

**INTERNAL MARKETING AND EMPLOYEE SATISFACTION  
- A MISSING LINK IN JAPANESE SERVICE MANAGEMENT -**

by

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(1987)

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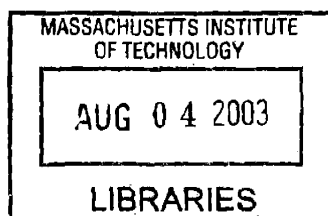
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Submitted to the Alfred P. Sloan School of Management  
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Master of Business Administration

**ABSTRACT**

The concepts and techniques of internal marketing and employee satisfaction are becoming very popular in western companies, supported by accomplishments in service management based on of the Service-Profit Chain and organizational behavior.

However, it is still uncommon for Japanese service companies to introduce these concepts, being strongly influenced by Japanese culture and tradition.

This thesis first explains internal marketing and employee satisfaction through existing literature and actual examples of U.S. banks. It then examines current Japanese service companies and the reasons for their practice, considering cultural influence. Furthermore, recognizing the importance of companies in adopting these concepts in the near future, I indicate how this can be achieved using examples in Japan.

Thesis Supervisor: Christian S.M. Dussart  
Title: Senior Lecturer in Marketing  
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## ACKNOWLEDGEMENTS

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I have also received valuable ideas and information from the Sloan Fellows Program, and I am grateful to my colleagues on the program who provided insightful advice.

I dedicate this thesis to my family, my wife Noriko and daughter Risako, who spent this wonderful year with me in Boston and have always supported me.

Tsuyoshi Takeshita  
Wellesley, Massachusetts  
June, 2003

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## INTRODUCTION

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The themes of this thesis, internal marketing and employee satisfaction, are concepts taught in “Management of Services,” a course at MIT Sloan School of Management, by Senior Lecturer Dr. Christian S.M. Dussart who holds the chair.

Unlike the marketing concepts and techniques for usual products that are common knowledge among business people, “internal marketing” and “employee satisfaction” in service companies were unfamiliar to me. In particular, the idea of putting “employee first, customer second” was an aspect of “culture shock” for me, as the only thing I had heard of before in Japan was “customer first” (*okyakusama daiichi*).

After this encounter, I chose to investigate these concepts in my thesis. And through deeper research, I found that these concepts, popular in U.S. companies, are scarcely adopted by Japanese companies, and employee satisfaction in Japan is lower than in western countries, and that, furthermore, there are deep cultural reasons for this.

My hypothesis is that Japanese companies, especially in the service industry, should introduce these ways of thinking, and moreover, that is inevitable that they are introduced considering the current situation and future direction of Japan. For this reason, I used the phrase, “a missing link in Japanese service management” as the subtitle of my thesis.

Currently in Japan, the long economic depression has produced a very difficult environment for companies. Under these circumstances, employees also have been relentlessly exposed to changes in the human resource management system, withdrawing of rewards, and reformation of organizations and businesses. But as a result, employees are

growing increasingly exhausted, creating a vicious circle in which this exhaustion devitalizes companies even more. But the employees of well-managed companies, especially in the service industry, enjoy their jobs, injecting life into the companies for whom they work. From this perspective, the topic of this thesis is a key to reviving Japanese service companies.

This thesis considers concepts developed in western countries, and whether they can be adapted to Japanese companies or not, and because of deep cultural roots, it focuses on Japanese culture and society. So, I also feel this topic provides a good measure of Japanese cultural and social characteristics.

The following chapters provide evidence for the hypothesis using the existing literature, results of opinion polls and specific cases of companies both in Japan and the U.S.. And because the Bank of Tokyo-Mitsubishi Ltd. sent me to the MIT Sloan Fellows Program, I will also consider the Japanese banking business.

Chapter 1 outlines internal marketing and employee satisfaction based on the literature in the field of service marketing and organizational behavior.

Chapter 2 explains how these concepts are practiced in U.S. banks using the examples of Wachovia, ranked No.1 of U.S. major banks in a U.S. customer satisfaction survey, and of Los Alamos National Bank, which received the Malcolm Baldrige National Quality Award in year 2000 as the first one in the banking industry.

Chapter 3 considers Japanese service companies, showing that the ideas of internal marketing and employee satisfaction are rarely introduced, and in spite of the common notion that “Japanese companies take care of their employees,” employee satisfaction in Japan is

rather low when compared internationally. The latter half of the thesis deliberates possible reasons for this state, first from the viewpoint of human resource management, and secondly, from service management.

Chapter 4 provides evidence for my hypothesis. I show that for the reasons pointed out in Chapter 3, change is in progress, and, as a result of this change, the ideas of internal marketing and employee satisfaction will become essential in Japanese service companies.

Chapter 5 examines how Japanese service companies should adapt internal marketing and employee satisfaction in a practical manner, under the persisting influence of Japanese culture and low company profitability. The thesis closes with examples of service companies, first, the Ritz-Carlton Osaka, which is already practicing management based on the above concepts, and second, Sony, whose president had an “employees first” attitude, even soon after World War II and built a creative world-famous company based on this attitude.



## CHAPTER ONE

### Outline of Internal Marketing and Employee Satisfaction

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#### 1.1 INTRODUCTION

Internal marketing was originally advocated as an additional marketing approach peculiar to service companies through expanding marketing concepts to services.

In the field of service marketing, not only the traditional marketing to customers from companies (“external marketing”), but also “internal marketing,” to employees from their companies and “interactive marketing” between employees and customers have to be considered (see Exhibit 1.)

Services are different from products in that they are produced and consumed at the same time in a cooperative relationship between customer and employee. Therefore, to provide services, companies should first provide their employees with an understanding of the services and convince them of the usefulness of these services (front stage employees as “internal customers”). And to obtain high customer satisfaction, employees who provide the services should have a high level of satisfaction themselves. In short, you need happy employees to make customers happy.

This way of thinking is integrated into the “service-profit chain” (see Exhibit 2.)

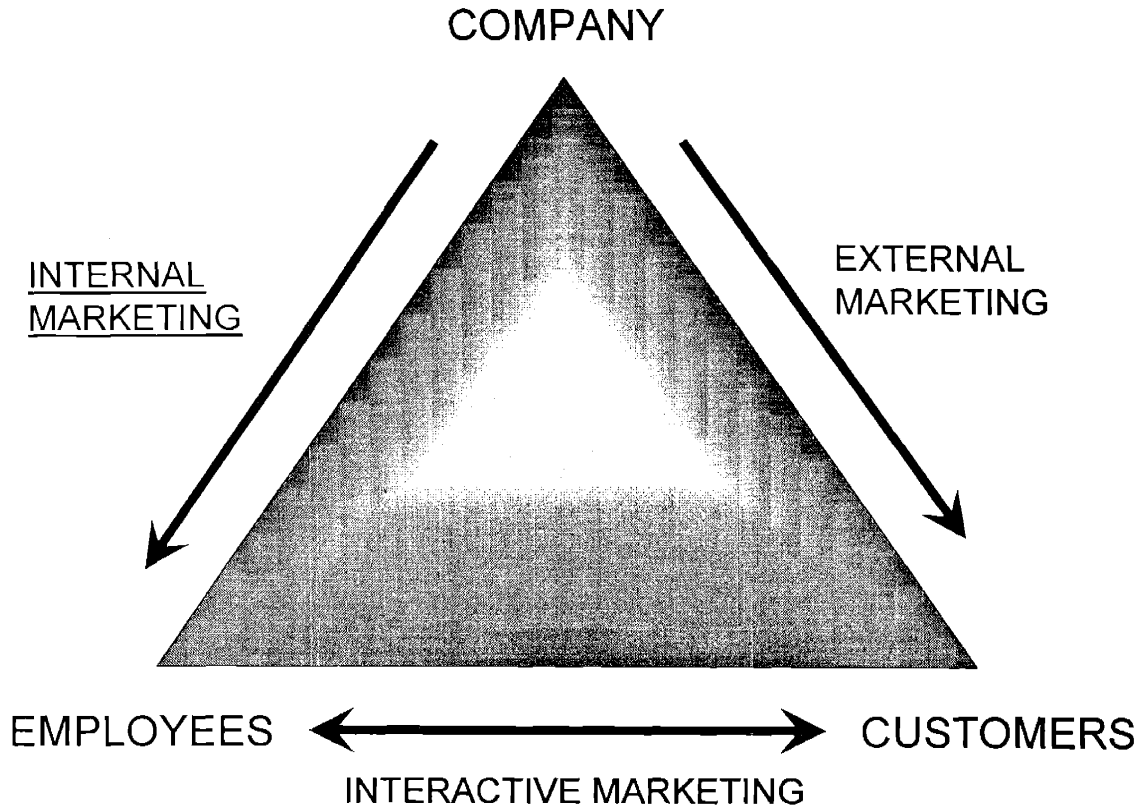
This concept shows the chain of profit creation in service companies as follows.

1. **Internal service quality:** hiring talented employees, providing them with high quality internal service, that is, sufficient training, a good work environment, support and so on.
2. **Employee satisfaction:** through high good internal service quality, employees have job satisfaction, staff turnover is lower and skills improve, and loyalty and productivity grow.
3. **External service value:** as service is provided by highly satisfied employees, external service value also increases.
4. **Customer Satisfaction:** as the external service value grows, customers are more satisfied.
5. **Customer Loyalty:** satisfied customers remain loyal, that is, purchases are repeated, and they inform other potential customers of the good service received.
6. **Revenue Growth/Profitability:** this finally produces revenue growth and greater profitability.

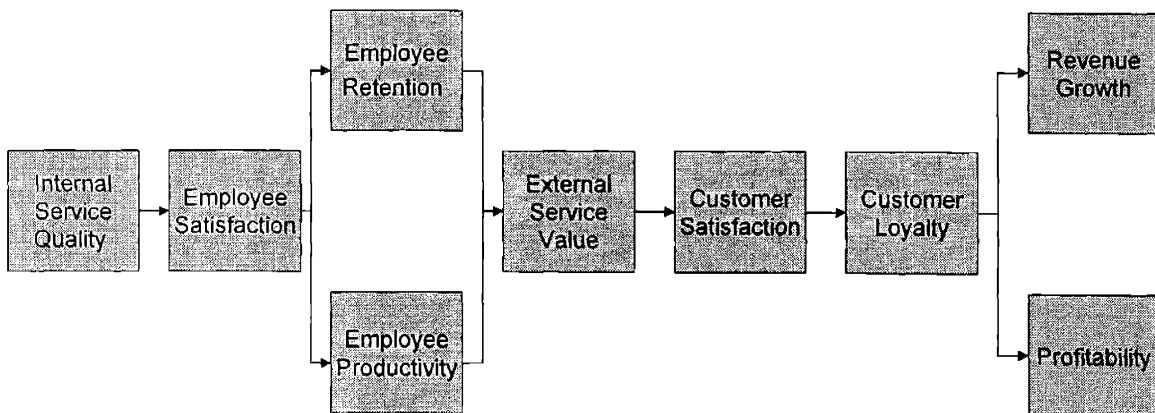
Profit in service companies begins from taking care of employees and satisfying them. A great deal of research has been conducted for each stage of this chain (for example, high employee satisfaction is related to high external service value), proving that these relationships exist.

The next section briefly reviews the definitions of internal marketing and employee satisfaction.

**Exhibit 1: Three types of service marketing**



**Exhibit 2: The Service-Profit Chain**



(Source: James L. Heskett et al (1994). Putting the Service-Profit Chain to Work. *Harvard Business Review*)

## 1.2 INTERNAL MARKETING

Internal marketing is defined as follows:

Marketing by a service firm to train and effectively motivate its customer-contact employees and all the supporting service people to work as a team to provide customer satisfaction.

(Source: Armstrong and Kotler (2002). *Marketing: An Introduction* 6<sup>th</sup> edition. Prentice Hall)

Armstrong and Kotler show here again that it is a two-step approach: service firms have to increase employee satisfaction first, they will then deliver better services; and better services means an increase in customer satisfaction.

This is a rather restrictive definition of internal marketing. That is, subject (service firm), object (customer-contact employees and supporting service people), means (training and motivating them) and purpose (working as a team to provide customer satisfaction) are all defined following the formation of this concept.

On the other hand, there are other definitions that capture a broader idea of internal marketing. For example, Ahmed and Rafiq define it as follows:

A planned effort using a marketing-like approach directed at motivating employees, for implementing and integrating organizational strategies towards customer orientation.

(Source: Ahmed and Rafiq (2002). *Internal Marketing*. Butterworth Heinemann)

In this definition, the subject is not limited to service companies, and the object is broadened to all employees. Means are “a planned effort using a marketing-like approach,” and it focuses on adopting a marketing-like approach to internal organization. The purpose is to motivate employees to “implement and integrate organizational strategies toward customer orientation.” This definition suggests the employment of a marketing-like approach internally to motivate company organizations and employees.

### 1.3 EMPLOYEE SATISFACTION

Another important concept in this thesis is employee satisfaction.

Employee satisfaction was often considered in the field of organizational behavior as “job satisfaction” before its importance was indicated in service marketing.

For example, Robbins says that job satisfaction is one of the five human aspects of input (the other four are productivity, absence, turnover and organizational citizenship) that are affected by a number of variables at the individual level, the group level and the level of organizational systems, and it is defined as follows:

An individual’s general attitude toward his or her job, or...  
the difference between the amount of reward workers receive and the amount they believe they should receive.  
(Source: Stephen P. Robbins (2002). *Organizational Behavior* 10<sup>th</sup> edition. *Prentice Hall*)

On the other hand, customer satisfaction is a concept in marketing, and Armstrong and Kotler defines it as follows:

The extent to which a product’s perceived performance in delivering value matches a buyer’s expectations.  
(Source: Armstrong and Kotler (2002). *Marketing: An Introduction* 6<sup>th</sup> edition. *Prentice Hall*)

The latter definition of job satisfaction resembles the definition of customer satisfaction. Job satisfaction is different from customer satisfaction only in its subject, but it should be the same in that the levels are determined by the difference between two variables, that is, the perception and the expectation of employees or customers.

## 1.4 THE EFFECTS OF EMPLOYEE SATISFACTION

Robbins claims the following based on evidence for the above four outputs:

(Productivity)

- ‘Happy workers aren’t necessarily productive workers.’
- ‘At an individual level, the evidence suggests the reverse to be more accurate – that productivity is likely to lead to satisfaction.’
- But ‘organizations with a greater number of satisfied employees tend to be more effective than organizations with fewer satisfied employees.’

(Absenteeism)

- ‘There is a consistent negative relationship between satisfaction and absenteeism, but the correlation is moderate.’

(Turnover)

- ‘Satisfaction is also negatively related to turnover, but the correlation is stronger than for absenteeism.’

(Organizational Citizenship Behavior -OCB)

- ‘There is a modest overall relationship between job satisfaction and OCB. But satisfaction is unrelated to OCB when fairness is controlled.’

(Source: Stephen P. Robbins (2002). *Organizational Behavior* 10<sup>th</sup> edition. *Prentice Hall*)

Employee satisfaction is not necessarily related to the productivity of individuals but is highly related to turnover. In other words, employees who are dissatisfied tend to leave the company.

And he also explains the effect on customer satisfaction as follows:

The evidence indicates that satisfied employees increase customer satisfaction and loyalty. The reasons should be

- In service organizations, customer retention and defection are highly dependent on how front-line employees deal with customers. Satisfied employees are more likely to be friendly, upbeat, and responsive – which customers appreciate.
- Because satisfied employees are less prone to turnover, customers are more likely to encounter familiar faces and receive experienced service.

(Source: Stephen P. Robbins (2002). *Organizational Behavior* 10<sup>th</sup> edition. *Prentice Hall*)

The most important link in the service-profit chain is the relationship between employee satisfaction and customer satisfaction, and it is supported by evidence. And possible reasons for the link are improvement in the behavior and attitude of employees and improvement in turnover.

It is also necessary to remember that employee satisfaction is also important from a humanitarian viewpoint before discussing the effects on business results.

## **1.5 HOW TO IMPROVE EMPLOYEE SATISFACTION**

So how can employee satisfaction be improved? Here I mention some existing literatures.

Firstly, considering the service-profit chain, internal service quality improves employee satisfaction, and ‘the ability and authority of service workers to achieve results for customers’ is important. For example, a sophisticated information system and job-related training, and ‘the attitudes that people have toward one another and the way people serve each other inside the organization’ are significant factors.

Secondly, Robbins introduces two contrasting views on the factors that influence employee satisfaction. One view is that four factors, which are mentally challenging work, equitable rewards, supportive working conditions and supportive colleagues (including the behavior of one’s boss) are important. This suggests that managers and organizations can control the level of employee satisfaction. The other, on the other hand, is that ‘an individual’s disposition toward life, positive or negative, is established by his or her genetic make-up... there is probably little that most managers can do to influence employee satisfaction.’ This emphasizes the importance of the selection process.

The third view is a two-factor theory of psychologist Frederick Herzberg (Frederick Herzberg (1968). *One More Time: How Do You Motivate Employees?* *Harvard Business Review*). It divides the factors to 'intrinsic factors (motivators)' such as advancement, recognition, responsibility and achievement, which are related to job satisfaction, and 'extrinsic factors (hygiene factors)' such as supervision, pay, company policies and working conditions, which are related to job dissatisfaction. This suggests that it is necessary to improve motivators to satisfy employees, and in terms of hygiene factors, if they are adequate, employees are not dissatisfied but on the other hand, they are not completely satisfied by these alone.



## CHAPTER TWO

### Practical Examples of Internal Marketing in U.S. Banks

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This explains how internal marketing is exercised in U.S. companies by examining some examples of U.S. banks.

#### 2.1 Wachovia

The current Wachovia company was born in September 2001 of a merger between the former Wachovia and the former First Union. Their total assets (\$342 billion) are the fifth largest in the U.S., and their deposits (\$188 billion) are the third largest. Its employs 80,000 staff and is a major bank representing the U.S.

I use Wachovia as an example because it has constantly maintained the highest level among the four major banks, (Wachovia, the Bank of America, Bank One and Wells Fargo), according to ASCI, the most influential index of customer satisfaction in the U.S. (see Exhibit 3).<sup>1</sup>

Wachovia clearly states its positive attitude to employee satisfaction to stockholders in a section of its 'Letter to Our Stockholders' in their annual report, entitled 'Key to Our Success: Wachovia's people.' And in their news release claiming that they are top in customer satisfaction among the major banks, they say that improvement in service levels is due to the strong focus on the customer services of employees.

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<sup>1</sup> The overall average stands around 73: there is still room for improvement among American banks.

Wachovia was ranked among the Top 100 Training Companies (43<sup>rd</sup>) by Training Magazine in 2002, and it was ranked one of America's 100 Best Companies for Working Mothers by Working Mother Magazine. This indicates that they are devoted to training employees and improving the work environment.

The bank also conducts employee satisfaction research on employee loyalty, job satisfaction, training and education, tools for success and so on once a year. In terms of organization, although employee satisfaction is controlled by human resources, the bank endeavors to form a good relationship with brand management.

**Exhibit 3: ASCI for banks**

	Q4 1994	Q4 1995	Q4 1996	Q4 1997	Q4 1998	Q4 1999	Q4 2000	Q4 2001	Q4 2002
Wachovia Corporation	75	73	71	74	68	68	66	72	73
Bank of America Corporation	68	67	65	61	62	61	63	68	70
BANK ONE Corporation	75	74	69	70	68	66	70	66	70
Wells Fargo & Company	69	71	65	62	67	65	67	66	69
All Others	76	77	77	74	73	70	72	74	76
<b>Banks</b>	<b>74</b>	<b>74</b>	<b>72</b>	<b>71</b>	<b>70</b>	<b>68</b>	<b>70</b>	<b>72</b>	<b>74</b>

(Source: University of Michigan)

#### Exhibit 4: Wachovia

**Key to Our Success: Wachovia's people** We enter 2002 intent on delivering the promise of this new company for customers, shareholders and employees. We are proud of the way employees pulled together in 2001. Wachovia would not be strong today without the contribution and hard work each day of each employee. Together we have made considerable progress in merger integration, carefully considering decisions both large and small to ensure a smooth transition for customers. Through it all, we have refused to become distracted from the ultimate goal of meeting the financial needs of customers and clients in a superior fashion. (Source: Letter to Our Stockholders, 2001 annual report)

Wachovia attributes its service improvements to its employees' strong focus on customer service; process enhancements throughout the company to improve precision and accuracy; and technological advancements to make it easier for employees to serve their clients well. (Source: Wachovia Corporation 2/19/2002, "Wachovia Leads Industry in Customer Satisfaction")

Wachovia Corp. has been named by Training Magazine as one of the top 100 training companies in the United States. Wachovia ranked 43rd. 'Our company has always supported employee training development, and we will continue to rely on training as one way to deliver job-specific knowledge and uncommon solutions to all our stakeholders,' said Scott Sutker, vice president of advanced learning systems at Wachovia. Wachovia has long recognized that employee development is critical to business success. (Source: Wachovia Corporation 4/4/2002, "Wachovia Named One of the Top Training Companies in the United States")

Working Mother magazine today named Wachovia one of America's 100 Best Companies for Working Mothers, underscoring the company's strong family-friendly programs during 2001. The magazine selected Wachovia based on its programs and policies for child-care, leave for new parents, opportunities for women to advance, flexible work arrangements, work/life benefits such as elderly care, and other employee programs. 'In bringing together these two great companies, we focused on providing superior workplace and career opportunities for every employee and on continuing the work/life legacy of two strong organizations,' said Wachovia CEO. (Source: Wachovia Corporation 9/24/2002, "Wachovia Named One of '100 Best Companies for Working Mothers")

Employee satisfaction is owned by Human Resources. Wachovia uses an internally developed survey, which is updated annually and tracks key measures regarding employee loyalty, job satisfaction, training and education, tools for success, etc. While HR is the recognized owner of this part of the integrated program, there is a general sense of understanding and a good feeling of partnership between Brand Management and HR on what data needs to be collected to create the most actionable tracking measures. Issues pertaining to timing and reporting requirements are currently being resolved in order to accommodate the needs of both parts of the organization. (Source: a publication from MarketVision Research, fall 2002)

## **2.2 Los Alamos National Bank**

Los Alamos National Bank (LANB) is an independent community bank in northern and central New Mexico, which has 167 employees with assets of \$650 million.

