Organizational Change in Japanese

Overseas Manufacturing Facilities

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INTRODUCTION

The organizational structures of two manufacturing subsidiaries of a Japanese based corporation in the United States will be examined in this study. Specifically, the subsidiary organized as the production base for electronic components in the United States will be analyzed in detail. The effects of the business environment, its organizational relationship with its neighboring sister subsidiary, the leadership changes, and cultural changes that it undergoes over a 20 year period will be correlated with classical modern administrative and organizational theory. The corporate cultural transformation that took place during this period due to major shifts in the international business environment will also be examined in light of the organizational cultural theories that have emerged in the last 25 years. For convenience the global corporate organization will be referred to as "HQ-JAPAN", the US based components manufacturing subsidiary simply as "Components" and its sister subsidiary in Georgia that produces various forms of optical and magnetic media as "Media". The personal viewpoints, insights, and conclusions in this study are based on the 20 years experience of a middle to upper level American manager working for the components subsidiary. The names of the individuals used in this study are fictitious.

During the late 1980's Japanese companies began a push to establish manufacturing bases outside of Japan in order to strengthen their competitive positions worldwide. A major driving force for this trend in North America during this decade was the requirements of US manufactures for in-market production of goods provided by their suppliers. By producing in-market, Japanese Companies were able to avoid import duties and provide quick response from their sales divisions to the customer.

During HQ-JAPAN's expansion to overseas bases, one of the first products to be produced in the United States were magnetic recording media in Georgia in 1980. The expansion of electronic components began in 1986 with the establishment of Components on available property next to Media. The decision to locate Components at the same site as Media was based on the belief that Components could utilize the experience of the Media's management and avoid some of the problems associated with the establishment of a new production operation. Also, the two plants could coordinate some of the community outreach programs as a unified presence.

With the new Components facility adopting the personnel system from the tape plant, there were very strong similarities in the initial development in the Components plant to the Media plant even though the two business units operated in two very different market environments. One common organization cultural element that remains from the initial years, is the use of uniforms to represent the team oriented approach prevalent in Japanese organizations. The janitor wears the same uniform as that of the president, and office and staff workers, operators and inspectors cannot be distinguished from each other. Indeed, there is a widely know and often told story about the time that TDK's Vietnamese Janitor was mistaken for the president. This organizational story or "cultural artifact" is but one example in the development of the organizational culture of Components. Toward the late 1990's the organizational culture of Components began to diverge substantially from Media.

It is the policy of HQ-JAPAN to rotate top Japanese management of their overseas subsidiaries every five to seven years. During the 20 year history of Components in Georgia there have been five or six Japanese plant managers that had a

significant impact on the organization at different stages of Component's development. Mr. Yamaoka, was a leader who's expertise lay in the production systems of Components. During his tenure from 1988 to 1992 the plant experienced rapid increases in production as capacity was shifted from the Japanese mother subsidiary to Components. Production which started out at 50 million pieces a month roughly doubled every year until 1992 when production was close to 400 million pieces a month. Mr. Okamura, was a specialist in the technical aspects of our product and in the quality assurance system of HQ-JAPAN. He was instrumental in directing the establishment of a strong engineering support base at components as well as the ISO based Quality System.

From the years from 1992 to 2000 Components had established a production capacity of One Billion pieces per month. Toward the latter half of the 1990's, Japan was in the process of transferring responsibility for all of its production for American customer to Components. Since most of the major materials for Components' product came directly from the Japanese mother subsidiary for final assembly in Georgia, the Planning department expanded rapidly. This was also a period of localization of management. HQ-JAPAN assigned Mr. Murakami as President/Plant Manager to oversee these major transitions.

