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## A study of Japanese Management Philosophy and Techniques: A Quality Enhancement Approach

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### ABSTRACT

The Japanese have Extraordinary Impact on World Markets. Many Industries, such as Electronics, Cameras, Watches, Motorcycles, Machine Tools, Automotive Products, Shipbuilding, and even some aspects of aerospace are either dominated by Japanese firms or are heavily impacted by them. Japanese factories have some of the highest wage structures seen outside the United States. Second, this "Japanese Miracle" is also happening outside Japan. Most Japanese Automobile Manufacturers have successful plants located within the United States. The Research paper describes about various Japanese Management Philosophy Techniques. Japanese Companies are successful because of their excellent Management Techniques such as Management Education, Quality Circles, Ringi System (Decision Making), Kaizen, Just in time, Job rotation etc. In present research paper both traditional and modern approaches are discussed in brief.

**KEYWORDS:** Management Education, Scientific Management, Corporate Governance, Enterprise Union, Quality Circles, Ringi System, Kaizen, JIT, Job Rotation

### INTRODUCTION AND HISTORICAL BACKGROUND

Although Japanese Management Techniques and Economic Strategies came to be recognized in Western Countries only during the post war period, their origins are considerably older. Most directly, their origins can be traced to at least the latter part of the 19th century, when a Western influenced modernization program began under the new kingdom created in the 1868 Meiji restoration. In part as a response to the bitter European colonization experiences of its Asian neighbours, the new Japanese government began to open the Japanese economy and society to control outside influences in order to stave off any Western conquerors.

Some recognizably modern practices arose during the Meiji period. Even then, when the Japanese economy was still shedding the trappings of feudalism after centuries of closure to foreigners and slow technological development, heavy emphasis was placed on developing domestic imitations of—and innovations on—Western goods, rather than relying on imports. The practice was summarized well under a slogan of the era, "Japanese spirit, and Western technology."

This ambition to preserve the character of the Japanese culture and the autonomy of the economy can be seen in 20th-century practices at both the macro-

and microeconomic levels. In the national economy it is evidenced by long-standing restrictions (direct and indirect) on imports into Japan and the concomitant trade surplus Japan has maintained for years. At the company level, the same motive helps explain the prevalence of the Japanese keiretsu, the large and complex families of interdependent companies centred around their own banks (e.g., Sumitomo, Hitachi, Mitsubishi). In theory, at least, these firms can avoid "importing" their raw materials, components, or even capital from "foreign" (i.e., unaffiliated) companies by sourcing these goods from within their extensive organizations.

### PROFILE OF TRADITIONAL JAPANESE MANAGEMENT PRACTICES

Rooted in these and other historical traditions, some of the other key practices commonly associated with Japanese management techniques include:

- In-house training of managers
- Consensual and decentralized decision-making
- Extensive use of quality control methods
- Carefully codified work standards
- Emphasis on creating harmonious relations among workers
- Lifetime employment and seniority-based compensation

It is important to note that these are generalizations according to a conventional formula. There have always been variations, and, as noted above, some aspects of these practices have been increasingly reconsidered in recent years.

### MANAGEMENT EDUCATION

The Education of Managers in Japan traditionally takes place on a relatively informal basis within firms. The percentage of Japanese chief executives who have attended university is high, similar to that in the United States and Western Europe. However, very few Japanese executives have attended graduate schools compared to their U.S. and European counterparts. In fact, only one Japanese university offers a degree analogous to an MBA, a key credential for managers in the United States. Formal education for managers is also not well developed at the undergraduate level. Undergraduate education is not viewed by firms as a means of attaining business skills, and firms base their hiring decisions less on a recruit's knowledge than on general attributes such as character and ambition. Firms do not hire recruits to fill specific occupations. Rather, recruits are expected to be malleable, identifying with the general interests of the firm rather than with their specific role within it. The mentor system is widely used in the early training of management recruits and involves middle-level and senior managers serving as teachers and role models.

