

# Productivity Improvement: Tool for Corporate Vitality & World Recovery

Interview with Robert E. Kirby,  
chairman of Westinghouse Electric Corp., U.S.A.,  
by Joji Arai and Takeshi Isayama

Talented managers, cost reduction and improved productivity are some of the factors Robert E. Kirby, chairman of Westinghouse Electric Corp., U.S.A., identifies as essentials for maintaining the viability of a business corporation. And to halt the decline in competitiveness of U.S. companies, Kirby stresses the necessity for such companies to realize that they are in a 'global market.' He also offers some interesting insights into what he believes has made Westinghouse a successful corporation, his views on the relationship between government and industry, and his strategy for reactivating the world economy.

**Question:** *My first question pertains to your management philosophy with respect to corporate goals, management responsibility to corporate employees, to customers, to the community, to the nation, and perhaps the whole world.*

**Kirby:** In a corporation as large as Westinghouse, we have to have a management philosophy. There are all kinds—as many as you have people. Mine has been developed over many years. It centers on what we call a decentralized management, but it is still centralized in important cor-

porate-wide areas such as goal-setting, strategy, and achieving results.

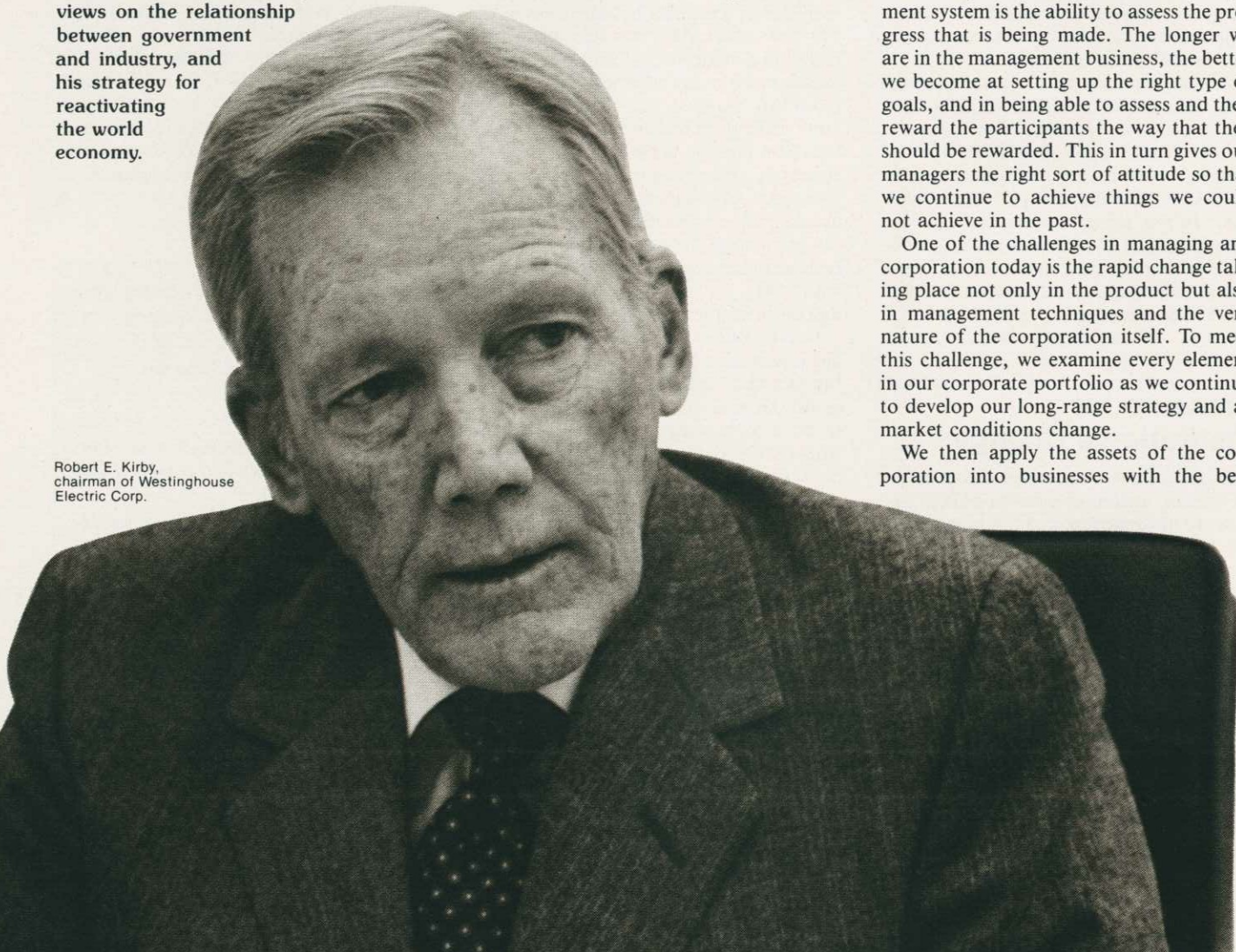
We delegate to our managers the responsibility for operating their individual businesses and functions. But we demand that they show responsible and effective performance. We give them long-range and intermediate goals and then let them develop a framework in which to achieve those goals. We also ask them to report regularly on their progress.