At the peak, the number of employees was over 350 operators, inspectors, technicians, mechanics, supervisors and managers. During the first 15 years of rapid expansion, promotions came easy to lower level employees that demonstrated leadership and technical skills above those of their peers. From the period that roughly encompasses the Okamura/Murakami tenure, there was a move to promote into key management positions, supervisors who had come up from the ranks as operators. Some of the

individuals had been among the first group of employees that were hired in 1986. By

2000 the Japanese staff had been reduced from 20 expatriates to five.   The commitment

to the company by the employees was high and Components was looked as a model

facility that customers could tour and get a true picture of the world class manufacturing

of HQ-JAPAN. Also, the Media and Components groups were leaders in environmental

stewardship and corporate contribution to the community.

The good times were gone with the recession of 2001. The chart in Figure–1

below shows the rise and fall of production in the US which mirrors that of Components.
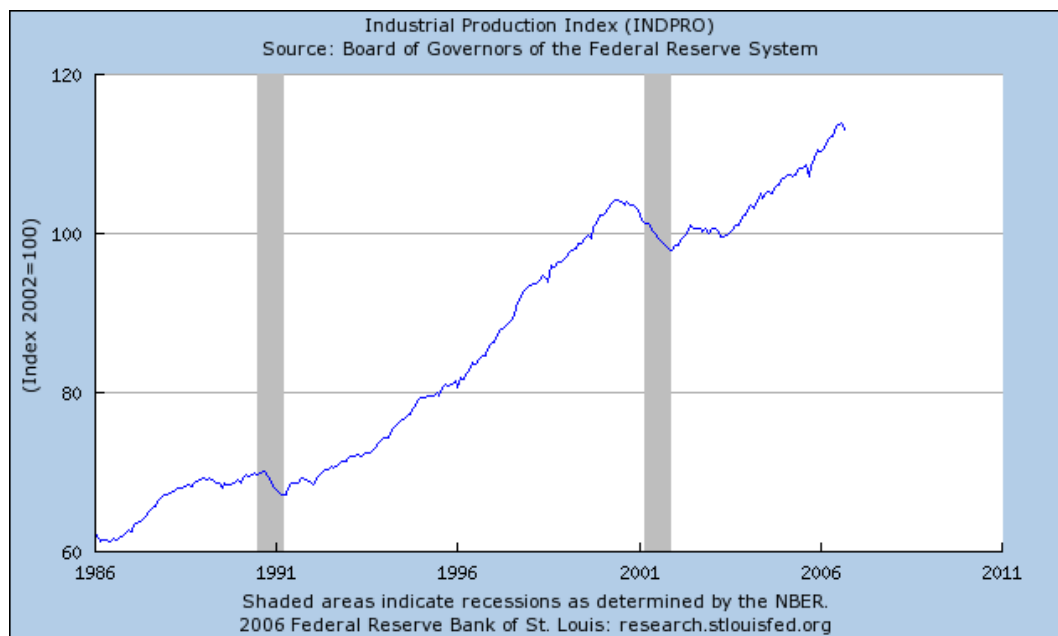
From: http://research.stlouisfed.org/fred2/   Figure–1

Mr. Kamiyama as Components Plant Manager from 2002 was tasked with the

difficult job of adjusting production capacity to maintain the profitability of the company.

Components experienced layoffs for the first time, but most of the people let go were

employees that were taken on from the Media plant during the rapid decline in their

business due to price competition from Asia. After the first layoff, in order to survive,

Mr. Kamiyama, instituted a hiring freeze and "cost-of-living only" wage and salary

increases. The pressures on the employee were great and the job insecurity was palpable.

While organizational commitment waned, there remained a strong informal group

commitment. Employees who had not been with the company long soon departed and

the existing core of long term employees remained. Through these painful years of

recovery the number of employees steadily decreased through natural attrition and

productivity per employee increased. Production stabilized at the one billion pieces per

month level once again and profitability returned to levels set as goals by HQ-JAPAN.