The emphasis on in-house education is related to the traditional lifetime employment system, in which management recruits are hired each April following university graduation; they typically would stay with the firm until retirement. The lifetime-employment system makes it probable that a firm will benefit from its investment in training, and also enables the firm to develop long-range plans for training recruits.



Management training is based on regular rotation through a broad range of a firm's operations. Management recruits also frequently begin their careers as ordinary workers on a production line. The pattern of regular rotation enables managers to develop a detailed understanding of a number of varied operations, and thus over time to attain a rich general knowledge of the firm.

Linked with the lifetime-employment system is the emphasis on seniority in compensation and promotion—often over what Americans would take to be "qualifications" for the job. This results in a higher average age and less variation in age among top executives in Japan. Compared to the United States and Europe, for instance, relatively few company presidents are under age 50. This practice is believed to equip Japanese executives with an intricate knowledge about their particular business.

### **CAPITAL AND PRIORITIES.**

The long-term view of Japanese managers is also based on sources of finance. While American firms rely heavily on capital from the stock markets, Japanese firms tend to rely more heavily on borrowing from banks and generally have much higher debt-to-equity ratios. Consequently, Japanese managers are under less pressure to maximize short-term earnings to please shareholders.

### **CORPORATE GOVERNANCE**

While Directors from outside the Company are common in the United States, they are rare in Japan. The decision-making process in Japanese firms is highly decentralized. Japanese Directors typically retain production-line responsibilities. For example, in the early 1970s, 14 of Hitachi's 20 directors were engineers. This represents another facet of the strong production orientation of Japanese management.

### **THE RINGI SYSTEM**

The traditional decision-making process in Japanese firms is referred to as the **ringi** system. The system involves circulating proposals to all managers in the firm who are affected by an impending decision. Proposals are generally initiated by middle managers, though they may also come from top executives. In the latter case, an executive will generally give his idea to his subordinates and let them introduce it. Managers from different departments hold meetings and try to reach an informal consensus on the matter. Only after this consensus is reached will the formal document, or **ringi-sho**, be circulated for approval by the responsible managers. The **ringi** system requires long lead times, and thus is problematic in a crisis. In recent years the focus on speeding up decision making has made this approach unpopular at many firms. Nonetheless, one of its underlying principles remains prevalent. That is, when a decision proves beneficial, the middle-level managers who initially advocated it receive credit; when a decision proves unsuccessful, responsibility is taken by top-level executives. This practice is intended to promote aggressiveness in younger managers.

## ENTERPRISE UNIONS

One distinctive characteristic of labour-management relations in Japan is the enterprise union, which is organized around a single plant. Consequently, any given company may have several enterprise unions representing various portions of its workforce. Enterprise unions generally belong to a larger federation, but the balance of power is at the local level. Japanese unions are distinct not only because of their highly decentralized nature, but also because they represent both white-collar and blue-collar workers, with union membership open to managers up to the section chief level. The fact that many upper-level managers have moved up through union ranks and may have even served as union officials highlights the generally less antagonistic relationship between labour and management in Japan. Combined with a relatively narrow income gap between managers and workers and the willingness of manager recruits to work on production lines as part of their training, the open membership policies of Japanese unions contributes to the fairly harmonious interaction between unions and management.

Union membership is generally associated with lifetime employment guarantees. Membership varies widely by firm size, and relatively few workers in firms with fewer than 100 employees receive lifetime employment guarantees. Nonetheless, in large firms the lifetime employment guarantee creates an environment in which workers are less likely to feel threatened by technological change. As a consequence, changes in the production process are likely to be undertaken by management and workers on a cooperative basis. More generally, since semi annual bonuses and annual wage negotiations are based on a firm's competitive strength, workers have a large stake in their firm's long-term success.