These goals are usually definable. One of the important things about a management system is the ability to assess the progress that is being made. The longer we are in the management business, the better we become at setting up the right type of goals, and in being able to assess and then reward the participants the way that they should be rewarded. This in turn gives our managers the right sort of attitude so that we continue to achieve things we could not achieve in the past.

One of the challenges in managing any corporation today is the rapid change taking place not only in the product but also in management techniques and the very nature of the corporation itself. To meet this challenge, we examine every element in our corporate portfolio as we continue to develop our long-range strategy and as market conditions change.

We then apply the assets of the corporation into businesses with the best

Robert E. Kirby,  
chairman of Westinghouse  
Electric Corp.





growth potential and take our assets out of businesses that don't show promise for the future.

All this means that we have to have a large cadre of highly-trained managers. That's why one of the important elements in our corporate philosophy is the human development aspect. I spend 85% of my time either with our people or on people-problems. One of my responsibilities is to make sure that this corporation has the right kind of management capability. This means having ongoing and effective plans and programs for developing managers as well as a system for regularly examining their performance.

We want these managers to develop their skills as fast as possible. So we try to place the brightest and most talented managers in very responsible positions fairly early in their careers. This permits them to grow even faster and to move to higher positions more quickly. It also gives us the possibility to take someone who has a broad vision of business and to send him off to school to study something new, or move him into a different kind of job within the corporation to give him broader experience.

Our goal is to make sure that we have well-rounded management people as early as we can so that they can make even bigger contributions to the corporation in a shorter time frame.

One of the interesting things we find is that quite often people who are very good at managing operations with, say, 250 to 400 people, aren't so good when we move them to businesses with 1,000 people.

In a large corporation, one of the things we have to do is to find managers who can supervise large numbers of employees, managers who can delegate responsibility to others, managers who are willing to train the people under them to handle these additional responsibilities. One of my most important jobs is to make sure that we have talented managers.

The corporation isn't restricted by money or ideas. We can get money, and we have more ideas than we know what to do with. The only thing that restricts growth in any corporation is the lack of an adequate number of competent management people.

## Rethinking Strategies

**Q:** *At the moment, we are experiencing a decline in the world economy. What sort of management strategy would you emphasize in order to cope with the changes taking place in the marketplace so that we can all get out of this stagnation?*

**Kirby:** There are really two things—one that we in a corporation can do, and the other that we or other people in the rest of the world must do to improve the economy. Let me take the corporation first.

We have to recognize that in the manufacturing business today we are really in a world market. There is no such thing as a domestic market anymore. The global market is highly competitive, so we must have both the cost structure and product features for a world-class product.

Some U.S. companies, for example, did not recognize that they were in a global market. And when foreign competition came into the domestic U.S. market, they found themselves behind the times. They then either had to run very fast to catch up, or they had to get out of their particular business market.

Our strategy over the years—in the markets in which we wanted to stay—has been to apply the necessary resources, to improve our cost-competitiveness and to create quality products that meet our customers' needs. You know a product is no good if it pleases only the engineer who designed it. It must be good for the customer who is going to buy it and use it.

There are many things going on in the marketplace today that are completely beyond our control, so there is not much we can do about them except to complain to our government or to your government or to somebody else.

But there are things we can control. And here I am talking about such elements as cost-control, better marketing techniques and productivity and quality improvement, including office automation to improve white-collar productivity. Improvements in these areas help the entire corporation.

And cost-reduction is possible. For example, we have launched a massive program to reduce all costs associated with manufacturing. One of the steps that we've taken is to better allocate our assets. Capital costs a lot of money today—not as much as three or four months ago, but still a lot. So the less capital we have to put into a business, the better off we are—as long as the customer continues to be well-served.