LANB is the only bank that received Malcolm Baldrige National Quality Award (year 2000).

LANB has a high regional share (it is the primary financial institution for 66% of Los Alamos County residents), high customer satisfaction ('80% of the bank's customers said they were "very satisfied" with the service they received'), high employee satisfaction ('for the past three years, employee satisfaction results have been well above those of banks its size in five of eight key indicators of employee satisfaction') and low turnover ('LANB reduced employee turnover in its operations department from 34% percent in 1999 to 17% as of June 2000').

LANB states in its Malcolm Baldrige National Quality Award Application that its philosophy is 'caring for employees who serve our customers is as important as caring for our customers.' To this end, they annually survey employee opinion and conduct group interviews, through which they determine the key factors that affect employee satisfaction, such as job security, well-being, clear vision, working in an organization committed to excellence and quality of customer service. The bank also concentrates on reducing turnover, a key result of employee satisfaction.

## **Exhibit 5: Los Alamos National Bank**

### **5.3 Employee Well-Being and Satisfaction**

We believe that caring for employees who serve our customers is as important as caring for our customers. This philosophy has resulted in several improvements to employee well being, satisfaction and motivation. To identify areas for improvement, we conduct annual employee opinion surveys and openly share survey results with all employees. We conduct focus groups (i.e. "Breakfast with Bill") to identify opportunities for improvement. Quality council then prioritizes and acts on OFIs.

**5.3a LANB addresses and improves workplace health, safety and ergonomic factors through surveys, training, and workspace design.**

**5.3.b(1) LANB enhances employees' work climate with a comprehensive benefits package, free bank services and flexible policies.**

**5.3.b(2) LANB uses diversity and fair work force practices to insure that all employees are treated equally.**

**5.3.c(1-2) LANB determines key factors that affect employee well being, satisfaction and motivation** through the BAI employee survey, focus groups, face to face interviews, employee appraisals, meetings, email, exit interviews and opportunities. Through these formal and informal means, we have identified five key factors for our employees (Job security, Well-being, Clear vision, Working in organization committed to excellence, Quality to customer service).

**5.3c(3) LANB relates assessment findings to key business results to identify improvement priorities.** For example, a high turnover rate leads to inefficiency because employees are not trained. To meet our strategic objectives of operational efficiency and employee development, we concentrated our efforts on reducing turnover. Based on feedback from employee focus groups, we developed an approach to reducing turnover that included improving our hiring and training processes, and increasing visibility and access to senior leaders.

(Source: Los Alamos National Bank (2002). Malcolm Baldrige National Quality Award Application)

## CHAPTER THREE

### **Current Conditions of Internal Marketing and Employee Satisfaction in Japan**

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This chapter examines how and why the concept of Internal Marketing or Employee Satisfaction has not strongly penetrated today's Japanese service industries, especially the banking industry. This chapter also explores why employee satisfaction among Japanese workers is low, compared internationally.

#### **3.1 Current Situation of Japanese Service Companies in Adopting Employee Satisfaction as Policy or Philosophy**

In recent years, an increasing number of major Japanese companies in the service industry have come to adopt customer satisfaction as explicit corporate policy. However, there are few companies who have adopted employee satisfaction enhancement as a goal.

For example, the following pages cite external statements found on the websites of major Japanese commercial banks, hotels and airline companies. (U.S. companies such as the Ritz-Carlton in the hotel industry and Southwest Air in the airline industry are known for their employee satisfaction-oriented management.)

Almost all of these statements express the importance of customer satisfaction. However, we find examples where the company sees the significance of being attractive to employees as well as to shareholders and society, regarding the employee as a "stakeholder" (The Bank of Tokyo-Mitsubishi). Others state the importance of cultivating positive challenges and a sense of fulfillment for employees (Sumitomo Mitsui, UFJ and JAL) and

introducing a meritocratic system (Sumitomo Mitsui, UFJ). But the exhibit illustrates how few companies explicitly advocate employee satisfaction in leading to customer satisfaction.

## Exhibit 6: Statements of Japanese Service Companies

### [Banks]

#### ➤ MTFG, The Bank of Tokyo-Mitsubishi

- MTFG Group Management Philosophy
  - Founded on the key principles of trust and reliability, Mitsubishi Tokyo Financial Group contributes to the prosperity of its customers at home and abroad and of the communities it serves, and continuously creates social and economic value, by providing comprehensive financial services.
- The Bank of Tokyo-Mitsubishi, Second Long-Term Management Plan
  - Management Philosophy: The Bank of Tokyo-Mitsubishi group focuses on “customer-first” and values “trust” to be the most important asset at all times. It pledges to contribute to the prosperity and development of societies, domestic and abroad.  
Our achievement goal as a bank:
    1. To provide qualitative and diversified financial services to our clients throughout the world, with a firm domestic management at the core.
    2. To become a bank that customers can rely on and is attractive to shareholders, employees and society.

#### ➤ The Mizuho Financial Group’s Brand Statement: “Value Communication”

“Value Communication” underlines our commitment to doing our utmost to understand our customers’ aspirations and provide financial services of the highest quality in order to enhance our customers’ satisfaction and ultimately share their joy. Put simply, we look forward to “sharing the dreams and happiness of our customers.”

#### ➤ Sumitomo Mitsui Banking Corporation: “Our Mission”

- To provide optimum added value to our customers and together with these achieve growth
- To create sustainable shareholder value through business growth
- To provide a challenging and professionally rewarding work environment for our dedicated employees

#### ➤ UFJ: “Our Visions on Management”

We aspire to be an innovative financial group that satisfies the trust of our society and grows with our customers.

- To provide new “values” to our customers and contribute to the development of our society.
- To pursue swift self-transformation to become a “new financial service operation” with business competitiveness.
- To create a work environment that holds fast to meritocracy, where it gives employees the sense of worthiness and fulfillment.



- **Resona Holdings: “Management Concept”**
  - As a federation of regional financial institutions, we will endeavor to become a super regional bank that represents the nation.
  - Resonating in harmony with our customers, we will co-prosper with our customers, being a trustworthy partner for them.
  - We will endeavor to ensure the soundness and transparency of management, and maximize the corporate value.

**[Airline Companies]**

- **JAL: “Corporate Policy for The JAL Group”**
  - To pursue the world’s top quality in airline safety and reliability
  - To maximize corporate value for returns to all stakeholders
  - To improve service from the customer’s viewpoint
  - To be a good corporate citizen, with transparency in business and by contributing to society
  - To establish a corporate climate based on ability and challenge
  
- **ANA: “Corporate Philosophy”**
  - Our Commitments
    - On a foundation of security and reliability, the ANA Group will
      - Create attractive surroundings for customers
      - Continue to be a familiar presence
      - Offer dreams and experiences to people around the world
  - Course of Action
    - Maintain top priority on safety
    - Be customer oriented
    - Contribute to the society
    - Embrace new challenges
    - Debate with active interest, decide with confidence, and execute with conviction
    - Build a powerful ANA Group by effectively using human resources and focusing on teamwork as the competitive strength

**[Hotels]**

- **Imperial Hotel: “Philosophy”**

Imperial Hotel inherits the founding spirit to be one of the most prestigious hotels that represent Japan. The company aims to become the “best hotel” from a global perspective. By offering the best service and best products, the company will contribute to the development of the international society and to the enhancement of culture and affluent and comfortable lifestyle.

  - “Action Guideline”

- We shall adhere to and acknowledge our tradition. We shall endeavor to hold fast to enhancing and improving all and every service and skill we provide, always making customers' requests our starting point.
- We shall respect the spirit of ingenuity and taking up challenges, while maintaining coordination and harmonization as the thrust of our attitude, in order to pursue the improvement of our overall capability.
- We fully recognize that the starting point of the hospitality business is people and always follow the norm of behavior, the "ten rules of the hotel."

➤ **Hotel Okura: Basic Spirit "BEST ACS"**

- Best Accommodation: We pledge to always maintain and offer a comfortable environment and the best amenity.
- Best Cuisine: We offer the rich world of culinary arts to satisfy the gastronomes with the best quality of cuisine.
- Best Service: Our goal is to offer service that shall give full satisfaction to all our guests.

## 3.2 Reasons and Background 1: The Fundamental Difference in Relationship between Company and Employee

### 3.2.1 The Relationship between Company and Employee in Japan

There are fundamental cultural differences between Japan and the U.S., resulting in a difference in the company-employee relationship between Japanese companies and American companies.

This gap is largely influenced by the way companies view their employees. U.S. companies regard employees as an external party, along with shareholders and clients, whereas Japanese companies consider them as a part of the company, as an internal component.

This way of thinking is addressed by Chie Nakane and other sociologists in their analysis of the general Japanese consciousness of “*uchi* and *soto*” (“we and they” or “insiders and outsiders”):

‘Company’ is not perceived as an object with which individuals have a contract, but as a subject often called ‘my or our’ company. In many cases, it is a complete social entity, and it involves emotional factors like a sense of the foundation of one’s whole life.

(Translated by author)

(Source: Chie Nakane. (1967) “*Tate-shakai no ningen-kankei – Tanitsu-shakai no riron*” (“Personal Relations in a Vertical Society - A Theory of Homogeneous Society”). *Kodansya*.)

This is most apparent with male full-time employees. Here, the lifetime employment system implies commitment on the employers’ side to provide job security until mandatory retirement age. In exchange, the employees must commit to the company throughout their working lives.

This is why Japanese company visions and other company statements are addressed to an “outside” audience such as shareholders and clients. Employees are “one of us” with whom they presume to have “a frank relationship with no need of self-restrained modesty” (Takeo Doi (1971) *Anatomy of Dependence. Kobundo*). Based on this notion, employees are not subject matter to be considered in the first place. It is even inappropriate to mention to outside parties that satisfying their “own” employees is a company goal.

This point is expressed even more specifically in a report entitled “2001 Survey Report on Information Processing Engineers Training to Cope with Internationalization” compiled by Japan Information-Technology Engineers Examination Center (of the Japan Information Processing Development Corporation):

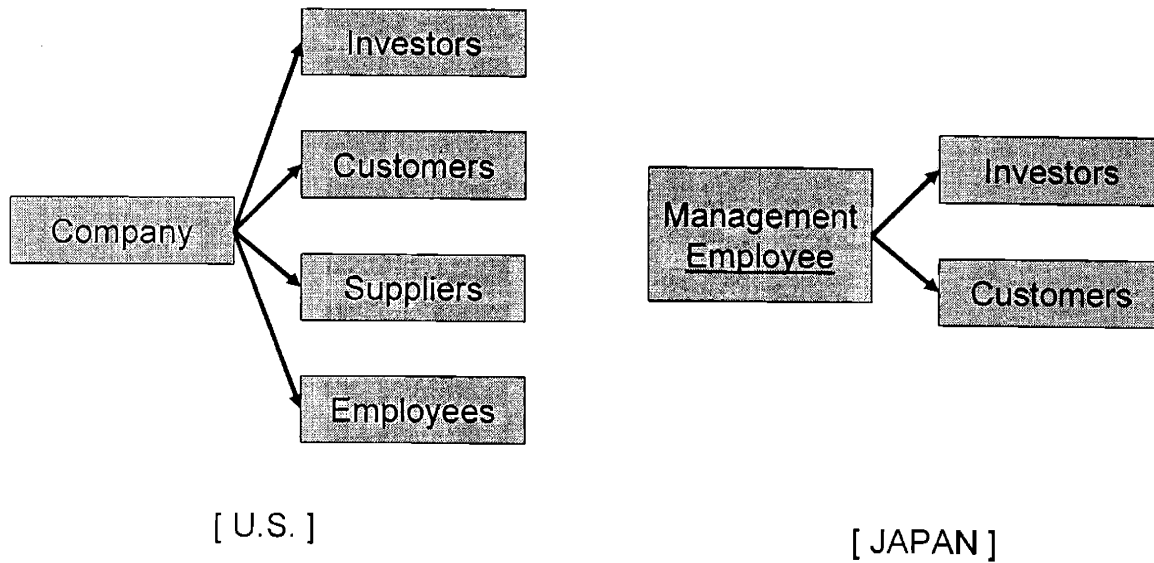
Japanese companies have a strong atmosphere of regarding both the management and the employees as one family. It is only at the time of recruitment that workers are perceived as a counterpart of a labor market deal. Based on this tendency, one can consider company philosophy in Japan to be the following:

- Company philosophy defines that management and employees work together to serve consumers and investors.
- Therefore, from the employee’s perspective, company philosophy does not define what is offered to employees.
- Employee education is not stipulated in company philosophy. It is only briefly mentioned in company brochures, so it cannot be taken as a pledge that is assured to be carried out.

(See Exhibit 6.)

Furthermore, a survey conducted by Masaru Yoshinori involving more than 100 CEOs of Japanese companies in 1987 plainly illustrates this perception in management. When asked, “Which stakeholder’s support is most important to you as a CEO?”, about two thirds regarded employees as their most important “supporters.”

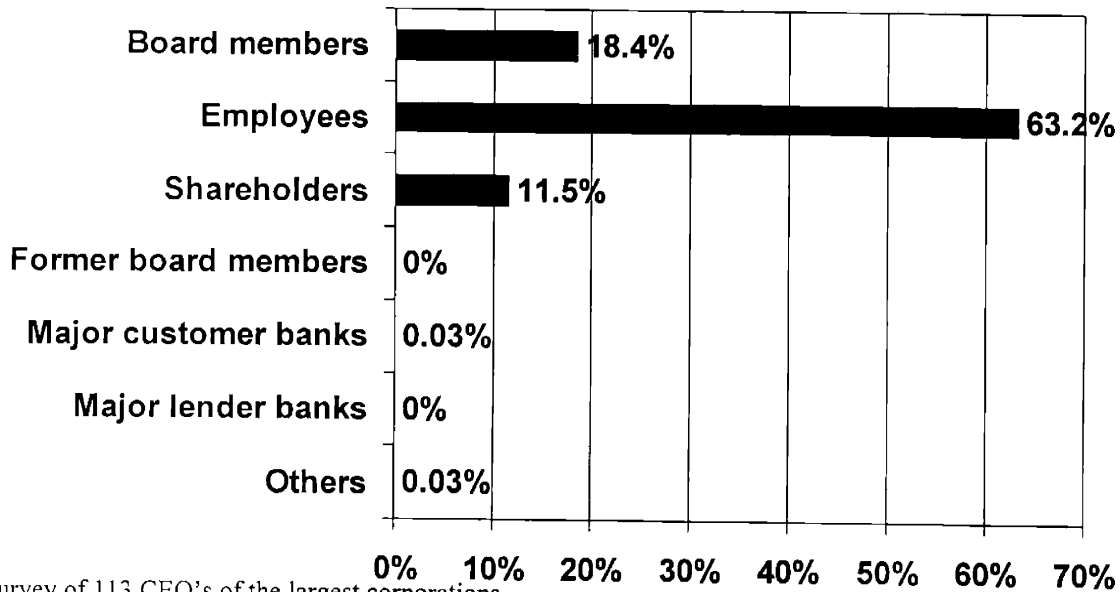
**Exhibit 6: Comparison of Corporate Philosophy in the U.S. and Japan**



(Source: Japan Information-Technology Engineers Examination Center (2001). Survey Report on Information Processing Engineers Training to Cope with Internationalization)

**Exhibit 7:**

**Question: Which stakeholder's support is most important to you as a CEO? (Japan)**



Survey of 113 CEO's of the largest corporations  
 (Source: Masaru Yoshimori (1987). Whose Company Is It? The Concept of the Corporation in Japan and the West. *Long Range Planning* Vol.28, No.4)

Nevertheless, although Japanese companies may not specifically see their employees as external, do they attach importance to their employees as internal components as much as, or more than, western companies?

In a traditional Japan-US company model comparison, employee consideration is a distinctive characteristic of Japanese companies. For instance, Michael Porter notes in his book “Can Japan Compete?” that “employees as assets” are the fourth component in a Japanese-type company model.

(The Japanese Corporate Model)

1. High quality and low cost
2. Wide array of models and features
3. Lean production
4. Employees as assets
5. Permanent employment
6. Leadership by consensus
7. Strong intercorporate networks
8. Long-term goals
9. Internal diversification into high-growth industries
10. Close working relationship with government

(Source: Michael E. Porter (2000) “Can Japan Compete?” *Perseus Publishing*)

Compared to U.S. companies, Japanese companies do have a stronger tendency to attach importance not only to stockholders but also to all stakeholders, including social contribution and employees. In the results of the survey exhibited below, conducted by Masaru Yoshimori in 1987 involving the CEOs of one hundred strong Japanese companies, 97% of the CEOs answered that they attach importance not only to stockholders but to all stakeholders, whereas 75% of the CEOs of U.S. companies say they think that the stockholder is important. Another survey conducted by the Japan Association of Corporate Executives in 1999 shows that up until that time, employees were ranked by management as second to customers in terms of priority among stakeholders. However, in the future, they

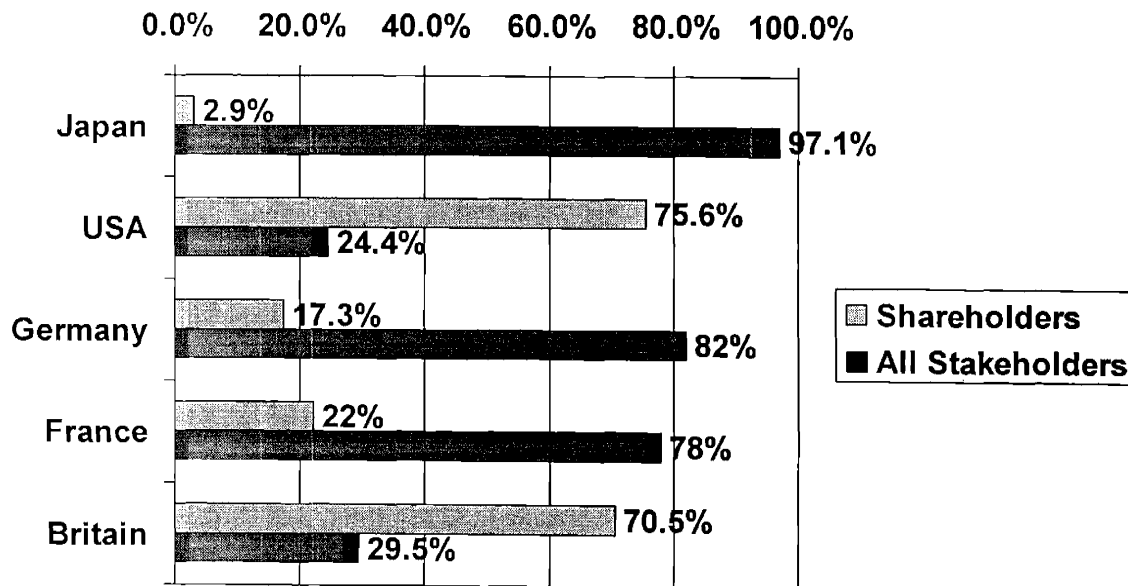
expect the priority of employees to decline and see shareholders taking second place while customers remain at the top.

The very stuff of this is lifetime employment or job security. According to the same survey by Masaru Yoshinori (1987), when asked to choose either to “maintain dividend payout or job security,” just about all of the respondents answered ‘job security.’ This is a direct manifestation of this notion.