## QUALITY CIRCLES

The extensive use of **quality circles** is another distinguishing characteristic of Japanese management. The development of quality circles in Japan in the early 1960s was inspired by the lectures of American statisticians W. Edwards Deming and J.M. Juran, in which they discussed the development of wartime industrial standards in the United States. Noting that American management had typically given line managers and engineers about 85 percent of responsibility for quality control and only 15 percent to workers, Deming and Juran argued that these proportions should be reversed. Production processes should be designed with quality control in mind, they contended, and everyone in the firm, from entry level workers to top management, should be familiar with statistical control techniques and undergo continuing education on quality control. In general, Deming and Juran argued that quality control should focus on prevention, with the ultimate goal being to improve the production process until no defective parts or products are produced. Quality circles were one method of reaching these goals.

In Japan, quality circles consist of groups of about 10 workers who meet weekly, often on their own time. The groups typically include foremen, who usually serve as circle leaders. Quality circles focus on concrete aspects of the operations in which they are directly involved, using tables and graphs to communicate the



statistical details of their quality issues. In one common format, problems are categorized by materials, manpower, and machines.

Quality circles provide a means for workers to participate in company affairs and for management to benefit from worker suggestions. Indeed, employee suggestions play an important role in Japanese companies. Two associations, the Japanese Association of Suggestion Systems and the Japan Human Relations Association, were developed to encourage this process. Japanese employee suggestions reportedly create billions of dollars' worth of benefits for companies.

### SCIENTIFIC MANAGEMENT

Japanese management techniques have been strongly influenced by the tenets of scientific management. Like quality circles, scientific management originated in the United States, only to be more systematically adopted in Japan. The pioneering figure of scientific management is Frederick Taylor (1856-1915). Taylor is best known for his time and motion studies of workers as part of an effort to optimize and standardize work efforts, but he also argued for a system of bonuses to reward workers based on productivity. These ideas were implemented by Japanese firms as early as 1908, and a translation of his *Principles of Scientific Management* sold 2 million copies in Japan.

In the post-World War II years, carefully codified work standards and the use of semi-annual bonuses for workers became common practices in Japan. Consistent with the Japanese emphasis on teamwork, bonuses are generally allotted to a work group rather than an individual worker. Scientific management emphasizes the role of management in the production process. This is reflected in the more hands-on approach in Japanese management training, as well as the relatively high share of managers directly involved in the production process.

### NEW DIRECTIONS TOWARDS QUALITY ENHANCEMENT

While many of the patterns just described continue unabated at some Japanese companies, a variety of forces have caused them to change, often toward Western practices. Since the 1980s, for example, the predominance of seniority-based raises has been gradually giving way to a Western style regime of merit-based pay. Indeed, as of 1995, three-quarters of Japanese companies surveyed allocated at least some of their reward pay based on skills or achievements as opposed to tenure. And more than a few Japanese companies have attacked seniority more directly, explicitly revising policies to diminish or even eliminate it as a criterion in the compensation structure. This trend may be evidence of a cultural shift from valuing length of service to valuing quality of service.

Also mirroring Western trends, labour union membership in Japan has dropped considerably since the 1970s, falling from 35.4 percent of the workforce in 1970 to just 22.4 percent by 1998, according to figures compiled by the Japanese Ministry of Labour. Union participation remains the highest in large companies (those with 1,000 or more workers), where in 1998 membership was still nearly 57

percent. This share was down from 68 percent in 1987, the first year statistics by company size were kept.

Other traditional Japanese practices appear more enduring, notably lifetime employment. Although Japan's economic troubles have meant that some employees have lost their jobs, a continuing commitment to the principle of lifetime employment seems to remain at many companies and in the society as a whole. Still, younger workers (e.g., those under age 30) are decidedly less loyal to companies than in decades past, and there is growing evidence of a rise in professional identification over corporate identification among workers (i.e., "I'm a tax accountant" instead of "I'm a Toyota worker").

Nonetheless, even at the depths of the Japanese recession during the late 1990s Asian financial crisis, companies went to great lengths to avoid outright layoffs. One of the most common practices instead was to reassign workers, either within the corporate family or to other companies, such as vendors the company does business with. These transfers (known as *shukko*) could be temporary, in which case the worker is still officially employed by the company that has loaned him or her out, or permanent, where the company essentially finds a new job for the employee at another company. Employees who were never considered part of the lifetime staff, such as part-time help, usually didn't enjoy such privileges.