America has generally been an innovative society, and I don't think we're going to go downhill. There is considerable concern over the amount of money being spent on research and development. But I don't think that's a problem as long as what money is being spent is spent efficiently. I think that with these kinds of investments, along with continued productivity and quality improvements, we can continue on a highly innovative course in the United States. This is what Americans have always been good at.

A major problem facing American industry today is that in the current economic downturn, there isn't always enough money to invest. So the question is, "Will American business be ready when the economy does turn around?" Obviously, American manufacturers have

to abandon the idea that they have to compete only in a domestic market. And I think that's been done in many of our major industries. But many of our older industries are waking up too late.

I think there is a third thing over and above that. It seems to me that the industrialized nations are looking basically at each other to try to improve their volume, to improve their markets, to get a higher market share. This is good. It creates a spirit of competitiveness and everybody gets better at what they do.

However, I don't think there is a concerted effort in this world to start expanding the markets of the lesser developed countries. As a result, I'm afraid that we're on an international course that bodes poorly for all of the industrialized countries. We don't have a strategy for getting the LDC's moving. All of the old strategies are no good.

I don't think we spend enough time on dealing with these problems. The LDCs represent the markets of the future. We should be working to raise the living standards of these people, but what have we done? We've saddled them with big debts and big interest payments. And the result is that we stand a good chance of losing some of our best friends who are governing these countries. They're vulnerable because they're having to apply economic constraints at the very time their people need more goods. The industrialized nations had better rethink their strategies if they want to keep these friends.

**Q:** *Frequently when people talk about productivity in Japan, they refer to the Japanese productivity challenge. They point out that if we are going to talk about productivity, then we ought to talk also about co-existence and cooperation. Otherwise, we will have, as you suggested, a confrontation with the Third World.*

**Kirby:** Whether you look at it from the U.S. or Japanese viewpoint, 40% of the world's exports go to the LDCs. Today, they're having trouble buying anything. So how does that affect your economy or ours? Both of our economies decline.

We have to work together to find ways of expanding the world market. This means we must do a better job of teaching the LDCs how to develop. Instead of building roads, and fancy schools that saddle these countries with huge debts, we need to send entrepreneurs there and let them start businesses to generate the money to put into roads and schools.

## Improving Productivity

**Q:** *One of the ways to get out of the current economic stagnation is to improve productivity. Westinghouse is one of the best-known corporations for having a very effective productivity-improvement*



program. From your experience, what do you consider has been most effective in improving the productivity performance of your corporation?

**Kirby:** We began working on the productivity problem a long time ago. We put a lot of emphasis on it starting about five years ago and we created a corporate productivity committee. Once we got started with that committee, we easily recognized that we had to have a central focal point for productivity and quality improvement throughout the corporation—not only just in our factories, but in our offices as well.

So we organized and started what we call the Productivity and Quality Center. And we were the first corporation in the United States to appoint a vice president in charge of quality and productivity.

The first step we took was to explain our productivity improvement goals to all of our people, both our employees inside the corporation and our customers outside. We then developed a central group of people extraordinarily trained in productivity techniques of all kinds. Today, we have a resource base for every plant manager to utilize for whatever purpose.

Second, we reinstituted the quality circle programs. We have some 1,600 of them now in the corporation. Many of their ideas are the most exciting I have seen in a long time. People like being asked to contribute ideas, and they do an outstanding job when you give them the chance.

Once you let people be creative and recognize the value of their contributions, then the overall management situation becomes much better and easier for everybody concerned. The employees are happier and management is happier. Everything is done better, with the result that the corporation can improve its sales and earnings and keep people on the job.

But we also have to recognize that Americans are different from Japanese. We have always stressed individual innovation. Japan has a tendency to focus on the group rather than the individual. That doesn't mean we are not willing to learn from people. We have gone around the world any number of times learning the best techniques we could find. We have also set long-range goals for our productivity and quality improvements so that the whole program fits together very nicely. I would say that in Westinghouse productivity and quality improvements are now a way of life. And I think we have gotten that message through to everyone in Westinghouse. The hardest thing for management to do at any time is to communicate.

**Q:** Many factors contribute to productivity improvement—the maturity of the industry, the level of technological innovation, availability of resources, etc. What is your plan for maintaining the mo-

mentum of productivity improvement in your corporation?