**Exhibit 8:**

**Question: Under which of the following assumptions is a large company in your country managed?**

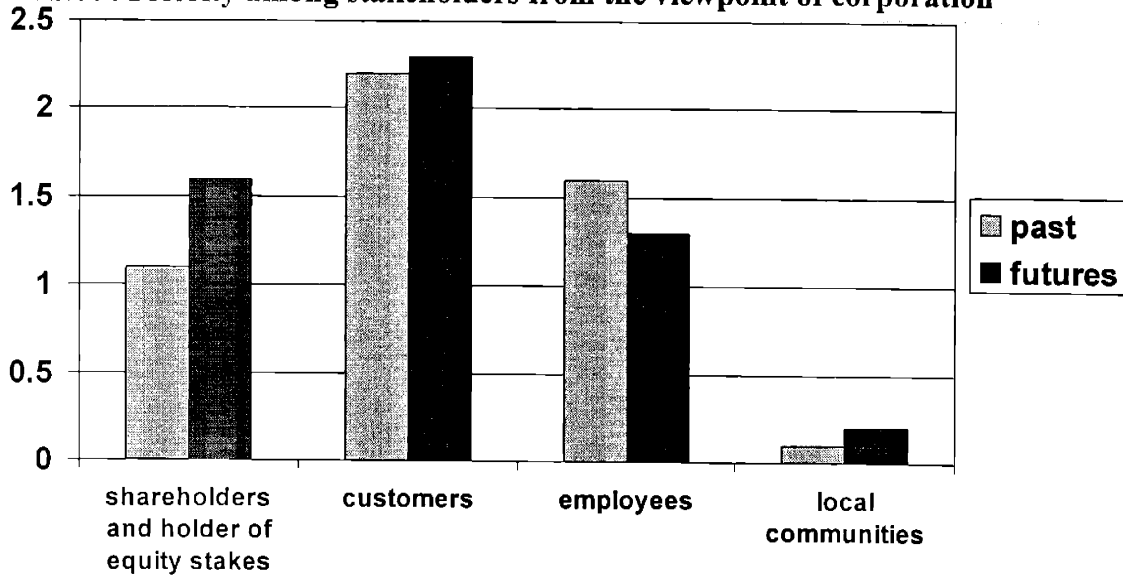
1. Shareholder interest should be given the first priority.
2. A firm exists for the interest of all stakeholders.



Number of firms surveyed: Japan 68, USA 82, Germany 110, France 50, Britain 78

(Source: Masaru Yoshimori (1987). Whose Company Is It? The Concept of the Corporation in Japan and the West. *Long Range Planning* Vol.28, No.4)

**Exhibit 9: Priority among stakeholders from the viewpoint of corporation**



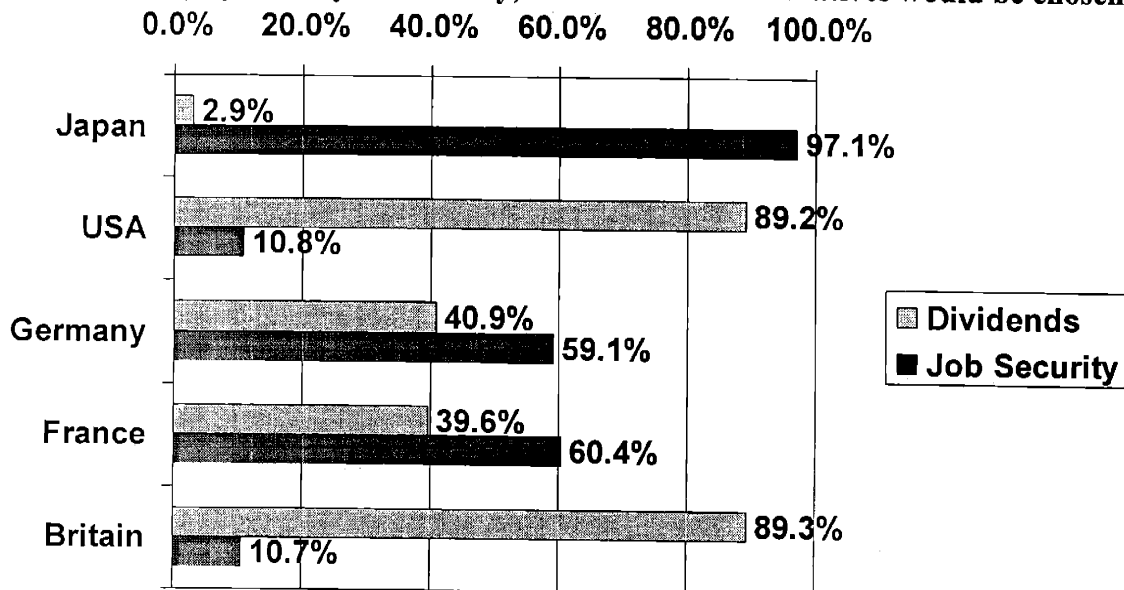
(Note) the figure based on following equation

$$\text{Point} = (\text{number of items with priority } \times 3 + (\text{number of items with second highest priority} \times 2 + \text{number of items with third highest priority} \times 1) \text{ divided by the total (highest figure is 3)}$$

(Source: Keizai Doyukai; Japan Association of Corporate Executives. Corporate White Paper 1999)

**Exhibit 10:**

**Question: Suppose a CEO must choose either to maintain dividends or to lay off a number of employees. In your country, which of these alternatives would be chosen?**



Number of firms surveyed: Japan 68, USA 83, Germany 105, France 48, Britain 78

(Source: Masaru Yoshimori(1987). Whose Company Is It? The Concept of the Corporation in Japan and the West. *Long Range Planning* Vol.28, No.4 )



Lifetime employment became established practice after the modernization (heavy-industrialization) of the Japanese industry structure during the 1920s (before this, the discharge rate of employees was even higher among Japanese companies than in U.S. and European companies). During and after the high economic growth period of the 1960s, lifetime employment for male full-time employees in major companies became a strong fixture as a social norm as seen today.

Why has it been that, despite various employee incentives, job security was so highly regarded in Japan?

First, the prototype of lifetime employment already existed in the feudal master-servant relationship between *samurai* (warrior) and merchant families, notably in the indented apprenticeship system to master families. The concept of “company” itself was a novel and exotic import from overseas in the Meiji Era, and at the beginning, was detached from the traditional concept of *ie* or “family.” However, in the process of heavy-industrialization during the Taisho Era of the 1930s, faced with labor movements and high turnover of skilled workers, companies attempted to strengthen corporate loyalty and organization norms by assimilating the concept of *ie* (management familism) and incorporating the traditional *ie* and *mura* or “village” style group mentality.

Second, during the post World War II period when lifetime employment became established as a system, there was a dramatic curtailment of economic activity, and the massive demobilization of soldiers led to excess workers. This caused unemployment to rise, and new jobs were difficult to find once workers were displaced. Thus, along with wage increases, job guarantee became a priority for workers. As serious labor disputes often took

place, management strongly felt the need to stabilize the labor-management relationship, and they shared a common interest in this regard.

There was another factor at work in the years that the Japanese economy as a whole began to expand. While Japanese companies tended to put more weight on long-term growth than on short-term profitability with various systems such as the main-bank system to support this, this management environment enabled companies to operate without laying off employees.

The concept of lifetime employment forms the backbone of a typical Japanese human resource and labor management system along with the several other personnel systems attached to it, such as a seniority-based wage system, emphasis on periodic recruitment of new graduates and valuing in-house training for employee education.

The often-quoted advantages of lifetime employment are that it nurtures a sense of belonging and loyalty, improves motivation through this sense of security, leads to training good skilled workers and saving them for internal use and stabilizes the labor-management relationship.

### 3.2.2 Low Employee Satisfaction in Japan

However, despite these common notions, various international comparison studies show that job satisfaction among Japanese workers is not high.

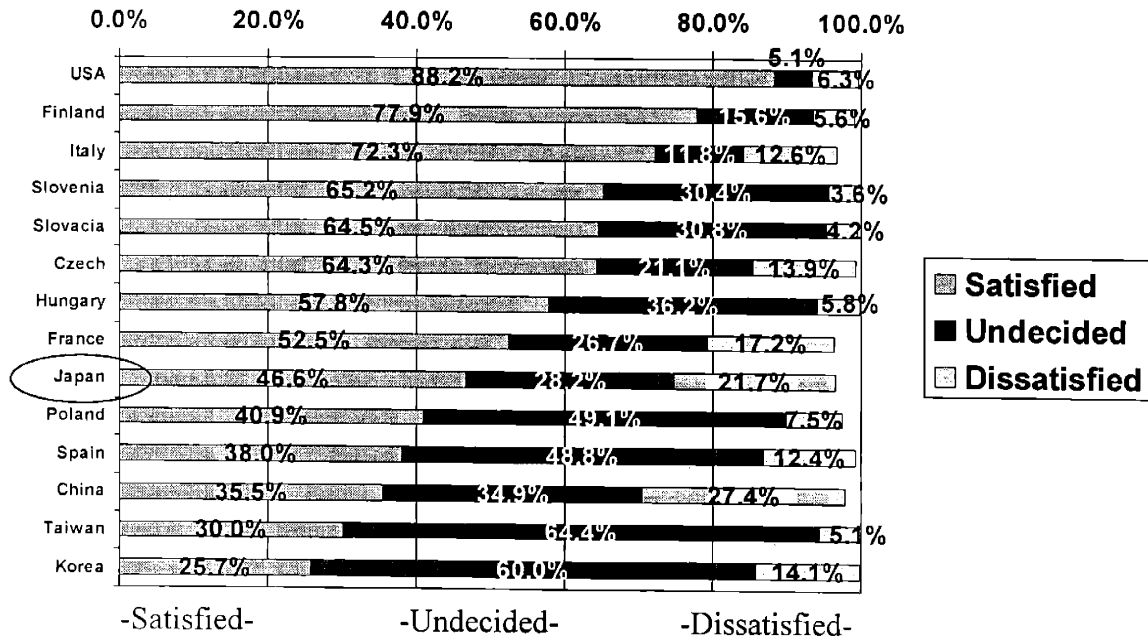
To corroborate this, see the following exhibits of “Comparison of Job Satisfaction among Electrical Electronic and Information Workers of 14 Countries” (Japanese Electrical Electronic & Information Union (2000)), “Comparison of Job Satisfaction among Japan, China and U.S.A.” (Michiko Kawakubo (1997)) and the international job satisfaction comparison from “Culture, Control and Commitment” (James R. Lincoln & Arne L. Kalleberg (1990)).

Other international comparison studies on job satisfaction also indicate a lower level of job satisfaction among Japanese workers. James R. Lincoln & Arne L. Kalleberg, who surveyed related papers, confirm this assertion in their book published in 1990.

Yet a striking finding which has appeared with remarkable consistency in comparative survey research on industrial attitudes is that the levels of job satisfaction reported by Japanese are lower than in the Western industrialized countries. Whether the workers studied are blue collar or white collar, whether employed in manufacturing or service industries, the Japanese respond to questionnaires and interviews that they are less content with their jobs and work lives than Americans and Europeans.

(Source: James R. Lincoln & Arne L. Kalleberg (1990). *Culture Control and Commitment – A Study of Work Organization and Work Attitudes in the United States and Japan*. Percheron Press)

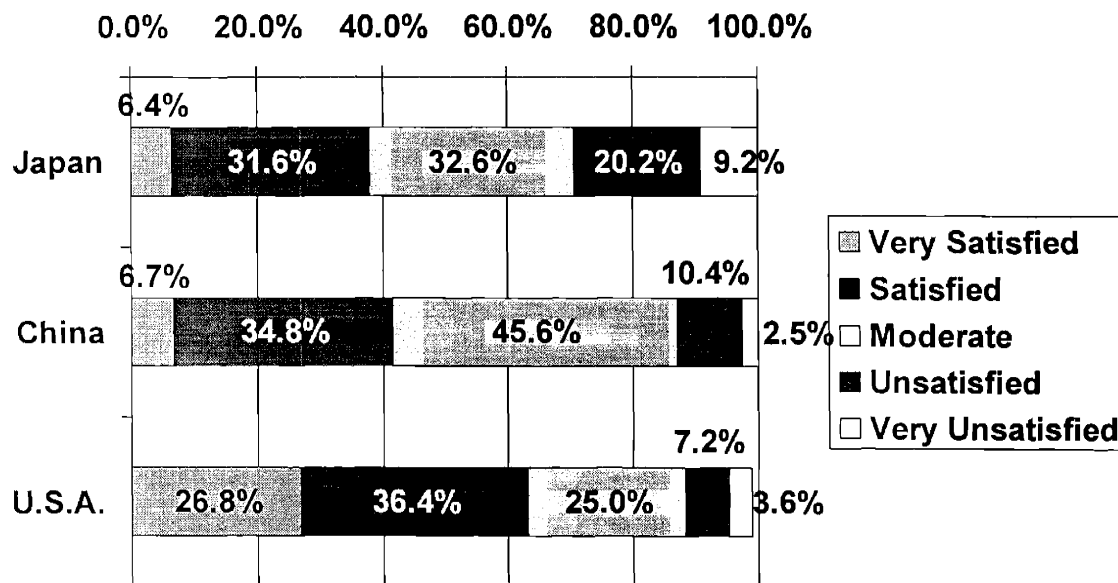
**Exhibit 11: Comparison of Job Satisfaction among Electrical Electronic and Information Labors of 14 Countries (2000)**



	N=	Kind of occupation							Gender Percentage of Males	Age Average	Length of work Average	Educational Background		Union Official Percentage of Inexperienced Workers
		worker	Skilled worker	Office worker	Technician Engi- neer	Super visor	Manage r	Level II				Level IV		
Japan	870	17.8	27.6	46.3	28.4	4.4		71.8	35.4	14.0	45.6	34.5	64.1	
Korea	572	24.1	15.2	25.3	14.3	9.6	19.4	68.2	32.4	8.4	0.0	38.3	85.5	
Taiwan	253	43.5	11.1	24.1	10.7	16.6	0.8	62.8	39.7	16.7	11.9	22.5	75.5	
China	453	48.1	4.6	30.3	12.4	3.1	3.5	38.9	34.2	8.0	32.7	43.5	79.2	
France	116	65.5		29.3	4.3	0.9	1.7	81.9	42.7	19.1	31.0	8.6	52.6	
Italy	246	44.3	4.9	46.4	3.3		1.2	62.6	33.2	7.6	14.6	26.0	91.9	
Spain	129	58.9	10.9	22.5	10.1	5.4	1.6	51.2	43.3	17.8	5.4	24.0	89.9	
Finland	340	34.1	13.5	31.4	23.2	13.8	2.9	55.0	38.9	11.0	12.9	5.3	85.6	
Poland	631	24.4	35.7	21.1	2.2	2.1	8.4	45.2	40.5	13.2	14.6	16.6	78.0	
Czech	308	57.1	19.5	14.2	3.2	6.2	1.0	50.6	39.0	16.8	43.2	7.1	62.7	
Slovakia	214	64.5	11.7	11.2	3.3	5.6	0.9	28.5	34.3	7.6	34.1	4.7	73.4	
Slovenia	339	38.9	8.0	35.4	20.9	12.1	2.7	64.0	38.9	14.1	25.7	36.3		
Hungary	517	69.1	7.2	8.7	5.4	4.3	4.1	45.6	39.0	14.7	27.9	11.8	65.8	
U.S.A.	253	19.4	22.1	25.7	13.8	7.5	19.8	60.1	39.1	7.4	26.9	60.5		

(Source: Japanese Electrical Electronic & Information Union (2000). Opinion Survey of Electrical Electronic & Information Labors in 14 Countries)

Exhibit 12: Comparison of Job Satisfaction in Japan, China and U.S.A. (1997)



	Japan		China		U.S.A.	
Number of Samples	282		533		220	
Average age	30.27		35.78		40.67	
Gender (Male: Female)	54:46		50:50		58:42	
Education (above college graduate)	77%		53%		84%	
Occupation	Office Worker	91.8%	Specialist	32.3%	Education	21.8%
	Official	5.0%	Manager	7.3%	Director	6.4%
	Education	0.8%	Official	18.4%	Administrator	10.9%
	Clerk	0.4%	Clerk	10.5%	Consultant	4.6%
	Other	1.5%	Service Worker	11.7%	Accountant	7.7%
	Unknown	0.5%	Factory Worker	15.2%	Manager	27.3%
			Other	4.6%	Other	21.3%

(Source: Michiko Kawakubo (2002). Japan, China and U.S.A. Consciousness of Workers Comparison of the Three Countries (Nihon, Chugoku, America Hataraku monono Ishiki 3 kakoku hikaku). *Kanpou*)

**Exhibit 13: Comparison of Job Satisfaction in the U.S. and Japan (conducted in the first half of 1980s)**

	U.S.			Japan		
	Percentage positive	Percentage undecided	Percentage negative	Percentage positive	Percentage undecided	Percentage negative
"All in all, how satisfied would you say you are with your job?"	34.0	61.4	4.5	17.8	66.4	15.9
"If a good friend of yours told you that he or she was interested in working at a job like yours at this company, what would you say?"	63.4	25.3	11.3	18.5	53.9	27.6
"Knowing what you know now, if you had to decide all over again whether to take the job you now have, what would you decide?"	69.1	22.9	8.0	23.3	37.1	39.6
"How much does your job measure up to the kind of job you wanted when you first took it?"	33.6	52.3	14.0	5.2	32.3	62.5

**Distribution of plants (respondents) by employment size and industry**

Plant size	Electrical	Chemical	Metals	Food	Machinery	Transport	Printing	Total
US								
<100	2 (148)	4 (75)	4 (91)	2 (89)	0	0	1 (24)	13 (427)
100 – 999	3 (342)	4 (433)	2 (60)	7 (529)	7 (581)	4 (848)	6 (420)	33 (3,213)
1,000 – 1,999	2 (270)	0	0	0	0	1 (35)	0	3 (305)
2,000 +	2 (376)	0	0	0	0	1 (244)	0	3 (620)
Total	9 (1136)	8 (508)	6 (153)	9 (618)	7 (581)	6 (1,127)	7 (444)	52 (4,567)
JAPAN								
<100	0	1 (70)	1 (40)	1 (62)	0	1 (24)	0	3 (172)
100 – 999	4 (339)	5 (420)	6 (577)	5 (297)	7 (527)	6 (420)	2 (102)	36 (2,556)
1,000 – 1,999	2 (265)	0	0	0	1 (148)	0		5 (413)
2,000 +	2 (311)	0	0	0	0	0	0	2 (311)
Total	9 (888)	6 (490)	8 (706)	7 (455)	8 (651)	7 (444)	2 (102)	46 (3,735)

(Source: James R. Lincoln & Arne L. Kalleberg (1990). Culture, Control and Commitment)

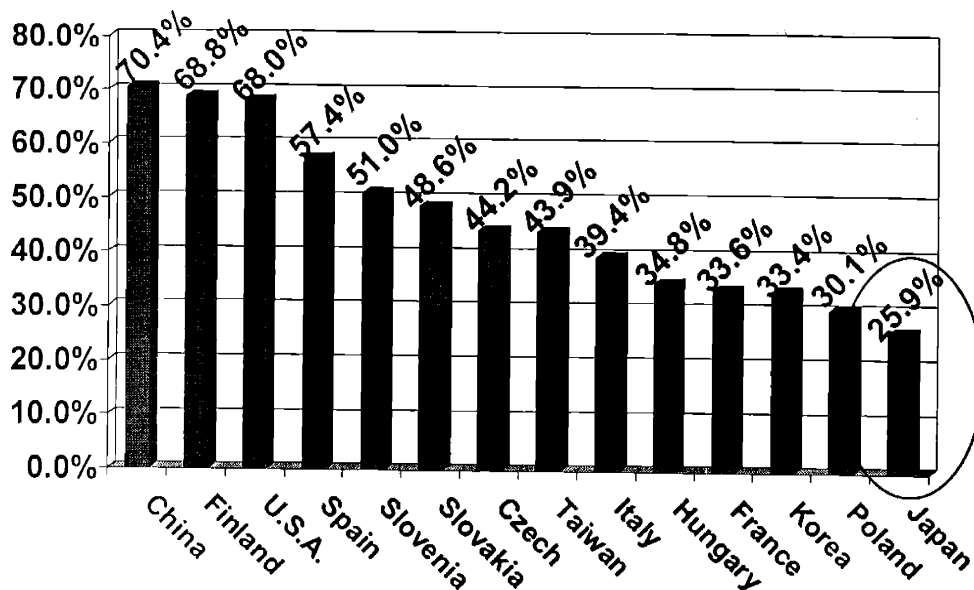
In addition, many surveys show that Japan does not necessarily rank high in the world in terms of company loyalty, either, although this is often cited as one of the benefits of lifetime employment (see Exhibits 14~17).

This has led western researchers seeking the factors behind Japanese companies' high performance to conclude that the low level of job satisfaction and loyalty among Japanese employees is an "incomprehensible mystery":

There is something of a paradox in the literature: .... we find evidence that the Japanese show less job satisfaction than their British or American counterparts.... and overall show lower level of organizational commitment.

