

THE JAPANESE MANAGEMENT, A KEY ELEMENT OF TOYOTA'S SUCCESS

Toma Sorin-George

Professor, University of Bucharest, Bucharest, Romania, tomagsorin62@yahoo.com

Marinescu Paul

Professor, University of Bucharest, Bucharest, Romania, paulmarinescu1@yahoo.com

Gradinaru Catalin

Ph. D. student, University of Bucharest, Bucharest, Romania, enemycheater@yahoo.com

Abstract: *After its defeat in the World War II, Japan was a country in ruin. The Japanese economy faced huge problems as unemployment and hyperinflation increased. The vast majority of its industry was destroyed and new industrial facilities had to be re-constructed from the ashes. In the 1970s Japan achieved a giant economic stature, evolving into the second largest economy of the world. There are many ways of analyzing the Japanese economic miracle, but in the final, management has to be considered as one of its most important factors. The aims of our paper are to emphasize some of the main features of the Japanese management in the globalization era, and to present the case of Toyota Motor Company. The research type is a literature review combined with a case study.*

Keywords: *management, quality, Japan, Toyota, Toyota Production System*

INTRODUCTION

In the period 1945-1970, the Japanese economy recorded high annual growth rates and became the second economic superpower of the world. Labeled “Japan Inc.” or “Confucian capitalism” by various experts and researchers, the Japanese economic system successfully challenged the Western and American economic systems. There are many ways of analyzing the Japanese economic miracle, but in the final, management has to be considered as one of its most important factors. In the age of globalization the Japanese management has continued to be a key element of the Japanese economic success. In this respect, Toyota Motor Company represents a good example. The aims of our paper are to emphasize some of the main features of the Japanese management in the globalization era, and to present the case of Toyota Motor Company. The research type is a literature review combined with a case study.

MANAGEMENT- A KEY FACTOR OF THE JAPANESE ECONOMIC MIRACLE

After its defeat in the World War II, Japan was a country in ruin. In the late 1940s and early 1950s, the Japanese economy faced huge problems as unemployment and hyperinflation significantly increased. The vast majority of its industry was destroyed and new industrial facilities had to be re-constructed from the ashes. In the 1970s Japan achieved a giant economic stature, evolving into the second largest economy of the world. Catching up with the advanced capitalist countries represented a goal that captivated and motivated the Japanese people from the time of the humiliating defeat in the Second World War to the first oil crisis of the beginning of 1973.

The evolution of the postwar Japanese economy can be divided into the following main periods [7]:

- The economic recovery from 1945 to 1955. In spite of the fact that the rate of economic growth was relatively high, the standard of living remained low. The rates of unemployment and inflation highly afflicted the Japanese economy (Table 1).
- The period of rapid economic growth until the end of the 1960s. The rate of economic growth rose significantly and the living standard turned upward as well.
- The adjustment period of the mid 1970s. The growth decreased after the 1970s and the economy followed a general movement toward a stable economic growth.
- The stable growth period of the early 1980s. The growth rate sharply declined and the stability of prices was achieved.

Table 1- The postwar Japanese economy periods [7]

	Recovery		Rapid growth		Adjustment		Stable growth	
	1946-1950	1951-1955	1956-1960	1961-1965	1966-1970	1971-1975	1974-1980	1981-1985
Economic growth rate (%)	9.4	10.9	8.7	9.7	12.2	5.1	5.1	4.4
Rate of price increase (%)	44.4	6.3	1.5	6.1	5.4	11.5	6.4	2.7
Unemployment rate (%)	1.0	1.7	2.0	1.3	1.2	1.4	2.1	2.5
Growth conditions	Reconstruction	Independence	Modernization		Emergence of a superpower	Oil crisis	Adjustment	Stable growth

The postwar Japan’s phenomenal economic development and growth have led to the emergence of numerous studies trying to identify and explain the reasons of them. The Japanese economic miracle was not only the result of prompt responses to changing market conditions, but also the natural accumulation of multiple factors such as:

