

## In This Issue

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### Kondo's 'Creativity in Daily Work'

Professor Kondo stresses that product quality, rather than raising productivity or reducing cost, is the primary goal of modern enterprise. There are still some who believe in cost-quality trade-offs or in so called 'optimal' quality, based on the idea that 'near perfection' cost of further quality improvements soar. This is all based on the assumption of 'given', unchangeable system. Innovation, creativity, knowledge and system restructuring – the most important ingredients of business – are being ignored or assumed away. A creative idea can increase quality with less additional cost. The power is not in doing the same thing more efficiently, but in doing it differently or doing a different thing.

The 'optimum' quality can be and should be identical with zero defects: do not search for 'optimum' but assure a steady stream of innovations which reduce defects at minimum cost.

Superficial optimization of the traditional kind relates to doing your best within the boundaries of a 'given' system. If the system is not 'given' properly, doing your best is most certainly not going to be good enough. The problem is not to 'optimize' a given system, but to design an optimal system. We should never operate, especially not in market economy, an inferior system if a better system can be designed.

Quality improvement requires breaking through the boundaries of given system. It requires redefinition of constraints, redeployment of resources and reorganization of work. That is what creativity and innovation can bring, but that is also where they spring from. There is no useful innovation in a rigid, inflexible command system of GM-type hierarchies prevailing in some U.S. corporations. These are now almost sure-fire prescriptions for competitive disaster and economic decline.

Professor Kondo encourages redesign of manu-

facturing jobs, including job enlargement and enrichment: they are effective in upgrading workers' abilities. But the key word is *responsibility*. Only greater sense and experience of great responsibility strongly motivates the worker. Workers or employees must be transformed from operators, executives and followers to autonomous, self-managing and responsible leaders, masters of their workplace. Such empowerment and granting of responsibility can only come when employees are at the same time the owners of their workplace and of their enterprise. Only when each worker becomes a capitalist and entrepreneur, no matter how small in scale, will innovation and creativity flourish.

### Hiwaki's 'Employment System in Japan'

Most world economies are continually concerned about their employment (or better, unemployment) policies, systems and measures. As we see unemployment rising in the Eastern Europe, South America and even Western Europe, we appreciate even more the Japanese stable long-term employment system (SLES). Professor Hiwaki now presents the long expected competent analysis of this system, so that the concerned countries can (finally) learn.

It is sad to see a country like Poland consciously introducing unemployment as a tool for 'economy management and restructuring.' This of course must be a 'job' of external advisers, but still . . . For how long will so many workers in so many countries remain in the hands of glaring economic incompetence?

Professor Hiwaki correctly argues that long-term employment guarantees in the era of knowledge and self-management must and will ultimately lead to higher wages and quality of life of the employees. In fact, the highest-wage enterprise in the world, the Lincoln Electric Company of Cleveland, has not laid off an employee since the 1940s. As quality,

productivity and cost reinforce each other, so do long-term employment assurance and the wage/salary levels – under certain appropriate conditions of course. (In the Soviet Union and Poland of ‘perestroika’, one would expect just the opposite: the more employment guarantee – the lower wages.)

The appropriate conditions are of course *knowledge, self-management and reintegration of tasks and labor*. If one buys the traditionally specialized and atomized time-measured labor, then so called ‘contract literature’ applies, labor becomes commodity and humans do not matter. That is, ‘I’ll pray you more, if you let yourself be fired at my whim, because that’s how I run my business.’ On the other hand, if I want your ‘whole person,’ your knowledge, innovation and initiative, ‘I’ll pay you more, if you commit yourself to (my and yours) company, because that’s what a growing knowledge-oriented business require.’

Hiwaki introduces the concept of ‘communal saving’ and the time-preference rate of the average worker in the ‘communal firm.’ Communal firm is characterized by either a firm-specific labor union

or better: employee co-ownership, to which workers can tie their long-term fortunes, making labor-management cooperation primary. For example, Bat’a-system of the 1930s demonstrated most of Hiwakis’ assertions in practice. The ‘communal firm’ is of course a direct opposite of the state-owned firm in the USSR or the externally-owned firm in Poland or USA: they are both owned by those who have no intimate or long-term interests in the firm.

‘Communal’ in Hiwaki’s usage means that each employee is a capitalist, not that any ‘community’ or external ‘capitalists’ overrule the employees. Increased ‘communal’ savings enhance the future of the firm: they directly finance firm’s long-term investments, like in the ‘debt-less’ management of Lincoln, Bat’a and even Ford of the 1920s. Labor must participate in capital formation! Listen Poland, listen Czechoslovakia, listen USSR, listen USA . . .

Let’s hope that Prof. Hiwaki will address the macro-implications of SLES very soon.