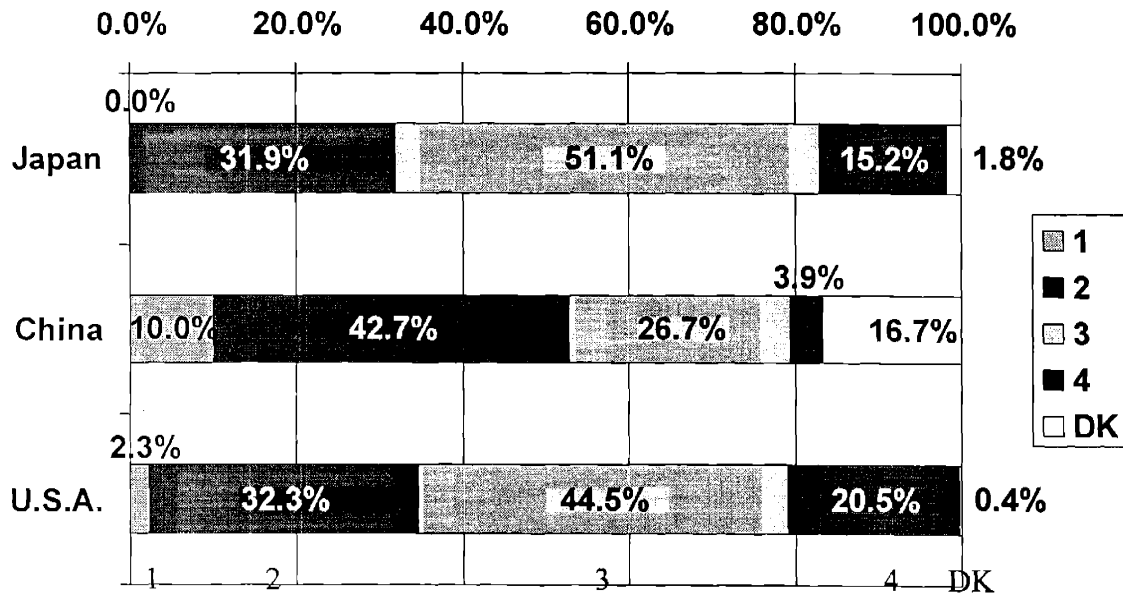
(Source: Pamela Briggs (1991). Organisational commitment –The key to Japanese success? International Comparisons in Human Resource Management. *Pitman Publishing*)

**Exhibit 14: Views on the Company; "I want to do my best for the development of the company" (2000)**



(Source: Japanese Electrical Electronic & Information Union (2000). Opinion Survey of Electrical Electronic & Information Labors in 14 Countries)

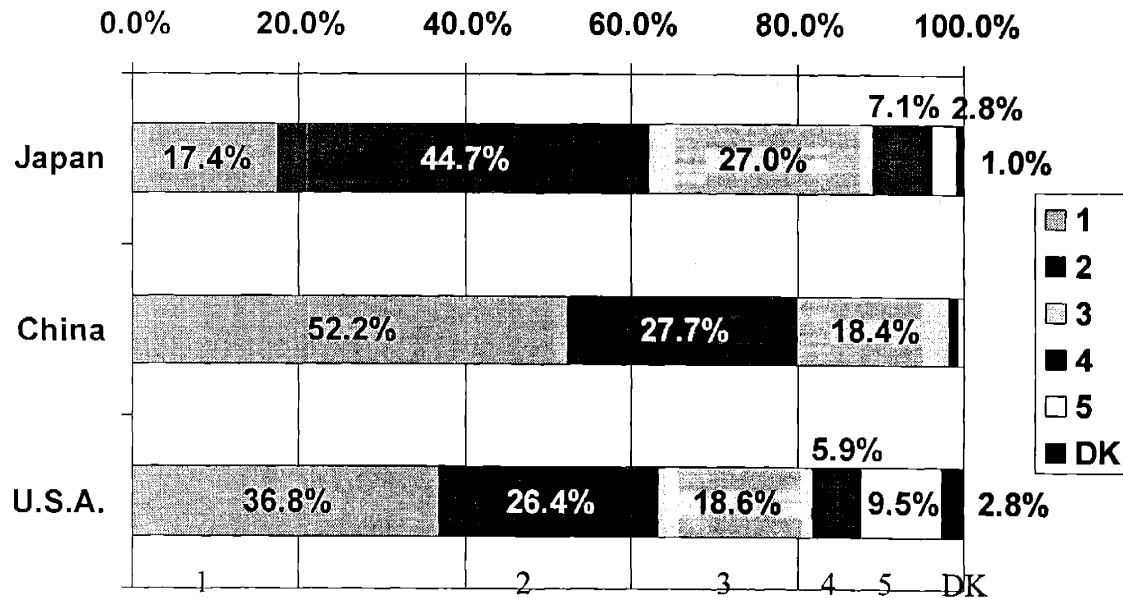
**Exhibit 15: Meaning of Company (1997)**



1: It is more important than personal life 2: It is as important as personal life 3: It is the place to achieve each other's goals 4: It is just a place to work, separate from personal life  
 (Source: Michiko Kawakubo (2002). Japan, China and U.S.A. Consciousness of Workers Comparison of the Three Countries (Nihon, Chugoku, America Hataraku monono Ishiki 3 kakoku hikaku). Kanpou)

**Exhibit 16:**

**Question: Do you have loyalty to your boss? (1997)**



1: I have it greatly 2: I have it a little 3: Undecided 4: I do not have it 5: I do not have it at all

(Source: Same as above)



**Exhibit 17: Japanese-US Percentage Differences on Items Measuring Job Satisfaction  
(conducted in the first half of 1980s)**

Work commitment	U.S.			Japan		
	Percentage positive	Percentage undecided	Percentage negative	Percentage positive	Percentage undecided	Percentage negative
"I have other activities more important than my work"	30.8	24.9	44.2	43.6	26.2	30.2
"To me, my work is only a small part of who I am"	54.1	17.4	28.5	46.0	16.0	38.0
"The most important things that happen to me involve my family rather than my work"	70.0	20.3	9.7	35.4	39.9	24.7

Job commitment	U.S.			Japan		
	Percentage positive	Percentage undecided	Percentage negative	Percentage positive	Percentage undecided	Percentage negative
"I am willing to work harder than I have to in order to help this company succeed"	74.3	19.1	6.6	54.3	29.4	16.3
"I feel very little loyalty to this company"	22.2	20.2	57.7	19.0	31.3	49.8
"I would take any job in order to continue working for this company"	41.2	26.9	31.9	39.7	29.8	30.5
"My values and the values of this company are quite similar"	41.5	31.8	26.6	19.3	39.3	41.4
"I am proud to work for this company"	63.8	27.5	8.7	57.9	26.2	16.0
"I would turn down another job for more pay in order to stay with this company"	26.3	28.8	44.8	20.4	38.8	40.8

(Source: James R. Lincoln & Arne L. Kalleberg (1990). *Culture, Control and Commitment* Percheron Press)

### 3.2.3 Reasons for Low Employee Satisfaction

Why, then, is employee satisfaction so low in Japan where there is supposed to be a greater emphasis attached to employees by management?

The first thing I should note is the bias which inevitably exists in international comparison studies. There is a difference in the nuances of various languages in translation.

Lincoln & Kalleberg describes this factor as follows:

One might suspect that subtle difference in the Japanese and English meanings of “job” and “satisfaction” contribute to the differences in reported levels of satisfaction. Indeed, the Japanese word for satisfaction (*manzoku*) may connote fulfillment or completion to a greater degree than the English word does.

(Source: James R. Lincoln & Arne L. Kalleberg (1990). *Culture Control and Commitment – A Study of Work Organization and Work Attitudes in the United States and Japan*. Percheron Press)

As Armstrong & Kotler define customer satisfaction as “the extent to which a product’s perceived performance in delivering value matches a buyer’s expectations,” satisfaction is contingent on both “expectation” and “performance.” So, another factor that some researchers point out is that Japanese people, as a part of their culture, hold higher expectations of work than their western counterparts. Lincoln & Kallenberg cite Cole’s study and refer to this factor as well:

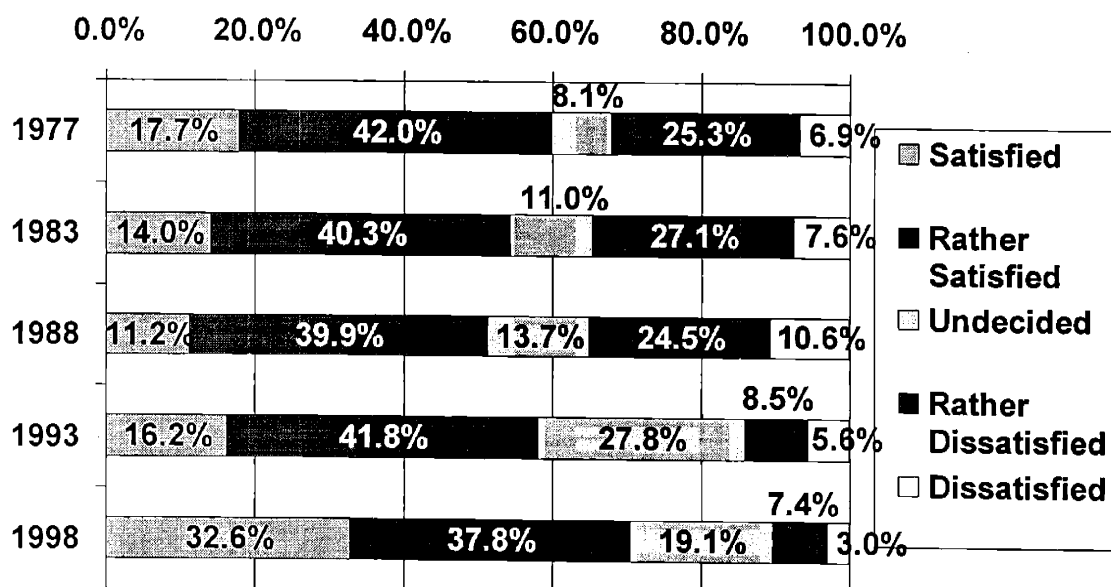
Cole (1979) argues that the lower satisfaction of the Japanese is to be expected given the high value they tend to place on work activities. Noting that psychological theories of work attitudes have long held that satisfaction falls as expectations for work fulfillment rise, he suggests that it is precisely because the Japanese subscribe to a strong work ethic that they are less likely to feel that their expectations have been met.

(Source: Same as above)

The year-to-year changes found in satisfaction in the workplace in the “World Youth Survey” exemplify this “expectation factor.” The respondents of this survey were males and

females between the ages of eighteen and twenty-four. The percentage of those who said they were “satisfied” was lowest in 1988 at 11.2%. However, a steady increase in this figure is seen from that year on. In the most recent 1998 survey, about seven out of ten people said they were either “satisfied” (32.6%) or “rather satisfied” (37.8%) with their workplace.

**Exhibit 18: Year-to-year Changes in Job Satisfaction (Japan)**



(Source: The Management and Coordination Agency of Japan, Youth Affairs Administration (1998). Opinion Poll of World Youth (*Sekai Seinen Ishiki Chosa*))

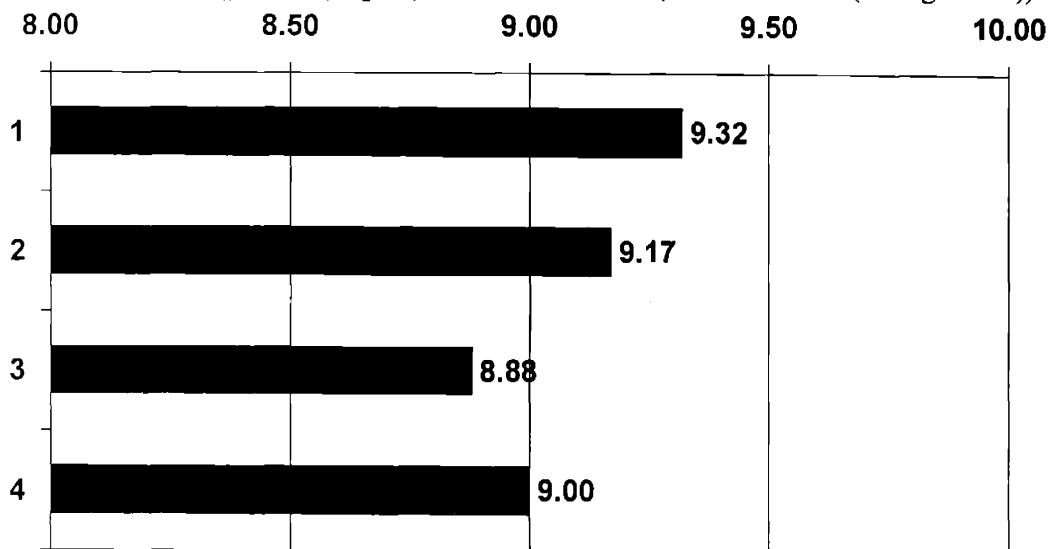
When Japanese companies were faced with declining profitability during the '90s after the burst of the “bubble economy,” and while the labor environment for employees was deteriorating as a result, job satisfaction among young workers was improving contrariwise. This can be explained by the aggravation of the previously noted decline of expectations among workers. In other words, more people feel “satisfied just to have a job” as recession progresses and as it becomes more difficult to find employment. On the other hand, it is possible that in international comparison surveys conducted during the '80s, when the

Japanese economy was strong, expectations were higher, whereas U.S. and other countries that were in the midst of recession saw a decline in job expectations.

However, the most important point is the negative effect of Japanese human resource management, which has lifetime employment at its center, on employee satisfaction.

Before that I should mention that lifetime employment does contribute to employee satisfaction by increasing job security. A survey of white collar workers in 522 big companies of more than 1,000 employees by the Japanese Ministry of Labor in 1999 shows that the stress of employees who work for companies reconsidering lifetime employment or who never adopted it was higher than those of companies maintaining it, and satisfaction was lower.

**Exhibit 19: The Difference in Job Satisfaction due to the Stance on Lifetime Employment of Companies (Japan)** (Job Satisfaction (average value))



1: Maintain lifetime employment 2: Modify partially 3: Reconsider radically 4: Not adopting even now

(Source: The Ministry of Labor of Japan (2000). The Necessity of Stressor Control in Working Place of White-Collar Workers (*White-Collar Syokuba ni okeru Stressor Control no Hitsuyousei ni tsuite*))

In the Japanese labor market after World War II, where job security was strongly demanded by workers due to the extreme shortage of work opportunity, lifetime employment revived more strongly than prewar. On the other hand, in today's Japan, where lifetime employment is spreading not only in big companies but also in medium and small companies, there is a different reason from that of postwar Japan for the strength of the workers' need for lifetime employment.

Lifetime employment and the related human resource management system are decreasing the mobility of the labor market. That is, with lifetime employment, companies mainly hire new graduates and rarely hire mid-career. Therefore, once employees lose their job, finding a new job is very difficult. And employees do not have skills applicable to other companies, having formed their skills mainly through internal education. Moreover, because of the payment system by seniority, they greatly risk lower wages by changing job.

Under these circumstances, employees are anxious about finding another job if their company is reconsidering lifetime employment. And this anxiety decreases satisfaction.

However, on the other hand, lifetime employment may lead to a decline in Japanese employee satisfaction through forming such a closed labor market.

Job satisfaction has a high correlation with turnover. Dissatisfied workers tend to leave their companies or are fired. In the U.S., where such workers can leave their companies, total satisfaction rate grows as only satisfied employees remain.

But in Japan, the closedness of the labor market as a result of lifetime employment makes it difficult for dissatisfied workers to change their job. These workers stay with the

company although they are dissatisfied and bring down the satisfaction score of the whole company.

For example, in the aforementioned survey by the Japanese Electrical Electronic & Information Union, the percentage of satisfied workers in Japan is the sixth lowest among 14 countries. And the percentage of dissatisfied workers is even worse, the second lowest (21.7%) next to China. If these dissatisfied workers did not remain, the percentage would be 6%, the same as the U.S., a simple calculation indicates that the percentage of satisfied workers, currently 47%, would rise to almost 60%.

R. Bruce Money and John L. Graham compare the job satisfaction of Japan-U.S. salespersons, with the following results of data analysis:

The reader will notice that for almost all the attitudinal variables, the Japanese distribution is more normal (less skewed). We believe this is so because the low performing and dissatisfied Americans leave (or are fired from) their firms, while the Japanese stay. This skewness issue is unaddressed by others making similar cross-cultural comparisons.

(Source: R. Bruce Money and John L. Graham (1999). Salesperson Performance, Pay, and Job Satisfaction: Tests of a Model Using Data Collected in the United States and Japan. *Journal of International Business Studies*, Vol.30, Issue 1)

There is a relationship between the two-factor theory of job satisfaction by Herzberg and the influence of the current Japanese human resource management system surrounding lifetime employment.

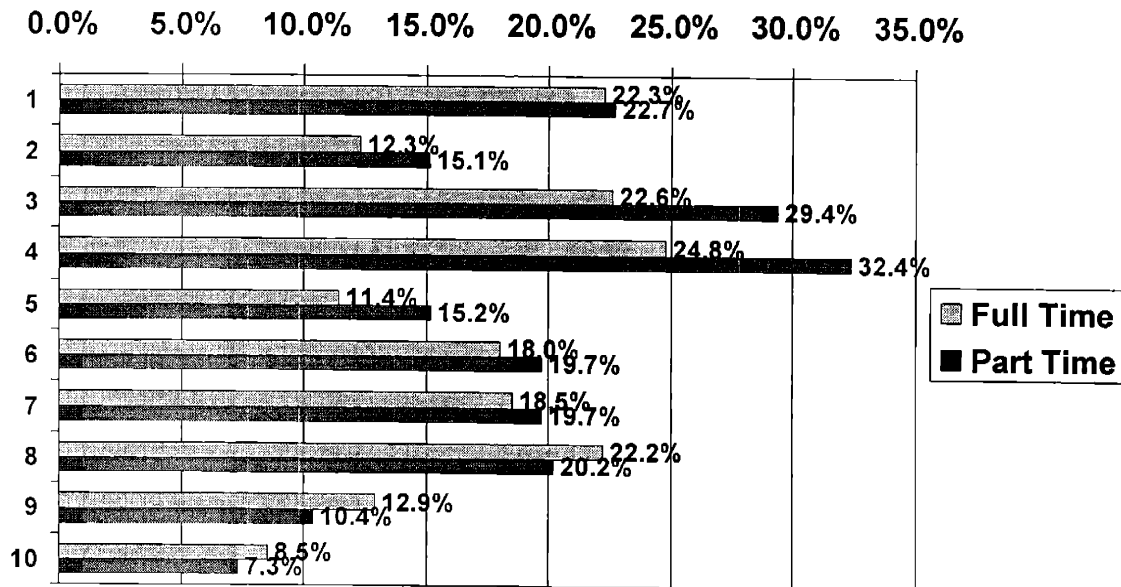
Herzberg says that job security is a hygiene factor. This means that, if there is no job security, there is dissatisfaction. But if there is good job security, it hardly raises employee satisfaction. To raise employee satisfaction, companies should also improve motivators such as achievement, recognition, the work itself, responsibility, advancement and growth.

Using Maslow's Hierarchy of Needs Theory, realizing self-actualization, the highest of five stages in the hierarchy, is necessary.

Next, reasons for such low satisfaction are considered through another approach, that is, by examining which aspects Japanese workers are satisfied or dissatisfied with.

The following data, divided into various aspects, show the satisfaction of full-time and non full-time workers in Japan. There seems to be no big difference between the tendencies of full-time and non full-time workers, and high satisfaction rely on the working system, working hours and number of holidays, the work itself, challenges and job security, in this order. Aspects that appear low on this list are education and training, valuation and treatment, payment and welfare. These seem to correspond to the perception of most Japanese people, and labor-management negotiations in Japan, which focus on improvement in treatment, are based on these.

**Exhibit 20: Percentage of satisfied employees (Japan, 2000)**



1: Work itself/Challenge 2: Payment 3: Working Hours/Number of Holidays 4: Working System 5: Valuation/Treatment 6: Working Environment 7: Human Relationship in Work Place 8: Job Security 9: Welfare 10: Education/Training

(Source: Ministry of Labor of Japan (2000). General Research on the Actual Conditions of Diversification in Working Forms (*Syuugyo Keitai no Tayouka ni kansuru Sougoujittaichosa*))

However, considering these aspects not in absolute terms but through international comparison, they are different.

First, the previously mentioned survey report by the Japanese Electrical Electronic & Information Union says:

Fifteen issues can be categorized into ‘wages and treatment,’ ‘job security,’ ‘human relationships’ and ‘working hours and workload.’ As a result of the analysis, in the case of Japanese workers, ‘job security’ is plus, but ‘human relationships’ and ‘working hours and workload’ are minus, and ‘wages and treatment’ is in the average of 14 countries.

(Translated by author)



It is understandable that the satisfaction through job security is average plus as the effect of lifetime employment. On the other hand, it is remarkable that not wages and treatment, which are often taken up in labor-management negotiations in Japan, but human relationships and workload are average minus.

Unfortunately Japan is not included, but there is a comparison between the U.S. and some other countries in “Job Satisfaction” by Paul E. Specter where we can see the tendencies of the U.S. workers:

The United States scored lowest of the four countries (Dominican Republic, Hong Kong, Singapore, U.S.) in the reward areas of contingent rewards (e.g., appreciation and recognition for good work), pay, and promotion opportunities. Americans scored quite high in coworkers, nature of work, and supervision.

(Source: Paul E. Specter (1997). *Job Satisfaction –Application, Assessment, Causes, and Consequences*. SAGE Publications)

This indicates that human relationships in the workplace or the work itself contribute to the high satisfaction of the U.S. workers.