- thriving entrepreneurial spirit;
- high morale;
- Confucianist ethic;
- discipline of workers;
- high saving rate of households;
- powerful corporate groups (Box 1);

Box 1- The Japanese ‘gurupu’ [13]

At the top of the industrial hierarchy lies an array of private corporations that have made Japan famous in the postwar economic world. Most of large firms belong to the following six Japanese conglomerates, known as ‘corporate groups’ or ‘gurupu’ (Table 2):

- Mitsui;
- Mitsubishi;
- Sumitomo;
- Fuji;
- Sanwa;
- Dai-Ichi Kangyo Bank.

Generally, the ‘gurupu’ contain highly diversified industrial firms that are operating around their own banks, trading houses, insurance companies and real-estate agencies. These colossal corporate groups succeeded the well-known ‘zaibatsu’, which were dismantled by the Allied occupation after 1945.

Table 2- Ownership structure by corporate group, 1974-1982 average [2]

	Shareholdings by:			
	Financial institutions	Non-financial corporations	Individual investors	Foreign residents etc.
Mitsui	37.0	29.3	30.9	2.8
Mitsubishi	39.6	22.7	34.7	3.0
Sumitomo	34.8	32.0	30.8	2.4
Fuji	37.1	23.4	36.0	3.5
Dai-Ichi Kangyo Bank	41.2	21.9	33.5	3.4
Sanwa	40.2	22.1	35.3	2.4

- high rate of college entrance;
- religion;
- cultural values;
- strong institutional structure;
- competitive management etc.

The Japanese management both at macroeconomic level and microeconomic level proved to be an important catalyst of people's energy and a valuable instrument of achieving an impressive socio-economic development. In close cooperation with the labor force and the business world, the Japanese government succeeded in transforming a devastated domestic economy into a world superpower. Due to a stable and wise political leadership and a skillful government direction and intervention in the economy, the Rising Sun ('asahi' in Japanese) became one of the most competitive economies of the world. As the leading state actor in the economy, the Ministry of International Trade and Industry (MITI) played a fundamental role in the Japan's postwar economic triumph.

In the postwar period, the Japanese state's subtle industrial and commercial policies were elaborated and implemented by one of its most important institutions, the MITI [2]. In the context of a 'developmental state', the MITI highly contributed to Japan's economic growth. Starting with 1954, the ministry of MITI became one of the three indispensable men to the prime minister, side by side with Finance and Foreign Affairs ministers. As an institution of high-speed growth, the MITI led to the establishment of several governmental organizations, especially on the export promotion front, as: the Supreme Export Council (Saiko Yushutsu Kaigi), composed of the prime minister, the ministers of MITI, Agriculture and Finance, the governor of the Bank of Japan, the president of the Export-Import Bank and several business leaders; the Economic Planning Agency; the Japan External Trade Organization (JETRO). The golden age of the MITI was the period from 1952 to 1961. Due to the MITI's huge efforts the Japanese industrial structure turned from light, labor-intensive industries to steel, ships, and automobiles. The MITI worked close with the main Japanese business associations, such as the Federation of Economic Organizations (Keidanren), the Federation of Employers' Associations (Nikkeiren), the Chamber of Commerce and Industry of Japan (Nissho), and the Japanese Committee for Economic Development (Keizai Doyukai).

The high performance management of the economy under the Japanese government coordination and organization was accompanied by an equal high performance management of the businesses. In this respect, Toyota Motor Company constitutes a good example.