There are currently about 160 employees at Components. Today Components remains

the company that is looked upon by HQ-JAPAN as a model facility. In addition,

Components is an example of a company that is able to adapt and survive in the most

difficult of circumstances. By the year 2003 the Media plant's production had been

moved to Asia and only a crew of 20 employees in was left in charge of distribution of

media products that were produced in China or Taiwan.

THEORETICAL BACKGROUND

With the emergence of the scientific study of organizations, the Administrative

Management School established principles that effective organizations should adopt to

achieve maximum efficiency. Henri Fayol was one of the first to promote these

principals and in his work "General and Industrial Management" (1916), he put forth

fourteen principals of management. The most important of these is the principal of the

Scalar Chain. In this he advocated, that organizations should adopt a structured line of

command where division of work, authority and responsibility would be defined in

pyramid shaped lines from the top to the bottom with lateral communication links known

as "gang planks" that allowed for supervisors or managers of equal rank in different departments to communicate. These gang planks would help overcome inefficiencies of decision making and communication that would be due to the many levels in the hierarchy. Each level or work group under each responsible manager or supervisor at each level would have a narrow "span of control" of between five to ten individuals.

In the 1930's Luther Gulick and James Mooney further defined the Scalar Principal and Span of Control. In his "Notes on the Theory of Organization," (1937) Gulick proposed two fundamental tasks of management, the division of work and the coordination of work. In the division of work of an organization, tasks should be divided up into as many specializations as the technological conditions necessitated as long as the divisions did not violate any natural or organic relationships that could not be separated. This specialization would provide for the effective development of skill for a particular job or task to be performed efficiently.

In his paper "The Scalar Principle" (1930), Mooney also put forth principals of establishing levels of authority and responsibility. Through the principal of delegation top management would assert its authority throughout the levels of the organization. This "co-ordination of work" was the overriding activity that brought together the different functional specialties and their respective duties.

While the approach of the management school would later be faulted for being too structured and narrow in focus with its emphasis of "one best way", these theories did contain some valuable rules that organizations could follow. Fayol's principals of discipline, unity of command, unity of direction, subordination of individual interests,

and esprit de corps are just as applicable in a modern organization as they were at the beginning of the twentieth century.

In response to the Closed Systems proposed by the Administrative Management School, organizational theorist developed the Open Systems and Contingency Theory approaches to organizational development and leadership models. The basic line of thinking along which this theory developed was that successful organizations should be designed not on rigid "principals" but rather take into account the requirements of the processes and degree of the application of technology or other special circumstances required for a successful organization. Different organizations will operate in different environments and face a separated set of contingencies. The successful organization will have to be flexible to respond to the reality of rapid changes or other environmental concerns.

There is no one best way of organizing and an organization that is effective in some situations may not be successful in others. The best organization or leadership style is contingent upon various internal and external constraints. These constraints may include the size and scope of the operations and activities of the organization as well as the strategies and particular technologies employed. Leadership styles will differ based on managements assumptions about the organization's employees, how well they can grasp changes to their environment, and differences among available resources. There is no universal or one best way to manage. Effective organizations not only have an optimal position in relation to the environment, but also there is optimal intermesh between the different functional areas and subsystems. The needs of an organization are

better satisfied when it is properly designed and the management style is appropriate both to the tasks at hand and the essential characteristics of the work group.

In 1967 Fred Fiedler proposed his Contingency Theory of Leadership. In this model the effective leader assesses the situations internal to the organization such as the level of subordinate maturity and skill and on group and task dynamics. Fiedler held that the group performance is influenced by the psychological makeup of the leader and his power position in the organization. The group member's feelings toward each other, the structure of the task are also a determinant of performance. These three contingencies along with the interrelation of the leadership style of the manager or supervisor with the type of situation favorable or unfavorable is the fundamental basis of Fiedler's contingency theory of leadership.