**Exhibit 21: Job Satisfaction Aspect Comparisons across Four Countries on the JSS**

Facet	Dominican Republic	Hong Kong	Singapore	United States
Pay	17.2	15.0	14.0	11.9
Promotion	16.4	14.2	13.4	11.8
Supervision	20.0	16.0	13.4	19.0
Benefits	16.8	14.4	14.2	14.4
Contingent rewards	17.8	14.9	17.3	13.6
Procedures	12.3	12.1	17.0	13.5
Coworkers	20.0	15.6	13.4	18.1
Work	22.2	14.9	17.1	19.1
Communication	18.1	14.9	14.9	14.2
Total	160.9	133.3	134.7	135.8
Sample size	148	136	182	12.748

(Source: same as above)

On the other hand, R. Bruce Money and John L. Graham say that:

Overall job satisfaction for Americans was primarily driven by their satisfaction with their pay.... The Japanese, on the other hand, saw satisfaction with co-workers as important as happiness with work in forming their overall satisfaction.

(Source: R. Bruce Money and John L. Graham (1999). Salesperson Performance, Pay, and Job Satisfaction: Tests of a Model Using Data Collected in the United States and Japan. *Journal of International Business Studies*, Vol.30, Issue 1)

These results of international comparisons indicate that the satisfaction level of Japanese workers is more influenced by the work itself or human relationships, and dissatisfaction with these aspects leads a lower overall level of satisfaction compared to other countries.

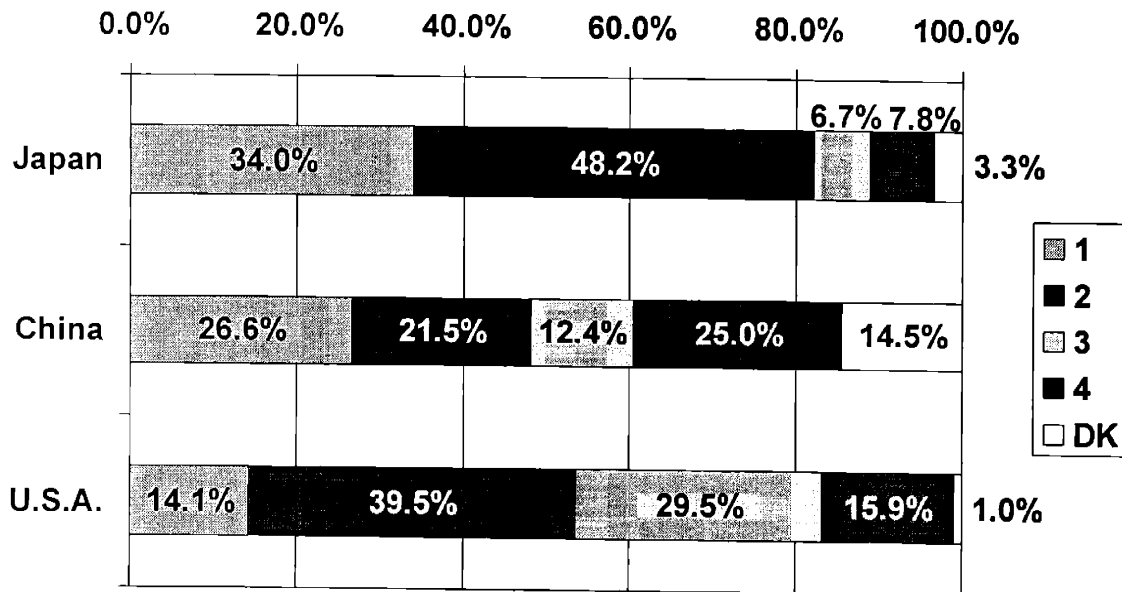
Then, why do the work itself and human relationships have a relatively high influence on employee satisfaction in Japanese companies?

First, Japan imported the idea of “company” from the West in the Meiji Era, without having a history of individualism, so the relationship between company and employee still has a tone of collectivism rooted in the traditional *ie* or *mura*, not of contract-based individualism. Under these circumstances, these aspects are stronger than in western companies as employees belong to *uchi*, or the “inside” of the company. This may result in stress on employees.

For example, the following survey asked reasons for working in Japan, China and the U.S.. In the case of Japanese workers, “a sense of responsibility to company or colleagues” accounted for almost half, 48.2%, of the answers.

This also indicates that Japanese employees feel stronger pressure from their surroundings including their family and friends and the vague notion of “society” itself, 34% answering “to live up to the expectations of family, friends and society.” In comparison with the U.S., this answer is striking. The sum of both these reasons is more than 80% the total.

**Exhibit 22: Reasons for Working**



*1: To live up to expectations of family, friends and society 2: From a sense of responsibility to company or colleagues 3: As the possibility of promotion increases 4: As income increases*

(Source: Michiko Kawakubo (2002). Japan, China and U.S.A. Consciousness of Workers Comparison of the Three Countries (Nihon, Chugoku, America Hataraku monono Ishiki 3 kakoku hikaku). *Kanpou*)

Moreover, in the case of full-time workers in Japan, although the promotion system based on seniority is still strong under lifetime employment, considering pyramid-type organization, there is long-range severe competition among employees entering the company

in the same period, in which very few people are finally selected as company executives.

Chie Nakane describes the psychological burden caused by this competition in Japanese society as follows, relating it to “vertical society” or the egalitarianism deep-rooted in Japan:

In Japanese society, in which vertical movements are active, staying in the lower layers becomes a very heavy psychological burden, as is expressed by the word, ‘*shitazumi* (to lead an obscure life).’ Staying in the lower layers involves being a ‘loser’ for the reason that anyone can enter the upper layers.

(Translated by author)

(Source: Chie Nakane. (1967) “*Tate-shakai no ningen-kankei – Tanitsu-shakai no riron*” (“Personal Relations in a Vertical Society - A Theory of Homogeneous Society”). *Kodansya*.)

This agrees with the answers in the previously mentioned survey examining full-time and non full-time workers’ satisfaction. In general, non full-time workers have higher satisfaction, and the differences between full and non full-time workers is biggest in “valuation and treatment” and “human relationships in working place” besides “working hours and number of holidays” and “working system,” which understandable considering work style difference.

These are strong norms in company or in society, and among full-time workers, complex human relationships mixed with a sense of seniority and competition within the same class lead to lower satisfaction.

### **3.3 Reasons and Background 2: The Characteristics of Services in Japan**

Next, from the viewpoint of characteristics in service management, I would like to examine reasons that internal marketing and employee satisfaction do not prevail among service firms in Japan, especially among Japanese banks.

First, service marketing, focusing on the characteristics of services and idea of the service-profit chain that stresses the relationship between employee satisfaction and customer satisfaction, is a rather new idea and still not well known, though customer satisfaction and job satisfaction in human resource management concepts are already penetrating Japanese service companies.

However, there are certain movements that attempt to propagate these ideas. For example, employee satisfaction is defined as one of four basic philosophies, which are customer focus, unique capability, employee orientation and public responsibility, and is involved in the standard of assessment in the Japanese Quality Award founded mainly by the Japan Productivity Center for Socio-Economic Development in December 1995 (corresponding to the Malcolm Baldrige Award in the U.S.).

Second, Japanese banks in particular have had little sense of belonging to the service industry, and human service has been positioned as a incidental, complementary factor in providing financial products.

For this reason, recent argument on customer satisfaction in Japanese financial institutions have focused on improving convenience through branch location strategies,

quality of financial products, such as deposits and loans, and pricing strategies rather than the quality of human service.

This can be seen not only in banks as providers but also in consumers. For example, in Public Opinion Survey on Household Financial Assets and Liabilities by The Central Council for Financial Services Information, a representative survey on financial products and services, “convenience of branches and ATM networks” is ranked number one with an 80% share as a reason for choosing a financial institution. Next, are “a sound financial condition” and “a nationwide branch network.” Answers about human services are just “the salesperson is wholehearted and gives a good impression” (8.3%) and “provides extensive financial advice at the counter” (4.0%). These account for a much lower percentage than the former three answers and have been on a downward trend for these ten years. The behavior of banks is fundamentally based on these customer preferences.

**Exhibit 23:**

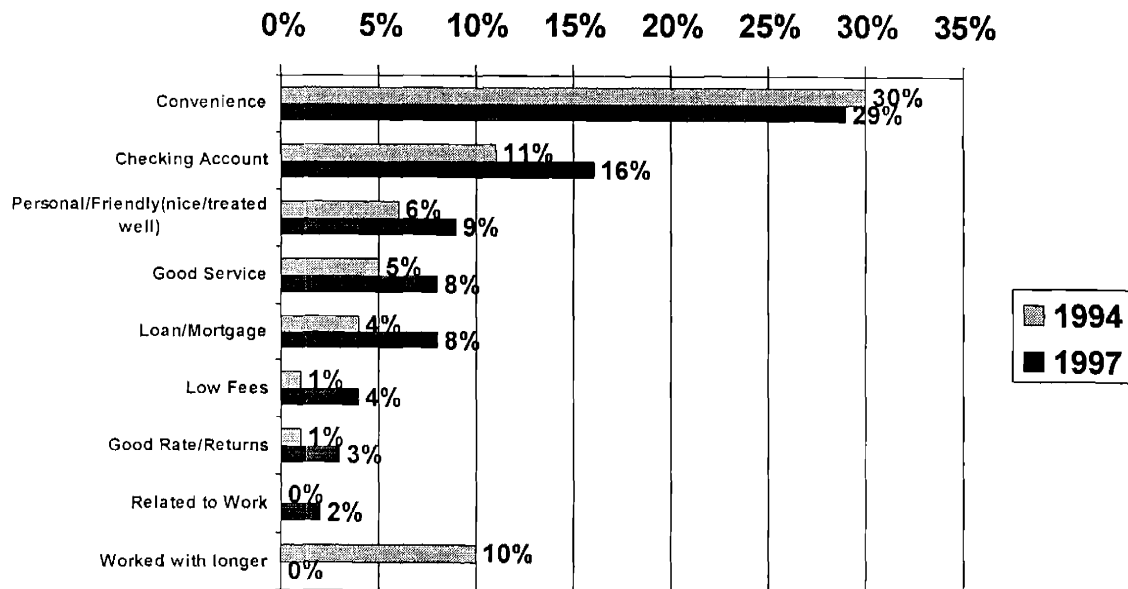
**Question: What are the reasons for selecting a main bank in your household? (Japan. Choose up to three answers. %)**

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Convenience; because it has a branch or ATMs in the neighborhood.	76.0	73.4	76.4	78.1	72.8	73.2	73.8	78.5	78.3	78.0	80.0
Financial conditions are sound and the financial institution is trustworthy	28.4	37.0	36.1	38.6	36.3	37.4	39.0	40.2	39.1	39.3	40.0
Has a nationwide branch network.	27.5	28.5	31.7	30.8	28.0	27.5	26.9	27.0	27.1	24.8	25.8
Salesperson is wholehearted and gives a good impression.	14.0	11.5	12.4	13.7	11.7	10.0	9.1	9.4	9.1	7.8	8.3
Provides extensive financial advice at the counter.	7.3	7.8	7.6	7.9	5.2	4.3	4.6	4.5	5.0	4.5	4.0
Sells financial products with higher returns.	6.5	9.5	9.9	9.6	5.3	4.1	4.0	3.4	3.6	2.8	2.9
Offers a wider range of financial products for better selection.	5.2	6.7	7.1	7.0	3.9	3.8	3.4	3.9	2.7	3.1	2.4
Its TV commercials, posters, or original items such as cartoon character deposit books and other novelty items, convey a good impression about the financial institution.	1.0	0.8	0.9	1.4	1.2	1.0	1.0	1.2	1.3	1.1	1.4
Other.	11.3	10.0	11.0	10.0	11.3	12.5	11.0	10.1	11.2	10.0	10.0

(Source: The Central Council for Financial Services Information (2002). Public Opinion Survey on Household Financial Assets and Liabilities.)

However, this tendency is seen not only in Japan. Various surveys in the U.S. show similarities concerning convenience as the highest reason for choose a financial institution or maintaining a relationship with it. For example, in a survey by ABA banking journal in 1997, the most frequent answer to the question, “what is the most important reason for maintaining a primary relationship with a bank?” was convenience with about a 30% share (single answer). But those who answered “personal/friendly (nice staff/treated well)” and “good service” also reached 20%. In addition, these percentages are rising compared to three years ago, although the percentage for convenience is falling. It is likely that in the U.S., quality of human service is more important to consumers in choosing a financial institution than in Japan.

**Exhibit 24:**  
**Question: What is the Most Important Reason for Maintaining a Primary Relationship with a Bank?** (U.S., Choose a single answer)



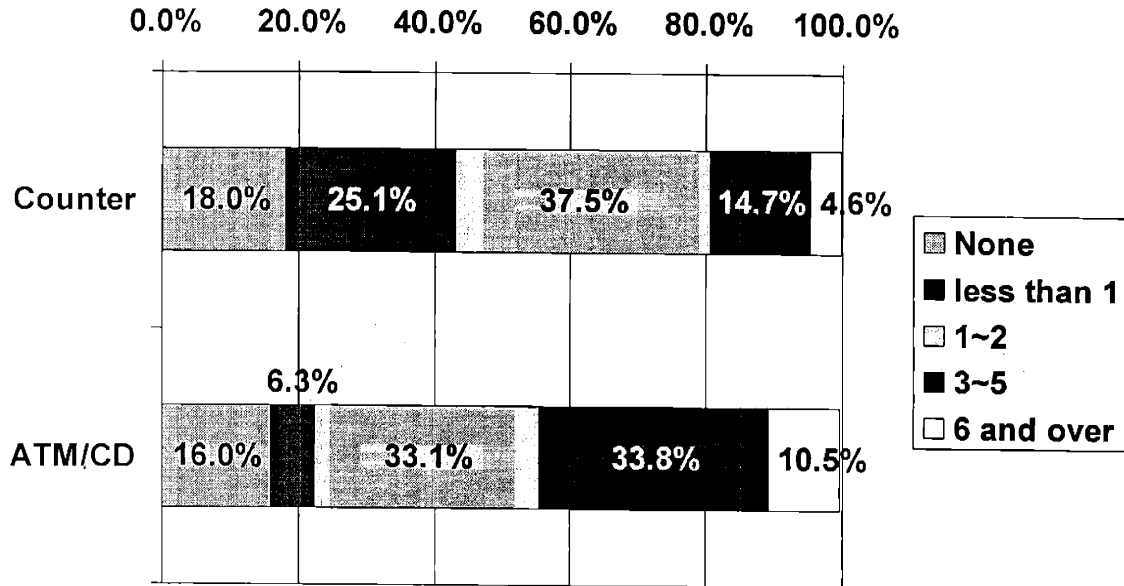
(Source: ABA Banking Journal (November 1997). Results from the ABA’s second national survey of consumer attitudes about banks)



These characteristics of Japan may be the result of the following factors. 1) In Japan, the convenience of depositing and withdrawing money is more important, as being cashless has not progressed as it has in the U.S., and Japanese consumers use cash daily more often. 2) Compared to the U.S. in which the product line-up of banks has expanded into investment trusts, insurance and so on through deregulation, the products of Japanese banks are rather simple (especially before the Japanese Big-Bang beginning from the late '90's). Therefore, the portion of simple transactions without human service or only with little human service, such as withdrawing or depositing cash using ATM/CD, is rather high.

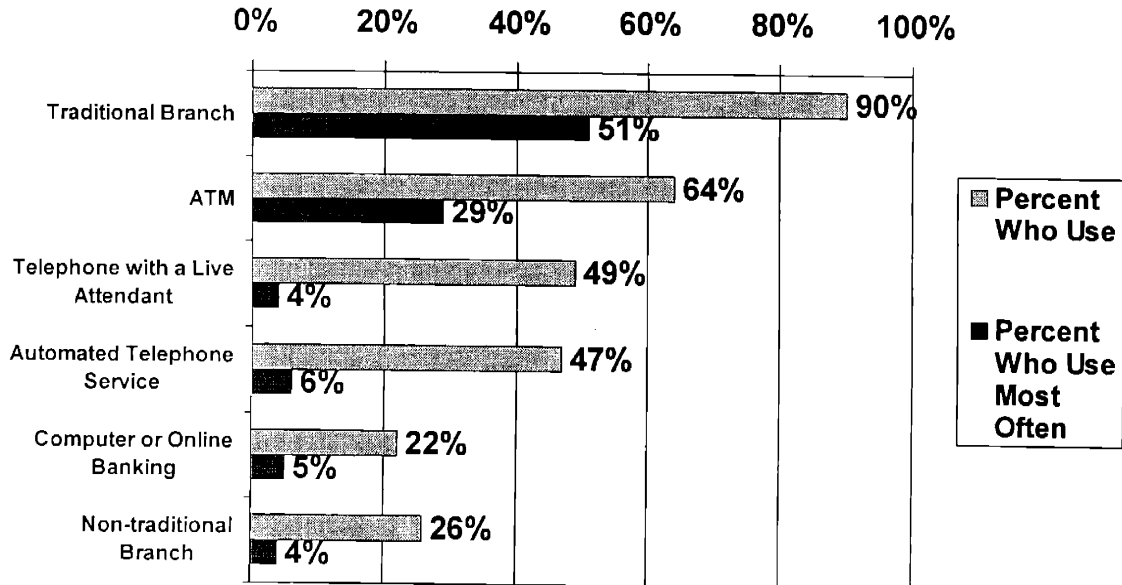
A survey by the Ministry of Posts and Telecommunications of Japan shows that the percentage of people who use an ATM/CD more than once a month was about 80%, and even three times a month was almost 50%. On the other hand, in the U.S., the ABA banking journal conducted a survey asking how people used banks. Based on this survey, the percentage of people who used a traditional branch was far above those who used ATMs. This is in contrast to Japan where people use ATMs more often than a branch.

**Exhibit 25: Frequency of use of branch counter and ATM/CD** (Japan, 2001. Number of uses per month)



(Source: Ministry of Posts and Telecommunications, Institute for Posts and Telecommunications Policy. A Questionnaire Survey on Consumer Use of Financial Institutions (Fiscal 2001))

**Exhibit 26: How customers bank ?** (U.S. 2001. Respondents who have most of their money with the bank)



(Source: ABA Banking Journal (September 2001) Results of the ABA Education Foundation's National Consumer Tracking Study)

Third, there is a cultural influence on the relationship between customers and employees, as well as the relationship between companies and employees.

In service management of western countries, service is defined as follows:

Any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything

(Source: Armstrong and Kotler (2002). *Marketing: An Introduction* 6<sup>th</sup> edition. Prentice Hall)

On the other hand, Japanese researchers sometimes stress the master-servant relationship in service, relating it to the origin of the word:

In service, a temporary master-servant relationship, where customer is the master and employee is the servant, is formed. That is to say, the intention of customers precedes, and the service providers play the role of temporary servants. Only customer satisfaction precedes there. In the background, there are ideas such as one-way understanding from service providers to customers, one-way trust from customers to service providers, devotion of service providers, one-way dependence on service providers by customers, and symbiosis based on one-sided benefit in which only customers can be beneficial.

(Source: Katsuhito Hattori (1994). *New Concept of Hospitality Management. Gakujutsu Sensyo*)

A background to this way of thinking is the influence of the feudal system of the Edo Period, in which commerce was ranked lowest, as shown by *Shi-Nou-Kou-Shou* (*Samurai - Farmer-Craftsman-Merchant*), indicating the order in the social hierarchy of this period. Another possible explanation is that Japanese customers find it more acceptable if companies intentionally set a hierarchy where they are lower than the customers, an aspect of Chie Nakane's vertical society of Japan.

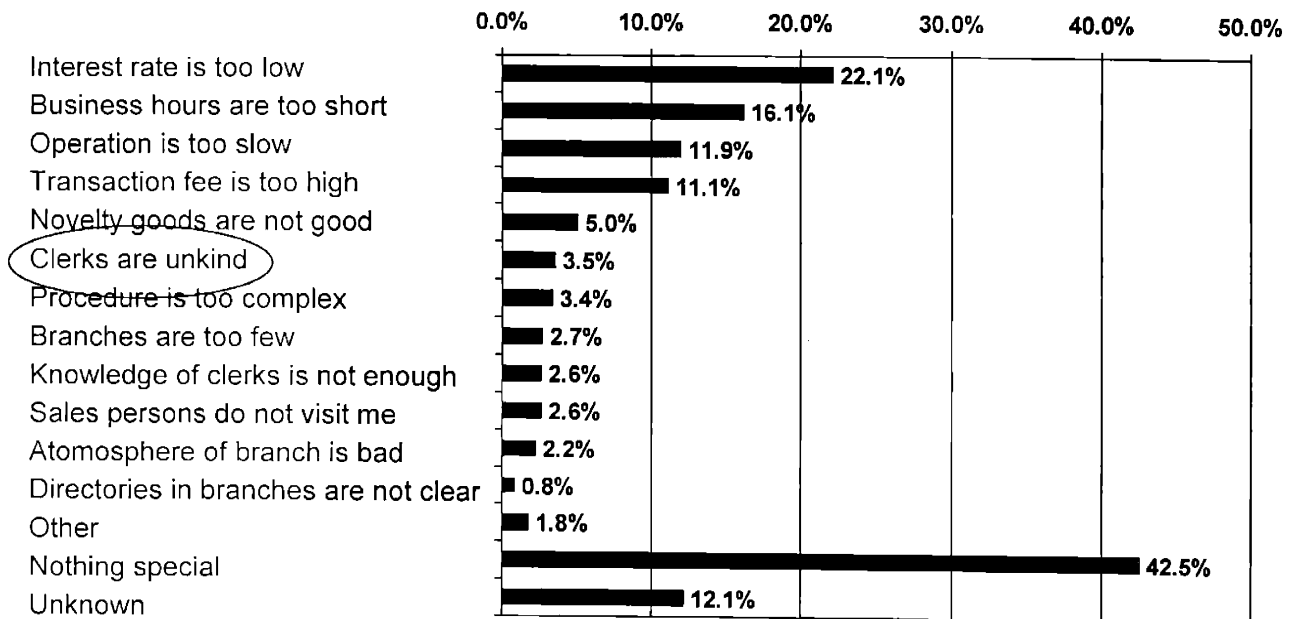
An outcome of this tendency is that CS (customer satisfaction) campaigns widely practiced in Japanese financial institutions from the middle of the '90's were often criticized that they tended just to make courtesy and greeting take root in the organization.

