

Japan's Economic Miracle

Part Three: Factors due to Company Procedures

Lesson 7: Industrial Relations

Lesson 8: Competition and entrepreneurship

Lesson 9: Shift of types of products made

FOR INSTRUCTORS ONLY

Background Information

Part 3. What did companies do to affect change?

Industrial Relations

The major Japanese industries have traditionally employed people for life. This instills dedication to that company. (With company failures and perhaps, changing times, this lifelong employment may now be changing with employees leaving a company and joining another.)

Competition and entrepreneurship

The domestic competition of entrepreneurs in electronics, cars, and motorcycles was great. Those that had success were able to establish powerful companies that entered the exporting arena and greatly contributed to Japan's economy.

One aspect of competition is that it can provide an invigorating desire to be the best. With companies all trying to outdo one another, the quality of service and products goes up.

Shift of types of products made

Right after the war, Americans encouraged the Japanese to produce cheap products to export. These cheap products did open the door to Japanese trade. Being cheap products, it was difficult for more industrial nations to duplicate the items at the same cost because of wage and hour standards already in place.

But, it gave the Japanese exports a bad reputation. Most Japanese would not even consider buying the items. There was not much pride associated with these cheap things. The Japanese needed to make products that they were proud of and which even Japanese would like to buy. Therefore, there was a shift towards making products of higher quality that people at home in Japan as well as abroad would want.

The Japanese became masters at improving other products, especially those involving technology. In a couple decades, they had turned the world's opinion around. No longer were Japanese products cheap and inferior, but of high quality and superior.

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Much of the success of generating high quality products came from the Japan's willingness to try other ways of doing business and embracing a plan by W.E. Demming, an American.

W. E. Demming's Top Quality Theory

Total Quality Management (TQM) is the fastest growing management theory today. Basically, it provides a set of principles to achieve productivity and quality in managing the company while is also boosts self-esteem and morale. W. Edwards Demming, an industrial engineer, developed the theory after investigating problems in quality control.

When he presented the theory to American managers, it was basically ignored as the Americans were satisfied with the status quo. However, after World War II, Demming was sent to Japan by the Bureau of Census to help the post-war Japanese government. He met with the Japan Union of Scientists and Engineers to discuss concerns about poor quality. When he met with top executives with his theory, the Japanese managers listened and applied his ideas to entire companies.

The Japanese established an all-industry competition for the most comprehensive and effective applications of the theory. The prize is named after W. Edwards Demming. This award is still being given each year today. As a result, some of the highest quality products today are produced by the Japanese. Now American companies are beginning to use TQM.

Brief Summary of Major TQM Principles

1. **Improve productivity and service systems constantly by increasing the quality of production.** To reduce the cost of defective products or poor equipment, use the best equipment possible with properly trained employees. The results are the amount of sold products is increased and the cost of waste products goes down.
2. **Increase the consistency of products.** This allows the company to focus on the problem areas so that they can be corrected.
3. **The reason for supervision is to help employees and technology work better.** The manager needs to see what can help the employee in producing quality products. This means that the manager needs to have input from the employees.
4. **Departmental barriers should be eliminated while emphasizing the teams which represent different areas.** An open door policy for all management with a team structure of employees is created. In fact, often a manager's office does not exist, but actually a desk in the midst of the employees so that

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employees and managers are free to mingle and trust one another.

5. **Provide on-going training and education programs.** This helps insure that employees are using equipment properly or understanding company policies and procedures.

6. **Eliminate individual work-performance ratings, individual quotas or other quantitative goals in the production and service areas.** Allowing the employees to set the speed of production allows the employees to concentrate on quality instead. When employees are not rated against each other, but rather as a team, then they can determine ways of helping each other.

7. **Realize that most of quality and production problems are due to technology, not the employee.** An employee can only produce within the confines of the equipment and their training. Proper training and equipment will lead to higher quality production.

Activities:

Part Three: Factors due to Company Procedures

Lesson 7: Industrial Relations

Requires 20–30 minutes

Materials:

- Paper and pencils

TO BE USED WITH STUDENTS:

Setting the problem: You belong to a soccer team along with your friends. You have been a member of this team for the last two years with the same coaches. There are a few new team members each year as one or two leave, but for the most part the team stays much the same. Of course, as various team members gain experience they may change positions.

Class discussion How does having the same team members and coaches help the team? What are the disadvantages? Would it be better to have new members constantly coming and going? Why or why not? Do you have a sense of loyalty to this team?

This is basically the way Japanese companies have been run, with the same basic people working in one company until they retire from working.

Continuing the problem: Now let's add just one more part. Besides, being on the team, each player is in various groups so that they can learn different skills in their positions. Since you have been there two years, those members who

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are new and who are learning to play your position are your responsibility. If they make mistakes, it's your fault, but if they do something well, you get credit for it. The team members who have been there 3 or 4 years are responsible for you, and they get either blamed or credit for your work too. Of course, the coaches are responsible for them, and the soccer director is responsible for them and so on.

Class discussion How does it feel to be responsible for others and having others responsible for you? Would this system make each person try harder so that they would not be making someone else look bad? What other advantages might there be? What are some disadvantages? What about loyalty? In Japanese companies, they often do have this system of having responsibility for those under them.

Continuing the problem: Now let's take a look at another situation. What would the team be like if every month, 3-4 members would switch teams? What would happen to the sense of loyalty? What difficulties would this switching cause? What if one of the coaches also switched teams?

Class discussion How would the team feel? What changes would have to be made in the way you practiced? Do you think your position would stay the same? Why or why not? What advantages and disadvantages would there be?

In the USA people are constantly changing jobs for various reasons, often because a better offer is made. Many people do have difficulty in leaving a job even for a better one, mainly due to a sense of loyalty.

Chart or Venn diagram Have students either individually or in groups make charts or Venn Diagrams of the two main situations, comparing different ideas. Share charts.

Activities:

Part Three: Factors due to Company Procedures

Lesson 8: Competition and entrepreneurship

Requires 1 hour per week

Materials:

- Drawing paper, notebook paper and pencils, markers, crayons and/or colored pencils
- Spelling lists