

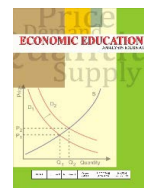


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## Overview and Global Application History of Kaizen in Indonesia

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### Abstract

This research aims to discover one of the forms of excellence, namely the application of Kaizen as a basic philosophy rooted in Japanese culture, which is one of the keys to the success of Japanese business and industry globally. This research method uses descriptive qualitative. The results of the study show that the application of Kaizen is perfect and suitable for long-term implementation. Numerous instruments are now available for use in production and various stages of the value chain with the goal of enhancing both product quality and operational efficiency. Nonetheless, kaizen can be viewed as one of the fundamental lean methods. One of the main components of Japanese management and a source of competitiveness is the implementation of Kaizen, or continuous improvement. Cost savings, less waste, and higher-quality products are all results of an efficient continuous improvement program. Kaizen is a technique that many businesses have embraced to improve production efficiency and attain business excellence, thanks to Japan's success. Even though kaizen has been widely adopted worldwide and has improved performance in numerous businesses, a lot of issues and challenges with its application may be discovered outside of Japan. The significance and severity of the many aspects that impact the Kaizen transfer process differ depending on the nation in which Kaizen is implemented. Therefore, despite its seeming simplicity, kaizen is a complex process that must be tailored to the environment's unique characteristics while taking into account a wide range of influencing elements.

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## INTRODUCTION

The 20th century is often associated with the issue of globalization. Advances in information, communication, and transportation technology have driven the movement of people, goods, and services and their socio-cultural aspects to become more intensive and beyond national boundaries. Although globalization and technological innovation are a series of interrelated processes, it can be said that globalization is the effect of the creation and transfer of technology that increases productivity, production capacity, and competitive advantage internationally (Sönmez, 2013). At the country level, this condition impacts increasing employment, industrialization, and economic growth. Japan is seen as an Asian country that has succeeded in becoming an advanced industrial country in the fields of economy and technology that is equal to Western nations. After the economic collapse due to defeat in World War II, Japan rose again through industrialization and recorded high economic growth of an average of 9.3% during the period 1952 - 1972 (LIPI, 2018).

The flow of foreign investment to Indonesia has increased sharply since the New Order government opened itself to the entry of foreign business and investment as regulated in Law No. 1 of 1967 concerning Foreign Investment. Based on data from the Investment Coordinating Board (BKPM) and Bank Indonesia between 1967 and 1980, from a total of US\$ 9,050,200 worth of foreign direct investment approvals, Japan ranked first with an investment value of US\$ 3,336,000 (Thee, 1994). Data from the Japan External Trade Organization (JETRO) from 1965 to the monetary crisis in 1998, Japanese direct investment in Indonesia has continued to increase since 1990 with an accumulation of FDI of US\$ 24,595,000 (<http://www.jetro.go.jp/world/japan/stats/fdi.html>).

The manufacturing sector dominates up to 81% of the total investment value. Several Japanese companies that entered Indonesia from 1969-1973 have become pioneers and are

widely known by the Indonesian people. These companies include Ajinomoto in the food processing sector, Kanebo and Century in textile products, Toyota Astra in the automotive industry, Sanyo and National Gobel (Matsushita) in the electronics and electronic products sector, Asahimas in the glass industry, and so on (Chandra, 2010). This technique has been known for uniting company employees because it can improve communication. Looking at global phenomena, competition between companies is very tight, so each company needs its unique value (Tri et al., 2019).

Using Kaizen techniques can change the quality of service to clients. This kaizen technique improves the company's economy through small steps. Although Japanese investment declined, several large Japanese companies, such as Asahimas Flat Glass and Yamaha Indonesia in the automotive sector, continued investing in Indonesia (Thee, 1994). The end of the oil crisis in 1973, followed by a decline in oil prices in 1982 and 1986, caused the government to issue a policy to increase foreign direct investment again by changing the direction of investment policy, which was previously oriented towards restricting imported goods to an export orientation. This condition lasted until the 1990s and peaked in 1992 when 48 Japanese companies entered Indonesia. During this period, investors were not limited to large companies but medium-to small-scale companies in various business fields, from manufacturing to service and financial companies. Until 1996, before the Asian monetary crisis, Japanese investment peaked at 6.2 billion US dollars (Alvarado-Ramírez et al., 2018).