However, as these are tendencies throughout all Japanese society, customers took these temporary hierarchies for granted, leading to real improvement in customer satisfaction.

For example, the following chart is based on the survey conducted by the Ministry of Posts and Telecommunications of Japan in 1999. This aspect seems to be expressed by people who mentioned “unkindness at the counter” as a factor in dissatisfaction in banking service being just 3.5%.

And this aspect in which services are often compared to a temporary master-servant relationship seems to be a big reason that employee satisfaction is not spreading because it is possible for service companies to improve customer satisfaction to a sufficient level only by internal training in courtesy without improving employee satisfaction.

**Exhibit 27: Dissatisfaction Factors with Financial Institutions (In Japan. Except the postal service)**



(Source: Ministry of Posts and Telecommunications, Institute for Posts and Telecommunications Policy. A Questionnaire Survey on Consumer Use of Financial Institutions (Fiscal 1999))

## CHAPTER FOUR

### The Direction of Service Management in Japan

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This chapter examines the position of internal marketing and employee satisfaction in the future in Japanese service companies based on the above analyses.

I believe that the introduction of internal marketing and employee satisfaction is essential in the near future considering the reasons that these concepts have not yet taken root in Japan.

These reasons are as follows.

#### 4.1 Changes in the Relationship between Company and Employee in Japan

##### 4.1.1 Deep-rooted Sense of *Uchi* and *Soto*

The previous chapter states that both management and employees are treated as belonging to *uchi* ('inside') the companies. This emotional group formation, a sense of *uchi* and *soto* ('outside'), and strong norms within the group can be observed not only in Japanese companies but also in Japanese society as a whole.

Chie Nakane says that these characteristics in Japanese society are supported by its homogeneity:

In the case of Japanese society, there is an important characteristic that supports this condition: The homogeneity of Japanese society. There seems to be no other examples in which one country (i.e. 'society') has such strong homogeneity currently in the world.

It is clear that the Japanese archipelago has been occupied by a single people who have shared a basic culture. Regional differences are just problems of relativity in a homogeneous society. And common denominators have greater weight.

These common denominators of the basic culture in the Japanese archipelago was promoted even by the development of the administration network based on the centralized political power, and strong social homogeneity has formed. Furthermore, the thorough spread of school education in modern times contributed further to the singleness of population. And especially the wartime-united regime and development of democracy and the economy after the war advanced the singleness of Japanese society more and more under the expansion of the middle class.

This homogeneity in Japanese society is a very important foundation in forming the relationships between human and human, human and group, group and group written. Group formation by 'place,' egalitarianism, competition with the same kind and formation of a world where emotion precedes are admitted even more if we assume this homogeneity.

(Translated by author)

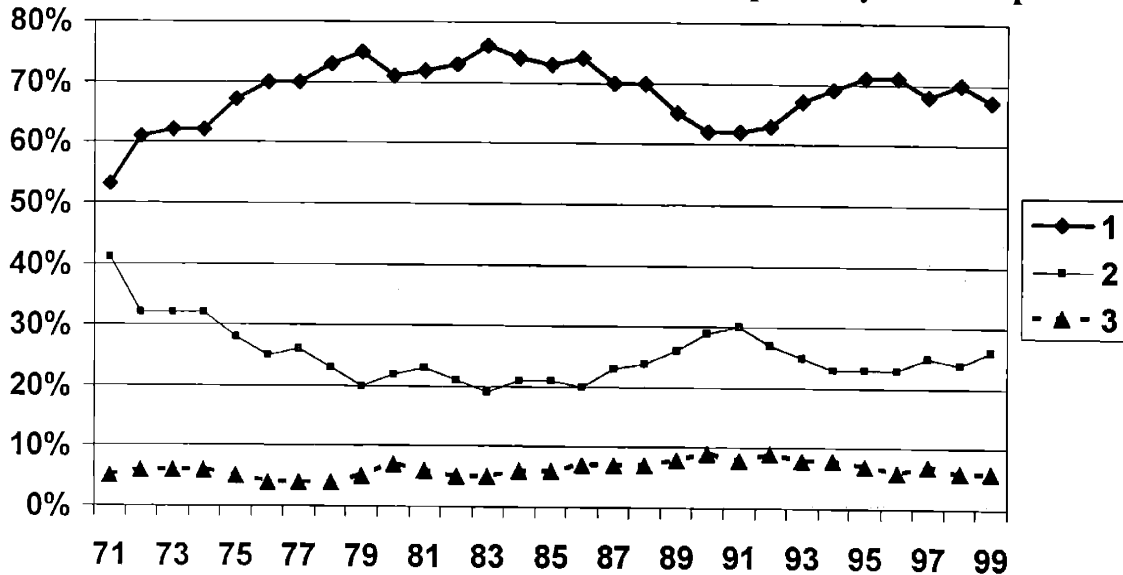
(Chie Nakane. (1967) "*Tate-shakai no ningen-kankei – Tanitsu-shakai no riron*" ("Personal Relations in a Vertical Society - A Theory of Homogeneous Society"). *Kodansya.*)

This homogeneity of Japanese society results from being 'occupied by a predominant single people' as Chie Nakane says, and this situation has not changed at all even since World War II. Therefore, group formations through 'place,' a sense of 'family' in Japanese companies and society based on this homogeneity have not changed much after the war, either.

The following data is from a time series of a survey conducted by the Japan Productivity Center for Socio-Economic Development of new employees every year, and it shows the power of norms in companies and society, such as 'whether they follow rules and discipline in the work place and 'whether they do not want to trouble other members in the society.' It indicates that the power of such norms has not changed much over the past 30 years.

**Exhibit 28:**

**Question: How do you feel about various rules and discipline in your work place?**

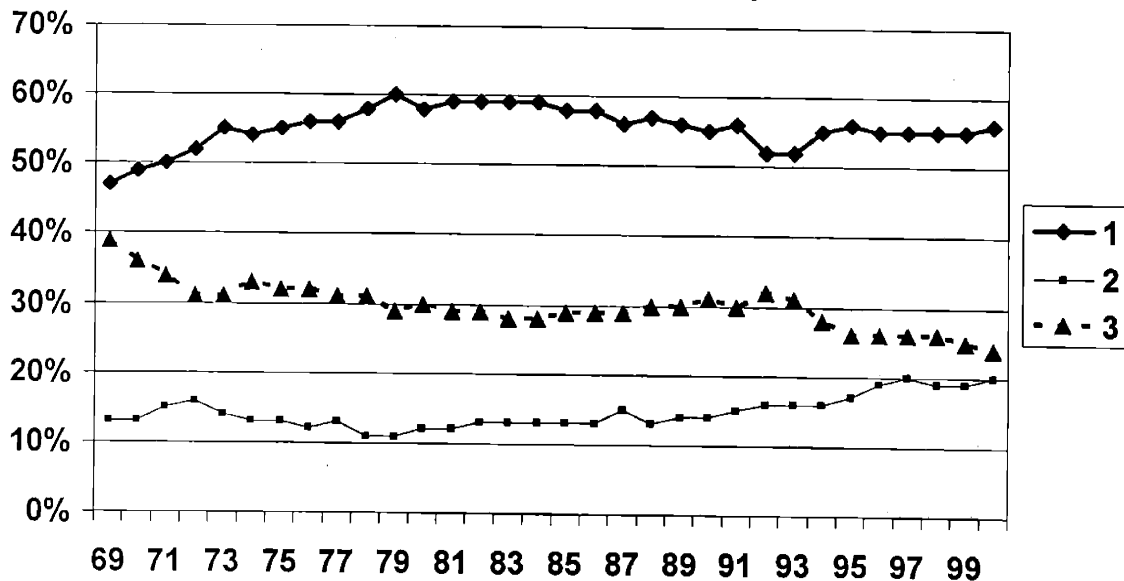


1: Of course we should keep them 2: We can break them depending on the situation  
 3: Binding individuals is unfavorable

(Source: Japan Productivity Center for Socio-Economic Development (2002). "Opinion Poll Report of New Employees on Working, Fiscal Year 2002" ("Heisei14 Nendo Shinnyu-Shain'Hataraku Kotono Ishiki' Chousa Houkokusyo"))

**Exhibit 29:**

**Human beings have various characters. Which one are you similar to?**



1: I never do things that trouble others even if I want to 2: I do things that I want to do regardless of the conventions of the society 3: I cannot decide

(Source: Same as above)



Related to this, the problem of a decreasing working-age population due to an aging society with fewer children may affect the homogeneity of Japan in the near future. Based on a “Population Projection for Japan: 2001-2050” (2002) by the National Institute of Population and Social Security Research, the Japanese working-age population (15 years old – 64 years old) is already decreasing after its peak of 87.17 million in 1995. According to the medium variant projection, the working-age population will decrease to fewer than 80 million in 2013 and to 72.35 million in 2025, which is fewer than 60% of total population, and in 2050 it will fall to 53.89 million.

There are arguments for and against revision of the current restricted immigration policy to compensate for this decrease in the working-age population. For example, in a United Nations report in 2000, it was estimated that Japan would need an average of 609,000 immigrants per year until 2050 if it wants to keep the size of the working-age population constant at the 1995 level.

But if we consider the anxiety among Japanese people about falling payment levels and job loss, as well as the recent fear about the rapid increase in crime by foreigners, the possibility of the radical replacement migration such as the UN estimation is low. Therefore, even under such pressure, the homogeneity of Japanese society is unlikely to change.

However, the progress of diversity in companies is very probable through introducing selected foreign labor power and full employment of women and older workers, who until now have not been fully utilized in Japanese companies.

For example, Nippon Keidanren (Japan Business Federation) has already indicated this direction in their statement as follows:

### 3. Promotion of Employment Diversity

To remain competitive in international markets, Japanese enterprises will require constant innovation, so they must cultivate a corporate culture that emphasizes creativity. We need companies replete with diversity that bring together people with various values and points of view and who can respect and stimulate each other. This strategy, which makes diversity of employment types more widespread, will bring more employment and work opportunities to older people, women and non-Japanese, who have been outside the mainstream corporate labor market so far.

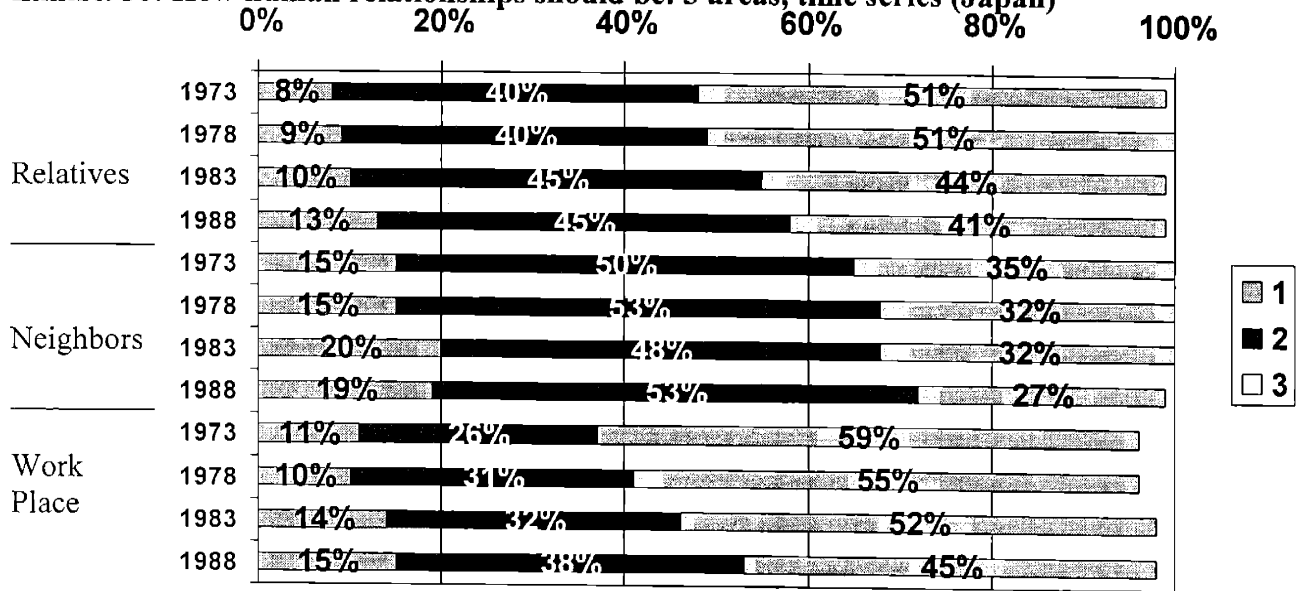
(Source: Nippon Keidanren (Japan Business Federation) (2002). Summary of Position Paper 2003 on Management and Human Resources- Diversity Generating Dynamism and Creativity-)

#### 4.1.2 Shift from Collectivism to Individualism after World War II

The previous section explains that group formation and the power of norms in groups are supported by cultural homogeneity, and that they still have a strong influence on the behavior of Japanese people even after World War II, the homogeneity being based on the singleness of the Japanese people. But on the other hand, it is said that the Japanese have dramatically shifted from collectivism to individualism after the war in a number of surveys and other literature.

For example, the following shows answers to questions on human relationships among the Japanese in three areas, i.e., relatives, neighbors and the work place. It shows that human relationships are now weaker in all areas. In particular, human relationships with neighbors have weakened considerably, and relationships with relatives are weaker than those in the work place.

Exhibit 30: How human relationships should be: 3 areas, time series (Japan)



1: Formal 2: Partial 3: Overall

(Source: NHK Broadcasting Culture Research Institute. The Consciousness Structure Attitudes and Awareness of Japanese. *Japan Broadcast Publishing*)

Human relationships with relatives reflects how the collectivism of *ie*, which has its roots in pre-war patriarchy, influences Japanese people, and relationships with relatives reflect the influence of collectivism of *mura* as well. This is a model of the vertical hierarchy into which Japanese companies assimilated themselves before the war. But after World War II, through democratization policies and population inflow to urban areas from rural areas, the influence of vertically structured rural communities declined. And the number of nuclear families increased with the virtual disappearance of vertically structured families. This means that only companies or the work place, which originally assimilated the concepts of *ie* and *mura*, survive as groups that have the traditional vertical structure in modern Japanese society.

In other words, groups that have strong norms now in Japan are those emotional groups formed spontaneously just by staying in the same place, for example, the same company, through which a sense of belonging is fostered, and the company remains the sole vertical hierarchy.

In these circumstances, “individualism” in modern Japanese society has seen the breakdown of vertical hierarchy on which Japanese lives were based, and individuals were left without alternative behavior principles. Therefore, this “individualism” is affected by the norms of the emotional groups, and those in companies, which are the only institutions now with a traditional vertical hierarchy.

How does this situation affect collectivism in Japanese companies?

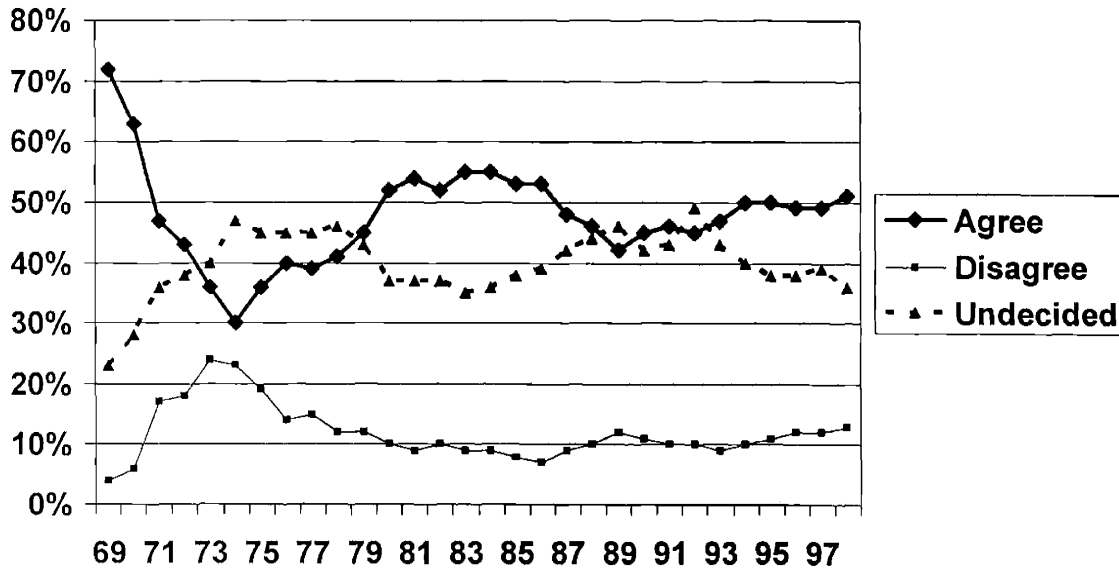
The breakdown of vertical structure in other areas has also weakened collectivism in companies. That is, feelings such as “loyalty” to the company, which harks back to the master-servant relationship in feudal times, have been weakened, and on the other hand, employees now have economic and rational motives.

For example, the following survey indicates that the percentage of new employees in Japan who think “development of the economy (of the company) is prerequisite for the happiness of the individual” was 72% when the survey series began in 1969, but this was badly shaken in the beginning of 70’s when Japan’s rapid economic growth after the World War II came to an end, falling to 50%. This suggests that the strong collectivism of Japanese employees, who were often required to work incredibly hard, declined significantly with the end of rapid economic growth in Japan.

Another characteristic is that there are obvious differences in the generations. For example, if we look at answers to questions about the balance between work and leisure based on birth years, the percentage of employees who chose “they should be equal” suddenly rose in the generation born after World War II.

**Exhibit 31:**

**Question: Do you agree with the opinion that “development of economy (company) is prerequisite for the happiness of the individual”?**

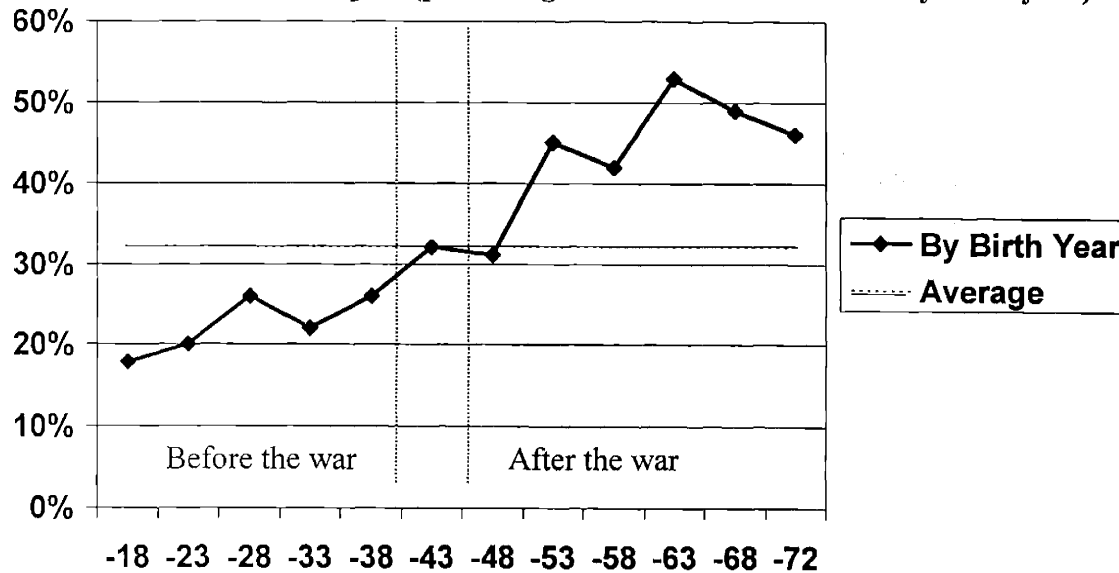


(Source: Japan Productivity Center for Socio-Economic Development (2002). “Opinion Poll Report of New Employees on Working, Fiscal Year 2002” (“Heisei14 Nendo Shinnyu-Shain’Hataraku Kotonno Ishiki’ Chousa Houkokusyo”))

**Exhibit 32:**

**Question: What do you think about the balance of work and leisure?**

**Answer: They should be equal (percentages that chose this answer by birth year)**



(Source: NHK Broadcasting Culture Research Institute(1988). The Consciousness Structure Attitudes and Awareness of Japanese. *Japan Broadcast Publishing*)

The reason that the loyalty of Japanese employees is rather low when compared internationally that I mentioned before can be explained in this context.

