

Productivity and Quality – Lessons from Japanese Experience

Why I Am Here

I came to this country in February this year as a JICA (Japan International Cooperation Agency) Expert and detailed to Hungarian Productivity Center (HPC). My mission is to help HPC to promote Productivity Movement in this country.

HPC is a public foundation established in 1995 as the National Productivity Organization (NPO) for this country. The Japanese Government promised the Hungarian Government to assist HPC by sending experts to this country, inviting Hungarian trainees to Japan and by providing some materials and equipment. Back in Japan, I am a counsellor of Japan Productivity Center for Socio Economic Development (JPC-SED), the NPO for Japan. But, while I am here in Hungary, I am an Expert of JICA because I am dispatched to Hungary under the government mission.

In the past, I have been to many countries in Western Europe. However, I had never been to Central or Eastern Europe so I had some anxiety before I came to this country. But since I came here I met so many nice Hungarian people, I am happy to be here and enjoying my work and hoping to do my best.

Japan – Yesterday and Today

Today, people say that Japan is a rich country and Japanese are rich people. Being a Japanese myself, I am happy to admit it. However, it was not so in the past. Japan was a miserably poor country in the past.

I was born in 1933. That means, my generation is very lucky because we could have the opportunity to see and experience the changes which took place in Japan during the period when Japan changed from a very poor country to a rich country.

How could Japan make such changes? There is no single answer. If you wish, you can argue almost endlessly. However, I think I am lucky because I can talk about such changes which took place in Japan based on my own observation and experience.

In my view, a nation's economy is sustained by a

number of entities engaged in economic activities. Those economic entities are called "companies". And in a successful economy, there exists a greater number and higher proportion of successful companies and they are giving vitality to the economy. On the other hand, there are fewer and smaller portion of successful companies in a less successful economy.

When Japanese were poor, there were not many successful companies in Japan. But today, you can find many successful Japanese companies operating everywhere. So, you can say that one big change which took place in Japan was that many unsuccessful smaller companies changed to successful companies or unsuccessful companies had to disappear because they could not cope with competition.

A Comparison between More and Less Successful Companies

The following table shows a comparison between more successful companies and less successful companies.

A comparison between more and less successful companies		
More successful companies		Less successful companies
higher	profitability	lower
active	investments	inactive
faster	business growth	slower or negative
higher	employee's wages and salaries	lower
better	employee's welfare schemes	poorer
more	employee's chances for promotion	less

It will be very nice if you were a member of a successful company. Then you can enjoy stable and above average income, benefits from better welfare schemes and more chances for promotion (because the organization keeps growing).

Many people say that there is a system called "Life Time Employment System" in Japan. I think this opinion is not correct. Because, no company employs their employees for life time and the employment statistics of Japan is showing the fact that many Japanese are also changing their jobs.

However, I admit myself there exist such a tendency that many people stays with the same company for long time. For example, I, myself worked for the same company for more than thirty years. Why I worked for the same company such a long time? My answer is that, although I had freedom to change my job, I did not prefer to change the company myself because my income kept increasing every year, the company had kept providing me with interesting and challenging job opportunities and my social status had kept going up. In addition, the company gave me a lot of opportunities to participate in training courses. So, it was not necessary at all for me to move the company. I was lucky that I was recruited by a successful company and I am proud and happy that I also had contributed in making the company successful.

If you look into the employment statistics in Japan carefully, you will find that more employees of smaller companies are changing their jobs more frequently. I think it is understandable that, if the company could not give security and hope for the future, it is natural for any person to think of changing the job and look for the better opportunities.

In my view, the reason why many Japanese prefer to stay with the same company is that there are so many successful companies that people do not feel the necessity of changing their jobs for better opportunities.