**Kirby:** Particularly at a time of economic downturn, we must continue funding all of the things that we do centrally. We have an enormous incentive built in during an economic downturn for everybody to improve their productivity and to make sure that they are competitive in a world market. There's an old American proverb that if you can't get the donkey's attention, you hit him on the head with a big club. We have used this approach by taking both union leaders and management people to Japan to let them see what the competition is doing, and they have gone to other parts of the world. We are going to keep the pressure on our people to meet those productivity improvement goals and make sure that the program doesn't slow down, because it's the future of any corporation. We must be willing to change. We have a statement that I make in Westinghouse all the time: "If you're doing something today the way you did it five years ago, you're in deep trouble."

## Government and Industry

Everyone must change, but I think human nature is such that change is very difficult to bring about. I think that the United States government with its bureaucrats is almost impossible to change. The inertia is permanent. People in government have to realize that change must take place. They have to be involved in it. When this occurs, the United States will be the stronger for it.

**Q:** When we discuss the issue of productivity, people often refer to management style and its effectiveness. What is your view of the difference between Japanese management style and the American style?

**Kirby:** I don't think there's as much difference as many newspaper writers seem to think. Management techniques are much the same among all educated human beings. Your method of communication may be different from ours; your form of management may be somewhat different. The Japanese use the team concept more than we do. Historically, we have had individualists and individual innovation is something characteristically American, built into the fabric of society. It is something that isn't going to change and we're not going to change it because it's led to a very exciting life for this country. We will continue to do that. We honor the entrepreneurs, and most new businesses are started by entrepreneurs, not by big old stodgy corporations like some I know. I like to think that in our corporation we do change fast enough and are not considered stodgy. We do not want to lose this driving force; that's one of the most im-

