

Theory Z: Myths, Realities and Alternatives La théorie Z : mythes, réalités et alternatives

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Résumé de l'article

Le modèle traditionnel américain de relations professionnelles antagonistes fondé sur un système de valeurs sociales qui s'appuie sur l'indépendance plutôt que l'interdépendance a subi peu de changement durant la période d'expansion économique et de plein emploi relatif consécutive à la guerre. Cette période est révolue et nombre de facteurs sont à l'oeuvre qui peuvent modifier les relations de travail dans l'avenir.

On reconnaît que la mise en place d'un système de rapports collectifs de travail basé sur la collaboration est une nécessité économique autant que sociale. Des études récentes laissent deviner d'importants changements de point de vue tant du côté des employeurs que des travailleurs. Nombre d'indices révèlent que les employeurs américains commencent à accepter l'idée que les salariés doivent participer davantage aux prises de décision, même si cette tendance est discontinuée et qu'elle varie selon les régions et les secteurs d'activité économique. De même, des études remontant assez loin dans le passé laissent voir chez les travailleurs américains plus d'intérêt pour ce qui leur apporte satisfaction personnelle, en particulier l'acceptation des responsabilités. La volonté des travailleurs de « jouer leur rôle » tant au sein des syndicats qu'ailleurs est forte. Cependant, le degré réel de participation à l'intérieur de ces organismes reste loin de leurs attentes.

Si certains nient encore les avantages de rapports collectifs de travail qui reposent sur la coopération, il n'y a guère d'entente sur le modèle américain le meilleur d'assurer une direction participative au cours de la décennie 1980. En l'absence de législation, voire de simple orientation, les programmes volontaires manquent de profondeur et ont tendance à être abandonnés et remplacés par de nouveaux « dadas » au fur et à mesure que les circonstances changent. Faute d'une approche qui favoriserait l'évolution des relations professionnelles aux États-Unis, on se rabat sur les systèmes qui existent sur d'autres continents, notamment au Japon et en Europe de l'ouest.

La théorie Z a beaucoup attiré l'attention comme modèle abstrait de coopération entre employeurs et salariés à base de paternalisme, laquelle serait susceptible d'aider les entreprises américaines « à faire face au défi japonais » en y implantant certains éléments empruntés au régime de travail mis en place au Japon. Les fondements abstraits de la théorie Z comme moyens de combattre l'échec bureaucratique sont chancelants en ce sens que les différences de culture entre les États-Unis et le Japon rendraient lente et difficile l'adoption stricte d'un système s'appuyant sur les clans.

Les régimes de relations professionnelles du Japon, non plus que ceux de l'Europe, ne paraissent pas être des régimes immédiatement adaptables aux États-Unis. En effet, la grande diversité et la complexité de la société américaine s'opposent à toute implantation généralisée d'un régime de relations de travail basé sur la coopération alors que le régime américain repose sur l'antagonisme. Pour que cela puisse réussir et devenir permanent, le changement doit se faire graduellement. Et l'on peut discerner plusieurs modèles possibles de ce processus de changement.

La théorie Z, si l'on veut qu'elle s'implante avec quelque chance de succès, doit être précédée de différents plans de gestion multiple. Et chose encore plus importante, cette théorie n'est en aucune façon l'unique modèle de gestion pour la décennie 1980.

À trop se préoccuper de ce qui se fait au Japon, on a négligé les autres régimes de coopération entre employeurs et salariés. Bien que, à l'heure actuelle, une minorité de travailleurs et d'entreprises puissent y être bien préparés, en longue période, les régimes, qui s'appuient sur la démocratie industrielle, sont une alternative valable aux modes de participation paternaliste dominés par les employeurs. La codétermination incarne quelques-unes des traditions culturelles les plus enracinées qui sont partagées par l'Europe occidentale et les États-Unis. Telles que les valeurs d'épanouissement personnel, de tolérance, de déviance, de partage et de contrôle du pouvoir ainsi que de la qualité de la vie au travail.

De plus, la question demeure de savoir si, en longue période, les avantages de la gestion multiple peuvent se maintenir à l'intérieur d'un régime purement paternaliste qui semble avoir la préférence des entreprises américaines. La logique d'une authentique association entre patrons et ouvriers exige davantage de partage du pouvoir fondé sur des négociations.

La théorie Z est-elle irréconciliable avec la gestion polyvalente et la négociation? Bien que l'une et l'autre fasse partie des systèmes différents, une synthèse des meilleurs attributs de la théorie Z et la recherche de la codétermination peut être possible. Cette synthèse peut être l'idéal difficile que les entreprises s'essaient à réaliser.

Theory Z: Myths, Realities and Alternatives

Tomasz Mroczkowski

*An assessment of substance and impact of Theory Z on
American management in the context of alternative paths toward
employee participation*

Only recently are many American executives beginning to recognize the fact that the country's slipping competitiveness in industrial productivity is primarily attributable to deficiencies in management practice. This awareness has prompted a very important debate about what to change and how in the traditional practices of American management.

