"Improve work every day" is motto at Tōhoku Oki Electric:

Company again is No. 1 in employees' suggestions

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If employees used their own ideas to improve the work process just a little each day, just imagine how the company would benefit. One company whose president, Morio Satō, thought so has introduced a system which encourages employees to make suggested improvements to strengthen its competitive position. That company is Tōhoku Oki Electric Co. of Fukushima. Tōhoku Oki Electric is the Oki Electric Industry Group's production base for printers used with personal computers. In 1984, Tōhoku Oki led Japan for the second consecutive year with an average of 570 suggestions per employee. What is their secret?

Conference seating based on performance

As with most Japanese companies, Tōhoku Oki Electric holds monthly meetings of executives above the rank of section chief (kachō) to discuss business results. Unlike other companies, however, the seating is determined by the number of suggestions submitted by each section chief's section during the preceding month: the lower the number, the closer the chief sits to the president.

The most important topic at these conferences is each section's record in generating suggestions for improvements. Section chiefs with poor records are berated by the president. The section chief with the best record, on the other hand, gets the seat of honor at the back of the group of chiefs and also receives a flag denoting the top performing section which the section keeps until another section displaces it.

This emphasis on improvement is a prominent feature of Tōhoku Oki's managerial methods. For employees, suggesting improvements can be considered almost part of their job. Personnel and training specialists who visit to observe Tōhoku Oki's operations are always surprised at the near-fanaticism of the employees.

Tōhoku Oki introduced its suggestion system during the economic downturn of 1978. The Oki Electric Industry Group as a whole suffered in the recession, and Tōhoku Oki Electric was forced to solicit 300 early retirements. Faced with these circumstances, President Sato sought a way to improve the company's overall competitive ability in order to survive its crisis. What finally provided the answer was a slogan he saw posted up on a wall at Hitachi Limited's Mito plant. In 1983, only four years after the program began, Tōhoku Oki had become the leader in Japan in suggestions made per employee, a remarkable 432 per Person per year. And according to figures recently published for 1984 by the Japan Human Relations Association, a research organization in personnel and training, Tōhoku Oki retained the top spot in 1984 with an even higher yearly average of 570 suggestions per employee. Tōhoku Oki has an overwhelming lead over its closest rival, Taiho Kogyo Co, which averaged 220 suggestions per employee. Although Tōhoku Oki's total number of suggestions (465,600) is not enough to displace mammoth corporations like Matsushita Electric Industrial, Hitachi Ltd., and Mazda Motor Corp. from the top spots, it is high enough to rank Tōhoku Oki 19th in the overall standings, making Tōhoku Oki the only mid-sized company among a list of huge competitors.
Five-hundred seventy suggestions per employee per year indicates a pace of three suggestions every two days throughout the year, including vacations and national holidays. Although it is not in itself difficult to fill out the B5 (182 x 257 mm) form used to write down suggestions, to do so every day is quite a feat. Tōhoku Oki's top suggestion maker Mamoru Kanno of Machining Section 1, First Manufacturing Department, made a total of 3,226 suggestions that were implemented last year. According to Kanno, he jots down ideas that come to him while working at his job and then spends about an hour each day writing them up on the forms after he gets home.

The second most prolific suggestion maker, Shizuo Takahashi (39), of Assembly Section 3, Second Manufacturing Department, made 3,046 suggestions during 1984 following the same procedure of making notes during the day and writing up his suggestions at night at home. Says Mr. Takahashi: "It was difficult at first, but then I got the hang of it. The secret lies in keeping things simple. I find you can write everything down on a single sheet."

**Company keeps close watch on section chiefs**

Even President Satō, while urging his employees to think of suggesting improvements as part of their work, is impressed by employee dedication. "No one ever said to write up suggestions at home!" he says. Some families report that seeing parents writing assiduously at their desks spurs the children on to their own studies. Why are Tōhoku Oki employees so consistently diligent? The most important reason lies in the complete responsibility given to the section chiefs. When an employee writes up a suggestion, he or she passes it on to his or her supervisor (the section chief). Section chiefs are expected to decide by the next day whether the suggestion is viable, or within a week at the latest. When a suggestion is accepted, a ¥150 incentive token on the corner of the form is detached and returned to the employee. Although suggestions to be considered on a company-wide basis are passed on to the Improvement Promotion Department, almost all decisions are made at the section chief level.

It is also the section chief's responsibility to encourage his or her section members to submit suggestions. What motivates section chiefs to do this is something more important than seating at the monthly conference or the honor of keeping the flag for a month. One-third of the bonuses received by the close to thirty section chiefs, including those in indirectly related departments, is assessed on the basis of the number and quality of suggestions submitted. All the section chiefs are ranked and then divided into three groups, upper, middle and lower. One-third of the bottom group's bonus is then awarded to the section chiefs in the top group. This difference between the bonuses of the two groups amounted to approximately ¥600,000 last year. So even if they do not want to, section chiefs are motivated to spur their section members on.

President Satō describes the reasoning behind this scheme. "The small group activities now the vogue in management do not allow for section chiefs and chief clerks to participate. To organize the company's fighting potential, however, a total effort involving everyone from the level of section chief on down is necessary. The section chief is the professional of the factory, and, like a pro baseball player, his bonus should change from year to year."

**Incentive tokens**

Tōhoku Oki's one-of-a-kind system for recognizing employee achievement is also a factor in the company's success. Once an employee's suggestion has been approved at the section chief level, the employee receives a ¥150 token that is redeemable for cash. Depending on
the quality or importance of the suggestion, a bonus is sometimes awarded. There are also yearly and quarterly reviews of the number of suggestions and their impact, and awards are made accordingly, boosting employee enthusiasm for the system. Last year Mr. Kanno earned awards totaling ¥645,000. Tōhoku Oki Electric calculates that it spent about ¥70 million on such awards last year. Savings resulting from implementation of the suggestions, however, totaled approximately ¥1.09 billion. Under the company’s system, the employee reports on improvements once he or she has carried them out in the workplace. Since all suggestions are thus implemented, the cost reduction benefits are considerable. Managing Director Kenjirō Yamada of the Japan Human Relations Association says of Tōhoku Oki: "The forceful attitude of the top level management is reflected throughout the company, which is quite rare. This is a rather difficult feat for larger corporations." The company intends to introduce a plan to solicit ideas covering a broader range as well. As President Satō puts it: "We will make use of the persistence of the Tōhoku people to refine this unique system of management."