What Makes the Difference

Then, what are the factors which make company more successful than others? The answer is, in my view, very simple. Productivity (or Value Added per employee) of that company is higher than others. In addition, in those companies, distribution of the productivity gains is fairly made among the members. Even Japanese work for themselves and their families. No one likes to work hard for making already rich person even richer. High productivity and fair distribution is the key to success. Then, next question will be how can you improve productivity? I would like to come back to this point later.

Quickest and Most Effective Way of Development a Country and Improving the Welfare of the Nation

Accordingly, in my view, one of the quickest way is developing a country and improving the welfare of its people is, again, very simple. It is possible by increasing the number of successful companies and increase their proportion in the country.

Why is it the quickest way? Because, it is easier and faster to change a company than to change the society. A company is much smaller than a society, hence, it is more manageable. In addition, a company is, usually under one leadership, it is much easier to change a company if the management is committed to do so.

HPC, as the national productivity organization for this country, wishes to facilitate to make such changes in as many companies as possible in this country.

What is Productivity?

However, without understanding and support by the employees, management alone can not do anything. In this regard, I would like to quote the following statement by an American businessman named Clarence Francis. This statement was made in 1930's. Even so, many businessmen are not yet giving good answer to this challenging statement up till now.

*"You can buy a man's time,
You can buy a man's physical presence at a given place;
You can even buy a measured number of skilled
muscular motions per hour or day.*

*But you can not buy enthusiasm;
you can not buy initiative;
you can not buy loyalty;
you can not buy the devotion
of hearts, mind and souls.*

You have to earn this things ... "

In order to start making the changes in the company, it is necessary for the management to convince the employees that to make the changes is benefit to everybody. In fact, productivity movement in Japan also had met great difficulty because many workers did not support the movement until they understood what is productivity and convinced themselves that to improve productivity is also beneficial for them.

So, it is extremely important for the management people to establish correct recognition on what is productivity before they start talking about productivity.

The problem is that productivity is not a simple concept, but is an sophisticated concept of technical, social and economical elements. And, even today, many people only look at its technical aspects. A lot of misunderstanding starts from here. Productivity is usually explained by the following formula.

OUTPUT / INPUT

Yes, in the narrowest sense, productivity is synonymous to efficiency or utilization ratio. But, it is not enough. It tells physical and technical aspects only. Productivity is, more importantly, a social concept. It can be conceptualized by the following statement.

productivity is, above all, an attitude of mind. it seeks to continually improve what already exists. it is based on the belief that one can do things better today than yesterday and better tomorrow than today.

It means that, the objective of productivity movement is to make everyone's tomorrow better than today. Everyone means management, workers and consumers. Accordingly, when productivity is understood as the objective of the people, it can also become a common objective of the management and the employees of a company.

But, how can you make your tomorrow better than today through economic activities? Although money is not everything, it is better if you could increase your income in order to make your tomorrow better than today. And, it is possible if you could successfully increase value added generated by your company. value added is the source of income for everybody. Therefore, productivity, as an economic concept, means to generate as much value added as possible through your economic activities and distributing it fairly later among those people concerned.

Today, in my view, 90% of the workers in Japan understand productivity in this way and support and participate in productivity improvement activities positively.

Quality – The Key to Generate More Value Added

Nevertheless, the road to better today than miserable yesterday in Japan was never smooth. We, Japanese had to learn many severe lessons and had to overcome many problems.

The land of Japan is four times bigger than this country, but, the population of Japan is twelve times bigger. In addition, because the land in Japan is so mountainous that usable land space is very limited. And, Japan produces almost no natural resources. That means, Japan must import foodstuff and energy from abroad. In order to pay import bills, Japan must export something. But, because there is nothing to export, Japanese have to manufacture something for export. In order to make manufactured goods, then, Japanese must import raw materials. Then you have to pay import bills again. This explains how Japanese economy operates.

Although many young people do not know, but there was a time when products made in Japan were known as cheap but poor quality. In order to make income from export, Japanese worked very hard for finding buyers. But in those days, it was not easy for Japanese to find buyers because quality was poor. And, even when there were some buyers, price had to be very low. That means, value added had to be

very small or sometimes even negative so that Japanese had to stay poor.