Peter Drucker wrote that management is not a mere discipline, but a "culture" with its own values, beliefs, tools and language (Drucker 1972). A growing school of thought sees the deficiencies of American management as rooted in its subculture, (Pascale, Athos 1981). Comparative studies of management in the U.S. and typically collectivist societies such as Japan and China have helped pin point some of the culturally determined blind spots of American management (Nevis 1982, Pascale, Athos 1981). The conclusions from these studies reinforce the views previously expressed by prominent American sociologists that U.S. culture is in need of an evolution in the direction of greater collectivist or group values. It is argued that if American business is to function more effectively, this evolution should also take place at the level of the organization, specifically through the means of instituting profound changes in human resource management. The best publicized expression of this broad recommendation for U.S. business is the so-called Theory Z.

Theory Z contains some general statements about the direction in which human resource management systems and indeed the entire mode of social integration in American organizations should change. These conclusions have caused considerable misunderstanding and confusion. In this

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paper we attempt to separate the kernel of truth in Theory Z from the multiple myths and oversimplifications which have grown around it.

An assessment of Theory Z is made here in the context of alternative paths of evolution towards participative management in the U.S. Collaboration through paternalism which Theory Z implies is contrasted with employee participation through power-sharing based on negotiations and broad representation.

THEORY Z: THE ARGUMENT

The theoretical foundation of Theory Z consists of the argument that bureaucracy as the principal organizational paradigm employed by American business has ceased to be an effective form of regulating social transactions. This failure is reflected by increases in employee opportunism, low organizational commitment and insufficient motivation to work which have lead directly to declines in the rates of growth in productivity and foreign competitiveness, characteristic of so many American organizations (Ouchi 1980).

There are, however, some U.S. organizations renowned for their sound management and consistent record of economic success which form a distinct group: Their human resource management systems resemble those of leading Japanese companies. These are the 'Z' organizations which are contrasted with the 'A' companies which represent the traditional (bureaucratic) model prevalent in American business (See Table 1).

TABLE 1
Japanese and American Organisations Compared

<i>THE CONTRAST</i>		
<i>Japanese Organizations</i>	vs.	<i>American Organizations</i>
Lifetime Employment		Short-term Employment
Slow Evaluation and Promotion		Rapid Evaluation and Promotion
Non-Specialized Career Paths		Specialized Career Paths
Implicit Control Mechanisms		Explicit Control Mechanism
Collective Decision Making		Individual Decision Making
Collective Responsibility		Individual Responsibility
Wholistic Concern		Segmented Concern

Theory Z assumes that the differences between the 'A' and the 'Z' organizations are the actual causal factors which explain the success of the organizations and their long range effectiveness. The set of features employed by the 'Z' companies (both in Japan and in the U.S.) amount to a distinct "organizational paradigm" (the "clan") which elicits superior employee performance, loyalty and commitment by its inclusive relationships.

According to Theory Z, the very survival of American business depends on its ability to move from the 'A' to the 'Z' paradigm, and on its ability to develop clans with the supporting management systems and philosophy that these demand. The steps of "going from 'A' to 'Z'" include developing a new organizational philosophy, developing interpersonal skills, involving the union, stabilizing employment, deciding on a system for slow evaluation and promotion, broadening of career paths, enhancing employee participation and developing wholistic relations (Ouchi 1981).

Although these steps are formulated in a very general way, their implementation adds up to some very serious commitments for an organization. Before making them, executives will want to know the answers to many questions: Is the argument about the link between bureaucratic failure and productivity decline really valid? Is Theory Z alone sufficient to achieve productivity growth? What about the impact of cultural differences between U.S. and Japanese society? Are militant unions likely to cooperate in implementing Theory Z? What are the intermediate steps or phases necessary before a 'Z' system is established? What are the alternatives to Theory Z?

THE THEORETICAL FOUNDATIONS: THEORY Z AS A RESPONSE TO BUREAUCRATIC FAILURE

Although it calls itself a "theory" the theoretical validity of the "Z" concept raises serious doubts. The basic argument is an extension of Williamson's framework of market failure resulting from increasing transaction costs (Williamson, 1975). This framework is borrowed and applied to bureaucracies: "Bureaucracies can fail when the ambiguity of performance evaluation becomes significantly greater than that which brings about market failure" (Ouchi 1980). According to this line of reasoning, bureaucratic relations are efficient when both performance ambiguity and goal incongruence are moderately high. When performance ambiguity is high, however, and a reduction of goal incongruence is desired, then, according to the model, the clan paradigm becomes desirable. In support of this,

examples are quoted of technologically advanced and closely integrated industries where teamwork is common, technologies change often and individual performance is highly ambiguous. It is thus *technology* which makes it difficult to measure performance and regulate transactions and calls for a change in the organizational paradigm. (Otherwise, employee deviance, opportunism and goal incongruence will keep reducing the effectiveness of the organization.) Theory Z belongs with those theories of the evolution of bureaucracy which see *technology* as a critical factor.

Research of such authors as Burns and Stalker (Burns and Stalker 1966) to some extent supports the thesis that innovation, changing technology, undermines the effectiveness of classically bureaucratic forms and creates demands for increased goal congruence and interdependence as jobs become less defined. The changing and often transient nature of tasks, roles and therefore of group membership, however, can also act against the formation of enduring relationships and lifetime employment in one organization, especially when the prevailing values are individualistic entrepreneurship and self-fulfilment through mobile career postures. Bennis expressed this trend very well in a statement that is a stark contrast with the whole philosophy of Theory Z: "While skills in human interaction will become more important, due to the growing need for collaboration in complex tasks, there will be a concomitant reduction in group cohesiveness. My prediction is that in the organic-adaptive system people will have to learn to develop quick and intense relationships on the job and learn to bear the loss of more enduring work relationships," (Bennis 1966).