Relationships, power and task structure are the key variables in the model of effective leadership. Favorable relationships are determined by the level of support and loyalty of followers and whether or not interactions with them are friendly and cooperative. Task structure comes in to play by the extent to which tasks are standardized, documented and controlled. The leader's power position is measured by the degree to which the leader has the authority to assess follower performance and give reward or punishment.

Leaders prioritize between task-focus and people-focus approaches. High-LPC leaders tend to have close and positive relationships and act in a supportive way, even prioritizing the relationship above task achievement. Low-LPC leaders emphasize the task and will consider relationships only when they are satisfied that the objectives will be achieved. The Low-LPC type does well in extremely critical situations. Since there

is already so much potential for discontent, good personal relationships would be hard to establish.   Leaders who find themselves in this situation will stress performance over anything else. Generally, a High-LPC leadership approach is appropriate when leader-member relations are poor, except in situations where the task is unstructured and the leader lacks sufficient power, in which a Low-LPC style is better.

In one of the first rejections of the Administrative Management School's emphasis on monetary compensation as motivation for work, Chester Barnard in his influential book, "The Functions of the Executive" published in 1938, recognized instead that it is the willingness of the individual to contribute their efforts through cooperation that is the driving force in organizations. By offering a proper mix of incentives and persuasion, the individual will adopt the values of the organization as their own and strive toward established objectives with spirited cooperation.

According to the administrative school, authority and responsibility are derived from the personal characteristics of the person in the position of authority and obedience and discipline are exacted through sanctions.   The administrative school emphasized monetary payment in exchange for services rendered by individuals. Barnard argued that in the final analysis, material inducements are limited in effect and provide weak incentives for the individual to cooperate. Barnard offered a complex "economy of incentives" that extended far beyond the material. Most powerful among these, were "ideal benefactions" that satisfy some of the highest human ideals such as pride, altruism, service and loyalty.

Where incentives fall short, Barnard's second means to gain cooperation from individuals is in the method of persuasion. Going beyond coercion and the rationalization

of opportunity as lower means of persuasion, he proposed for industrial organizations, that the primary method of persuasion should be the "inculcation of motives". Accordingly, the essential function of the executive is to impress upon the individual's mind, through persistent urging and rationalization, the values and motives of the organization and a belief in the existence of a common purpose. Therefore, understanding the central role of the executive and not the analysis of formal organizational structures is the key to understanding organizational systems.

In further rejection of the emphasis on authority, specialization and structured hierarchies of the Administrative Management School, Douglas McGregor examined theories on the behavior of individuals at work. In his book, "The Human Side of Enterprise" published in 1960, McGregor created a new set of assumptions in his formulation of Theory Y. He argued that organizations should realize the potential for the average human being for self-motivation and self-direction. Workers are capable of much more creativity and productivity and capacity for personal growth than management assumes. If properly developed these potentials can be unlocked by management and the workers will commit themselves to the organizations goals. In this environment the entire workforce will accept and even seek responsibilities and through their own innate creativity and ingenuity can work to solve some of the organizations problems. The more job satisfaction the workers feel, the more they will be committed to the organization.

McGregor' Theory Y approach promoted worker participation and decentralization of authority. In work situations that are flexible the individual can clearly see his or her contribution as a responsible and valued employee. This approach

gives rise to job enrichment and enlargement, participative decision making, and improved job performance.

William Ouchi, building on the McGregor's Theory Y concepts in his book "Theory Z" (1981), attempted to explain the success of Japanese companies and to provide a prescriptive guide for American companies to become more competitive in the increasingly international business environment. Type Z Corporations as defined by Ouchi, were typified by the style of management adopted by Japanese companies during Japan's resurgence in the 1970's and 1980's. Ouchi points out that some very successful American companies have evolved into Type Z Companies.

The Type Z Company makes many assumptions about workers that McGregor defined under his Theory Y such as worker capability and desire for empowerment and involvement in decision making, but it differs mainly from "Western" Management in the way that workers and management fundamentally relate to each other. Western management may be characterized under a variety of theories on how to deal with their work force, but underlying their relationship is a feeling of separation and lack of trust. This separation may be evident in ridged organization structures or communication channels, but it emphasizes and reinforces the superior-subordinate relationship in most aspects of work.

