Talks with the President Raise Future Expectations

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Abstract: What can be done to improve future parameters? Company X is a large firm with 1,300 full-time employees and 35 branches throughout Japan. Data collected from questionnaires showed that as the president of the company made site visits to the company’s branches, which created opportunities for dialog with employees, these efforts led to greater expectations for the future and improved those branches’ future parameters vis-à-vis branches that were not visited. This study found that this impact was even greater as employees’ attendance at social gatherings involving employees following these conversations was more than 80%. However, this impact disappeared when the company got a new president and this practice was discontinued. In other words, future parameters are not constants; hence, maintaining them requires constant attention.

Keywords: future parameter, perspective index, social gathering, positive future, Japanese style management

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Introduction

Takahashi (1996a, 1996b, 1997, 1998, 2013) asserted that decision making in Japanese firms is geared toward realizing the future rather than dwelling on past performance or current profits and losses. Takahashi referred to this behavior as the “leaning on the future principle.” For example, Takahashi noted that when compared with U.S. firms, which quickly adopted the discount rate as the norm for valuation in the 1960s (Kim & Farragher, 1981; Klammer, 1972), Japanese firms did not really use discount rates all that much in investment decision making even after the 1990s (Takahashi, 1997, 2004, 2013). This behavior is also in keeping with the “leaning on the future principle.” Furthermore, it seems that cooperation develops more easily in cases where the future parameter $w \approx 1$ (Axelrod, 1984) and that the “lifetime commitment” of Japanese firms (Abegglen, 1958; Fujita & Takahashi, 2002; Takahashi, Goto, & Fujita, 1998) and the labor-management cooperation path taken by labor unions are also manifestations of this phenomenon (Takahashi & Shimizu, 2000).

So, how can future parameters be improved? This paper takes the case of Company X, which took certain steps to improve its “perspective index,” which is considered to be one type of future parameter (Takahashi, 1996a), and uses survey data to show that dialogs with the company president improved employees’ future parameters.

Company X

Since 2004, we have conducted 12 annual company-wide surveys of all employees at Company X, and the results of our analyses have been published (Takahashi, Ohkawa, & Inamizu, 2009, 2014a, 2014b, 2014c; Takahashi, Ohkawa, Inamizu, & Akiike, 2013). These
12 surveys consisted of written questionnaires that were administered to all employees and then collected after having been filled out. From fiscal 2004 through fiscal 2015, Company X had had an average of 1,343 full-time employees, and the average response rate of this population to the 12 surveys was 99%.

Company X manages the delivery of certain products. The firm originally comprised multiple companies that were responsible for certain areas across the nation, and it had about 3,000 employees overall. However, a worsening business environment in the 1990s led to headcount reductions, and the companies all merged on April 1, 2004, creating Company X. By then, the number of employees had shrunk to around 1,400.

The first survey was administered in October 2004, six months after the merger. After that, major restructuring was undertaken in 2005 and 2006. This restructuring involved the closing of two-thirds of the company’s branch offices nationwide. Offices where employees had been working were shut down, and to stay with the company, employees had to relocate to another region. The company offered early retirement packages to employees until the end of August 2005, which resulted in more than 250 (or almost 20% of all employees) indicating a desire to take early retirement. This was more than double the number expected. The second survey was conducted in September 2005, immediately after the deadline to apply for early retirement.

Therefore, to replenish the headcount because the number of people taking early retirement was more than double the company’s expectation, the company quickly hired 160 new employees in January 2006. In April 2006, the company underwent major restructuring that consolidated its branch offices to one-third of the original number. Starting with fiscal 2006, the timing of the surveys was rescheduled for February, near the company’s fiscal year-end.

Let us follow the company’s shift using the following two metrics:
the job satisfaction ratio and the turnover candidate ratio. The job satisfaction ratio and the turnover candidate ratio are defined as the ratio of people who answered “yes” to the following questions, respectively:

Q1. Are you satisfied with your job?
Q2. If given the chance, would you like to change jobs?

The trends in the defined job satisfaction ratio and the reverse turnover candidate ratio, which is 1 less the turnover candidate ratio, are shown in Figure 1.

Between the first survey (fiscal 2004) and the second survey (fiscal 2005), the job satisfaction ratio dropped dramatically, from 53% to 47%, while the turnover candidate ratio rose dramatically, from 44% to 51%. In the third survey, administered in February 2007 (fiscal 2006), the job satisfaction ratio rose dramatically, from 47% to 56%, while the turnover candidate ratio plummeted from 51% to 35%. These improvements continued from the fourth survey on.

Figure 1. Annual transitions in the job satisfaction ratio and the turnover candidate ratio (reverse) of Company X
**Perspective Index**

The movements in the job satisfaction ratio and the turnover candidate ratio (reverse) can, to a large extent, be explained as a “perspective index,” which was developed by Takahashi (1996a) as a type of future parameter.

Takahashi (1996a) defines the perspective index as the sum of scores of the following five questions as dummy variables:

P1. Are you able to see the desirable shape that your company will take in the 21st century? 1 = yes, 0 = no.
P2. Are most of your work hours spent on routine tasks? 0 = yes, 1 = no.
P3. Are your job targets clearly specified by your superiors? 1 = yes, 0 = no.
P4. Does your company have the atmosphere in which reaching the short-range norm tends to have priority over pursuing long-range goals? 0 = yes, 1 = no.
P5. Can you visualize a positive future for yourself 10 years from now in this company? 1 = yes, 0 = no.