Theory Z does not address itself sufficiently to this tension between the need for broad intensive commitment to organizational goals and the need for dynamic and flexible employment relations.

Theory Z attempts to substantiate its broad claim to "bureaucratic failure through increasing transaction costs and employee opportunism" by quoting the results of a study into the causes of the American decline in output per unit of input between 1965 and 1975. The study showed that:

1. 78% of the decline was due to increased costs of clean air, clean water, and safety on the job.
2. The remaining 22% is attributable to increased needs for surveillance of potentially dishonest employees, customers, contractors, and thieves (Ouchi 1980, Denison 1978).

This decline in net productivity attributed to "a rise in dishonesty and crime" actually reflects higher costs of protection that organizations provide for themselves and which they purchase from specialized firms, as well

as costs of theft and damage. The study does not state, however, how much of this results from activities by employees and how much by individuals and dishonest or deviant people *outside* the particular organization. The implication contained in the original study is that it is the latter (Denison 1978). Thus, if anything, this is evidence of an increase in social deviance at the societal level rather than the organizational. The argument used in Theory Z could have been made far stronger if it was shown that declines in productivity growth rates were results of:

- . increasing costs of supervision, enforcement of work discipline.
- . increasing costs of personnel appraisal, conflict and grievance resolution resulting from performance ambiguity and employee opportunism
- . increased costs of labor turnover, retention of qualified personnel, recruiting, selection, induction and training.

Many organizations in this country do indeed face these problems. Nevertheless, it may be noted that at the aggregate level, there is no evidence of an increase in, what might be called, indicators of employee deviance on the job. Indeed, absence rates for the U.S. compare favorably with those of other countries (Taylor 1978). There is no trend to show increased work stoppages. Although in some countries the number of days lost per 1000 employees is lower than for the U.S., this country is still well ahead of Australia, Canada, Italy, and many others. On the other hand, the evidence of an increasing trend in "off the job" deviance in U.S. society is mounting: the crime and dishonesty mentioned previously is accompanied by increases in the divorce rate, single parent families, more Americans living alone, increased abuse of drugs and alcohol. According to some authors these factors have all contributed in some way to the national decline in productivity growth (Winter 1980). Combating them may require actions at the level of society, local community, as well as at the level of the organization. It remains very much a question for further study whether introducing "clan" type social systems and thus promoting social integration at work would contribute to solving these problems *and* stimulate productivity.

Multiple examples of economic failure of diverse clan based organizations such as utopian communities, production cooperatives, collective farms show that this type of organizational paradigm only works under very specific circumstances. It may be hypothesized that it is not technology which is the critical precondition for clans but rather the existence of strong cultural norms that are mutually shared by clan participants.

THEORY Z AND THE JAPANESE PRODUCTIVITY ADVANTAGE: MYTH AND REALITY

A recent 'Fortune' magazine survey indicates that most American and Japanese executives believe that Japan is now stronger in overall industrial competitiveness than the U.S. and that Japan is continuously gaining an even greater edge (*Fortune*, August 10, 1981). Indeed, relative to Japan, U.S. productivity growth has slowed down to such an extent that as someone has calculated, if present trends continue, Japan will pass the U.S. productivity level on May 19, 1992 at 3:45 in the afternoon (Jackson-Grayson, 1981). While this lag is at last beginning to be appreciated by American public opinion, there are widespread misperceptions about what lies behind Japanese success. Simplistic explanations vary from pointing at the unique Japanese culture, attributing Japanese success to supportive government policy and low cost financing to showing the importance of friendly unions. When management is correctly seen as one of the principal factors behind the expansion of Japanese productivity, it is usually believed that it is the human resource management systems that account for most of the Japanese productivity advantage. Theory Z together with a number of current publications (Pucik, Hatvany 1980) tends to reinforce this erroneous belief.

If we are to look to Japan for productivity lessons, it should be realized that the country's phenomenal development as the leader of the industrialized world is a result of a synergy of many factors: government policy with its systems of planning and administrative guidance together with sound and often highly innovative management in both the software and especially the hardware areas. The following model categorizes the different groups of factors which account for the Japanese position of economic leadership:

	Macro	Micro
	1	2
	Tariffs, Quotas Tax Laws Depreciation Schedules	Production Planning Organizational Design Inventory Management
Hardware	Government-Planning and Policy Coordination R + D Policy	Job Design Quality Control Etc.

	3		4
Software		Social and Cultural Values Educational Systems Social Structure Business Government- Relations Industrial Relations	Life Time Employment Management Values- Based on Harmony and- Consensus Collective Responsibility Implicit Control Wholistic Concern (Theory Z)

Source: Adapted from MCMILLAN (1982)

Publications like Theory Z have focused undue attention on the micro-software components of management, contributing to the myth that it is in this area that primary changes must be made if the U.S. is to “meet the Japanese challenge”. Even a superficial examination of Japanese performance suggests that different, more complex strategies are necessary. The Japanese lead in hardware management is actually a more important factor of that country’s productivity advantage: Japan has eight times as many robots (sequence machines) as West Germany, the second largest user, and fourteen times the number in the U.S. (McMillan, 1982). A recent study comparing the productivity of Japanese and U.S. auto plants showed that only 39% of the \$2000 variance in savings could be explained by human resource management systems while the remaining 61% resulted from typical hardware components such as process automation, product design, quality control etc. (McMillan 1982).

