some might argue that American firms, particularly those in the service sector, adopt a just-in-time approach for bringing new employees into the company because it is the most effective and efficient alternative. Most Japanese companies, however, are successful at utilizing a common start date and a uniform orientation program to encourage consistency, unity, and a sense of tradition in their employees. Provided that such a practice could be designed to be economically feasible, this is a Japanese human resource practice that has been successful in the service sector and appears to be worthy of emulating.

2. Consider adopting the positive characteristics of the Senpai/Kohai relationship.

The senpai/kohai model is not without its drawbacks, notably the unquestioning commitment and loyalty expected from the kohai. However, it is nearly impossible to deny the immense contribution this system makes to the development of human resources in the Japanese company. In conjunction with other special interest mentoring programs, implementing customized, and relatively low cost, senpai/kohai programs could significantly contribute to employee development, teamwork, and corporate commitment.

3. Make a move towards HR Development and away from HR Management

Some observers criticize Japanese firms for imparting too much company specific knowledge and not encouraging, indeed allowing, their employees to be responsible for their own personal development. The Japanese commitment to developing, rather than merely managing employees, has considerable merit and appeal. When it comes to understanding the customer, it would be hard to argue that there is a better method for facilitating this than the initial job assignment and subsequent rotation programs used by Japanese companies. In addition, it seems as if a properly balanced system of job rotation—one that encourages some specialization while providing cross functional knowledge as well—would serve Western companies well. In a way, the Japanese job rotation system is a skill based pay system, a system that incents people to learn additional jobs, without the tangible, monetary rewards—but not without any rewards whatsoever.

Finally, it seems that letting the company's customers communicate directly with its employees, with respect to how they expect to be served and treated for example, as the Prince Hotel chain is doing, is an ingenious practice for improving customer service. Although the use of customer focus groups to inform the marketing function is common, their use to aid in the management of human resources is rare if not nonexistent.
Some Lessons for Japan

1. There is a need to critically examine existing business practices and staffing levels.

   Many Japanese consumers, along with countless awe struck foreigners, have observed that in certain service industries in Japan the number of employees is overwhelming. For example, a typical service station in the city will have two or three people soliciting customers and directing traffic and two or three more attendants servicing each of four to five cars.

   Considering the economic downturn and global competition, it is imperative for Japanese service sector companies to critically evaluate their existing staffing levels and to carefully test the limits of their customers' service expectations. They need to examine every job: its purpose, costs, and benefits. From doormen to elevator operators to sales clerks to middle managers, these service providers must study the feasibility of streamlining their operations. In short, it may be time for management to no longer focus its attention on its employees and bring its customers into the picture even more. The flight monitoring program implemented by JAL is one such example. Spurred by deteriorating business, this undertaking encourages a set of customers to candidly criticize JAL's employees and its business practices so that it might regain the momentum it has lost.

2. Consider empowering employees to serve the customer.

   Some observers have suggested that the hierarchical structure of the typical Japanese organization does not encourage initiative, creativity, or risk-taking. Indeed, in this environment it may be quite difficult to think of a front-line employee breaking a rule to satisfy a customer. To allow employees to utilize their problem solving abilities and to alleviate conflict, stemming from avoidable customer frustrations, companies should consider critically evaluating their current chains of command and their outmoded policies to enrich the employee-customer exchange.

   One retail company that seems to be moving in this direction has implemented a conflict-free return policy. Under this innovative, but unadvertised system, it is not even mandatory that customers have their receipt. The policy reflects this company's feelings towards its customers (that they are not out to cheat the company) and its employees (that they only lose customer goodwill when the company forces them to act like inquisitors). All to say, the new underlying philosophy is that the employees are there to solve problems rather than create them.
3. Consider innovative reward strategies for employees that provide exemplary service.

Unlike many societies, where even those who do not deserve a reward take it, in Japan many people would be reluctant to accept a reward, especially the most deserving of individuals. Truly, the prevailing philosophy is that one should provide good service for service's sake alone, not for filthy lucre. In this setting, where praise is sometimes more highly valued than money, the challenge is to reward without offending. At present, the, arguable and small, component of the biannual bonus that relates to performance is a function of accounting performance. Defining and using appropriate customer performance indicators (such as customer satisfaction levels or claim and thanksgiving letter volumes) to the current bonus equation, or initiating new rewards based on these indicators, would encourage Japanese companies to focus more on their source of life, their customers.

In summary, in order to increase domestic demand and expand their overseas operations, Japanese service providers face the challenge of blending the old with the new as they simultaneously reexamine their fundamental assumptions and practices. Perhaps Ichiro Inumaru, president of the Imperial Hotel, describes this transitional state best when he says that, "We can't simply rely on a long-established reputation. We have to offer exactly what our customers require, even if we have to give up some traditions as a result." (Nikkei Weekly, February 22, 1993, p. 10).
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