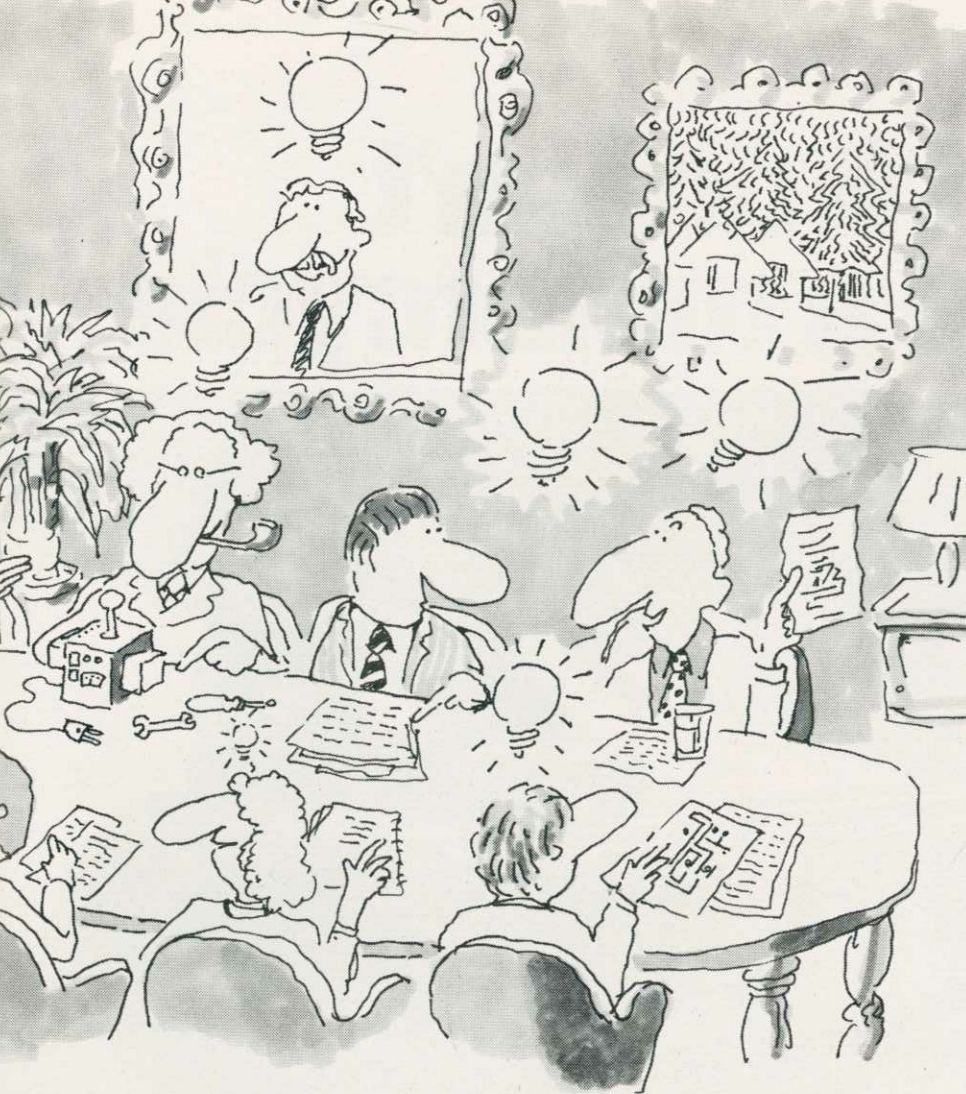


portant things we have.

You have a different system in Japan because of the relationship between your industry and your government. I think from a productivity standpoint, that gives you an advantage over us because much of our time is wasted trying to convince our government to do something which it may be slow in wanting to do. Frankly, I think the biggest mistake we could make is to imitate your style because our social system and political system wouldn't put up with it. But I think the United States could do better if there were a better working relationship between government and industry.

Of all the industrialized countries in the world, the United States, to my knowledge, is the only one that uses its industry as an instrument of foreign policy. All of the other countries use their foreign policy as an instrument of their industry. I think this is where the United States has fallen out of step. This has slowed us down a great deal. A simple change, such as promoting business, would be enormously helpful to the United States, particularly in international competition. American companies have developed a reputation in





many parts of the world as being very undependable suppliers. Not because of our industry, not because of our products, not because of our service, not because of our ability to satisfy our customers, but because of our government.

**Q:** *However, the United States government is now becoming acutely aware of the need to improve its relationship with industry. Congress passed legislation toward the end of last year mandating the sponsorship of a White House Conference on Productivity, recognizing the fact that productivity has a great deal to do with the international competitiveness of American industry.*

**Kirby:** I think the basic reason for the conference is to communicate. You don't have the problem in Japan of educating various kinds of people—government people, workers, management, etc.—on the importance of productivity improvement. But we do have that problem here. As I just mentioned, people in the government have done all sorts of things that have made it very difficult for the United States to improve its overall productivity.

One of the most important ways to improve productivity is to increase your

volume in a product line. If the government keeps pushing our volume down, then our productivity is going to have a difficult time improving at a net overall rate. It's going to stay about the same, because with all the things we can do, we cannot do them fast enough to offset a productivity loss because of decreasing volume or decreasing market share.

The conference is basically trying to get everyone to understand the need for improvement in productivity.

## A Unified Goal

We used to advertise that productivity in the United States would go up 3.5 or 4% every year and wages would go up maybe 2 to 3%. So we had a very low inflation rate. Once our inflation got high and our productivity fell off, wages were forced higher and higher. Therefore, our labor costs went higher and higher. In many areas, we rapidly became less and less competitive.

Now we have the situation where steel and auto wage rates make us non-competitive in the rest of the world. For that reason I don't know what productivity

improvements or capital investments an American steel company could make today to get back in a truly competitive market with the rest of the world until the number of labor hours—times how much they pay—comes down to a reasonable amount. Congress must become aware, make the administration aware, make union leaders aware, make the workers aware, make management aware. Many managements are not completely aware of the difficulties they are in at this point.

What this conference is trying to do is generate a communications program so that the United States will have a more unified purpose, and we could head toward an improved productivity and quality goal that is necessary for this country to continue to be an industrial giant.

**Q:** *As you know, the International Productivity Symposium will be held in Tokyo in May of this year by the Japan Productivity Center under the patronage of OECD, where you will make a special address. What sort of contribution do you think this conference can make for improving the productivity performance of the nations of the world?*

**Kirby:** There is no way we can improve anyone's standard of living without productivity improvement.

The crying need in the world today is the continuation of the improvement of people's standard of living.

If we expect the world to remain a stable place for all of us to live and to grow and to thrive in, then we must find some way to get economic stability into the world. We must find some way to improve everyone's standard of living, particularly in those countries where people are living in poverty, with no education and with no hope of improving themselves whatsoever.

We have to look at productivity as the way to improve standards of living to arrive at the stable world we all want. I cannot think of a better goal for this productivity conference than to aim for improving the standard of living of the whole world. Productivity is the thing that does that, and that's the primary subject of the meeting. ●

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