Thus it is the first three spaces of our ‘matrix’ which deserve far more attention. Japanese innovations in production management such as their unique system of preventive quality management, elimination of buffer stocks and the tight coupling of the line of the KANBAN system also have to be appreciated. Especially so because their adoption under some circumstances does not encounter the cultural and societal barriers that changes in human resource systems may do.

Adapting Japanese solutions at the macro level must obviously be a very selective process and is not the subject of this paper. But even a superficial examination of the instruments and methods of policy coordination among industries and government in Japan suggests some of the directions of change for the U.S. towards stimulating investment and industrial innovation, research and development through government action.

JAPANESE CLANS AND AMERICAN CLANS

But it would also be a mistake to underestimate the role of the human resource management systems in the Japanese industrial structure. There are important lessons for the U.S. to be learned here too. Observation of Japanese management can be used to gain instructive insights into the culturally conditioned weak spots of American management. Beyond that the difficulty lies in developing new forms of management that would be attuned to American culture and traditions. This is an especially difficult task in the case of human resources management which leads many executives to doubt whether anything at all can be adapted from Japan.

In its attempt to find common features of U.S. and Japanese organization, Theory Z tends to underestimate the importance of crucial differences which effect organizational functioning.

All organizational paradigms co-exist within and are supported by social and cultural environments. While the idea of a clan is a theoretical construct, real clan type systems will be varied as will be their effectiveness.

In order to evaluate the transferability hypothesis and the prediction of parallel effectiveness, a conceptual understanding of the *differences* between American and Japanese clans is needed. Superficially the most striking differences might appear as in Table 2:

TABLE 2

The U.S. and Japan Compared

<i>U.S.</i>	<i>JAPAN</i>
resource abundance and population scarcity together with lack of feudal tradition explain American individualistic entrepreneurship and the market as the dominant form of social transactions-clan forms exceptional as basis for economic activity	resource scarcity and population density stimulate social integration based on clan forms-influence of feudal system strong

The Japanese mode of social integration evolved as a result of the geographical, demographic and economic necessities of an island nation deprived of resources (including farmland) but with a large population density. The various institutions and social behaviors have sprung up in Japan to counterbalance the extreme costs of this fundamental economic weakness. Conditions in the U.S. have been an almost perfect contrast.

There is no environment that would promote 'clan' based forms of social integration in the U.S. American cultural norms have also evolved in a completely different direction.

Even such a superficial comparison demonstrates profound differences between the genesis, functions, and environments in which clans operate in the two countries. Using Hofstede's detailed measurements of cultural distance between the U.S., Europe, and Japan, and Etzioni's concepts of organizational involvement (Hofstede, 1980; Etzioni, 1975), more detailed comparisons can be made and the managerial consequences of the differences assessed. The Table 3 represents the principal results of such an analysis:

TABLE 3
The Impact of Cultural Differences Upon Organizational Behavior
(U.S., Europe and Japan Compared)

Cultural Dimension	Major differences between U.S. and Japan	Consequences of differences in terms of organizational attitudes and behavior
Power Distance	Power distance index for Japan greater than for U.S. (53 points as opposed to 39 on a scale of 11 to 94). U.S. close to major European nations on power index scale.	Like Europeans, U.S. employees are less likely to accept dependence on organization, and hierarchical differences than Japanese employees who will tend to regard power as a basic fact of society.
Uncertainty Avoidance	Uncertainty avoidance much higher in Japan than in either the U.S. or European countries (Japan score 93 as opposed to 43 for U.S. or 35 for Great Britain).	American and European employees will tend to have a much weaker need for consensus and a higher tolerance of deviant behavior than the Japanese. Americans will value security less highly, will tend to take risks more readily, engaging in conflict and competition (something the Japanese will avoid).
Individualism Collectivism	The U.S. is one of the most individualist cultures (score 45) while Japan is a typically collectivist one (score 91). Most European nations are more collectivist, but closer to U.S. than to Japan on this dimension.	For the Japanese, loyalty to the organization as a clan is a fundamental culturally enforced norm, on which their personal identity depends. Hence, involvement is intensive and moral. This is not so in the case of American employees.

Hofstede's measurements highlight the great cultural 'distance' between Japan and the U.S., which is culturally much closer to Europe. These cultural differences have a direct and profound impact on the whole network of relationships within organizations. While outlining the basic steps for implementation, Theory Z does not elaborate on the consequences of introducing clan system in terms of supervisory practices and subordinate expectations and attitudes. The changeover from an 'A' type system to a 'Z' organization would entail profound changes in supervisor-subordinate relationships and attitudes. In a model sense, these might look as in Table 4.

Moving from an 'A' type of organization to a 'Z' type organization (to borrow Ouchi's terms) would mean not only changes in the basic staffing practices, but also profound changes in supervisory practices and subordinate expectancies. It is easier to introduce new company policies on staffing than to influence the subtle motivational relationships between superiors and subordinates which are strongly culture bound. As has been pointed out, the Japanese clan type culture is essentially different from mainstream American culture. Thus, implementing clan systems within an American culturally 'hostile' environment would pose the following problems:

Because of the strong cultural difference, the intensity of involvement of American employees in their organizations would be considerably less and more temporary in nature than in the Japanese case. The primary difference is that long-range maintenance of involvement is culturally reinforced in the Japanese case through outside group pressure and normative sanctioning of deviance and tolerance for coercion. These forces would be not only weaker in the American case, but counteracting forces would be present.