Although most agree that Japanese management has been moving in new directions, academics who study Japanese management practices are divided on how profound the shifts in the Japanese business paradigm really are. Indeed, the extent of opinions has ranged from declaring the death of the Japanese management system to asserting its overarching continuity and strength. A number of observers see a continued convergence with Western practices, but many believe that, as in the past, the adoption of Western principles and practices will never be wholesale, but will blend with prevailing norms and beliefs in Japanese business and the broader culture

### **Job Rotation**

Japanese firms are often regarded as a "dojo" a training place where one practises the martial arts of life (Whitehill, 1992: 162). Job rotation is valued as the best means of increasing the motivation of the workers, improving their performance, and thus achieving better efficiency and productivity. During the first ten years, the employee is put on a job rotation scheme. Under this scheme, management trainees are expected to learn and acquire considerable expertise in a number of areas of the firm. Those identified as potential top management candidates are rotated through key departments on a regular schedule to increase the breadth of their knowledge and experience (Keys et al, 1998). Job rotation enables companies to create a well-rounded company man and allows the senior manager trained in this manner to understand the company as a holistic system. Additionally, since knowledge and skills are shared among all the workers, the company's dependence or reliance on a few highly specialized workers can be minimized. It may also be argued that workers, under such a scheme, are constantly learning and acquiring new skills. The drawback of such a system, however, is the potential de-



skilling of the workforce itself. Workers may be gaining new expertise in various fields, but these are often limited to the company's specific operations and production techniques and may not be valuable for employment elsewhere. Thus, workers' chances for a career move outside the firm become seriously restricted.

### **Just In Time (JIT)**

Just in time (JIT) is a Japanese Management Philosophy which has been applied in practice since the early 1970s in many Japanese manufacturing organizations. It was first developed and perfected by tai-chi ohno, toyota vice-president. The concept is that one should supply parts, as they are needed. The main objective is to meet consumers' demand with minimum delays. Tai-chi ohno drew the original inspiration from the operational logic of the American supermarket, where empty shelf space or gaps constituted the 'trigger mechanism' for shop assistants to replace products. JIT gained extended support during the 1973 oil embargo and the increasing shortage of other natural resources, and was later adopted by many other organizations.

### **Kaizen**

Kaizen is one of the most important concepts in Japanese Management and the main key to Japanese competitive success. It constitutes the basic philosophical underpinning for the best in Japanese management. Japanese managers devote at least 50 per cent of their attention to kaizen. Normally the driving forces for competition are price, quality, and service. In japan today, Japanese companies are even now competing in introducing better and faster kaizen programmes. Once the kaizen movement has been started, there is no way to reverse the trend. Kaizen is an ongoing process. Kaizen is also people oriented and is directed at people's efforts. This contrasts sharply with the result oriented thinking of most western managers where the individual's contribution is valued only for its concrete results. Kaizen does not necessarily require sophisticated techniques or state-of-the art technology. Often all that is needed is common sense. It does not necessarily call for a large investment to implement it. However, it does call for a great deal of continuous effort and commitment. Unlike innovation, which is technology and money oriented, kaizen is people oriented and calls for a substantial management commitment of time and effort, rather than capital. Thus investing in kaizen means investing in people. Kaizen and the Japanese 'suggestion system' work in concert. An important aspect of the suggestion system is that each suggestion, once implemented, leads to a revised standard. Through the suggestions, employees can participate in kaizen in the workplace and play a vital role in upgrading standards.

### **CONCLUSION**

The entire Japanese Management Techniques, although most of them are still available and benefit nowadays, likewise they need to change right now to meet requirements of competitive society and more personalized customers. Japanese

companies have adopted new innovative approach in industries so that they can utilise maximum resources and can receive great results.

All the techniques are invented to benefit the stakeholders and it creates healthy environment in an Industry and enhance the quality.

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