JAPANESE MANAGEMENT: THE CASE OF TOYOTA MOTOR COMPANY

Starting with the prewar period, the Japanese elite began to study the American management. After 1945, the widespread diffusion of the American managerial methods and techniques in Japan helped the Japanese companies to better organize and lead their businesses. In fact, the postwar Japanese corporate management owes much to Taylorism and Fordism, but a significant impact had also the conferences, courses and seminars conducted by the famous American quality experts and scholars W. E. Deming and J. M. Juran [4]. In 1950, the Union of Japanese Scientists and Engineers (JUSE) invited Deming to provide both Quality Control (QC) courses and seminars for engineers and top managers in major Japanese cities. Deming educated the Japanese in applying statistical QC in industry and taught them how to use the Plan-Do-Check-Act cycle (PDCA cycle) to enhance quality. He gradually concluded that what was needed for the Japanese companies was a bedrock philosophy of management. Later, JUSE invited Juran to hold QC courses for top and middle managers. Juran had a great influence on the development of quality movement in Japan by claiming that QC must be an integral part of the management function and practiced throughout the company.

On the other hand, due to the rapid development of the big corporations in the first postwar decades, a specific type of management emerged in Japan. The call for a new managerial ideology launched by Doyukai highly influenced the evolution of the Japanese management. In a historical declaration from 1956, Doyukai emphasized the need for improvement of managerial practices and of the training of future generations of Japanese managers, the social responsibilities of modern corporate managers and the creation of a climate for fair competition. Step-by-step, an indigenous management appeared, based especially on the old Japanese tradition and culture. As the companies are managed in the context of the Japanese culture and religion, many aspects of the Japanese management are culture bound. Some of the core cultural values that found expression in the Japanese management are benevolence ('on'), dependence ('amae'), human feeling ('ninjo'), and social obligation ('giri').

Since the 1960s researchers have identified the major features of the Japanese management. The majority of these main characteristics are still the same in the age of globalization, as follows [1, 3, 5, 12]:

- humane management (Box 2);
- life-time employment;
- seniority-based rewards;
- strong emphasis on training;
- tacit knowledge shared among all employees;
- self-discipline;
- harmony;
- collective decision making;
- group responsibility;
- company unions;
- organizational commitment to egalitarian relationships and democratic participation;
- ethical conduct;
- quality consciousness etc.

Box 2- The humane management [11]

Born in the eighteenth-century in England, the human capitalism is not a Japanese phenomenon. However, human capitalism has been the foundation of Japan’s economic rebirth after 1945 and took concrete shape in the period of accelerated economic growth. According to the Japanese philosophy, the capital orientation is largely replaced by people orientation within the socio-economic system. The human resources are the most important actor of production under the Japanese thinking. Consequently, the Japanese firm (‘kaisha’) is a humanistic enterprise system. The management, shareholders and workers view themselves as parts of one single group jointly trying hard to ensure the prosperity of their company.

All these features are particular to the so-called Japanese-style management system. In spite of the fact that Toyota is a global corporation, acting as one of the key drivers of the globalization process, it remains loyal and devoted to the Japanese-style management.

At Toyota Motor Company, which has more than 310,000 employees around the world, people are the most valuable resource. This is why Toyota is a human-centric organization. Since 2007, Toyota has become the largest automotive corporation of the world (Table 3). Toyota’s phenomenal success was built on the foundation and full implementation of the specific principles belonging to its corporate management philosophy known as the Toyota Production System (TPS).

Table 3- The world’s 10 largest automotive corporations in 2010 [14]

Rank 2010	Corporation	Country	Revenues (USD millions)	Profits (USD millions)
1.	Toyota Motor	Japan	221,760.2	4,765.7
2.	Volkswagen	Germany	168,041.0	9,052.7
3.	General Motors	USA	135,592.0	6,172.0
4.	Daimler	Germany	129,480.6	5,957.4
5.	Ford Motor	USA	128,954.0	6,561.0
6.	Honda Motor	Japan	104,342.1	6,235.7
7.	Nissan Motor	Japan	102,430.0	3,727.1
8.	Hyundai Motor	South Korea	97,408.4	4,707.6
9.	BMW	Germany	80,099.4	4,262.1
10.	Peugeot	France	74,250.6	1,501.9