From this definition, the perspective index is scored as an integer value from 0 to 5. Takahashi (2014) used JPC Survey data and Takahashi, Ohkawa, & Inamizu (2009, 2014a) used Company X survey data to identify a near-perfect linear relationship between an increasing job satisfaction ratio and a decreasing turnover candidate ratio as the perspective index rose. Because of this clear linear relationship, adjusting the scale magnification of the vertical axis by shifting it up or down allows one to directly overlay a graph of the perspective index on a graph of the job satisfaction ratio or on a graph of the turnover candidate ratio (reverse). In fact, overlaying the perspective index of Company X with Figure 1 gives us Figure 2; hence, we can see that the shape of the perspective index is almost
exactly the same. By slightly increasing the scale of the index in Figure 2 and shifting it up, we can overlay that graph on the turnover candidate ratio (reverse). In other words, the perspective index can account for both the job satisfaction ratio and the turnover candidate ratio.

**A New Practice in Company X**

These facts have been explained to the management of Company X many times when reporting on these survey results. Raising the job satisfaction ratio and lowering the turnover candidate ratio can be done by merely increasing the perspective index.

Company X’s situation changed dramatically in October 2010, when sales dropped suddenly. Despite this, Figure 2 shows that the job satisfaction ratio, turnover candidate ratio, and perspective index improved in the fiscal 2010 survey, which was administered in
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February 2011. What is the reason for this? Figure 3 shows the averages for the five dummy variables from which the perspective index is calculated. As can be seen from this graph, the percentage of “yes” responses to Question P5 in particular accounted for most of this improvement.

What accounts for the increase in the number of employees who answered “yes” to Question P5 (“Can you visualize a positive future for yourself 10 years from now in this company?”) from the time employees were offered early retirement in August 2005 to the drop in sales in October 2010? With respect to the 2005 figures, those who had been in charge at that time had subsequently retired, which makes it difficult to identify the factors. However, in the fiscal 2010 survey, the October drop in sales had been expected, and President I, the newly appointed company president (promoted from within the company ranks [home-grown]) had toured all of the company’s branches nationwide starting in July, giving this message

Figure 3. Annual transitions of the averages of dummy variables P1 to P5 of Company X

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through conversations with employees.

In fact, he was unable to visit five branches before the fiscal 2010 survey in February 2011 (two of these were never visited because of the Great East Japan Earthquake on March 11, 2011). We numbered the 35 branches in the order in which President I visited them. Figure 4 is a bar chart showing the averages for dummy variable P5 (the percentage of employees answering “yes” to Question P5). There is a clear disparity in the percentage of “yes” answers between the 30 branches that had been visited by the time of the survey and the five branches that were not visited. All but one of the 30 are above the 26%–28% level, while the other five are below it.

In addition, the first 13 branches (the ones within the broken line) are the ones that were visited before October 2010; hence, we can see that arrangements had not been made to have all employees attend the dialogs. This group of branches therefore has a lower percentage of “yes” respondents than the other branches that were visited, with none of them reaching the 50% level. In particular, the percentage for

![Figure 4](image)

**Figure 4.** Branch averages of dummy variable P5 of Company X

*Source: Takahashi (2011) Figure 4.*
the fourth branch is 20%, which is only one below the 26%–28% level; however, we discovered that the president spoke only with management personnel when he visited that office. In contrast, starting in October 2010, arrangements were made for all employees in the fourteenth and subsequent branch offices to attend the dialogs with the president. Among these offices, the percentage of “yes” responses was highest at the twenty-eighth office, at 91%. The president recalled that all employees at that office were in attendance.

The conversations were structured such that employees at each

![Figure 5. Branch averages of dummy variable P5 and attendance rates of social gatherings of Company X](source: Takahashi (2011) Figure 5.)
office would ask the president questions and the president would answer them directly. Afterward, social gatherings were organized so that the president not only engaged in these dialogs but also socialized with the employees. No records were kept on the number of employees attending the dialogs, although offices recorded and reported the number of employees who attended the social gatherings—perhaps because of catering considerations. Figure 5 plots the relationship between attendance at the social gatherings and responses to Question P5. The graph shows quite clearly that the percentage of employees responding “yes” to Question P5 (“Can you visualize a positive future for yourself 10 years from now in this company?”) did not reach 50% when attendance at these social gatherings was less than 80%.

On the basis of the above consideration, it is apparent that the company president’s visits to branch offices, where he engaged in direct dialogs with employees and also socialized with them, had a positive impact on employees believing that they could “visualize a positive future for [themselves] 10 years from now in this company.”

**Concluding Remarks**

The abovementioned findings of the fiscal 2010 survey were given to President I. He was encouraged by the results, and over the course of his four years as president (through fiscal 2013), he continued to visit the company’s branch offices to engage in dialogs and attend social gatherings with employees. As can be seen in the data for fiscal years 2010–2013 in Figure 3, the percentage of “yes” responses to Question P5 continued to rise, from 36% in fiscal 2009 to as high as 50% in fiscal 2013. At the same time, as shown in Figure 2, the perspective index, which was 2.87 in fiscal 2009, rose to being as high as 3.04 in fiscal 2012 and fiscal 2013.

However, when the new president discontinued these events, the
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Positive responses to Question P5 began to decline as shown in Figure 3; the perspective index and the job satisfaction ratio also decreased; and the turnover candidate ratio began to go up as shown in Figure 2. In other words, the future parameters are not constants. The survey data, therefore, shows that maintaining these future parameters requires constant attention.

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