

# Japanese SMEs from a Foreign Perspective

By Hashimoto Hisayoshi

## Asia's Information Crossroads

The National Graduate Institute for Policy Studies (GRIPS), to which I belong, is a new kind of graduate school for research into policy that began enrolling students in April 2000. Of the two functions of universities, “education” and “research,” GRIPS focuses primarily on research.

The first characteristic of GRIPS is that it is an international graduate school, and non-Japanese account for about two-thirds of the studentbody. They include 42 nationalities from such places as Southeast Asia, Central Asia and Africa.

The second characteristic is that almost all of the courses are conducted both in English and Japanese simultaneously. For example, there is an English class and a Japanese class for my Small and Medium Enterprise and Technology course.

Therefore, foreign students can allocate their time to original policy research without spending a lot of time learning Japanese.

The third characteristic is that GRIPS endeavors to recruit a large number of faculty members with wide social contacts, including people with experience working at private corporations and in government ministries. In other words, it creates an environment that secures a certain critical mass to invent a core for policy research with constant renewal that gives rise to daily debate around the campus.

The fourth characteristic of GRIPS is that the students, whether they are from overseas or from Japan, are central or local government officials in their respective countries, and the curriculum and system have been set up so that they can obtain a Master's degree in one year. GRIPS is also working to shorten the conventional three-year period of residence for the Ph.D.

The concept of elite government offi-

cial from all over the world studying and relaxing together may create an influential alumni network. The graduates of GRIPS will come to account for key positions in the government apparatus of various countries in the not-so-distant future. My dream is that they will liaise internationally at such times as the Asian currency crisis, for example, to devise preventative measures and avert a crisis before it happens. The knowledge and attitudes about Japanese and global policy that they study will definitely be useful to them some day.

## Fostering Asian Leaders

“Japan is a strange country,” according to the foreign students at GRIPS.

A small island nation in the Far East with practically no resources has become the world's No. 2 economic superpower. Everyone is hardworking and conscien-

tious about the rules, and they do not loaf about even when no one is watching. Problems like looting of shops do not happen during times of turmoil such as earthquakes.

I teach SME policy, and I get a little perplexed when I am asked about how effective the policies that have been successful in Japan would be in developing countries.

For example, take legislation such as Japan's SME Modernization Promotion Law (1963 Modernization Promotion Law), which contributed to the strengthening of postwar Japanese industry.

People in the same industry got together on the level of industry associations (e.g., Japan Cast Iron Foundry Association, Japan Bench Machine Tool Builders Association, Japan Spring Manufacturers Association) to draw up the form that the relevant industry ought to take. They produced

Photo: The National Graduate Institute for Policy Studies



Foreign students in a GRIPS class listen to a speech by a special guest

Photo : Japan Productivity Center for Socio-economic Development



Trainees from Asian countries studying Japanese manufacturing techniques

“modernization programs” that set various objectives in terms of the scale of companies, the level of equipment, and the level of technology, and then worked together as an industry to achieve the objectives with the government supporting their efforts. However, students from other countries say, “We do not understand such cooperation among industrial association members who should be rivals in the first place.” At Japanese industrial associations, rivals get together, hold study groups, work to create financing systems for the industry, and even play golf together at social events. Meanwhile, rank and file sales people cheat and outmaneuver their rivals and act out a desperate fight to rise above the crowd. Students continuously say, “we cannot tell if relations are good or bad.”

Many developing countries do not have highly focused industry organizations like Japan’s. Even though they have a machine industry association, there is not often a spring or a screw manufacturers’ association. Moreover, because study groups and modernization drives strengthen rivals, talk of cooperation is not likely to begin with.

### ■ The Lucky Country

I also feel that the development of Japan and that of technology is a fortuitous coincidence of circumstances.

Our elders unearthed charred lathes in the postwar ruins, polished and oiled them and fixed them up. There were jobs to do even for such beaten up machines, and there were adequate skill levels so that any deficiencies in the precision of the machines could be compensated for with skill. Even charred machines could be used in some way when the broken parts were replaced, and the orderers of the machines were also satisfied with that level of precision.

In the meantime, machine makers studied machinery exhaustively because a deep knowledge was needed to repair broken machines. At the time, machines were simple. Thus, they could be understood by sight without difficult theories.

Technology developed little by little, and then numerical control equipment (NC) was introduced from the United States. However, control computers had not been developed at this stage.

The Japanese machine tools industry

thought that NC could be used conveniently. At the time, the industry was overwhelmingly behind the United States and Germany, and NC seemed to be a decisive technology that would quickly make up for the disparity.

Machine tool makers began to embrace NC enthusiastically, partly because Japanese have a liking for novelties. Customers, including the automobile industry, also began to adopt NC. Thinking of future development, they tried it for study purposes even though profits did not justify it. The manufacturers carried out improvements as complaints about defects and usability were reported by customers.

