

# What is behind the increasing focus on customers and citizens?

By Hamano Takayoshi

"Consumers are kings" was a popular catch phrase in Japan about 30 years ago. It is not clear though whether it was meant to emphasize the sovereignty of consumers or used in connection with some savvy corporate marketing strategy.

Whatever the reason, it is certain the catch phrase was based on the notion that companies must focus on customer satisfaction to survive.

Looking after customers forms the core of all business activities, but such a practice is by no means limited to the world of commerce. Today, there is increasing recognition among local governments of their duty to respond more to citizens' needs.

What lies behind corporations' focus on customers and local governments' focus on citizens?

## Malcolm Baldrige National Quality Award

Maximizing the care of customers is a traditional specialty of Japanese companies, which once competed fiercely with each other in offering optimum customer services, notably in the camera, motorcycle, automobile and copy machine industries. This in turn helped expand the marketing outlets for Japanese products globally.

In a bid to reinforce the competitive position of its manufacturing sector by emulating Japanese companies' customer-oriented marketing strategy, the United States introduced the Malcolm Baldrige National Quality Award (MB Award), which honors companies with prowess in customer services. The MB Award, which is presented annually at a ceremony attended by the U.S. president, is named after Malcolm Baldrige, a former secretary of commerce who



Presentation of the winner of Japan Quality Award '98

died in a rodeo accident in 1987, and is known as the Nobel Prize of the U.S. business sector.

One such firm is Granite Rock Co., a mid-size concrete manufacturer based in Watsonville, California, that won the 1992 MB Award by focusing its corporate improvement efforts not only on product quality but also on customer service. Toward this aim, the company began a program of having its delivery personnel (mixer-car drivers) flexibly cater to customers' needs. The effort was rewarded when it received a letter from a contractor customer expressing thanks for the outgoing manner in which one mixer-car driver delivered his load to a construction site.

According to the letter, not only did the driver deliver the cement on time, but he hauled a wheelbarrow to the construction site since workers handling the concrete had not yet

arrived and the construction site manager was at a loss what to do. Furthermore, when the driver realized that the amount of concrete delivered was a cart short of what was needed, he called the driver of another mixer car by radio to make arrangements for an additional delivery. The workmate, who was on his way back to the office with some surplus concrete, turned around and delivered the surplus load to the construction site. No additional fee was charged.

It is said that U.S. corporate renovation, driven by the MB Award, led to the creation of 11 million jobs in a four year period.

## Japanese version of MB Award

In the meantime, Japanese companies, which used to prioritize customer satisfaction, now seem to have become less customer-oriented. This is evidenced by such phenomena as blue chip companies taking more care of professional stockholding blackmailers than customers or some financial institutions refusing to lend money to financially troubled companies. While some companies are earning record profits despite the prolonged recession through the development of customer-friendly products, the number of such companies is limited. Alarmed by the deterioration in customer services by Japanese companies, the Japan Productivity Center for Socio-economic Development, a business organization promoting productivity, established the Japan Quality Award — the Japanese version of the MB Award. It was, in a way, a reimport of the MB Award which itself was originally inspired by Japanese



business practices.

Like its U.S. counterpart, the Japan Quality Award is intended to annually honor companies that conduct business from the viewpoint of customers — the source of profits — and have corporate structures capable of continually producing new values.

Two companies were selected as winners of the 1998 award: Japan Research Institute (Koido Masahiko, president) in the service sector and Yoshida Original Corp. (Yoshida Shigeru, president) in the small-business sector.

Japan Research Institute, one of Japan's leading think tanks, was highly rated for its efforts in placing priority on satisfying customers and helping companies reinforce their corporate structures from the shop floor up. For example, the think tank gave an industry mired in recession a piece of advice on the direction of a new corporate model for the 21st century.

Yoshida Original, a bag manufacturer, unified its planning, production and marketing activities without depending on wholesalers in a brave challenge to the wholesaler-controlled distribution structure in the country. By doing so, the company highly satisfied customer needs and achieved remarkable performance.

**Qualitative improvement of local businesses**

There are two recent developments in regard to the Japan Quality Award.

First, several local governments have launched or plan to launch their own awards to honor local companies that contributed to qualitative improvement. Among them are the prefectural governments of Niigata, Ishikawa, Fukui, Akita and Chiba, as well as the Itabashi Ward office in Tokyo.

Following Itabashi Ward, which became the first local government to establish such an award, Chiba, Fukui and Niigata prefectures established quality award councils in 1998 in preparation for the launching of prefectural quality awards this year or

next.

In another development, several local governments are moving to improve the quality of their services by applying corporate evaluation methods in evaluating their administrations.

The quality of local governments means the quality of all services handled by them. The conventional concept of local administration was a triangular structure with the chief administrator (governor, mayor, etc.) at the apex, executives and officials located in the middle and residents on the base.

In contrast, the new concept envisages a reverse triangular structure in which residents occupy the upper strata and their opinions are funneled to the chief administrator, at the bottom, through officials placed in the middle.

The new concept lists seven points as requirements for qualitative improvement in local administration: 1) quality to be evaluated by residents (the quality of administrative services); 2) leadership of administrative executives; 3) continual improvement of the administrative structure and process; 4) nurturing of human resources and development of talent; 5) rapid response to residents' needs; 6) cooperative spirit and structure; and 7) responsibility for the environment and society. The concept is an application of the corporate quality improvement concept to public offices, that is, an application of the private sector approach to the public sector.

Only a handful of local governments, such as Iwate Prefecture, Tokyo's Mitaka City and Kochi Prefecture, have so far adopted this approach in improving the quality of their respective administrations.

Iwate Prefecture asked the Japan Productivity Center for Socio-economic Development in December to evaluate its administration from a private-sector perspective. Measured on a 1,000-point scale, the prefecture's administrative performance scored 430 points, or two points on a five-point

scale.

The low rating was attributed to the prefecture's slow development of personnel capable of perceiving what residents want and flexibly reflecting it at the administrative level. Commenting on the evaluation, Iwate Governor Masuda Hiroya issued a statement saying he would sincerely accept the evaluation, according to a report in the December 11, 1998, issue of the Asahi Shimbun.

So far, local governments are generally slow to introduce systems for enhancing the quality of their own administrations. However, if more and more local governments establish corporate qualitative improvement awards, this in turn will prompt moves for evaluating the administrative quality of local governments.

Several local governments now have the Japan Management Association or other consulting firms evaluate aspects of their administrations such as public works projects.

The prolonged recession has left many private sector companies hardpressed. Even major companies, as seen in the banking sector, are being forced to fold or apply for voluntary bankruptcy.

At a time when even countries and financial institutions are subject to outside ratings, Japanese local governments still enjoy freedom from bankruptcy or closure. Yet, various local governments have come to realize that their own complacency is preventing them from successfully implementing resident-oriented administrations.

Private corporations' focus on customers and local governments' resident-oriented administrations are not new. But the spread of such moves would eventually give vent to the Japanese people's pent-up feelings caused by the current political and economic malaise. **JTI**

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