

# The Globalization of the Japanese Management Process: Reinvigorating Ethiopia's Industries through "Kaizen"

**Asayehgn Desta, Ph.D.** Sarlo Distinguished Professor of Sustainable Economic Development, Dominican University of California

"Drawing valuable lessons from industrially advanced countries is crucial to strengthening the industrial sector in Ethiopia," Tadesse Haile, Ethiopia's Industry State Minister

*"We want action-oriented advice, not academic theories,"*  
*Newai Gebreab, Senior Economic Advisor to the Ethiopia's Prime Minister*

"Perhaps the most important cultural trait underlying *Kaizen's* success in Japan lies in a pair of values deeply rooted in the Confucian ethics: thrift and perseverance," Recht Ricardo, 1998. .

In the 1950s, American industry entered the "Golden Age" of manufacturing. Earlier, during the Post WWII era, a number of American companies maximized enormous profits as the world stood in line to buy their products at a premium. At the same time, Japanese goods were generally assigned low market prices in the world market because Japanese products were perceived as being 'cheap' and of 'low quality.' (See Becker and Snow, 1997, and Ohno, I. Hhno, K. and Uesu, S., October 2009.)

To revitalize its economy and reinvigorate its industrial base in the 1950s and 60s, Japan started framing the basic infrastructure needed to catch-up with the United States in the global market place. Japan then galvanized the strong support of the Union of Japanese Scientists and Engineers (JUSE) and Japan Productivity Center (JPC). Finally, in conjunction with the Shewhart cycle taught by W. Edwards Deming, and other statistics-based methods taught by Joseph M. Juran and its organizational culture and structure, Japan developed the foundation for a Japanese Management System (Weldemariam, H. 2010, Sharri, Nariai, 2006). The originally American technique which was adopted and adjusted became a Japanese management system (JMS), better known as *kaizen* (*ky'zen*). According to Imai (1986) *kaizen* is defined as continuous improvement involving employees in all levels of an organization. As operationally defined by Brunet and New (2003, the three characteristics of the *kaizen* system generally require that it be:

1. *Continuous*, nature that is a never-ending journey for quality and efficiency;
2. *Usually incremental* in nature, always improving instead of reorganizing or reinstalling;
3. *Participative*, requiring workforce involvement and intelligence.

Unlike Western business concepts, generally epitomized by the terms innovation or drastic change in order to create fast results, the foundation of the Japanese *kaizen* management system was made popular because it was adapted to adhere to a continual process of

improvement (Becker and Snow, 1997). More specifically, in business *kaizen* includes quality control, automation, workers suggestion systems, just-in-time delivery systems and the 5S process. (*i.e.*, *seiri* (sorting); *seiton* (setting straight); *seiso* (cleanliness); *seiketsu* (standardization in the workplace); and *shitsuke* (sustaining self-discipline and promoting a sense of pride in workers in their work and being owners of their responsibility (See Genobz , July 15, 2010).

Based on the assumption that the most important asset a company has is its work force, with the importance of the individual worker being the key asset, the *kaizen* philosophy is committed to better quality and improved productivity. Based on workers self-criticism and adherence to the constructive critique of the process, *kaizen* involves bottom-up decision-making and practices an employee-driven management style that heavily emphasizes teamwork. As narrated by Hhno, Hhno, and Uesu, teams are not only formed across various disciplines, but the teams are given training in the dynamics of teamwork. After ‘team training’ is completed, the team groups are given a problem to investigate and asked to submit recommendations for improvement. A unique aspect of this recommendation process is that the team is empowered by upper management to take action on these recommendations and see them through to completion” (2009). In addition, the Japanese management systems work as a unit because:

All the characteristics work effectively on the condition of lifetime employment. The seniority system is based on the assumption that employees’ abilities will increase along with the length of service and experience. In-house education also depends on lifelong employment because the company gains the benefit of education only when employees work for a long time. Enterprises union is necessary when people work for only one company. One-time recruitment is the other side of lifetime employment. The importance of an employee welfare program is obvious if the employee works within a company for a longtime. The other characteristics such as the bottom-up decision making system and family-oriented management are the results of lifetime employment (Ihara, 2004).

In the 1970s, as the *kaizen* Japanese management system revealed a potential for never-ending efforts for improvement in production values, it diffused its new management system throughout Japanese companies. With the globalization of Japanese businesses in the 1980s, *kaizen* became a global activity. *Kaizen* “...was originally developed in Toyota and spread among other Japanese manufacturers as they gained fame in the international market for higher quality products (Imai, 1986).” That is, as Japanese multinational manufacturing companies expanded abroad they tried to duplicate the quality management methods within their new factories. When Japanese firms endeavored to increase local procurement of intermediate inputs, local suppliers were requested to conform to Japan’s quality standards. Thus, Japanese companies often assisted their local partners in learning the *kaizen* philosophy and practices. Similarly, the Japan International Cooperation Agency (JICA) began actively to use the *kaizen* management style to transform the industrial activities of a number of developing countries. For instance:

The first JICA project for productivity management was extended to Singapore from 1983 to 1990. Building on the success of this cooperation, the Singapore Productivity and

Standard Board has subsequently grown to become a major organization to external training programs to other countries and regions, including the Southern African Development Community (SADC) under partnership arrangements with JICA (Hhno, Hhno, and Uesu., 2009, p.7).