It was shop floor engineers who actually mastered this. Aware of the sound as well as the vibrations of a rotating motor, they physically experienced NC and appreciated the limits and the convenience in a physical sense. If the machine vibrated in an unusual way, they put a weight on it, changed the type of cutting oil, cooled it, or changed the angle. Alternatively, they eased up the instant the vibration began. While doing this, they created a technique to increase the cutting speed slightly and to speed up the number of rotations.

Such a process of development and improvement was possible only by engineers who physically understood handle-operated machine tools.

In the course of this, they discovered which sections could be produced using NC and which sections could not. In this way, NC was brought into practical use, and each time the performance of computers improves, it has been further upgraded.

In this process, engineers on Japanese shop floors thoroughly internalized the nature of the NC lathe. They improved the machines by themselves, replacing motors with powerful ones, increasing the number of rotations and devising blade molds.

However, today’s developing countries are in a difficult situation. For example, even if they dug up charred machines from the ruins, it would be impossible to repair them. The compo-

nents are extremely precise and cannot be used once they go rusty. Because they are subjected to special heat treatments and surface treatments, they cannot be put to practical use even if the shape can be copied. All the controls are electronic, so they cannot be used with a different control circuit, and even the same company's circuits are often no use. There is no way to repair them.

The first machine that engineers in developing countries use after entering a company is a machining center, so they cannot get a sense of physically experiencing the sensations of a machine's vibrations and cutting. Nowadays, machines are generally covered for safety and it is not easy to even see the cutting area.

A certain engineer was shocked, saying, "When I asked a young person to make a hole, he put together a program and made the hole with the machining center." However, I suppose that is what happens when someone has never used such a thing as a drill press.

### ■ Trust Is Japan's Legacy

When I visited Guangzhou in China recently, the manager of a company whom I know said, as if in wonder:

"When I go overseas for sales, Japanese affiliated companies are trusted simply because they are 'Japanese companies.' A friend of mine who is a manager at a company affiliated with another country says that he is asked for certification of quality at every stage. We must be grateful for the trust that older Japanese companies have built up over many years."

When postwar exports began, Japan created export inspection associations and carried out exhaustive quality control. Moreover, Japan promoted standardization with the creation of the Japan Industrial Standard (JIS), and this helped ensure compatibility among Japanese products. I suppose that we who are hoping for industrial development in Japan must also be grateful for the efforts of our predecessors.

### ■ Management Styles in Asia

Japanese affiliated companies in Asia are trying to transplant Japanese-style management while respecting local customs, but they still seem to lose their sense of purpose in the face of the strength of local practices.

There are now three trends in Asia, which are "Chinese-style management" based on expatriate Chinese capital, "Anglo-Saxon management" by European and US-affiliated companies, and "Japanese-style management" by Japanese-affiliated companies. These three management techniques conflict, clash and are also mixed with the culture of the respective countries, and each company produces distinctive corporate customs and practices.

When I ask the managers of locally affiliated companies about management techniques at their own companies and future trends, many of them respond that they are making efforts to adopt Japanese-style management. This provides hope that a new "Asian-style management," which is a fusion of the three styles, will come into being in the future.

### ■ What Is Hybridization of the Asian Style?

Expatriate Chinese-affiliated companies that become local companies in Asia still have a strong traditional coloring with family businesses based on territorial and blood ties, the separation of ownership and management and charismatic one-man management. However, they need to promote modernization of management rapidly in order to respond to the diversification in business, the development of high technology and global competition, and they have been encouraging modernization.

Therefore, the second generation is sent to study in the United States to earn MBAs, and the employment of management professionals with no blood relations and the young generation of MBAs who have studied overseas are being promoted. Nevertheless, those young Asians who have studied in the United States promote

results-oriented US-style management at first, but gradually end up wanting to make a fusion of the three management styles into their management philosophy.

In addition, there are cultural differences among countries, and therefore the response to the three management styles varies. In South Korea, Confucian ideas, which still have a powerful presence in the country, clash with Japanese-style management and US-style management, giving rise to major distortions and arguably creating a distinctively South Korean-style management. Including owner-management, authoritarianism, nepotism, and people-centered management, South Korean-style management has aspects that are more Japanese-style and expatriate Chinese-style than Japan and expatriate Chinese. Moreover, in the case of Thailand, companies were at the stage of finally having established the significance of working as a business entity through the 1980s. They are now at the stage where the culture of the Thai people is reflected at management level. At present, they appear to be engaging in a shrewd adaptation of responding in a US-style to US-affiliated companies and a Japanese-style when associating with Japanese-affiliated companies.

Furthermore, it is also interesting that evaluations of whether Asia is individualistic or family (group) oriented are completely different depending on the person. Nevertheless, this signifies that within a real family, people are actually family-oriented, and outside the family, they are individualistic. A company is not a family, so it is simply a fundamental truth that individualistic tendencies will appear more strongly.

Since a consolidated management-style has not yet been established in Asia, the results of a hybrid management-style fusing the three management styles and national cultures will probably come about gradually in specific cases in the near future. **J.S**

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