As Etzioni puts it, social groups define not only the intensity of their norms, but also their substance. Thus, the direction of the involvement may be different. For instance, American employees may be more inclined to be highly committed to organizational goals but not to its management (in contrast to Japanese paternalism). Strong organizational commitment may be induced in an American organization under special circumstances (a crisis), but will tend to fade as circumstances change.

Thus, the challenge facing Theory Z companies is to create a new type of clan system which would be considerably "looser" than its Japanese counterpart. These organizations may be seen as agents of profound cultural change towards more collectivist values in American society. It is true that some formulations of Theory Z acknowledge this.

TABLE 4
Supervisory-Subordinate Relationships in 'A' and 'Z' Organizations

<i>The 'A' Organization</i>	<i>The 'Z' Organisation</i>	<i>The 'Z' Organization</i>	<i>The 'Z' Organization</i>
<i>Differing ranges of supervisory behavior</i>	<i>Differing subordinate expectancies</i>	<i>Differing ranges of supervisory behavior</i>	<i>Differing subordinate expectancies</i>
<ul style="list-style-type: none"> - Reliance on material rewards. - Immediate positive reinforcement stressing individual achievement and immediate results. - Use of competitive pressure and conflict to elicit performance. - Threat of firing. - Remunerative sanctioning applied through formal channels at greater rank distance. 	<ul style="list-style-type: none"> - <i>Convictions</i> - Individual achievement will bring quick promotion and reward. - Must perform to keep job. - Good to be better than others. - Good to become specialized. - Will perform as long as rewards justify rank distance. 	<ul style="list-style-type: none"> - Restricted use of material rewards and threat of firing. - Increased use of appeal to common good, exploitation of group pressure. - Use of team rewards rather than individual rewards. - Reliance on intensive moral involvement of employees. - Normative sanctioning requires intensive personal relations and limited rank distance. 	<ul style="list-style-type: none"> - <i>Convictions</i> - Promotion and rewards come as result of loyalty and seniority. - It is difficult to be fired, commitment to organization means security. - Being a good team player is better than being outstanding.

THEORY Z AND THE ADVERSARY LABOR-MANAGEMENT RELATIONSHIP

Theory Z implies a vision of an organization full of harmony, cooperation, and commitment. As such, it borders on an "organizational utopia". For cultural reasons previously cited, such a utopia is impractical to achieve, especially in the U.S. Theory Z in one of its thirteen steps of implementation includes "involving the union". A close collaborative union-management relationship is clearly assumed. The adversary nature of labor-management relations in the U.S. is a well-known fact, and the implementation of Theory Z would presumably mean changing or at least modifying this relationship. For reasons outlined below, this would be an extraordinarily difficult task.

U.S. workers have traditionally exercised their power to change and modify the work relationship through the system of unregulated voluntaristic collective bargaining. As has been said, labor-management relations have been adversary. Most unionists think of themselves as the protectors of employees, as the intervening variable between workers and management, serving as a safeguard against exploitive management action. After "economic gain", the reason given most frequently by new union members for joining is "protection against arbitrary management action". This is evidence of popular perception of the degree to which unions fulfill this protective role (Seidman, London, Karsh 1979). Union leaders have consistently opposed ideas of involving unions in close cooperation with management. Albert Zach, AFL-CIO Director of Public Relations, has said that it is preferable for U.S. unions to meet company representatives across the bargaining table rather than try to get involved in management functions. (Kovach, Sands, Brooks, 1980)

It is interesting to note that the Japanese themselves have been quick to recognize this problem. When locations were chosen for Japanese subsidiaries in the U.S. and Britain, new zones were picked away from areas with traditions of labor conflict and militancy (Rattner 1982). In spite of the widely publicized efforts by the Japanese to adapt their management to American culture and please American employees, some of these plants (e.g., Sanyo's San Diego plant and the Honda plant in Ohio) are experiencing labor problems leading to unionization. (Chung, Gray 1982)

In contrast with Japan and Europe, the traditional attitudes of the three most important parties in the U.S., business, government, and labor, towards enhanced collaboration and participation in management have been cool (Soutar 1973). What we have in the U.S. is a non-collaborative culture. As Nancy Foy and Herman Gadon put it, "Collaboration by law is

impossible until the culture becomes collaborative''. While it promotes peace by enforcing the rights of employees to organize and bargain through unions, U.S. law also reinforces the adversary nature of the union-management relationship and puts the emphasis on trading rather than cooperation. The rapid spread of unionism to public employees today furthers this adversary stance. Forbidden the right to strike, they turn to arbitration and neutral fact-finders (as in Britain). This practice brings only uneasy truce and little development of the institutions and traditions needed to build trust (Foy and Gadon 1976).

As has been said, the need to change the non-collaborative culture of U.S. organizations is increasingly recognized. This is clearly a precondition to introducing developed formal schemes of participative management of which Theory Z is but one. The great diversity and complexity of American society defies any generalized prescription of how to proceed from a non-collaborative to a collaborative management culture. For such progress to be successful and permanent, change should follow a pattern of gradual evolution. It is possible to discern several possible patterns of this change process. It is argued here that Theory Z, to be successfully implemented, would have to be preceded by more limited schemes of participative management. More importantly, however, Theory Z is by no means the only model for American management for the 1980's.