Based on its competitive success in the 1990s, in its aid package to support growth for those countries coming late to industrialization, Japan included *kaizen* as an additional means for enhancing their human potential and industrial enterprise capability. Before the proliferation of *kaizen*, Japan however, made sure that the following four vital prerequisites were met by each company. As outlined by Hhno, Hhno, and Uesu, (2009), some of the conditions, Japan wants to see in Africa include:

- 1) the prospective firm is medium to large scale and must be licensed by a private, international, *kaizen* consulting group (for example, the license-giving consultant groups in Africa are now located in Mauritius);
- 2) the plans for each project are customized according to the needs and conditions of the recipient from the *kaizen* projects, assisted by JICA;
- 3) the main purpose of the Japan International Cooperation Agency (JICA) assistance is to provide organizational capacity building to various productivity improvement centers; and
- 4) the sustaining of competitive and responsible enterprise programs already in operation.

To justify Japanese commitments and to intensify their engagement to boost Africa's economic growth, in May 2008, at the Fourth Tokyo International Conference for African Development (TICAD IV) at the Yokohama Action Plan, the Japanese Government outlined the following specific plans:

- 1) to expand training programs in Africa to improve productivity in promising industries by JITA;
- 2) to facilitate trade investment by transferring Japanese manufacturing and marketing skills by the Association for Overseas Technical Scholarship (AOTS);
- 3) to establish mechanisms for Official Development Assistance (ODA) that will complement private sector activities that contribute to African development;
- 4) to set up the Japan Bank for International Cooperation (JIBC) Facility for African Investment by offering equity investment, guarantees, and local currency financing;
- 5) to provide, on a regular basis, information about the African business climate to private Japanese companies by Japan External Trade Organization, JETRO (Hhno, Hhno, and Uesu, 2009).

The Japanese management system as practiced in a number of countries has been seen positively by many managers and practitioners because the system has helped a number of enterprises to become productive, competitive, and has largely increased customer satisfaction. In fact, Yokosuka, K., et.al.,(2010) argue that "...two national characteristics are critical for successful *kaizen* transfer. One is the disciplined people who follow what they are asked to do i.e. keeping the deadline, quality control, and following standard operating procedure. The other

is a hungry mentality, eager to do work which is above and beyond their responsibility.” Based on his theoretical contributions and experience, that Recht (1998) reviewed, he has come to the conclusion that “*kaizen*-oriented suggestion systems are transferable to non-Japanese cultural environments.” But he asserts that to increase the chances of a successful transfer, six organization-culture conditions are necessary: a) a clear employee orientation, supported by a (contractually or verbally assured) non-lay-off policy; b) employees who are committed to the company’s long-term viability; c) a free flow of information, both along the vertical axis and between units that belong to the same hierarchical level; d) empowered employees, i.e., employees that have the information and skills needed to take decisions on a wide range of issues concerning their own working environment; e) a so-called ‘pragmatic’ orientation; and finally employees who are both process- and results-oriented (Recht. 1998).

On the other hand, some authors have concluded that *kaizen* has been dysfunctional in a number of foreign companies because it is insensitive to domestic cultures, urges foreign-owned companies to emulate the Japanese way of management, and is based on the assumption that what works in Japan has to be uniformly implemented in other countries (Shaari, 2010). Drawing on insights from the cybernetics of Beer (1966), it is possible to argue that *kaizen* categorizes the management of complexity in the management of target-oriented operations. In line with Beer’s observation, a number of researchers argue since Japanese management practices are embedded in the Japanese culture it is difficult to transfer *kaizen systems* abroad. Many Japanese management systems are not easily adopted by an overseas counterpart due to environmental factors such as differences in national culture and work ethics. Transferred management systems are more likely to be hybridized with locally practiced systems (Yokozama, K. 2010). To use Lillrank’s (1995) conclusion, the direct transfers of Japanese management practices often fail not because of geographical distance but rather due to the mental distance, i.e., culture, history, and strategic paradigms. Moreover, Hayashi (1994) argues that a *kaizen* management system works effectively in Japan because the Japanese organizations tend to have organic structures with decentralized decision-making, low degree of specialization and formalization, and above all the culture of horizontal communication.

Despite the above mentioned challenges with *kaizen* management systems, and because Sonobe’s (2009) advice that under *kaizen* workers feel that they are really essential, integral parts of the enterprise, and can feel ownership, Ethiopia has decided to implement the Japanese management philosophy. Ethiopian manufacturers have been at a disadvantage, not only because of the lack of highly skilled human resources and a large technological gap but also because of a lack of differentiated managerial tools. As demonstrated by Berihu Assefa (2010), for the last six years, Ethiopia has recorded fast economic growth, but the ratio of its manufacturing sector is less than 5.0 % of its Gross Domestic Product. (See also, Hhno, Hhno, and Uesu,, 2009, p 19.)