Chie Nakane says as follows:

The fact that job mobility is low in Japan is often explained by “collectivism” or “loyalty” to companies. But I think it should be regarded as a phenomenon resulting from choices by each individual in the social conditions of Japanese people, and it is not appropriate to think that Japanese are special people who have this tendency more strongly than others.

That is, the reason people tend to stay in their companies is not loyalty to the company, but because they recognize how big the social losses are if they change job.  
(Translated by author)

(Source: Chie Nakane. (1967) “*Tate-shakai no ningen-kankei – Tanitsu-shakai no riron*” (“Personal Relations in a Vertical Society - A Theory of Homogeneous Society”). *Kodansya*.)

And Robert M. Marsh & Hiroshi Mannari state the following in their literature of

1971:

Insofar as Japanese employees in large firms stay in one firm for reasons of lifetime commitment, this involves the cumulative advantages of long services (status enhancement) rather than loyalty to the company as such, considered apart from status enhancement. This means Japanese employees’ reasons for staying in one firm are the same reasons that tie Western employees to a firm.

(Source: Robert M. Marsh; Hiroshi Mannari (1971), Lifetime Commitment in Japan: Roles, Norms, and Values. *American Journal of Sociology*, Vol. 76, Issue 5)

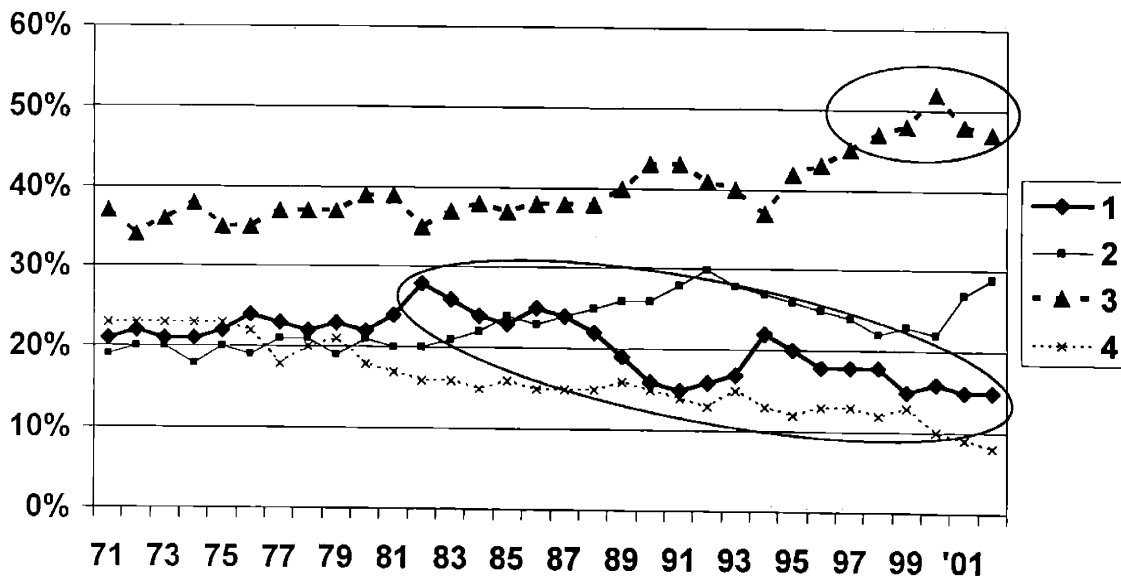
### 4.1.3 Trends in Lifetime Employment

This section surveys recent trends in lifetime employment, which greatly influences employee satisfaction in Japan.

First, on the side of employees, the diagram below indicates that the positive attitude toward lifetime employment has been decreasing since 1980's. Especially in younger people, belief in lifetime employment was largely shaken after 1997, when bankruptcies of major financial institutions began, although it was believed that they would never go bankrupt.

**Exhibit 33:**

**Question: Do you want to work in this company all through your life?**



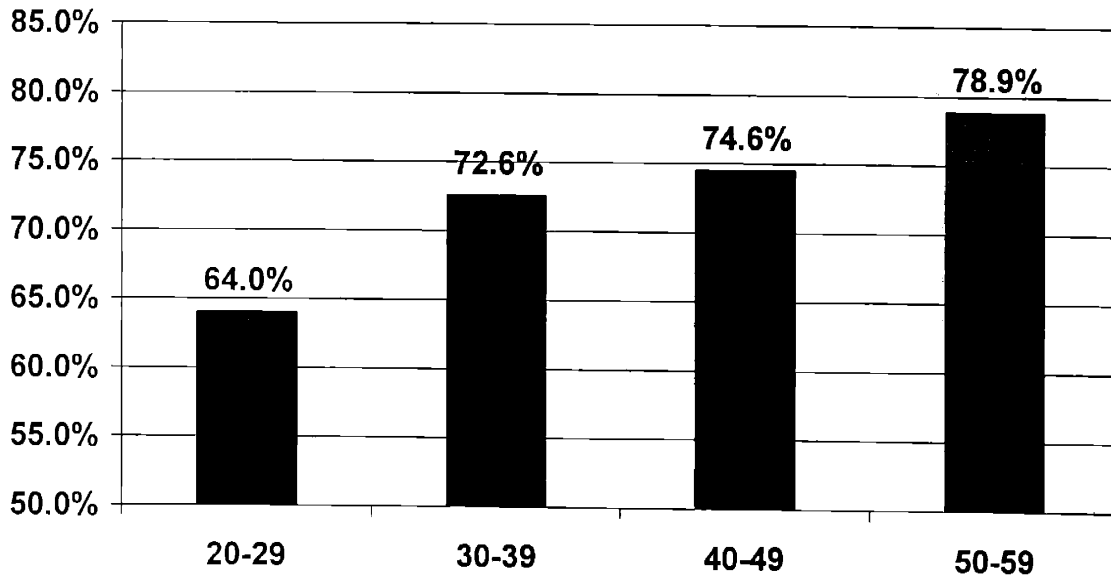
1: I want to work in this company until retirement age 2: I will work in this company for the time being 3: It depends on the situation 4: I cannot decide

(Source: Japan Productivity Center for Socio-Economic Development (2002). "Opinion Poll Report of New Employees on Working, Fiscal Year 2002" ("Heisei 14 Nendo Shinnyu-Shain'Hataraku Kotono Ishiki' Chousa Houkokusyo"))



However, as the age of employees rises, attitudes to lifetime employment become more positive because of the higher risk of changing job in the economic recession and the lack of specialized skills that are accepted by other companies.

**Exhibit 34: Attitudes to lifetime employment (by age group) “good + rather good”**



(Source: The Ministry of Labor of Japan (2000). *The Actual Condition of Employment and Labor-Management Relations of White-Collar Workers in New Century – The Present and Future – (Shinseiki no White-Collar no Koyoujittai to Roushikanki – Genjou to Tenbou)* )

On the other hand, there is a trend in which Japanese companies are reconsidering lifetime employment. This is mainly for economic reasons. That is, companies are unable to maintain job security for their employees because of declining profitability. And in longer perspective, Japanese companies that have seniority payment system are facing rising labor costs as labor power is aging along with the whole of the Japanese population.

Based on a survey conducted by The Japan Institute of Labor in 1998, 80% of companies answered that they adopted lifetime employment at that time, but companies who answered that they would maintain lifetime employment in the future decreased to around 60%.

In addition to the above trend, Japanese companies are now trying to revise conventional Japanese human resource management policy in various ways to control personnel costs while maintaining high morale, vitality and human ability of the companies. Some examples are diversification of employment form (increase of non full-time workers and mid-career hiring), introduction of a merit-based wage system and career plans for specializing in certain fields.

#### **4.1.4 Influence on Employee Satisfaction of Changes in Relationship between Company and Employee**

With these changing trends both in employees and Japanese companies, how should employee satisfaction be positioned considering human resource management?

First, many employees who entered Japanese companies after 1970's, who are now core staff, have economically rational and relative views on companies. If companies place too much confidence in the loyalty of employees and withdraw the economic benefits of the current wage system, centripetal forces in the company will also decline in response.

While the labor market in Japan is closed and there is little possibility of changing job, employees will stay in their present companies even in the above case and its influence will not be noticed.

But after mobilization of the labor market due to increase in mid-career hiring and rise in employees with specialties in the near future, changes will regularize from the occupation in which the mobilization is happening. Employees will tend to leave their jobs more often, damaging the company.

So, in this situation, companies should focus more on employee satisfaction. Moreover, they cannot help doing so no matter whether they like it or not. It is important to remember that employee satisfaction has the highest correlation with turnover in the U.S..

Japanese companies must attend to employee satisfaction under the revision process of traditional employment practices.

## **4.2 Trends in Service Management in Japan and its Influence**

The following are recent trends in service management in banking.

### **4.2.1 Changes in Status of Human Service**

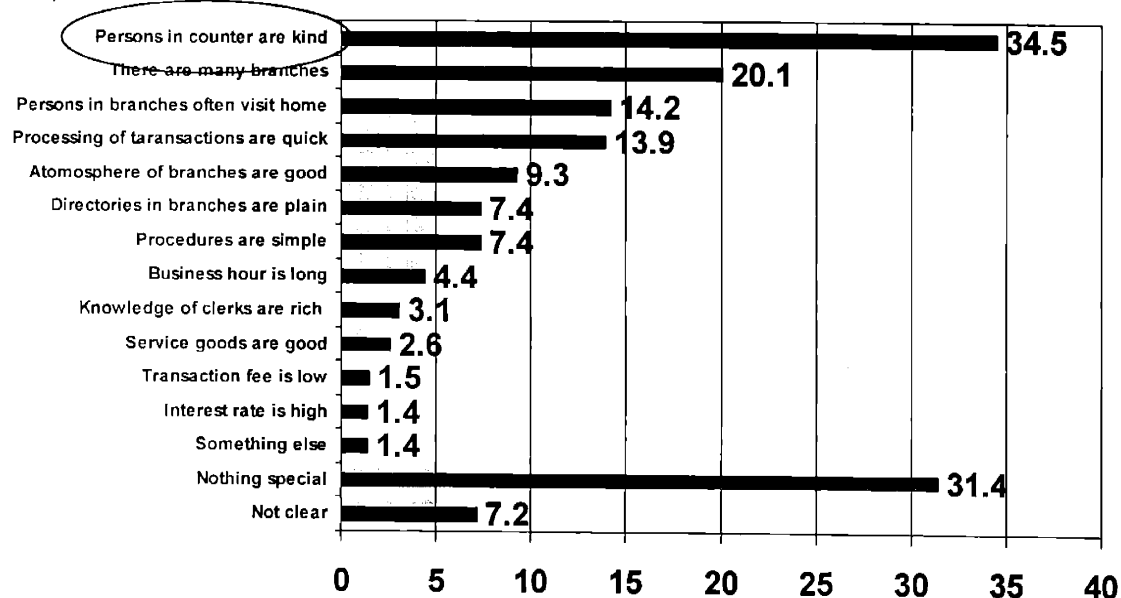
First, there has been a recent change in the comparative low status of human services in Japanese banks.

As diversification and the complexity of financial products sold at the counter are progressing, such as investment trusts and insurance after the Japanese Big-Bang in financial services following a series of deregulations following the U.S. and U.K. trends, the quality of human service is gaining importance. In sales techniques, the portion of high-touch services such as “private banking” for wealthy people and reinforcement of consulting sales through “life planning” for core customers is growing.

On the other hand, not the approach from the above-mentioned “reason of choice” survey, which has influenced the mindset of banks for a long time, but the deeper consideration of customer satisfaction and loyalty which is now prevailing will have an impact on the business strategies of banks.

For example, even now in Japan, surveys asking consumers the areas of satisfaction with banks produce the top answer of “kind service at the counter,” which far exceeds “convenience of branch location.”

**Exhibit 35: Customer satisfaction level for financial institutions in Japan (except post offices)**



(Source: Ministry of Posts and Telecommunications, Institute for Posts and Telecommunications Policy. A Questionnaire Survey on Consumer Use of Financial Institutions (Fiscal 1999))

These data suggests that, to acquire new customers, it is necessary to improve the convenience of branch networks and provide this information to consumers, but to enhance existing customer satisfaction and loyalty, the bank should improve the quality of human services rather than convenience.

These differences in various services in their influence on customer satisfaction are reminiscent of the two-factor theory of Herzberg in job satisfaction. That is, there are motivators and hygiene factors in customer satisfaction, too.

In fact, there is literature that expands the two-factor theory to customer satisfaction (e.g. Naumann & Jackson, 1999). The above example of the difference between convenience and quality of human service is consistent with their classification of motivators and hygiene factors.

### Exhibit 36: Potential Hygiene Factors and Satisfiers

Hygiene Factors	Satisfiers
Credibility •Trustworthy •Believable •Honest	<u>Responsiveness</u> • <u>Prompt service</u> • <u>Immediate response to customers</u> • <u>Individualized attention</u> • <u>Quick complaint resolution</u>
Reliability •Product does what it is supposed to do •Company is there when needed •Basic competence – possesses necessary skills	<u>Courtesy</u> • <u>Customers treated with respect and consideration</u>
<u>Accessibility</u> • <u>Can be contacted quickly and easily</u> • <u>Convenient phones, locations, hours, etc.</u>	<u>Empathy</u> • <u>Takes time to really understand customer's situation and engage in joint problem solving</u> • <u>Provides "extra" service</u>
Delivery •Timely; meets deadlines	Exceptional Quality •Durable •Technical excellence
Accuracy •Billing, invoice, orders, product specifications, etc. as they should be	<u>Personnel</u> • <u>Thoroughly trained</u> • <u>Knowledgeable</u>

(Source: Earl Naumann & Donald W. Jackson Jr. (1999). One More Time: How Do You Satisfy Customers? *Business Horizons*)

In retail banking, profit relies on high-tier customers more than Pareto's Rule (The 20/80 Rule), so the trend of shifting from acquiring new customers to improving the satisfaction and loyalty of existing customers is natural. With this trend, the necessity of improving quality of human service will increase further.

#### **4.2.2 Changes in Relationship between Customer Satisfaction and Employee Satisfaction**

Lastly, there is a recent change in Japanese human services in which improvement in customer satisfaction has been rarely linked to employee satisfaction.

These days, mainly in the Japanese hotel industry, the importance of “hospitality” can be compared to conventional “service” where customer and employee relationship is analogous to the master-servant relationship.

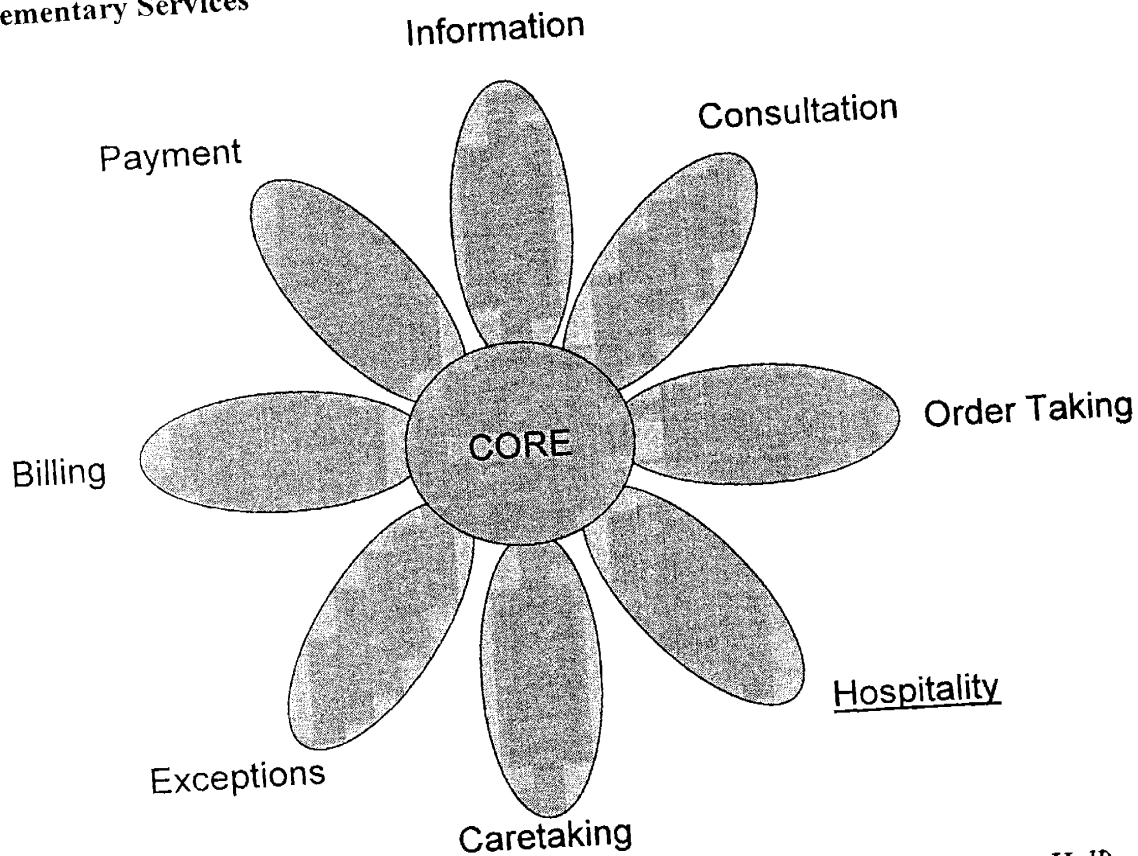
In the U.S., “hospitality” is used to indicate the hotel industry itself, and Lovelock says that hospitality is just one of supplementary service elements surrounding core services (see Exhibit 37.)

On the other hand, in Japan, considering the popularity of certain foreign-affiliated hotels and theme parks like Tokyo Disneyland, the necessity of “hospitality,” which is based on an equal relationship between host and guest, is emphasized as a factor lacking in the service of Japanese hotels (see Exhibit 38.)

This “hospitality” cannot be displayed only by training or through manuals, and highly satisfied employees are required.

Compared to 4-star hotels that need the highest-touch service, in the service of banks, the level of contact with customers is lower (see Exhibit 39.) But Japanese retail banking is inclined to human services that need greater contact with customers than before. Currently, Japanese banks are still focusing on providing their employees with necessary skills and knowledge, but in the near future, applying the practice of hotels will increase.

**Exhibit 37: The Flower of Service: Core Product Surrounded by Clusters of Supplementary Services**



(Source: Christopher H. Lovelock (1996). *Services Marketing 3<sup>rd</sup> edition. Prentice Hall*)

**Exhibit 38: An Example Referring Hospitality in Japan**

In service, the customer is the master and the provider of service is the servant. There is a clear hierarchy here, so the servant obeys the master and only the master is satisfied. The provider of service is never satisfied as one is treated like a servant. In service, who serves and who is served are always in this hierarchy. This is because both of them belong to 'vertical relationship.'

