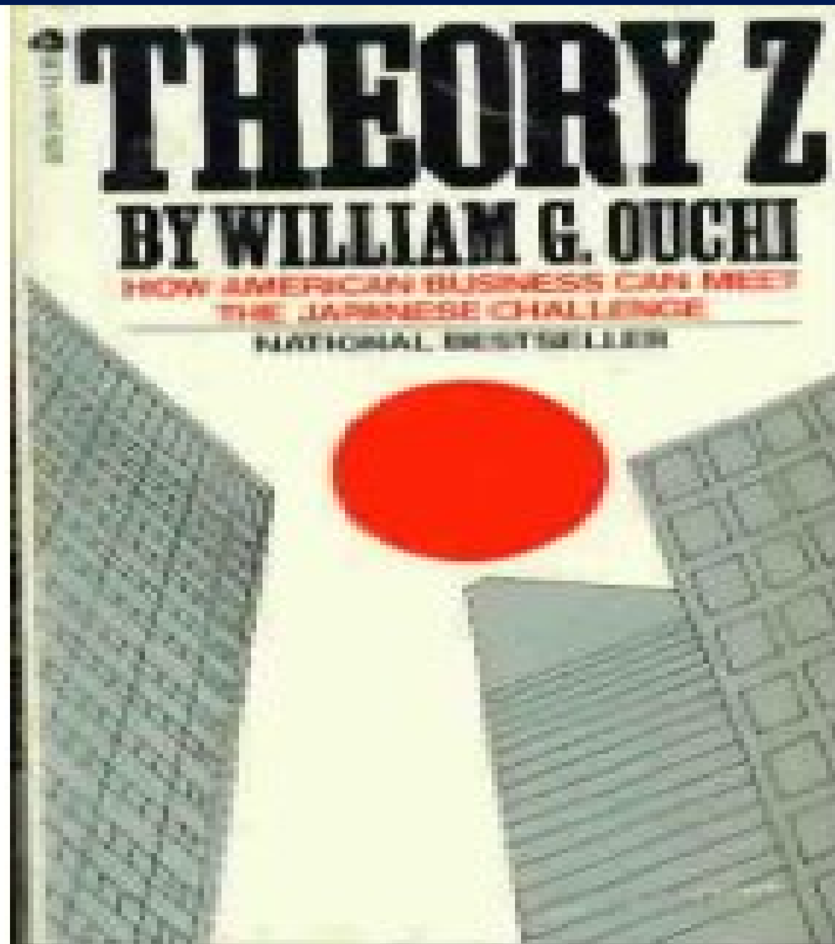

THEORY Z
BY WILLIAM G. OUCHI
HOW AMERICAN BUSINESS CAN MEET
THE JAPANESE CHALLENGE
NATIONAL BESTSELLER

- **William G. Ouchi** (born 1943) is an American professor and author in the field of business management.
- **Ouchi** was born and raised in Honolulu, Hawaii. He earned a B.A. from Williams College (1965), an MBA from Stanford University and a Ph.D. in Business Administration from the University of Chicago. He was a Stanford business school professor for 8 years and has been a faculty member of the Anderson School of Management at University of California, Los Angeles for many years.
- Ouchi first came to prominence for his studies of the differences between Japanese and American companies and management styles. His first book in 1981 summarized his observations. *Theory Z: How American Management Can Meet the Japanese Challenge* and was a New York Times best-seller for over five months. It currently ranks as the seventh most widely held book of the 12 million titles held in 4000 U.S. libraries. His second book, *The M Form Society: How American Teamwork Can Recapture the Competitive Edge*, examined various techniques implementing that approach.
- Ouchi also came up with his three approaches to control in an organization's management:
- Market control
- Bureaucratic control
- Clan control

CHARACTERISTICS OF Z ORGANIZATIONS

- Each Z Organization is different from another
- Resembles the Japanese firms approach
- Have long term employment where employees tend to stay with their company
- Promotions are slow in coming
- Company specific skills make one largely non-marketable to other companies
- Decisions are based on whether they “fit” the company
- Departments do not effectively communicate with each other, (numbers are the *language* of choice)

SEIZING THE OPPORTUNITIES

- Timex and Bulova watch companies were suspicious of new digital technology in the 1970’s
- Company A (a supplier of electronic equipment) joined the watch business weeks after their decision to enter the business
- Company Z (Timex and Bulova) entered this new digital technology reluctantly as it didn't “fit” their style.

- Company A had encountered stiff competition and sold their business to a competitor only 18 months after their initial success.
- Company Z encountering the same competition but unlike company A which sunk all of its assets into the new technology slowly de-emphasized it, continuing to service the watches while keeping the company afloat with its *traditional* watch products.

PROFITS

- For Company Z “profits are regarded not as end in itself nor as the method of *keeping score* in the competitive process”.*
- Ouchi believes rather that Type Z organization profits are the reward to the firm if it continues to provide true value to its customers, to help its employees to grow, and to behave responsibly as a corporate citizen.

*William G. Ouchi (1981)

DECISION MAKING PRACTICES

- In Type Z organizations decision making is a consensual, participative one. Consensual decisions provide direct values of information and signals the commitment of the organization to those values.
- Although decision making may be collective, the responsibility for decision is still is left with one individual.

TRUST

- An atmosphere of trust is essential.
- Type Z companies show concern for the welfare of subordinates and co-workers as a natural part of the working relationship.