CHANGING MANAGEMENT CULTURE FROM ABOVE: COLLABORATION THROUGH PATERNALISM

The need for promoting closer cooperation in U.S. organizations is sufficiently great that increasingly it is management itself which is initiating changes leading towards greater employee participation in decision making.

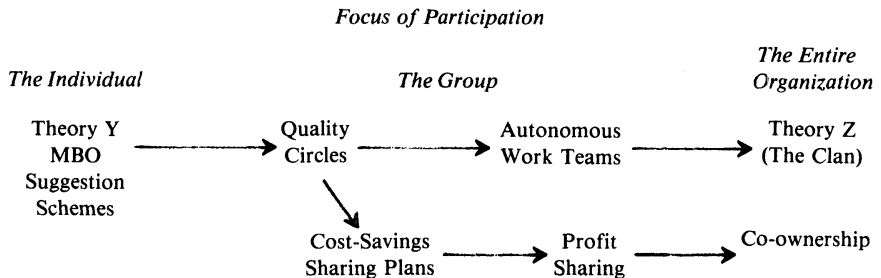
American management scholars have advocated more participative management for some time (McGregor's Theory X and Theory Y, W. Bennis and E. Schein, Chris Argyris and others). In contrast with Japanese and European concepts, traditionally, the American "school" has tended to emphasize individuals rather than groups. More recently, the emphasis both at the level of practice and also, to some extent, theory has shifted towards the small group. Management authors have been advocating a trend towards an increased focus on the use of small groups — a recourse that American managers are only beginning to tap (Nevis 1982). The rapid growth and success of quality circles illustrates the great potential that small groups have for improving productivity, product quality, job satisfaction, and morale. There is some evidence that those organizations which have im-

plemented quality circles most successfully are also the ones which have made a very definitive commitment to changing management culture. For such an approach to work, the dynamics of the change process must be maintained. The alternative is a pattern of zig-zag innovation based on a succession of fads that are abandoned as soon as the novelty of the idea wears off — a tendency that has been criticized time and again by management writers (Patchin 1981, Pascale and Athos 1981).

If the effectiveness of management initiatives aimed at improving collaboration and enhancing participation is to be maintained, it must follow a course of what Pascale and Athos have called “organic growth”. Parts of such a pattern are discernible now, and it is also possible to forecast possible future evolutions and attempt to place Theory Z within it.

FIGURE 1

Growth of Paternalistic Participative Management: from Focus on the Individual to the Small Group to the Entire Organization.



Theory Z might be perceived as a possible “final outcome” in a process of growth from schemes of participative management, which are designed to activate the individual, through schemes which rely on small group solidarity, to the concept of all-embracing clan solidarity at the level of the entire organization — all changes being initiated and controlled by management. The economic dimension of increased participation might be seen as the introduction of cost-savings sharing plans, profit sharing (as in Japan), and even forms of co-ownership (as practiced in Scandinavia).

While the successful use of quality circles and, in some cases, autonomous work teams with cost-savings sharing plans and profit sharing are viable evolutions of American management, for sociological and cultural reasons, close integration at the level of the entire organization in

the form envisioned by Theory Z would be difficult in the U.S. environment. The transition from focus on the individual to the small group is easier than from the small group to the entire organization. The latter would require very careful preparation: the selection and socialization of people who could function effectively under Theory Z, major investment in employee training on a continuous basis, major commitments in terms of revising personnel policies; and then maybe in ten years a Theory Z company could be built. Such a major commitment to change is unlikely to be made by companies struggling to survive. For them, more limited forms of participative management, such as quality circles, are more advisable. In a number of working environments, however, it may prove simply impractical or even impossible to 'educate' and 'socialize' employees to the paternalist Theory Z culture. In such cases, alternative modes of participative management must be pursued.

THE NON-PATERNALIST ALTERNATIVE

A recent survey of workers' participation in decisions within undertakings in a number of countries found that in spite of the great diversity of schemes, most of the viable systems explicitly or implicitly used collective bargaining: "The fundamental importance of collective bargaining in many countries has been highlighted in this study, and it has been shown that in practice, negotiations are also conducted on works councils whenever it is a matter of co-decision, or even of extensive consultation on problems which are important for the workers. Even compromises reached between shareholders' representatives and workers' representatives on boards of directors (or supervisory boards) where such dual representation exists are often, in fact, the outcome of bargaining. Thus, job security safeguards may be adopted in some countries in the course of negotiation of a collective agreement in the undertaking, while in other countries, they may be agreed upon at a meeting of the supervisory board, though even in that case, the decision is likely to have been preceded by active negotiation." (*Workers Participation in Decisions Within Undertakings*, ILO, Geneva, 1981.)

The use of negotiations and bargaining is also practiced in Japan (Vogel, 1975) with all its emphasis on harmony and consensus. Theory Z, as formulated by Ouchi, omits this very important dimension, a dimension which has to be taken into account in any comprehensive model of management which is being advocated for the U.S.

Where the expectations of power sharing and role influence are widespread among the labor force, the alternative to paternalistic Theory Z may be forms of participation based on the European idea of co-determination.

