



## Keio Business School

# For Revitalizing Japanese Manufacturing Business —From the Perspective of Production Operation Improvements—

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## Preface

As economic conditions surrounding Japan's manufacturing business continue to be harsh, more and more manufacturers are shifting their production operations to overseas facilities. This trend has hastened "hollowing out" of the nation's manufacturing business. The purpose of this paper is to point out ways, beyond developing new products and technologies, in which domestic companies can improve efficiency and flexibility in order to revitalize their manufacturing operations. The recommendations provided herein are based on a study of companies that are working hard to make on-site improvement activities. The paper discovered that each company is taking a variety of measures geared toward revitalization, such as implementing thorough improvements at shop floors, implementing training programs designed to encourage these improvements, and introducing organizational and managerial structural changes. The paper insists the importance of implementing, and maintaining, these improvement activities in manufacturing operations.

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## 1. Introduction

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As China and Southeast Asia continue to serve with abundant cheap labor and specialize in assembly-type operations, Japan's manufacturing business has seen its market dominance dwindle. Many domestic manufacturers have shifted their production sites to overseas, and this has worsened "hollowing out" of the domestic market. The overseas production ratio grew from 3.0% in 1985 to 13.4% in 2000<sup>(1)</sup>. Moreover, Japanese manufacturers recently closed down as many as 100,000 domestic plants<sup>(2)</sup>, laying off nearly one million employees<sup>(3)</sup>. If Japan's manufacturing capacity continues to decline and valuable knowledge accumulated over the years is lost, it will have a direct and adverse effect on manufacturing and new product development technologies, ultimately compromising manufacturers' ability to compete in the market. Based on a recognition of these critical conditions, the purpose of this paper is to illustrate practical ways in which Japan can preserve and revitalize its manufacturing business.

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<sup>†</sup> This material was translated by Tokyu Selun Office and reviewed by Prof. Hirokazu Kono of Keio Business School. The original research paper was co-authored by Prof. Hirokazu Kono and Shintaro Kuranuki (MBA Graduate from Keio Business School, 2003) in Japanese and was printed in IE Review Vol.44 No.5 pp.99-109, December 2003.