The management in a Z organization treats each of their employees as a "whole person" and is genuinely involved in promoting their welfare and providing a sense of security. In return, the employees will unselfishly devote themselves to the company and have a strong desire to promote the company goals. The Z Company will take specific

steps to break down the barriers implicit in hierarchical structures and promote a feeling of equality and trust between upper and lower ranks in the company.

In the western style of organization, the mistrust, feelings of inequality and insecurity on the part of employees toward the company hinder cooperative and participatory decision-making. Conversely, in a Z Company, when top management has a high level of trust and credibility with their employees, risks and responsibility of major decisions and course corrections can be shared.

Over time Z Companies instill in all employees shared organizational cultural values, therefore, where societies and workforces are homogeneous, Z Companies will flourish. Ouchi theorized that in societies that are diverse and individuality is valued, as they are in some Western countries, the Z Company philosophy is difficult to develop. This is the primary reason that Japan was able to use the Z Theory of Organizational Development to full advantage. Ouchi argues that companies outside of Japan can develop the Z philosophy, but they must first identify the unifying forces, characteristics, and values of their diverse workforce. Then they can apply the principals of the Z Theory to develop confidence, trust and shared values in their organizations.

In order for organizations to persist and be successful over time, they have to evolve and change and adapt to an environment that is in a constant state of flux. Organizations, however, develop resistance to change by developing a unique "culture" where members of an organization develop patterns of behavior and deeply held values.

According to Harrison Trice and Janice Beyer in their book "The Cultures of Work Organizations" (1993), in order to initiate cultural change in an organization, managers must understand that their employees will naturally resist changes. At first the

manager must determine the changes that need to be made and the impacts the changes will have on the various parts of their organization. The manager must convince employees that the changes will be beneficial to the long term health and viability of the organization and whatever sacrifices or other losses the changes entail, the group as a whole will benefit. Optimistic future scenarios must be envisioned and constantly promoted by managers.

The most common justification for cultural change, and the easiest for the employees to understand, is that the business or political environment has fundamentally and permanently changed. Managers are responsible for recognizing incremental changes in the environment in which they operate and make the appropriate adjustments to avoid drastic and sweeping changes, but this is not often easy to do. Whatever the driving force may be the manager must communicate the facts to the employees and other stakeholders in an honest and forthright manner.

The manager must impress upon the employees that the need for the cultural change is a critical turning point and make sure that the employees fully understand the circumstances that require the change. Managers often incorrectly assume that employees know essential details and background information. If top management is expecting members of the organization to make drastic changes in their fundamental work attitudes and convictions, then the changes and sacrifices must be fully understood. Indeed, the changes must begin at the top. The employees at the lower levels of responsibility will follow the examples set by those in positions as organizational leaders.

Managers need to realize that any major cultural change will not entirely eliminate all the aspects of the existing organizational culture. Some areas will need total

and immediate overhaul, some only minor modifications, and some changes will need to be implemented gradually. In the midst of all the changes some key elements of the old culture that represent continuity and reassure the employees must be maintained. Still, drastic measures may be necessary such as replacing individuals in order to implement the changes. Rather than summary dismissal, management can avoid most fairness issues if the unwanted employee is enticed to leave with incentives for them to pursue other interests or career opportunities.

Finally, the manager must proceed with the changes with enthusiasm, consistency of purpose and conviction that the cultural changes being implemented will succeed. The manager's optimism must be tempered with caution and provisions for less favorable contingencies must be provided, however, if the manager loses confidence in his or her abilities to lead the cultural change process or is not persistent in his or her efforts, the optimism among the employees will soon fade.

