**Trouble at Tessei Case Study Analysis**

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# INTRODUCTION

The case of Tetsudo Seibi Kabushiki Kaisha, affectionately known as Tessei, presents a compelling narrative of a railway maintenance company's journey within the complex landscape of Japan's railway industry. Established in 1952, Tessei was entrusted with the formidable responsibility of cleaning and maintaining the high-speed Shinkansen trains operated by the Japanese National Railways (JNR), later rebranded as Japan Railways (JR). With the privatization of JNR in 1987, Tessei found itself under the umbrella of JR East, one of the six regional JR companies. As a subsidiary, Tessei was tasked with the arduous challenge of cleaning these iconic bullet trains within a mere seven minutes during each station stop, while grappling with operational challenges encompassing safety concerns, high employee turnover, and declining revenues. (Trouble at Tessei - Case - Faculty & Research - Harvard Business School, n.d.).

In 2005, a pivotal moment arrived in Tessei's history when Teruo Yabe, a seasoned senior manager with 39 years of experience at JR East, reached the retirement age. The practice of "Amakudari," which translates to "descent from heaven," a hallmark of traditional Japanese corporate culture, meant that successful senior managers were often offered senior positions at subsidiaries. Yabe's sterling track record and the trust placed in him led to his appointment as the torchbearer tasked with navigating. In this case study, we delve into the challenges Yabe encountered, his strategic initiatives, and the transformative journey that Tessei embarked upon under his leadership, shedding light on how a company facing adversity can reinvent itself to secure a prosperous future.

# BACKGROUND

In 2005, the Japanese Shinkansen system recorded an astonishing 325 million passengers, securing its position as the world's most heavily utilized high-speed rail network. JR East, a pivotal player in this vast transportation network, accounted for a substantial 39% of the total passenger volume, underscoring the critical role played by Tessei, the railway maintenance company responsible for the upkeep of Shinkansen trains. The Shinkansen system was renowned for its remarkable punctuality, with trains typically arriving within an average of just six seconds of their scheduled times, making any operational error a costly affair.

Tessei's cleaning operations were concentrated at four key stations: Tokyo, Oyama, Ueno, and Tabata. Tokyo Station, being the largest, required Tessei workers to clean an impressive average of 120 trains during each shift, and this number soared to 168 trains during peak seasons. The primary source of revenue for Tessei stemmed from fees charged to JR East. However, in the early 2000s, due to instances of mismanagement, Tessei experienced a troubling decline in revenue by a significant 12%, even as the number of trains serviced increased by a similar magnitude. This unfortunate development imposed additional strain on both the workforce and the management, exacerbating the company's financial challenges.

# ISSUES

Tessei faces a multitude of challenges, including a substantial increase in the number of trains to clean alongside declining company revenues. The demanding nature of the cleaning job, coupled with persistently low employee turnover, has led to a reduced workforce, adding stress to employees. Cleaning a Shinkansen train in seven minutes is equivalent to cleaning six Boeing 737 planes in less time. Safety standards have seen a worrying decline, with accidents rising from three in 2001 to 18 in 2005. Moreover, customer complaints have surged due to diminishing service standards, unclean conditions, and lapses in returning lost items, highlighting the pressing need for comprehensive problem-solving.

# CAUSES

The primary cause behind Tessei's decline in revenue stemmed from management misconduct during the early 2000s, resulting in reduced fees paid to the company by JR East. Despite a significant increase in the number of trains requiring cleaning, Tessei did not expand its workforce, placing a substantial burden on employees, which in turn led to diminished service standards and a surge in customer complaints regarding cleanliness. The arduous and demanding nature of cleaning multiple train cars daily contributed to high employee turnover, exacerbated by Tessei's increased reliance on part-time workers.

In 2000, the company employed 188 part-time workers, constituting 26% of the total workforce, and by 2005, this figure had surged to 346, accounting for 51.7% of the workforce—an alarming 25.7% increase over five years. This expansion in part-time staff posed challenges, as they were frequently replaced, making training efforts both financially burdensome and logistically difficult. Furthermore, the work environment suffered as employees lost morale and motivation due to inadequate support and the practice of humiliation and scolding by their superiors instead of constructive guidance when mistakes occurred.

# RECOMMENDATIONS

The primary recommendation revolves around imparting essential managerial skills to Tessei's managers, emphasizing the importance of treating employees with respect and dignity. It is crucial to educate managers on the advantages of employing positive reinforcement techniques (Indeed Editorial Team, 2023). Regular training sessions should be held to enhance employee management skills. Employees themselves should undergo comprehensive training, including both structured programs and hands-on training alongside experienced colleagues to maintain and uphold service quality standards.

Efforts to minimize training costs for part-time employees are necessary, given their shorter tenure within the organization. Additionally, Tessei should implement a well-structured train schedule, considering fluctuations in the number of train cars attached to each estimated train, to enable efficient manpower management. In cases of sudden personnel requirements, part-time employees, under the supervision of full-time staff, can be deployed for tasks. Effective manpower management should involve assigning senior workers to supervisory roles and engaging younger employees in labor-intensive tasks, thereby harnessing the experience of the senior staff and the physical capabilities of the younger workforce.

# CONCLUSION

Teruo Yabe's primary objective is to instill greater customer confidence in Tessei's cleaning services and bolster the company's revenue streams. To achieve this, Yabe must gain a deep understanding of Tessei's operations at the grassroots level and promptly address any shortcomings. He should take strategic actions to optimize train cleaning operations, potentially by expanding the workforce. Furthermore, Yabe must focus on the organizational aspect, ensuring that all employees are treated with respect and dignity, fostering a workplace culture that is both friendly and professional. With his extensive experience, Yabe faces a challenging yet promising opportunity to revamp Tessei's operations and steer the company towards profitability.

# REFERENCES

Trouble at Tessei - Case - Faculty & Research - Harvard Business School. (n.d.). <https://www.hbs.edu/faculty/Pages/item.aspx?num=48436>