Through such hard experience, Japanese had to learn the following lessons.

Quality and customers

*One can not steal customers from others.
It is the customers who select a supplier.
It is quality (and reputation on quality) which leads customers to make selection.*

Quality improvement in Japan started from such recognition. However, although a lot of technical efforts were made, quality did not improve as expected. Then the next lesson Japanese had to learn.

Quality and people

Quality of products manufactured and quality of services provided by people with no hope and no future is low.

Quality of products manufactured and quality of services provided by people with hope and future and who have willingness to work is always high.

Such recognition as above brought many changes in many companies in Japan. For example, changes in management style, from autocratic to democratic. One way top-down flow of communication to two ways. Narrowing of the distance between management and employees. Enhancement of team spirit among all member of the company. And so on.

Eventually, quality changed from something to be inspected at the last moment to something to build into at every stage by everyone. Then, quality of made-in-Japan products started to improve.

People – One of the Key Factors which Affects Quality

When people discuss about quality, many of them think it is a matter of technology or material. But, in reality, you will find something very strange or interesting which you can not easily find answer. For example, there are such cases that two companies operating in two different countries using the same machines, same technology and same design produce different products in quality? Why such could happen? If quality is only a matter of technology and material, such should not happen.

What makes such difference is people. Experiences tell us that properly motivated, educated and trained people can make better products.

This discussion does not imply that technology is less important. Technology is already essentially important. But, what some Japanese found was that people is also as important as technology.

In accordance with such recognition as above, various ways and means of motivating people and upgrading capability of people not only at management level but at foremen/workers level have been developed and practiced in many Japanese companies.

Such efforts made fruits and generated by some successful Japanese companies increased, and as a result of fair distribution of increased value added in such companies, income standard of average Japanese started to go up.

The Role of Management in Improving Productivity and Quality

The foregoing discussion confirms the following points. To improve productivity or to generate more value added, it is essential to improve quality. And, to improve quality, there are two essential factors. They are technology and people.

But in practice, these two are not enough. There must be another factor and that is management. Excellent management can combine technology and people for generation of optimum value added. On the other hand, poor management can not utilize both technology and people thus bringing the business to failure.

These observations lead my discussion to the following formula.

$$\text{VALUE ADDED} = \frac{\text{output} \times \text{quality}}{\text{management (technology + people)}}$$

Therefore, a lot of challenging opportunities are there for Hungarian management people.

Lessons from Japanese Experience

I hope if I could have explained to my Hungarian friends about the changes which took place in many Japanese companies during the period when Japan changed from a poor country to a rich country as present. As I mentioned earlier, the road which we came through was never smooth at all. We had to learn many lessons and we had to overcome many problems.

But, today, I must say I am lucky for being a Japanese. At the same time, I am very grateful to many teachers who taught us how to find problems and how to solve them. Without teachers, most of them were Americans, I think it was not possible for Japanese to enjoy their position today.

Today, I am here in Hungary and my mission is to help my Hungarian friends in the area of improving productivity of the industry in this country. I am not alone at Hungarian Productivity Center. I came with some Japanese colleagues and we all brought with us a lot of valuable lessons from Japanese experience.

What I would like to say is that you do not have to learn things from Japanese. But, in my view, there are a lot to learn from Japanese experience. We shall be very happy to help you by explaining to you about the lessons we have learned from our experience. Those Hungarian friends who are interested in learning from Japanese experience, please do not hesitate to tap the door of the Hungarian Productivity Center.

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ÖSSZEFOGLALÓ

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Ez év februárjában érkeztem Magyarországra, mint a Japán Nemzetközi Együttműködési Ügynökség szakértője, hogy – egy korábbi kormányközi megállapodás alapján – segítsen a Magyar Termelékenységi Központ munkáját.

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