

### **Kaizen seminar closing remarks (Akio Hosono, February 27, 2020)**

I would like to express my sincere gratitude to you all for your contributions to the fruitful discussion in this seminar, held for the launch of the book, *Workers, Managers, Productivity: Kaizen in Developing Countries*.

The discussion in this seminar has been so rich that it is very difficult to encapsulate it all. Fortunately, Dr. Page has presented a very comprehensive summary of the book. I would like to add some points to the presentation by Dr. Page.

To begin with, let me highlight some of the important points of today's discussion. The first one is related to the title of the book itself, productivity and Kaizen in developing countries. While developing countries have some firms that have achieved world-class productivity levels, they also have a much higher percentage of low productivity firms (as shown in Chapter 2, page 3). From this perspective, this volume's finding that Kaizen works for micro, small and medium enterprises (MSMEs) in developing countries is very significant. Case studies provide evidence that Kaizen can improve the performance of MSMEs and can be implemented by local human resources in a sustainable way (Chapter 1, page 24).

The second point is related to the effectiveness of Kaizen to facilitate the participation of local firms in global value chains (GVCs). This is another significant finding of this study. Today, GVCs' share of world trade has increased to about 50 percent. Developing countries may derive benefits from participation in GVCs. The following remarks from the *World Development Report 2020* are highly relevant in this regard: "In contrast to 'standard' trade carried out in anonymous markets, GVCs typically involve long-term firm-to-firm relationships. The relational nature of GVCs makes them a particularly powerful vehicle for technological transfer along the value chain. Firms have shared interests in specializing in specific tasks, exchanging technology, and learning from each other" (World Bank 2019, page 70). Due to these characteristics of GVCs, Kaizen could provide an effective vehicle for local firms to participate in GVCs: "According to case studies of the book, the firms that persisted in the implementation of Kaizen appear to have moved up the value chain in the automotive sector" (Chapter 1, page 20) in Mexico and South Africa.

Third, Kaizen differs from other approaches to achieving better quality and productivity, because of its distinctive focus on inclusive and participatory learning. Other approaches

to improving productivity include, as typical examples, employers turning to monetary incentives – performance pay and bonuses – or even the threat of dismissal (World Bank 2015, Ch. 7). Nevertheless, any increase in productivity resulting from these approaches over a short period is normally not accompanied by learning. Where Kaizen differs from these other approaches is in its process for achieving better quality and productivity through its focus on inclusive and participatory learning (Chapter 3). The case studies suggest that, by including all members of the firm in the process of learning and problem-solving, Kaizen promotes the exchange of information between workers, managers, and engineers and helps to develop “learning organizations” (Chapter 1, page 6). Kaizen is therefore distinctive in its approach to improving quality and productivity. Furthermore, learning can facilitate innovation. The Brazil case study found that both product and process innovation do increase following the implementation of Kaizen. Although further analysis is needed to fully understand the relationship between Kaizen, learning, and innovation, the case studies suggest that the Kaizen mindset and many Kaizen tools can be considered innovation inputs, enabling firms to take innovative actions, experiment, adopt new technology, and hence, achieve innovation outputs including productivity.

Fourth, quality is a demand shifter, but quality control not only improves quality, it increases productivity, as emphasized by Dr. Page (see the presentation by Dr. Page). Furthermore, improvement of quality and productivity through a Kaizen approach means elimination of waste or defective products, which assures us that Kaizen is an environmentally friendly approach. The intrinsic relationship between quality, productivity, and sustainability, together with the inclusive and participatory approach as a distinctive feature of Kaizen, make it clear that Kaizen contributes to “quality growth.”

Fifth, different approaches for the introduction and dissemination of Kaizen, such as government-led and private sector-led approaches, were discussed by Dr. Page in his presentation. In addition, I would like to emphasize the relevance of the introduction of Kaizen through formal education, including TVET and universities increasing the employability of young people as a new approach.

Sixth, Kaizen has the potential to improve labor-management relations because it requires the long-term commitment of both managers and workers to implement behavior change. Kaizen seeks to maximize long-term social returns rather than short-term private returns (Chapter 4). The case studies of Vietnam, Ethiopia, and South Africa show that changing the mindset of managers and workers does take time, but the resulting changes can lead to the improvement of labor-management relations. This improvement is essential for the

sustainability of Kaizen, and if the change is successfully sustained, Kaizen will bring social innovation to the firm (Chapter 4).

To finalize these closing remarks, I would like to include one additional point. Last year, we observed a series of new initiatives regarding the focus of firms' activities. The New York Times reported that the Business Roundtable, which represents many of America's largest companies, had issued a statement on "the purpose of a corporation." Breaking with decades of long-held corporate orthodoxy, the Roundtable argued that companies should no longer only advance the interests of shareholders. Instead, the group said, they must also invest in their employees, protect the environment, and deal fairly and ethically with their suppliers. They stated that "We share a fundamental commitment to all of our stakeholders" (*New York Times*, Aug. 19, 2019).<sup>1</sup> In December, Klaus Schwab, Executive Chairman of World Economic Forum (WEF), pointed out: "Stakeholder capitalism is gaining the momentum... It offers the best opportunity to tackle today's environment and social challenges. The WEF is launching a new 'Davos Manifesto'" (Schwab, "Why we need the 'Davos Manifesto' for a better kind of capitalism" Dec.1, 2019). Kaizen could be revisited from the perspective of these new initiatives.

The Africa Kaizen Initiative, established in 2017, sets out criteria for the Africa Kaizen Award. These criteria recognize the outcomes of Kaizen related to workers' participation and learning, such as motivation of and incentives for workers, skill development of workers, safe and comfortable work environments, as well as those related to customer satisfaction, and social responsibility.

I would like to remind all of us that Kaizen is an approach to achieving the continuous improvement of quality and productivity with the involvement of all stakeholders, especially workers, suppliers, and customers.

Let me close the seminar with these final remarks. Thank you very much.  
(Akio Hosono)

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<sup>1</sup> This shift comes at a moment of increasing distress in corporate America, as big companies face mounting global discontent over income inequality, harmful products and poor working conditions (*New York Times*, Aug. 19, 2019). In the same year, Professor Joseph Stiglitz published a book titled, *People, Power, and Profits: Progressive Capitalism for an Age of Discontent*.