It is important not to confuse the Japanese type of 'participation' with European co-determination. As an authority on Japanese management puts it, "In spite of the stability of the labor force, Japanese managers are still reluctant to introduce participation as increasingly practiced in Europe" (Sasaki 1982). European co-determination in its various forms essentially entails power sharing through employees' representatives on boards of directors. As such, the system clashes with managerial paternalism.

A controversy exists as to the applicability of these types of systems for the U.S. The case against adopting European systems is often based on such arguments as U.S. workers' preferences being focused on pay and benefits as opposed to job enrichment and participation. Experiments in which U.S. auto workers were taken to Sweden and placed in self-managing work groups are cited as proof of the inapplicability of European systems (five out of six Americans did not like the Swedish style) (Foy, Gadon 1976).

This focus on traditional blue-collar attitudes and needs obscures the fact that the pattern is changing and important segments of the labor force think quite differently. Management is changing its traditionally hostile attitude towards participation, too.

A survey of businessmen's attitudes towards corporate democracy conducted by the *Harvard Business Review* revealed a clear trend towards less autocratic practices and a growing support on the part of executives to enlarge the influence of employees (Ewing 1971). About a third of the respondents were willing to let employees *vote* on selected policy issues confronting top management. When a new chief executive is being selected, most businessmen felt that the board of directors should normally take the feelings of key employee groups into account. Only a small minority felt that a corporation's duty is only to its owners. More than 60% believed that the interests of owners must be served in competition with the interests of employees, customers and the public. Leading sources of support for this idea were found in management consulting, government, education and social services, small companies, and the far west and south central areas of the country. These sectors were the ones which absorbed the new generation of workers and are probably the ones where the ratio of white-collar workers is the highest. At the same time, the manufacturing industries located in the east and midwest were represented by significantly more conservative views (Ewing 1971).

Longitudinal studies of worker attitudes in the U.S. show some evidence of a trend towards a greater interest in intrinsic rewards including more responsibility, while interest in purely economic rewards does not appear to be growing (Casey 1979).

A recent survey of a nationally representative cross-section of U.S. workers concluded that "it is norm among American workers to desire participation in workplace decision making. Actual participation is not universal in workplace decisions, however, and is typically marginal in decisions regarding the organization of one's work. A majority of workers (both union and non-union) desire direct participation. Union members also desire indirect participation through their union. Both participation in task and participation in organization of work decisions independently contribute to worker well-being. Participation is observed to help ameliorate the negative effects of job demands upon workers" (Goitein, Seashore 1980).

The white-collar and professional employees may constitute an even more acute problem. Research shows that the surprising levels of job dissatisfaction among some groups of white-collar employees are linked to lack of role influence (Ritti 1970). These groups, often highly unionized, may well form the first constituency for co-determination in the U.S.

The differing attitudes of workers towards co-determination in the private and public sectors are reflected by the positions adopted by their unions. Hardly any major private sector union has endorsed the idea, while such important unions as the Teamsters have clearly stated that they regard the idea as moot. On the other hand, Richard Calistri of the American Federation of Government Employees has said that his organization would be delighted to have co-determination. The prospect of sitting on a corporate board of directors for public sector employees holds the promise of affecting an increasing number of issues (Kovach 1980).

The basic changes in the attitudes of executives and workers do not mean, however, that the European path towards co-determination can and will be followed exactly by America. Industrial democracy in Europe was largely legislated through the actions of government and parliamentary bodies. Employers' attitudes changed towards acceptance of the system after it had been institutionalized (Sacker 1981).

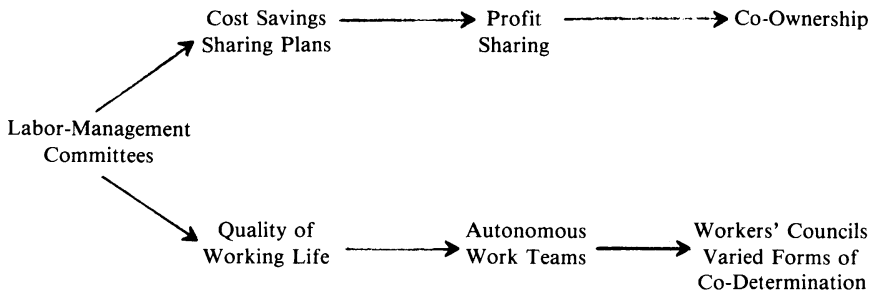
The growing need for participative management in American may come about differently from Europe. It is also likely to follow a different course in organizations employing predominately white-collar as opposed to blue-collar workers. The growth of unions has occurred in many white-

collar dominated organizations and has coincided with the rapid spread of unionism to public employees (Foy and Gadon 1976). Under these circumstances, it is likely that the U.S. white-collar workers will seek to extend their influence to modify more and more aspects of the work relationship through the traditional American system of voluntaristic collective bargaining and arbitration. The American government is not inclined to enforce co-determination through legislative action as European governments have done, and so the generally acknowledged need for participative management is likely to be implemented here differently from Europe.

Where employees have strong expectations of role influence and participation in decision making at the policy level (which is the case for important groups of white-collar and professional employees, especially working in the public sector), it is possible to envision an alternative path of evolution of participation culminating in co-determination by employee representatives at the board level:

FIGURE 2

The Non-Paternalist Path Towards Participation



The Figure 2 represents a possible or likely path of evolution towards co-determination in the U.S. It is assumed that the labor-management relationship would be based on bargaining and negotiation instead of automatic consensus, and employee demands would concentrate on participation in savings, profits on the one hand, and quality of work life, self-management, and representation on the board on the other.

