



The productivity movement in Japan: Beyond the disaster on 11 March 2011

Masayoshi Matsukawa, President, Japan Productivity Center

At the start, on behalf of the Japan Productivity Center (JPC), I would like to thank all *APO News* readers for their warm support after the Great East Japan Earthquake on 11 March 2011. Due to the earthquake and related events, Japan's economy and industry were damaged severely. The JPC, as the national productivity organization (NPO) that provides practical solutions for improvement and leads the movement to establish a stable socioeconomic system based on productivity, will make maximum effort to contribute to the reconstruction of Japanese industry.

I would also like to congratulate the APO on its 50th anniversary this year. In collaboration with NPOs and governments of its member economies, the APO has been promoting the productivity movement with respect for human life and dignity. In addition, it has transferred corporate management principles and methodologies for productivity improvement to organizations throughout Asia and the Pacific. Now, this region has become the fastest growing in the global economy, with a GDP about five-fold larger than that of a half-century ago. We can confidently say that the contribution of the productivity network, consisting of the APO and NPOs, has been significant. The JPC took a leading role in establishing the APO in 1961 as one of the eight original member countries. Our efforts have truly paid off.

The APO has recently adopted three new strategic directions: strengthening of NPOs and promoting the development of SMEs and communities; catalyzing innovation-led productivity growth; and promoting Green Productivity (GP). This article first explains the JPC's roles and activities to support the new strategic directions and then summarizes the current productivity situation in Japan after the devastating earthquake in March and introduces JPC initiatives for national revitalization.

Development of SMEs

Similar to other nations, SMEs account for numerous enterprises in Japan: they comprise 99.7% in terms of number of businesses and about 70% in terms of employees. They play a major role in supporting industry and the economy as a whole. It is therefore vital to promote the SME sector.

In supporting productivity improvement among SMEs, the JPC launched the Management Consultant Training Program in 1958, before any other institution in Japan. It has since worked to develop human resources in the comprehensive diagnosis and improvement of SME management. In 2005,



the JPC became the agent for implementing follow-up training programs for nationally certified SME consultants, through which it helps improve their practical management diagnosis capabilities. Utilizing human resources fostered through the training program, the JPC has provided consulting services in fields such as general management, personnel management, and production and quality management.

In recent years, the JPC has worked with local financial institutions to provide SMEs with management improvement guidance. To develop corporate managers, the JPC offers training based on both management position and management function. To foster senior executives, the Top Management Seminar is organized, which introduces the latest trends and best practices in corporate management, and the Challenge of Leadership Program, which cultivates leadership in the next generation of senior managers. In 1995, the JPC established the Japan Quality Award. From the initial stage, the award scheme included a Small Business Category to encourage SMEs to adopt excellent management systems. A simplified management quality evaluation program specifically for SMEs was also developed. Of the 27 award recipients thus far, 11 companies (40%) belonged to the Small Business Category.

In the current severe economic situation, not only major enterprises but also SMEs need to promote global operations to cope with competition. To keep pace with the rapid globalization of Japanese companies, the JPC intends to provide consulting and human resources development services to enhance the quality and productivity of suppliers to Japanese companies operating in Asia. We look forward to working closely with the APO and NPOs in developing such programs.

Innovation-led productivity

In terms of facilitating innovation, in 2007 the JPC estab-

lished the Service Productivity and Innovation for Growth (SPRING) to promote innovation in the service sector. The program recognizes excellent companies with various service innovations, developed the Japanese Customer Satisfaction Index, and conducts pilot cases of introducing scientific and engineering methods in the service sector.

In 2001, the JPC founded the Japan Research Center for Technology and Innovation Management, which studies management methods for enhancing corporate value through technological development and innovation. The center develops the capability of technological innovation managers and conducts research into technological innovation strategies.

Green Productivity

To promote GP, the JPC has promoted consultation services on material flow cost accounting (MFCA). MFCA is a management accounting system for visualizing and calculating various losses arising in the production process, such as "loss of raw material" and "loss of energy." MFCA originated in Germany, was developed as an environmental management method in Japan, and became an international standard under the ISO. Utilizing MFCA, the JPC is conducting consultations on reducing negative environmental impacts and production costs. With the assistance of the APO and Ministry of Economy, Trade and Industry of Japan, the JPC has undertaken technical cooperation on MFCA consultation for the Malaysia Productivity Corporation under the APO Member Country Support Program, 2010–2011. We would like to promote this method among other member countries in the future.

New JPC initiatives: Productivity in Japan after the earthquake

Before the earthquake, the Japanese economy was gradually recovering from the economic recession following the Lehman Brothers collapse in September 2008 and subsequent financial turmoil. However, the recovery was set back by earthquake-related events, including reductions in the electricity supply.

According to the Monthly Labor Productivity Statistics published by the JPC, in April 2011, the "All Manufacturing" index was only 80.4, compared with 100 from the reference year 2005, while the product output of "Transportation Machinery," which was believed to have suffered the most postquake, fell to -49% compared with the same month of the previous year. The index of "Life/Entertainment" in "Nonmanufacturing" was 70.7 in March 2011. Nevertheless, in June 2011, the index of "All Manufacturing" recovered to

96.2, while the product output of “Transportation Machinery” was only -8.4% compared with June 2010. The index of “Life/Entertainment” improved to more than 100.0 in June 2011 (100 = reference year 2005).

The current economic situation resulting from the strong Japanese yen and low stock prices is casting a shadow over the management of Japanese companies. The priority issues in Japan include the recovery of the earthquake and tsunami-stricken areas, enhancing the competitiveness of Japanese industries, reestablishment of a stable electricity supply, and increasing employment. In line with resolving these issues, the JPC has undertaken the following initiatives.


Nihon Sousei Kaigi (Congress for Creating a New Japan): Understanding the reconstruction challenges following the Great East Japan Earthquake as an opportunity for reforming social and economic structures in Japan, the JPC established the Congress for Creating a New Japan in May 2011 to formulate a grand design for the nation overall from the standpoint of the private sector. The congress explores policies on the restoration, reconstruction, and creation of industries, employment, energy, and communities.

Reforming Japan’s productivity (public-sector productivity initiative): This year, the JPC also launched the Study Meeting on Reforming Japan’s Productivity to promote productivity in industries such as healthcare and nursing and childcare, which are traditionally taken up by the government. The group plans to identify issues and make policy recommendations.

University reform for improving productivity: To enhance the quality of the workforce across Japan, the JPC is working to reform universities. We plan to launch a committee this autumn that will deliberate on practical education programs offered by universities to address immediate issues such as employment mismatches and the difficulties university graduates have in



Japanese expert Hiroshi Tachikawa, Managing Director of Propharm Japan Co., Ltd. (L), conducting MFCA consultation in Malaysia. Photo courtesy of JPC.

finding jobs. Based on the attributes and skills that businesses look for in human resources, the committee will recommend policies for the development of educational curricula that foster both expertise and practical abilities. 

Masayoshi Matsukawa graduated from the School of Political Science and Economics, Waseda University. He joined the JPC in 1970 as Manager of the Labor Department. After working as the Director of the Administration, Medical Information System, and Consulting Departments, and then as Deputy Secretary General, he was appointed Secretary General in June 2001. Prior to becoming JPC President in June 2011, he was appointed Director of the Board (2005–2009) and Managing Director (2010–2011). He also serves as Vice Chairman of the All Japan Federation of Management Organizations (Zennoren).