ORGANIZATIONAL ANALYSIS

In the analysis of the organizational structure of Components and Media, the two Georgia Based divisions HQ-JAPAN, the evolution of the span of control of the two plants during the 1990's developed along two different lines. These strengths and weaknesses would play an important role in the continued viability of the two organizations during the recession of 2001.

The Media plant was in operation about six years when the Components plant was established, and had a fully established organization structure. Two departments, Molding and Assembly, each had a separate management, supervisory, and technical

staff. As with any growing organization, the upward mobility of talented individuals was easily achieved. What began as a rather small group of Japanese Expatriates and Key American Managers soon expanded laterally with the departments being divided and subdivided into sections to accommodate talented and ambitious operators who aspired to limited Supervisory Positions. There was a two tier benefit structure with manager level personnel in addition to higher compensation and work schedule flexibility was given long term disability insurance.

The span of control was limited to about 10 to 15 individuals in each group. During the ten years from roughly 1985 to 1995 production of the magnetic media products grew from one million pieces production per month to five million pieces per month. In 1995 another department was added to manufacture optical media. Some resources, such as plastic molding from the magnetic portion of the Media group could be shared across departments; however the same pattern of lateral expansion emerged. During this time, the pressure for advancement within the ranks increased and with the rapid growth of the American Economy in general, it was easy for key employees to look elsewhere for career advancement. When openings did become available in the upper levels, often the best candidate could not be selected because of the compartmentalization of skills. Consequently, a Director class was established above the Department Manager Class and an Assistant Manager Class was established above the supervisory class. Japanese expatriates became "technical advisors" in the organization.

During the rapid expansion of production at Media there was also increased price competition and pressures to reduce cost at media. In 1985 at one million pieces a month production, cost were $5 each. Ten years later, with production levels at five million

pieces a month, costs were reduced to $1 piece. In spite of reduction of costs, and a series of painful layoffs, Media stopped production in 2001.

The Components plant during the same period of rapid expansion, kept its organizational structure to three levels beyond Plant Manager: Department Manager, Manager Equivalent, and Supervisor Equivalent. While Media was struggling in the Consumer Market, the market for components in the computer, telecommunications and automotive industries continued to grow with Components maintaining its market share through annual direct contract negotiations. Mr. Yamaoka, realizing the threat of the emerging competition from Asia, made "Downsizing: Reshaping the Corporation for the Future" (1990) by Robert Tomasko required reading for Managers and Supervisors. There were Assistant Managers, and Supervisor Trainees, but all Manager and Supervisor equivalent personnel remained in their singular tier on the organizational chart as the organization grew. Mr. Yamaoka accurately envisioned the emerging contingencies and designed an organization to meet the challenges and this organization style persists to today. During the hiring freeze period, if a supervisor left Components, it was not uncommon for the manager of the department to assume the responsibilities of Manager and Supervisor. Mr. Yamaoka extended flexible work schedules as well as the long-term disability insurance benefits to the Supervisor equivalents. To further reduce the pressures for advancement to the next level, Mr. Yamaoka expanded salary ranges. Mr. Yamaoka promoted equality among the Manager and Supervisor equivalents in other ways that mirrored Theory Z philosophy. There was a "mandatory" golf competition every month and that even technician and mechanic level people could join. Late night

Karaoke parties at the local Japanese Restaurant were a common occurrence with the company picking up the tab.

The Media group maintained a club house for the lodging of Japanese on temporary assignment in Georgia. Mr. Yamaoka established a monthly cookout for Supervisors and Managers at the clubhouse. Initially these were designed to be held in months that Components met profit goals, but even when even when unfavorable exchange rates put the company below target, the parties continued. A Japanese Director from HQ-JAPAN, who was able to take part in one of the parties, was impressed with the team spirit that the monthly cookouts fostered. He approved a $10,000 karaoke system improvement for the club house that same night. The fact that he fancied himself a particularly talented singer and had a few too many beers may or may not have been a factor in the decision.