The alternative of worker-co-determination has been neglected in the current preoccupation with Japan. Although at the present time only a

minority of employees and organizations may be fully prepared for it, in the long run, participative worker democracy presents an alternative to the paternalistic, management-dominated mode of participation. Co-determination embodies some of the preciously nourished, cultural traditions shared by Western Europe and America, such as the value of individual self-fulfillment, tolerance for deviance, equal distribution and control of power, and quality of work life.

Is Theory Z irreconcilable with co-determination and collective bargaining? Although the two represent distinct systems, a synthesis of the best features of Theory Z with its collectivist solidarity and strong member commitment with the power sharing of co-determination may be practically possible. This synthesis may constitute the difficult ideal which organizations strive to achieve.

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La théorie Z: mythes, réalités et alternatives

Le modèle traditionnel américain de relations professionnelles antagonistes fondé sur un système de valeurs sociales qui s'appuie sur l'indépendance plutôt que l'interdépendance a subi peu de changement durant la période d'expansion économique et de plein emploi relatif consécutive à la guerre. Cette période est révolue et nombre de facteurs sont à l'oeuvre qui peuvent modifier les relations de travail dans l'avenir.

On reconnaît que la mise en place d'un système de rapports collectifs de travail basé sur la collaboration est une nécessité économique autant que sociale. Des études récentes laissent deviner d'importants changements de point de vue tant du côté des employeurs que des travailleurs. Nombre d'indices révèlent que les employeurs américains commencent à accepter l'idée que les salariés doivent participer davantage aux prises de décision, même si cette tendance est discontinuée et qu'elle varie selon les régions et les secteurs d'activité économique. De même, des études remontant assez loin dans le passé laissent voir chez les travailleurs américains plus d'intérêt pour ce qui leur apporte satisfaction personnelle, en particulier l'acceptation des responsabilités. La volonté des travailleurs de «jouer leur rôle» tant au sein des syndicats qu'ailleurs est forte. Cependant, le degré réel de participation à l'intérieur de ces organismes reste loin de leurs attentes.

Si certains nient encore les avantages de rapports collectifs de travail qui reposent sur la coopération, il n'y a guère d'entente sur le modèle américain le meilleur d'assurer une direction participative au cours de la décennie 1980. En l'absence de législation, voire de simple orientation, les programmes volontaires manquent de profondeur et ont tendance à être abandonnés et remplacés par de nouveaux «dadas» au fur et à mesure que les circonstances changent. Faute d'une approche qui favoriserait l'évolution des relations professionnelles aux États-Unis, on se rabat sur les systèmes qui existent sur d'autres continents, notamment au Japon et en Europe de l'ouest.

La théorie Z a beaucoup attiré l'attention comme modèle abstrait de coopération entre employeurs et salariés à base de paternalisme, laquelle serait susceptible d'aider les entreprises américaines «à faire face au défi japonais» en y implantant certains éléments empruntés au régime de travail mis en place au Japon. Les fondements abstraits de la théorie Z comme moyens de combattre l'échec bureaucratique sont chancelants en ce sens que les différences de culture entre les États-Unis et le Japon rendraient lente et difficile l'adoption stricte d'un système s'appuyant sur les clans.

Les régimes de relations professionnelles du Japon, non plus que ceux de l'Europe, ne paraissent pas être des régimes immédiatement adaptables aux États-Unis. En effet, la grande diversité et la complexité de la société américaine s'opposent à toute implantation généralisée d'un régime de relations de travail basé sur la coopération alors que le régime américain repose sur l'antagonisme. Pour que cela puisse réussir et devenir permanent, le changement doit se faire graduellement. Et l'on peut discerner plusieurs modèles possibles de ce processus de changement.

La théorie Z, si l'on veut qu'elle s'implante avec quelque chance de succès, doit être précédée de différents plans de gestion multiple. Et chose encore plus importante, cette théorie n'est en aucune façon l'unique modèle de gestion pour la décennie 1980.

À trop se préoccuper de ce qui se fait au Japon, on a négligé les autres régimes de coopération entre employeurs et salariés. Bien que, à l'heure actuelle, une minorité de travailleurs et d'entreprises puissent y être bien préparés, en longue période, les

régimes, qui s'appuient sur la démocratie industrielle, sont une alternative valable aux modes de participation paternaliste dominés par les employeurs. La co-détermination incarne quelques-unes des traditions culturelles les plus enracinées qui sont partagées par l'Europe occidentale et les États-Unis. Telles que les valeurs d'épanouissement personnel, de tolérance, de déviance, de partage et de contrôle du pouvoir ainsi que de la qualité de la vie au travail.

De plus, la question demeure de savoir si, en longue période, les avantages de la gestion multiple peuvent se maintenir à l'intérieur d'un régime pûrement paternaliste qui semble avoir la préférence des entreprises américaines. La logique d'une authentique association entre patrons et ouvriers exige davantage de partage du pouvoir fondé sur des négociations.

La théorie Z est-elle irréconciliable avec la gestion polyvalente et la négociation? Bien que l'une et l'autre fasse partie des systèmes différents, une synthèse des meilleurs attributs de la théorie Z et la recherche de la co-détermination peut être possible. Cette synthèse peut être l'idéal difficile que les entreprises s'essaient à réaliser.

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