Being in total concordance with the Japanese humanistic economic philosophy, TPS has recognized that people are a crucial factor of corporate competitiveness in a globalized business world. Aiming to increase efficiency by thoroughly eliminating waste, the TPS has always emphasized the importance of quality. As the customer’s satisfaction with product quality is an end in itself at Toyota, the dictum “Quality first, not profit first” fully reveals the Toyota’s belief in quality. But, according to TPS, quality is nothing else than a result of employees’ work and cooperation. On the other hand, Toyota’s quality philosophy refers not only to products or processes, but also to workforce and management. The main objectives of the TPS are the following:

- to design overburden (‘muri’);
- to smooth production (‘mura’);
- to eliminate waste (‘muda’),

and its subgoals include quantity control, quality assurance, and respect-for-humanity [15].

In order to achieve high performance, the TPS is based on the following several pillars [8, 9]: Just-in-time (JIT); automation (‘jidoka’) or automation with a human touch; flexible workforce (‘shojinka’) and creative thinking or inventive ideas (‘soikofu’).

In essence, Toyota comprises two main sides [10]. Firstly, the hard side that encompasses the TPS, the logistics management, and the research and development activities. Secondly, the soft side that includes the human resource management, the dealer management and the corporate culture. Toyota’s success lies in its remarkable management and production system that allows it the obtaining of low-cost and high-quality products.

CONCLUSIONS

The Japanese management constitutes a key factor of the postwar Japanese economic miracle. Both at the macroeconomic level and the microeconomic level, the Japanese management succeeded in directing the energy of the Japanese people towards high performance. The Japanese management in the age of globalization maintains its main features from the postwar period, reflecting the Japanese commitment to continuity. Influenced by the American management in its beginning, the Japanese management is based especially on the Japanese traditional cultural values.

The Toyota Motor Company has given expression to the Japanese humanistic enterprise system. Toyota's competitive advantage has been primarily based on its corporate management philosophy, the TPS. Its success has been driven by a long-held vision at the company

REFERENCES

1. Abegglen J. G., *The Japanese Factory- Aspects of Its Social Organization*, The Free Press, Massachusetts, 1957
2. Aoki M. (ed.), *The Economic Analysis of the Japanese Firm*, North-Holland, New York, 1984
3. Chatterjee B., *Japanese Management: Maruti and the Indian Experience*, Sterling Publishers private Limited, New Delhi, 1990
4. Ishikawa K., *Guide to Quality Control*, Asian Productivity Organization, Tokyo, 1976
5. Iwata R., *Japanese-Style Management: its Foundations and Prospects*, Asian Productivity Organization, Tokyo, 1982
6. Johnson C., *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*, Stanford University Press, Stanford, 1982
7. Kosai Y., *The Era of High-Speed Growth. Notes on the Postwar Japanese Economy*, University of Tokyo Press, Tokyo, 1986
8. Liker J. K., *The Toyota Way. 14 management principles from the world's greatest manufacturer*, McGraw-Hill, New York, 2004
9. Liker J. K., Meier D., *The Toyota Way Fieldbook. A Practical Guide for Implementing Toyota's 4Ps*, McGraw-Hill, New York, 2006
10. Osono E., Shimizu N., Takeuchi H., *Extreme Toyota: radical contradictions that drive success at the world's best manufacturer*, John Wiley&Sons, New Jersey, 2008
11. Ozaki R. S., *Human Capitalism. The Japanese Enterprise System as World Model*, Kodansha International, Tokyo, 1991
12. Yoshino M. Y., *Japan's Managerial System: Tradition and Innovation*, MIT Press, Cambridge, 1971
13. Wolfereen van K., *The Enigma of Japanese Power. People and Politics in a Stateless Nation*, Charles E. Tuttle Company, Tokyo, 1993
14. ***, *Global 500. The world's largest corporations*, Fortune, vol. 164, no. 2, July 25, 2011
15. ***, *Toyota in the World 2011*, <http://www.toyotaprensa.es/documentos/prensa/15/8/Toyota%20in%20the%20World%202011.pdf>