Fiedler's Contingency Theory of Leadership was also evident in the period of expansion of Components' customer base and the transfer to Americans the primary responsibility of Management. It is clear that HQ-JAPAN selected Mr. Murakami to lead Components based on the specific contingencies that Components faced. Also, the appropriate leadership characteristics that were implied throughout the preceding theoretical background analysis were demonstrated by Mr. Murakami. As is often the case, the impact an leader has on the organization is not fully felt until after the individual has departed. As already stated Components has had four or five leaders that made a significant impact, but the feeling of affection for Mr. Murakami is not approached by the others. Mr. Murakami overseas assignment at Components was his last before his retirement at fifty-five. He was recognized as a planning wizard in the electronic

components business. For example, it takes just as much time and effort to plan for

production of an item that a small customer may use 10,000 pieces a month as it does for

an item that a major customer that uses 20 million a month. Even so, if a customer is

shut down because of the unavailability of a Component's part, then it would be very

costly for HQ-JAPAN. By the year 2000, the customer base had expanded to over 300

customers in North America in the core business sectors of Components.

Mr. Murakami's fatherly demeanor overshadowed his limited English ability.

The confidence he placed in managers and the knowledge he brought to the planning

department was returned with hard work and trust. During a particular tough month the

he took half of the front office personnel to the shipping department on the last day to

help out. The accounting and administration staff members were quick to point out their

limited knowledge of the shipping, scheduling and invoicing systems, but his reply was

simple. "Don't worry, you fold box, you tape box, you stack pallet--easy!" When the

last lot was prepared for shipping, Mr. Murakami helped clean up the work area by

sweeping the floor. He understood that even with the additional help, the shipping staff

had additional responsibilities for checking the accuracy of the days work.

Smiles of approval, disapproving grunts and groans together with limited English,

Mr. Murakami was able to relate well on a one to one basis with all levels of employee.

He always listened to the employees' concerns and problems, however, due to the heavily

colloquial speech patterns of our diverse work force, the manager or supervisor

responsible for the employee knew that he didn't fully understand the true nature of

problem until it was explained afterward in easy to understand English. He did however

understand how the employee felt and he knew that the employee trusted him to take care

of their problem as best he could.   Mr. Murakami understood the essential function of the executive according to Barnard. Mr. Murakami impressed upon each employee's mind, through persistent focus on the customer's needs, a belief in the existence of a common purpose at Components.

The two leadership examples presented so far were very positive illustrations of managers during the very good years of the company. Vastly different leadership styles were needed in the bad years. Mr. Kamiyama has just finished his tenure as plant manager during one of those bad periods leaving the company on sound financial and structural footing. The nature of his term is outlined in the introduction above. His frugal policies and occasional angry outburst toward Managers will not be soon forgotten by those who were subjected to them or by the innocent bystanders who either ducked for cover or were able to escape out of the nearest exit. If Components persists as an organization, however, his stature will no doubt rise and perhaps he will be regarded as the Plant Manager who saved the company. The outbursts will become just another cultural artifact often repeated as fond memories around the break room table. For now among the managers, the memory that persists is the fact that the managers used to jokingly hand the unfortunate manager, who's turn had come up to be called in, a box of tissues. The tissue would be needed not to wipe away tears but would more likely be applied to misdirected spittle.   It cannot be overstated that cultural change does not come easy to an organization, and leadership is the key. Mr. Kamiyama's leadership style could be considered a Low-LPC approach with in the set of contingencies that he faced.

One of the significant unifying influences for the Media and Components facilities in the late 1980's and early 1990's was the push by HQ-JAPAN for the

establishment of the concepts of Total Quality Management (TQM) at overseas facilities. In accordance with the framework established by Edward Deming, the development of QC circles parallels McGregor's Theory Y and is evidence of a company's willingness to promote the fundamental desire of workers for self-motivation and self-direction. This floor level employee participation was implemented at all subsidiaries of HQ-JAPAN world wide, and winners of local competition were able to attend the international competition in Tokyo. Once a local winner was selected, there was considerable management input in the "grass roots" effort to polish the presentation for the international competition.   This focus lasted only three or four years from 1988 to 1992. While the effort was not sustained, unexpected benefits were realized at the Components plant.

