

The Transfer of Japanese-Style Management and Production Systems in Russo-Japanese Joint Ventures:

Focusing on an Analysis From the Perspective of the Management of Production and Human Resources (Summary)

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In 1987, Tairiku Trading established the first Soviet-Japanese Joint Venture, Igirma-Tairiku. This marked the beginning of a process that resulted in a number of Japanese companies undertaking local production in the Soviet Union and Russia. However, there are still few companies involved in local production there. Rather than engaging in production within Russia, Japanese companies tend to establish sales and marketing bases or engage in import sales via local distributors. Amidst this situation, the Russo-Japanese joint venture in the timber processing industry established by Mitsui & Co., T.M. Baikal, is involved in the processing of red pine logs in Russia. Since reporting its income for the period, the stable quality and supply system have been highly acclaimed on the Japanese market. Furthermore, these products are selling for a higher price than similar ones produced in Japan. Moreover, Sumitomo Corporation's Russo-Japanese joint venture STS Technowood manufactures laminated wood from conifers, while PTS Hardwood manufactures laminated wood from broadleaf trees. Both companies have obtained certification under Japan's JAS standards system and have become established on the Japanese market as a quality brand.

During the Soviet era, false egalitarianism proliferated in Russia and workers lacked motivation and initiative. There was a breakdown in discipline at work, with workers drinking even during the daytime, and productivity was low. The Russian employees of these three companies could not have been described as industrious when these joint ventures began operating. However, the introduction of a Japanese-style production management and human resource management system led workers to become more diligent and enabled them to achieve high productivity. Attitudes to corporate management methods, production management, human resource management and work differ significantly depending on the country. Accordingly, transplanting one country's management methods to another country and carrying out management on the basis of these entails considerable difficulties.

This paper analyzes how these three companies were able to succeed in their local production endeavors, from the perspective of production management and human resource management. In 2007, Toyota will begin car production in St. Petersburg and there are plans for many automotive component manufacturers to follow close behind and begin production in Russia. In this sense as well, from the viewpoint of what kind of production management and human resource management had to be undertaken by the Japanese companies that have been involved in local production in Russia to date, in order to be successful, it is

necessary to examine local production activities.

More specifically, this paper investigates the following questions and looks at their implications. How have the Japanese-style production management and human resource management techniques that have developed on Japanese soil been transferred and become entrenched in Russia, where the socioeconomic environment differs? What was taught and what already existed that made transfer possible? Was the system adjusted before being transferred or was it transferred "as is"? If adjustments were made, what kind of adjustments were they and why were they made? When was the system transferred: immediately after expanding into Russia or some time afterwards?

Conclusion

This paper conducts an analysis of local production in Russia by three examples of Russo-Japanese joint ventures, from the perspective of production management and human resource management. The implications are as follows:

1. All three companies actively transferred the management techniques involved in Japanese-style organizational and management systems, which emphasize the stability of long-term employment and focus on production management and quality management. They used 5S activities, TQC and TPM, as well as ensuring that the employees were detail- and quality-oriented, emphasizing teamwork, adopting a bottom-up approach to management, pursuing customer satisfaction and implementing small kaizen activities. In addition, they linked performance with pay and implemented OJT. This raised morale on the shop floor and, as a result of strong leadership provided from the top by the Russian presidents of the companies and the dynamism provided from the bottom by small-group activities, all three companies were able to achieve high productivity and high quality.
2. With regard to the introduction methods used, the use of a top-down approach and a system in which the entire company implemented the changes ensured more rapid permeation of the activities throughout the company and greater effectiveness.
3. The companies explained to their Russian employees that Japanese-style management is rooted in economic rationality, in the form of maintaining and improving the living standards of ordinary employees in the long term.
4. In order successfully to conduct human resource management in Russia, it is necessary to make

progress in recruiting and promoting local personnel. In addition, increasing local autonomy, through the delegation of authority in human resource management to local personnel, and the construction of a proactive problem-solving mechanism by employees within the organization are required.

5. In order to do this, it is necessary to understand Japanese-style management and increase the number of local managers, technical staff and other employees who will actively implement the transfer and establishment of these systems¹. To achieve this, as well as cultivating Russian managers who understand Western-style management, incentives in the form of pay and training are required.
6. Furthermore, under a top-down management culture,

the creation of a system or atmosphere in which employees can make proposals from the bottom up is important.

7. In the future, in order for Japanese-affiliated companies oriented towards export markets to develop, it will be necessary proactively to transfer the production management and human resource management techniques that are the greatest strength of Japanese companies. In doing so, it will be vital to convince employees of the significance of introducing Japanese-style systems and to construct a system of performance-based incentives. Group pay (production promotion pay) rewards the productivity of a work group or the company as a whole, and it could be effective as an incentive in Russia as well.

¹ Yasuo Okamoto, Management Systems in Japanese Companies in East Asia, *Sekai Keizai Hyouron (World Economic Review)* February 1999, p.69.