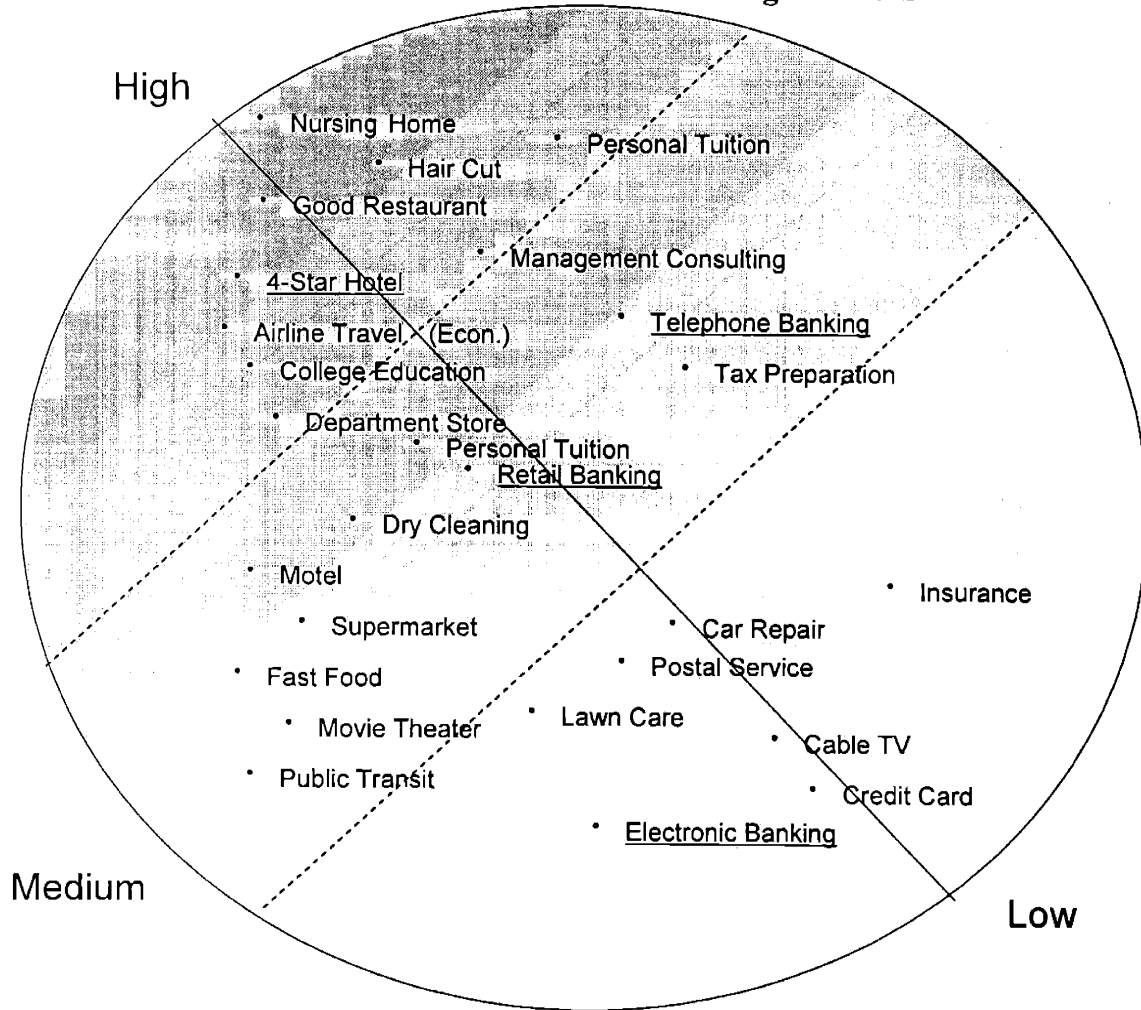
(In hospitality) the provider gives pleasure to the user, and the provider feels a pleasure through this, too. Both of them are always in an equal position and relationship. Their relationship 'horizontal.'

(Translated by author)

(Source: Yoshiro Urugou (2001) *Acquire Individual Customers by "15 Seconds of Truth" -Management Devoted to an Attitude of Hospitality - Kobunsha*)



**Exhibit 39: Levels of Customer Contact with Service Organizations**



(Source: Christopher H. Lovelock (1996). *Services Marketing 3<sup>rd</sup> edition. Prentice Hall*)

### 4.3 Conclusion

To conclude, Japanese service companies both from the viewpoint of human resource management and service management must focus on employee satisfaction.

## CHAPTER FIVE

### How to Improve Employee Satisfaction in Japanese Service Companies

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#### 5.1 Outline

Even though internal marketing and employee satisfaction will become more important in Japanese service companies, the characteristics of Japanese culture, for example, a sense of *uchi* and *soto* based on homogeneity, will not easily change. In addition, with the recent low profitability of Japanese companies due to the long remaining depression, it is be difficult for companies to do things that result in an increase in company expenses, such as raises in wages. Is it really possible to improve employee satisfaction under these circumstances?

Action that companies can take is certainly very restricted under the current situation. However, considering that even the concepts of internal marketing and employee satisfaction are unknown, there are many things that can be achieved.

First of all, companies should review their existing state and whether it affects their employees' satisfaction, not only in the field of conventional human resource management, but also in all fields of management and business, such as the formal organization and authority system, informal organizational problems like human relationships between the boss and subordinates, friction among departments, bureaucracy, business policy, training and so on.

Such a review would also be effective considering that employee satisfaction difference between Japan and U.S. is bigger in human relationships than in economic working conditions i.e., pay or promotion.

The Japanese Ministry of Labor conducted a survey on the relationship between employees' stress or satisfaction and their evaluation how companies maintain and improve wage level, quality and quantity of work, job security, employee health care, sufficient communication between workers and management and so on. The higher the evaluation in any item, the lower the stress and the higher the satisfaction (The Ministry of Labor of Japan (2000) *The Necessity of Stressor Control in Work Place of White-Collar Workers (White-Collar Syokuba ni okeru Stressor Control no Hitsuyousei ni tsuite)*). From this survey, it is evident that showing company's positive attitude for improvement contributes to employee satisfaction.

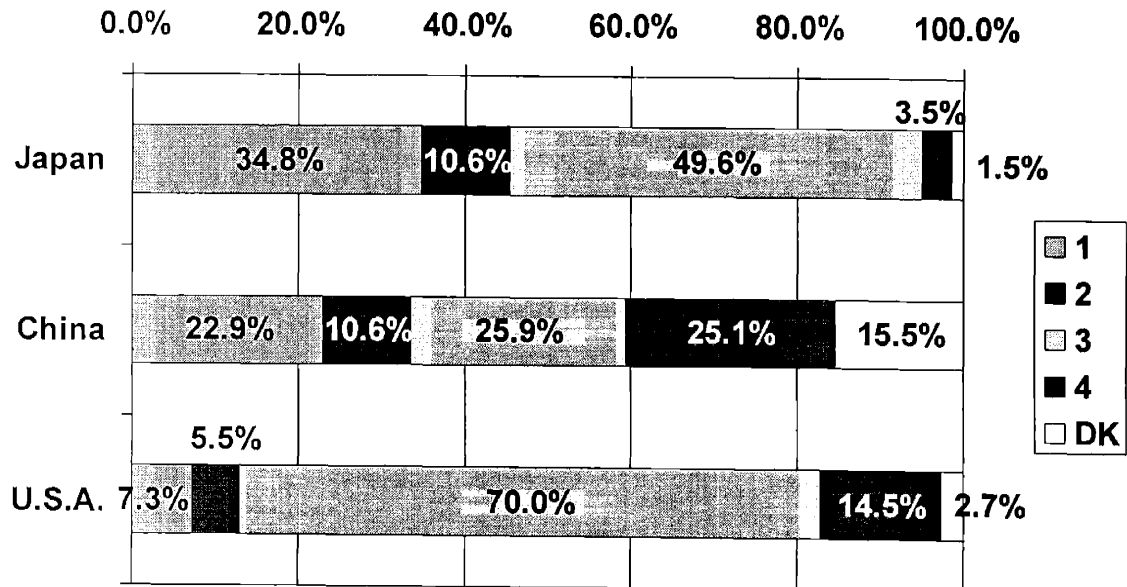
Second, it is necessary to introduce a system that always monitors employee satisfaction and improves or removes negative factors in all fields. For this purpose, companies should conduct regular employee satisfaction surveys and should introduce a system in which employee dissatisfaction is communicated to the management at all times.

To make these systems work, it is not sufficient to merely make a survey or counselor system; it is necessary that management is seen to make efforts to resolve dissatisfaction, that real improvements are made through the system and furthermore, that there is an open atmosphere in which employees can express dissatisfaction without worrying about negative influence on promotion.

In particular, in the case of Japanese workers, some surveys indicate that the percentage of those who are dissatisfied and do not consult anyone is rather high even though

there are company consulting systems that include senior staff, human resource departments and unions, as employees worry about negative influence on promotion. This suggests the importance of efforts to make the consulting system work practically.

**Exhibit 40: How to solve dissatisfaction with wage level (1997)**



1: Say nothing, be patient and trust my boss 2: Complain about it by asking a senior to be a middleman 3: Complain about it through my boss or union 4: Complain about it directly to human resource office

(Source: Michiko Kawakubo (2002). Japan, China and U.S.A. Consciousness of Workers Comparison of the Three Countries (*Nihon, Chugoku, America Hataraku monono Ishiki 3 kakoku hikaku*). Kanpou)

These points require efforts by the whole company, and it is essential that top management is willing to make employee satisfaction a company goal.

From the organizational point of view, human resource departments, which are in charge of human resource matter, and marketing departments should take the lead as employee satisfaction is related to customer satisfaction, and these departments are experts in marketing.

## 5.2 Examples in Japan

### 5.2.1 Ritz –Carlton Osaka

The Ritz-Carlton is one of the most famous companies in the world for respecting employee satisfaction, and it received the Malcolm Baldrige National Quality Award for its high management quality in 1992 as the winner in the hotel industry. It received the award again in 1999, which is the only case in service companies.

The Ritz-Carlton Osaka is an interesting case as it did not change the ideas and ways of the Ritz-Carlton in its employee satisfaction management and practiced them in Japan.

This resulted in great success. Since opening in 1997, popularity and customer satisfaction has been rated number one in the western part of Japan and is among the few top hotels in all of Japan. This is despite the recent strong competition in the Japanese hotel industry, and its unique management style is drawing attention in Japan.

In its management style, the following are important points in internal marketing and employee satisfaction.

1. They make every effort to share corporate value.

They provide a corporate philosophy and set of guiding principles including employee satisfaction into a “Golden Standard” (common to all Ritz-Carlton hotels in the world), and all employees always carry this. In it, there is a famous phrase, “We are Ladies and Gentlemen Serving Ladies and Gentlemen,” which corresponds to the emphasis on “hospitality” in Japan.

These are sent to all Ritz-Carlton hotels in the world from the head office in Atlanta every morning and read by all employees.

Whenever the president or vice presidents visit Japan, they themselves attend the morning assembly to show its importance.

Group meetings called “everyday’s lineup” are a place to think over and understand the “20 Basics” in the “Gold Standard” and to share practical information. These are interactive meetings lead by “lineup leaders.”

Financial and managerial data is shared internally, and employees are always informed of targets and achievement levels.

2. They conduct regular employee satisfaction surveys.

An employee satisfaction survey is conducted basically four times a year in all Ritz-Carlton hotels. It consists of 80 ~ 90 questions and takes about 20 minutes to answer.

3. They make effort to nurture an atmosphere in which employees do not hesitate to express their dissatisfaction to the management

The management explicitly ask employees to express their points of dissatisfaction. It has meetings called “general sessions” to explain corporate policy to employees in face-to-face communication.

4. They are very positive about empowerment.

For example, each employee can spend up to 200,000 yen to redress a guest grievance, and each is allowed to break from his or her routine for as long as needed to make a guest happy.

5. They hire people who share the same values.

They developed a method called QSP (Quality Selection Process) adopting psychological analysis, and they hire people who share their corporate values, rather than who have skills.

Although the hotel industry in Japan is different from banks as new entries mainly by foreign-affiliate hotels are really active, and the mobilization of human resources is progressing more than in the other service industries, the success of the Ritz-Carlton suggests the following.

1. A corporate philosophy that stresses employee satisfaction can be easily understood as an effective management style even in Japan although employees are considered insiders of companies, as far as this positively affects stockholders and customers (especially customer satisfaction) and it is fully explained to these stakeholders.
2. Companies should focus on sharing valuable philosophy and communication between management and employees.
3. In service management, services characterized by “hospitality” are accepted by Japanese people.

## **Exhibit 41: "GOLD STANDARD" of the Ritz Carlton**

(This is common among all Ritz-Carlton hotels in the world, and the same standard is used in the Ritz-Carlton Osaka, translated to Japanese.)

### **THE CREDO**

- The Ritz-Carlton Hotel is a place where the genuine care and comfort of our guests is our highest mission.
- We pledge to provide the finest personal service and facilities for our guests who will always enjoy a warm, relaxed, yet refined ambiance.
- The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests.

### **MOTTO**

We Are Ladies and Gentlemen Serving Ladies and Gentlemen.

### **THREE STEPS OF SERVICE**

- A warm and sincere greeting. Use the guest's name if and when possible.
- Anticipation and Compliance with guest needs.
- Fond farewell. Give them a warm good-bye and use their names, if and when possible.

### **20 BASICS**

- a) The Credo is the principle belief of our Company. It must be known, owned and energized by all.
- b) Our Motto is "We are Ladies and Gentlemen serving Ladies and Gentlemen." As service professionals, we treat our guests and each other with respect and dignity.
- c) The Three Steps of Service are the foundation of Ritz-Carlton hospitality. These steps must be used in every interaction to ensure satisfaction, retention and loyalty.
- d) The Employee Promise is the basis for our Ritz-Carlton work environment. It will be honored by all employees.
- e) All employees will successfully complete annual Training Certification for their position.
- f) Company objectives are communicated to all employees. It is everyone's responsibility to support them.
- g) To create pride and joy in the workplace, all employees have the right to be involved in the planning of the work that affects them.
- h) Each employee will continuously identify defects (MR BIV) throughout the Hotel.
- i) It is the responsibility of each employee to create a work environment of teamwork and lateral service so that the needs of our guests and each other are met.
- j) Each employee is empowered. For example, when a guest has a problem or needs something special you should break away from your regular duties, address and resolve the issue.
- k) Uncompromising levels of cleanliness are the responsibility of every employee.
- l) To provide the finest personal service for our guests, each employee is responsible for identifying and recording individual guest preferences.



- m) Never lose a guest. Instant guest pacification is the responsibility of each employee. Whoever receives a complaint will own it, resolve it to the guest's satisfaction and record it.
- n) "Smile - we are on stage." Always maintain positive eye contact. Use the proper vocabulary with our guests. (Use words like - "Good Morning," "Certainly," "I'll be happy to," and "My pleasure.")
- o) Be an ambassador of your Hotel in and outside of the work place. Always talk positively. Communicate any concerns to the appropriate person.
- p) Escort guests rather than pointing out directions to another area of the Hotel.
- q) Use Ritz-Carlton telephone etiquette. Answer within three rings and with a "smile." Use the guest's name when possible. When necessary, ask the caller "May I place you on hold?" Do not screen calls. Eliminate call transfers whenever possible. Adhere to voice mail standards.
- r) Take pride in and care of your personal appearance. Everyone is responsible for conveying a professional image by adhering to Ritz-Carlton clothing and grooming standards.
- s) Think safety first. Each employee is responsible for creating a safe, secure and accident free environment for all guests and each other. Be aware of all fire and safety emergency procedures and report security risks immediately.
- t) Protecting the assets of a Ritz-Carlton Hotel is the responsibility of every employee. Conserve energy, properly maintain our hotels and protect the environment.

#### **THE EMPLOYEE PROMISE**

- At The Ritz-Carlton, our Ladies & Gentlemen are the most important resource in our service commitment to our guests.
- By applying the principles of trust, honesty, respect, integrity and commitment, we nurture and maximize talent to the benefit of each individual and the company.
- The Ritz-Carlton fosters a work environment where diversity is valued, quality of life is enhanced, individual aspirations are fulfilled, and The Ritz-Carlton mystique is strengthened.

### 5.2.2 Sony

Lastly, Sony is an example of an excellent Japanese company that has put employees first from the beginning although Sony was not originally a service company. Even now, it is difficult to find Japanese companies that mention employee satisfaction in their philosophies. However, Sony is one of very rare companies whose founder, Ibuka, aimed “to establish an ideal factory that stresses a spirit of freedom and open-mindedness, and where engineers with sincere motivation can exercise their technological skills to the highest level” at the top of the list in its “Purpose of Incorporation” (1946). This “Purpose of Incorporation” is still often referred to by current management and has taken root as Sony’s spirit. Their creative products have been produced through this attitude that employees respect and this spurs their creativity by maximizing their satisfaction.

Based on this spirit, leaving Japanese lifetime employment, they developed a posting system to produce an internal labor market. Such reconciliation can be referred to when other service companies try to improve employee satisfaction incorporating Japanese customs and cultures.

## Exhibit 42: Sony; The founding prospects of Tokyo Tsushin Kogyo (1946)

### Purpose of Incorporation

- a) To establish of an ideal factory that stresses a spirit of freedom and open-mindedness, and where engineers with sincere motivation can exercise their technological skills to the highest level;
- b) To reconstruct Japan and to elevate the nation's culture through dynamic technological and manufacturing activities;
- c) To promptly apply highly advanced technologies which were developed in various sectors during the war to common households;
- d) To rapidly commercialize superior technological findings in universities and research institutions that are worthy of application in common households;
- e) To bring radio communications and similar devices into common households and to promote the use of home electric appliances;
- f) To actively participate in the reconstruction of war-damaged communications networks by providing needed technology;
- g) To produce high-quality radios and to provide radio services that are appropriate for the coming new era;
- h) To promote the education of science among the general public.

### Management Policies

- a) We shall eliminate any unfair profit-seeking practices, constantly emphasize activities of real substance and seek expansion not only for the sake of size;
- b) We shall keep our business operations small, advance technologically and grow in areas where large enterprises cannot enter due to their size;
- c) We shall be as selective as possible in our products and will even welcome technological challenges. We shall focus on highly sophisticated technical products that have great usefulness in society, regardless of the quantity involved. Moreover, we shall avoid any formal demarcation between electronics and mechanics, and shall create our own unique products uniting the two fields, with a determination that other companies cannot overtake;
- d) We shall fully utilize our firm's unique characteristics, which are well known and relied upon among acquaintances in both business and technical worlds, and we shall develop production and sales channels and acquire supplies through mutual cooperation;
- e) We shall guide and foster sub-contracting factories in ways that will help them become independent, and we shall strive to expand and strengthen mutual cooperation with such factories;
- f) We shall carefully select employees, and our firm shall comprise a minimal number of employees. We shall avoid having formal positions for the mere sake of having them, and shall place emphasis on a person's ability, performance and character, so that each individual can fully exercise his or her abilities and skills;

- g) We shall distribute the company's surplus earnings to all employees in an appropriate manner, and we shall assist them in a practical manner to secure a stable life. In return, all employees shall exert their utmost effort into their job.

## CHAPTER SIX

### Conclusion

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This thesis examined internal marketing and employee satisfaction with examples of U.S. banks. Explaining the situation and background in Japan, I showed the possibility of Japanese service firms adopting these strategies and how they should be implemented.

In summary, first, considering the current situation in adopting these ideas in Japan, these concepts are rarely embraced by major Japanese service firms including banks. This is due to the strong influence of *uchi* and *soto* that are supported by Japan's cultural homogeneity. That is, as well as management, employees are positioned as insiders who serve stockholders and customers, and for this reason, they are not treated as external elements.

The satisfaction of Japanese employees is rather low when compared with the rest of the world, contrary to the common notion that "Japanese companies take care of employees."

There are a number of reasons for this. Higher job expectation in the Japanese is one, but more important are the merits and demerits of lifetime employment, which is the essence of human resource management in Japan. Although lifetime employment satisfies the strong desire for job security in Japanese workers, by forming a closed labor market, it also prevents dissatisfied workers from changing job, and following the two-factor theory, job security tends not to improve satisfaction. Furthermore, the satisfaction of Japanese workers is relatively low in human relationships in the work place as well as satisfaction in the job itself.

On the other hand, there are also reasons from the viewpoint of service management in banks. First, the concepts of internal marketing and employee satisfaction themselves are not yet well known. Second, Japanese banks have recognized rarely themselves as “service” companies. And the relationship between customers and employees is not equal, but close to a temporary master-servant relationship, in which employee satisfaction is not necessary to improve customer satisfaction.

Some of above factors in the Japanese service companies remain constant, but most of them are changing.

First, in terms of the influence of Japanese culture, the sense of *uchi* and *soto* are not changing much as it is based on homogeneity of Japanese people. On the other hand, the vertical hierarchy that has its roots in the *ie* and *mura* of the feudal age has already almost disappeared in modern Japanese society except in companies. For this reason, companies should be cautious about some signs that Japanese employees have become rather relative to companies and their behavior is based on economic benefit in this social environment.

In the meantime, Japanese companies have been unable to maintain lifetime employment because of their recent low profitability, and the specialization of employees is progressing. In this situation, the number of dissatisfied employees leaving their companies will rise, in industries or jobs in which changing jobs is economically viable and available through the mobilization of the labor market.

Therefore, Japanese companies should make more effort to improve employee satisfaction to prevent able workers from leaving.

On the other hand, considering service management in banks, the importance of human service in banking should be higher, and “hospitality” where customers and employees are

equal is already regarded as important in the hotel industry and so on. These changes are also increasing the necessity for employee satisfaction in Japanese banks.

Lastly, how to introduce internal marketing and employee satisfaction is proposed in the difficult economic environment that Japanese service companies now face.

First of all, they should begin by reviewing the entire company, not only human resource management but also on organizational or business procedures and so on, considering whether they are negatively influencing employee satisfaction. Secondly, systems that always monitor employee satisfaction and improve or remove disturbing factors are necessary.

For this reformation, it is essential that top executives understand the necessity of the theme and push the project. In addition, organizational cooperation between human resources departments and marketing departments is important.

The Ritz-Carlton Osaka is a good example in which exactly the same employee-oriented management as in worldwide Ritz-Carlton hotels has been adopted with great success in Japanese traditional culture. And Sony is a classic example of a Japanese company that put its engineers first soon after World War II and built an extremely creative company.

I hope this thesis will provide some incentive for Japanese banks to take this direction and that the change will lead to their revival.

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#### **Chapter Five**

The Ritz-Carlton Hotel Company, L.L.C. (1999). Malcolm Baldrige National Quality Award Application Summary