Background to the company

Nissera UK (a pseudonym) was established in the late 1980s on a greenfield site as part of a strategy to manufacture and sell car components to the European market. It is the UK subsidiary of a Japanese multinational company, Nissera (another pseudonym) that has been in operation for 60 years. The parent company’s production output for Europe and the USA was 2 million instruments per year in 1999. Its market share was 10 per cent in each of the aforementioned markets in the same year. There was precision in the fabrication of products, which was reflected in Nissera’s slogan: ‘where our technical expertise meets the world’. In comparison to its UK subsidiary, Nissera had a much wider product range. These included control panels for printers, air conditioner remote controls (for office and home use), water heater/bath remote controls, hybrid integrated circuits and mushroom-seeding machine. Nissera employed 46 Japanese members overseas and 941 people in various sections, such as general affairs, international business, product engineering and so on at its headquarters.

Nissera UK adhered to operating along principles of quality, reliability and competitiveness. Manufacturing flexibility was one of the ways by which the company strived to maintain these principles. Nissera UK aimed to deliver parts Just-in-Time, working closely in partnership with its customers to meet their current requirements and to develop the future technology needs of the market. It dedicated a design-interface team with its customers to liaise directly with their engineers to ensure that the product met exact specifications prior to manufacturing.

Restructuring the organization

Nissera UK had been taking steps to transmit a ‘Japanese’ approach to its British workforce from its inception, and expatriate managers were used extensively for this purpose, seconded
to Britain for periods of generally a year. Production management and supervision were predominantly British and recruited locally. ‘From the start the workforce was all local. The management structure was mostly Japanese. From day one it was planned that British managers would be selected to fill in the roles occupied by the Japanese over time’, commented the production manager at Nissera UK. There were on the whole 12 Japanese managers based in the UK division.

Japanese managers trained supervisors and the workforce. Information was passed on in the form of job instructions rather than via formal off-the job training. Job instructions were demonstrated and the operators were taken to the source of the problem when mistakes were made. As time progressed, Japanese expatriates delegated their training role to local British managers. However, as the human resource officer said, ‘they [still did] show people how to do something when it [was] needed’. Japanese managers argued that one of the easiest ways to train British employees was through the British manager’s acquisition of ‘Nissera skills’ in Japan. These managers were then expected to teach their employees what they had learnt in Japan. As production volume increased, less and less time was devoted to training British employees, which increased product defect rates and reduced quality levels.

Nissera’s commitment and long-lasting efforts to create dedicated human capabilities decreased as Nissera UK failed to develop its own knowledge base and satisfactory results. The Japanese quality assurance manager at Nissera explained this as ‘first time I was in the UK, we brought know-how with documentation and information [such as quality standards, instruction manuals, quality control process charts and drawings]. Japan did not send any know-how after that. Their manufacturing is old and manual, so we cannot transfer know-how’. Upon experiencing a continuous decline in profits from 1993 to 1997, Nissera UK decided to save costs by restructuring its organization. It shifted to a flatter structure in 1997. The pattern of authority relations changed from one based on superintendents, supervisors
and hourly paid workers to one built around team leaders, team coaches and hourly paid workers arranged in a production cell layout rather than assembly lines. A Japanese production manager who had visited Nissera UK between 1993 and 1995 at the time of the quality problems and related financial loss had the opportunity to compare the work standards of the UK subsidiary with those of the parent company: ‘If supervisor does not explain or check, the operator will just pass the equipment [even if quality is low]. There is a big difference in culture. Here, in Japan, the boss is followed. Nissera has its own standards and regulations. Employees do not have the chance to resist. We cannot transfer these regulations to the UK directly, so we had to take mid-point between these two systems. For example, at Nissera, all employees leave the office on time and return after the buzzer. In addition, every operator in Japan has to clean self-area [including the head-office staff]. In the UK, a separate company does the cleaning. I explain, but it is difficult for them [the British] to implement’.

Commitment to continuous improvement schemes

As was evident in the lack of interest in Kaizen activities, the level job satisfaction among the workforce at Nissera UK was quite low. The British production manager at Nissera UK argued that ‘we have launched the suggestion scheme twice. People are just not motivated’. The young operators felt constrained by the strict factory rules. Employees were expected to value the details of work, stress quality rather than quantity, work in formalized work stages and exercise high levels of task-related discipline. However, it proved challenging to impart these principles to the workforce. According to the British production manager, ‘we do not make perfection. We make something that is going to satisfy the customer’s requirements. Standards of the customer may allow for some defect. Our company policy is “better in price, quick in delivery, better in quality”. It is this married to those three . . . What is the point in someone manufacturing zero defect if they have problems supplying it?’ There was a low sense of responsibility for quality-control processes as observed in the ‘parts-testing’ phase of
the assembly process. Tests normally took seven minutes to complete, but operators found this too long and halted the process after two or three minutes.

HR policies at Nissera UK were different from those implemented in Japan. For instance, the company did not aim to bind its employees to long-term employment or lavish provisions in terms and conditions. However, there were concerns over the fact that instability in the employment base prevented the UK subsidiary from building upon its past experience. A Japanese quality-assurance manager at Nissera said that ‘employees constantly change. Of 100 UK employees that were trained at the start of operations, only three remain at Nissera UK’. Similarly, in the finance department, ‘if the manager [at the subsidiary firm] leaves, there is a problem. The management system cannot succeed to the next manager. The new manager has to understand our intention . . . A finance manager is responsible for managing daily operations, negotiating with the bank and getting in touch with Nissera. For example, in case of loans from the bank, if the manager changes, the bank may not provide finances. The finance manager needs to be trusted [not by Nissera alone, but by the external institutions as well].’

Although Nissera UK had an induction programme that outlined the espoused values of its management to newcomers, quality-improvement activities were difficult to implement due to differences in work attitudes between Japan and the UK. Operators’ immediate concerns were different from the Japanese management’s interest in issues that were perceived as important. The quality director at the parent company explained that ‘[T]he operator could not accept series development, Plan-Do-Check-Action (PDCA). In Japan, targets are set, methods of achieving those targets are identified and improvements are suggested. This is the responsibility of the top. They are then broken down to group leaders in the middle of the hierarchy. Information is further cascaded down to the operator level. In the UK, you do not see PDCA at the operator level. The attitude is “ok, it is 16:30. I am going
home”. There is great loyalty at each level in Japan. Quality Circle (QC) education is not accepted here [in the UK]. QC is accepted as an individual employee activity. If there is no salary, there is no contribution.’ It was easier for Nissera UK employees to follow Nissera practices where there was a clear job description. The electronic engineering manager at the Japanese headquarters commented, ‘[T]he document procedure is based on Nissera’s procedures and written and settled at the technical centre. In order to make the technical centre’s task clear, we need to provide in/out information as well as “control documents”. The UK needs exact job description, but for Japan, this is not the case. In Japan, we do not need such clear job description. UK employees will not do it if it is not clear.’

Nissera UK invested considerable effort into implementing continuous improvement schemes by providing financial resources and employing high numbers of Japanese expatriates in the early years of operation. However, philosophies such as team spirit were more difficult for the UK workforce to accept than techniques such as team-based structures.

Case study discussion topics

1 What does the case demonstrate as regards the implementation of Japanese work systems?
2 What should the UK management do to reduce resistance by workers to continuous improvement schemes?
3 What is the role of IHRM in the implementation of foreign work systems?
4 Based on the case study above, discuss whether the mainstream HRM approaches would be adequate to respond to people management needs in Nissera and Nissera UK.