It is worth mentioning at this juncture that in recent years, Japan’s competitive condition does not seem to be worth imitating because Japan’s position in the *World Competitiveness Yearbook* has dropped from 3<sup>rd</sup> position in 1993 to 27<sup>th</sup> in 2010 (*IMD, World Competitiveness Year book, 2011*). Actually, due to its recent poor economic performance, a number of Japanese business managers have questioned pursuing the *kaizen* management approach in their business practices and some have started designing post-*kaizen* strategies that might prove very viable for the 21<sup>st</sup> century.

Despite the substantial economic slow down that Japan is manifesting today, policy makers in Ethiopia seem to view the *kaizen* system in a positive way because of its earlier success in Japanese firms. Fully convinced that the Japanese *kaizen* management model could be used as an effective strategy for latecomers like Ethiopia to industrialization, they seem to view the Japanese management system as an exemplary method for achieving the Growth and Transformation Plan of the 2010/11 to 2014/15. As stated by Weldemariam (2010), a number of Ethiopian firms have been instructed to launch a pilot project using the *kaizen* management system in order to accomplish the following three objectives: “first, to formulate a national plan to enhance both quality and productivity in the industrial sector; second, to produce a manual for explaining and guiding these activities; third, to transfer relevant skills and techniques to the staff members of the *kaizen* Unit in the Ministry of Trade and Industry (MoTI).”

Stated in simple terms, it became imperative for Ethiopian policy makers to endorse the institution of *kaizen* in Ethiopia’s public and private enterprises in order to overcome the abysmal industrial situation. For late starters like Ethiopia, the Japanese tools of hands-on technical cooperation was expected to improve organizational capacity, empower and continuously improve the quality of workers, and add value to their products so that they would become productive and produce internationally competitive products that could meet the needs of a global market.

Given these assumptions, in July 2008, “PM Meles Zenawi requested two-part cooperation from Japan, 1) *kaizen* (factory improvement) by Japanese International Cooperation Agency (JICA); and 2) policy dialogue with National Graduate Institute for Policy Studies (GRIPS). The two components were implemented by GRIPS and JICA. ( Ohno, 2010). On November 26, 2009, a seminar was given by the Ethiopian Ministry of Trade and the Ambassador of Japan to Ethiopia for about 300 attendees in Addis Ababa. As narrated by Weldemariam, the *kaizen* project in Ethiopia had three phases: the first phase which started in August, 2009 was involved in reviewing the quality and productivity of 63 companies. After preliminary diagnosis of these factories, 30 pilot companies were selected based the following criteria: 1) proximity to Addis Ababa, within 100km distance, 2) contributions to exports and /or imports, 3) scale of capital, and 4) number of employees. The 30 companies included 10 from Metal, 6 from Agro processing, 6 from Chemicals, 4 from Leather, and 4 from Textiles (2010). .

Based on Sonobe’s (2009) suggestion that for *kaizen* to work well for workers, they needed to have good skills and basic experiential training. From January 12 to January 15, 2010, four *kaizen* Unit members and JICA staff were sent to visit Egyptian *kaizen* centers and three *kaizen* Units were sent to Tunisia to have practical training and learn from the experience of the Egyptian and Tunisian *kaizen* workers. Finally, from May 8-23, 2010, the Ethiopian *kaizen* Unit members and participants from the 30 pilot companies were divided into two groups and were sent to *kaizen* training centers in Osaka and Nagoya, Japan, to acquire first hand experience and learn more about work place management, teamwork, and other *kaizen* management techniques (for details see, Weldemariam, 2010 and Hhno, Hhno, and Uesu., 2009).

Given that *kaizen* pilot programs have already been launched in Ethiopia, some of the key issues that need to be addressed at this juncture are:

1. Are the Ethiopian value system and culture compatible with Japan's *kaizen* system of lean production and total quality management?
2. Is the transferred *kaizen* management system modified and appropriately designed to suit the diversity of practical circumstances and conditions of the Ethiopian manufacturing enterprises?
3. Were the organizational culture and structure of the pilot *kaizen* carefully analyzed before the transfer of *kaizen* to Ethiopia?
4. Is there synergy between the Japanese *kaizen* quality initiatives and the business environment of the pilot firms chosen in Ethiopia that will be embarking on a quality journey with Japan's experience as the guideline?
5. Will Japan's *kaizen* management system be adaptable enough to fit the Ethiopians' working culture?
6. Are factory workers in Ethiopia disciplined and motivated enough to share the underlying *kaizen* philosophy and go beyond formal job requirements to effectively participate in process improvement, i.e., to 1) identify opportunities, 2) make improvements, 3) challenge the status quo, 4) create favorable conditions to become self-starting and proactive?
7. Are enterprises in Ethiopia thinking of ways to improve continuously their products and services to meet customers' demands?
8. Are Ethiopian employees ready to utilize the *kaizen* process tools and methods to make the problems of their firms visible, and then use formal root analysis to identify and correct problems at the source?

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