There were critics who argued that the improvements made were not worth the time and money expended in the promotion of QC Circles. QC circle activities were instituted in every area of the factory and all employees were involved. As with any group activity, leaders emerge that carry most of the burden of the activity. Indeed, this was the main reason for the downfall of the QC circle activities. Time was taken away from production, and most of the employees participated just by showing up. From these early groups, leaders emerged from the operator level, and were promoted through the ranks to management positions. Even though these key individuals were not college educated, they today hold the key positions of Administration Manager, QA Manager, and Production Planning Manager.   Their success stories are cultural artifacts that still fosters the culture of employee participation. The quality assurance leaders in the plant

remain the Lead Operators in each process and they have the authority to stop production

if there is a problem. This is a key principal in the Deming framework of TQM.

Cultural change at HQ-JAPAN will now be explored briefly.   During the

worldwide economic downturn and recession in 2001, major organizational structure and

culture changes had to be implemented. The new visionary leadership that emerged in

HQ-JAPAN in the late 1990's together with the and profit and growth oriented business

model is an example of how a company can decisively, effectively and rapidly respond to

drastic changes in the economic environment. The extensive and painful changes that

HQ-JAPAN was forced to make in their organizational culture due to the economic crisis

formed the basis for the Company to weather the world wide recession.

In the main thrust of the changes, the new President of HQ-JAPAN stressed the

importance of speed of execution of the business plan.   In the rapidly changing business

of technologically advanced product development, innovation and speed in developing

new products and getting them to market was the key to future profitability. Traditional

product lines that formed the foundation of HQ-JAPAN's business were quickly

abandoned as new and lower cost manufacturing centers captured the market.

The key to the new President's strategy was the establishment of an "Interweb"

site where the President was able to communicate directly to each manager and

supervisor worldwide. In this way major tactics and policies were laid out and bad news

(other than public notifications of financial data) was given to employees before the press

release came out or the rumors began to circulate. The president made it clear that the

problems were world wide in nature and specific decisions were transparent. These

actions assured everyone that the burden was shared at home in Japan as well as with the

overseas subsidiaries. The President even sincerely encouraged employees to email him directly with their questions or concerns. Frank and open dialogue was one of the key elements of his cultural change effort. HQ-JAPAN went to some expense to develop this website in English as well as Japanese.

New products were the key to survival and he made it clear that unprofitable subsidiaries and business groups would either turn around or be cut. This new philosophy had it roots in the economic troubles in Japan in the 1990's. Japanese companies had to abandon the precepts that were once believed to be the key to their success as outlined in Ouchi's Theory Z. This fact is evident in the most recent decision by HQ-JAPAN. Early in 2006 it was announced that the company would get out of the magnetic media consumer product business. This was the product for which the company was best known around the world. The last production facilities for magnetic media in Japan and Europe closed this year.

CONCLUSION

When I approached this paper, I was hesitant to analyze my own company due to my intimate knowledge of its development over the past 20 years. But once I began, I was surprised to find how much my attitude changed. Instead of dwelling on the recent difficult years, I had to reach back and pull examples when many positive things were happening at Components. The theories we have discussed over the semester have been prescriptions for success in organizations and the realization of the potential in individuals. I was guided toward the positive aspects of Components by these theories. The thread that ties my paper together is the role of the leader in the organization to

empower and effect change. This course and the theoretical background knowledge I have obtained will enrich my work experience and perhaps provide renewed optimism for the future. I will be better equipped to understand the next challenge of an ever-changing work environment and take part as a positive agent of change.