“ *Very few of us are superior to our fellow workers in every way. As long as we cling to our organizational roles, we can maintain the fiction that we are indeed superior in every way. But if we engage these people in social intercourse, the fiction is dispelled”**

*William G. Ouchi (1981)

WHOLISTIC ORIENTATION

- A central feature of the organization
- Compels employees at all levels to deal with one another as complete human beings.
- As a result de-personalization is impossible, oppression is unlikely and open communication, trust and commitment are common.

EGALITARIANISM

- Egalitarianism is a central feature of Type Z organizations.
- It implies that each person can apply discretion and can work autonomously without close supervision because they are to be trusted.
- As a form of social equality it accounts for high levels of commitment, loyalty and productivity.

MARKETS

- A fundamental social mechanism through which transactions between individuals can be governed
- In a Market there will be competitive bidding for a skilled person's services
- Each person pursues selfish interests
- Each person can be compensated for personal contributions

BUREAUCRACIES

- In a Bureaucracy workers lack any clear sense of the value of their services
- As each job is unique, companies rely on the hierarchy to evaluate performance and estimate the amount an employee is worth.
- It can only succeed when workers trust it will yield equitable outcomes.
- It produces alienation and a lowered sense of independence

CLANS AND THE SIMILIARITY OF TYPE Z ORGANIZATIONS

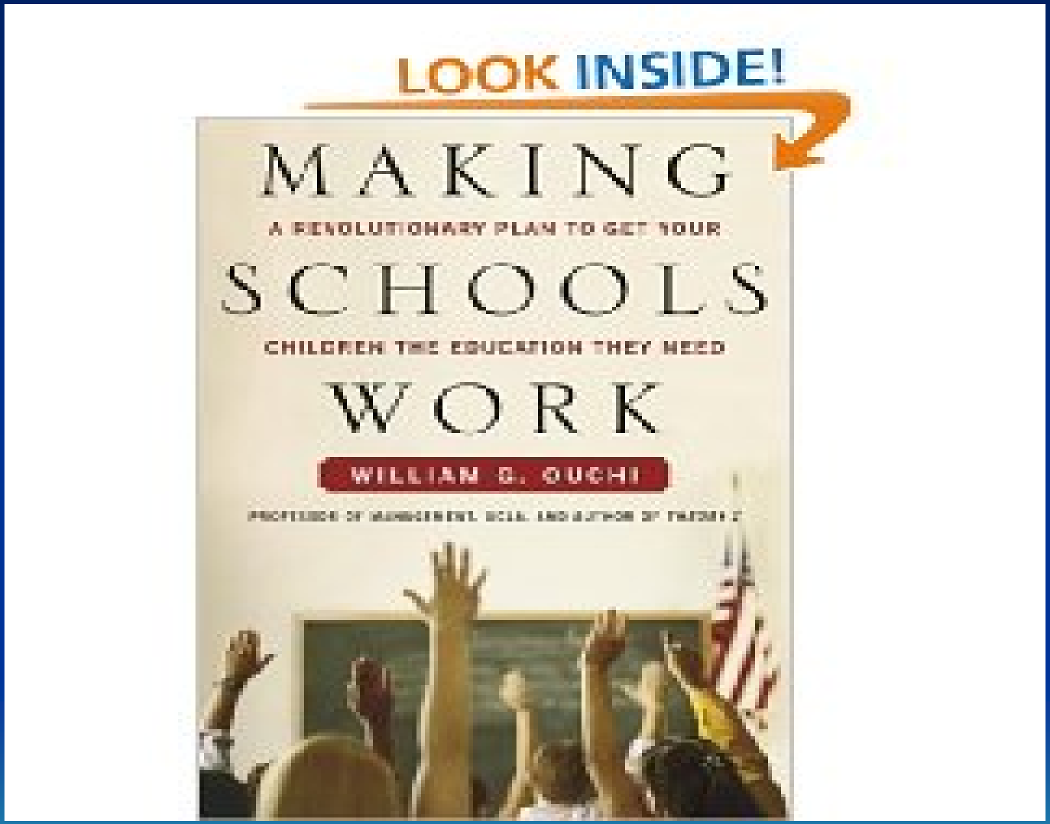
- Clans are intimate associations of people engaged in economic activity but tied together through a variety of bonds.
- In a Clan each person is told to do just what the person wants and thus each person will seek to do what is the common good.
- Clans foster close interchange between work and social life.

CLAN / TYPE Z LIABILITIES

- Clans develop xenophobia-
  (a fear of outsiders)
- Atypical or inconsistent ideas are usually rejected.
- The only way to influence behavior is to change the culture.
- The tendency to become sexist and racist exists. Although Type Z companies care about equal opportunity to minorities, top managers tend to be homogeneous. I.e. (top management is wholesome, disciplined, hard working and honest, but constantly white, male and middle class).

“Our institutions cannot operate in a wholly synchronized manner. On the other hand, we cannot allow our institutions to become so thoroughly unfeeling and unthinking that they make work and social intercourse unbearable for all of us most of the time”.*

*William G. Ouchi (1981)


LOOK INSIDE!
MAKING
A REVOLUTIONARY PLAN TO GET YOUR
SCHOOLS
CHILDREN THE EDUCATION THEY NEED
WORK
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