One of the characteristics of Japanese investment in Asian countries, according to Prof. Kojima Kiyoshi from Hitotsubashi University, is trade-oriented and development-oriented investment because the investment is carried out as a reaction to changes in the comparative advantages possessed by investors and the destination country (García-Alcaraz et al., 2014). In this context, Indonesia's advantage in cheaper labor and land costs

than Japan's attracts Japanese investors, especially in the manufacturing industry (nbspDr. Ravi Shankar Kalva & nbspDr.A.Prabhu Kumar, 2018).

Japanese companies operating overseas generally implement a Japanese management system. Japanese people usually hold top management, and experts from the parent company in Japan are brought in to handle the production process of affiliated companies or subsidiaries overseas (Pamungkas & Frankiska, 2018). Japanese corporate culture and work ethic can be maintained and transferred through this management system to all staff and non-Japanese local workers. One form of implementation of a management system that is considered unique based on Japanese cultural roots is Kaizen (Stefanic et al., 2012). Until now, Kaizen has been seen as one of the keys to Japanese companies' success in winning global competition. Kaizen means continuous improvement. This term implies improvement efforts involving all parties, from management to workers, at the lowest possible cost (Macpherson et al., 2015). In contrast to Western management, which prioritizes innovation through technology, management practices, and the latest production techniques that require high costs, Kaizen emphasizes maintenance and repair activities starting from small things but carried out continuously over a long period, involving all elements of the organization/company (Shang & Pheng, 2013). This typical Japanese management practice is aimed at increasing productivity through Integrated Quality Control (IQC) activities, Quality Control Circles (QCs), and work relations (Alvarado-Ramírez et al., 2018).

The concept of Kaizen became increasingly well-known and widely applied after Taiichi Ohno, Vice President and Director of Toyota Motor Corp., succeeded in developing it in the form of the Toyota Production System (TPS) in 1956 to improve productivity and reduce costs. The basic concept of TPS is cost reduction by eliminating four forms of waste, namely production resources that exceed needs, overproduction, excessive inventory, and unnecessary capital investment

(Zailani et al., 2015).

One of the automotive companies in Indonesia that has implemented the kaizen concept is PT Toyota Astra Motor (PT TAM), a joint venture between Toyota Motor Company, Japan, and PT Astra International. With more than five thousand employees, one example of problem-solving with Kaizen is the problem of productivity due to the many levels of management whose roles and accountabilities often overlap in the workplace or genba/field (Otsuka et al., 2018). Since 1992, the roles and accountabilities of genba managers have been seriously reorganized and consistently improved to avoid conflict and confusion and increase productivity (Ratna, 2018). Kaizen is implemented by emphasizing the formulation of work guidelines and development programs for managers and employees through training organized by the Kaizen Implementation and Human Resources Division. The success of the implementation of the kaizen culture at PT TAM can also be seen from the number of suggestions for improvement, which in 1995 was recorded at seven suggestions per person per year, a number that is better than the average for Japanese companies in general (nbspDr. Ravi Shankar Kalva & nbspDr.A.Prabhu Kumar, 2018).

## METHODS

This research is designed to study the interaction and interconnection between cultural and management history, especially the history of implementing Japanese work culture kaizen in Indonesia. The method that will be used to find out the process and dynamics of the implementation of Kaizen is a method that combines conventional history and oral history. The stages of heuristics, criticism, interpretation, analysis, and writing will be carried out with data obtained from document and literature studies as well as interview results related to the development of Japanese business and management systems in Indonesia in general, and especially their implementation in Japanese automotive companies in Indonesia (Harahap, 2020).

Qualitative research is often called a naturalistic research method because the research is conducted in natural conditions. Descriptive research is collecting data based on factors that support the object of research and then analyzing these factors to find their role (Macpherson et al., 2015). Qualitative research is carried out to build knowledge through understanding and discovery. The qualitative research approach is a process of research and learning based on methods that investigate a social phenomenon. The data collection technique used in this study is an interview.

## RESULTS AND DISCUSSION

Kaizen is a small and gradual improvement, but the kaizen process can bring dramatic results over time. An essential aspect of Kaizen is prioritizing the process for improvement; Kaizen is increasing productivity. The kaizen process does not stop after the improvement is successfully implemented, but each progress will be incorporated as a new operational work standard. However, today's standard applies until a new standard for improvement is found. Kaizen is a Japanese word consisting of two syllables, namely "kai (改)," which means "change," and "zen (善)," which means "good or perfect." Kaizen is interpreted as continuous improvement (García-Alcaraz et al., 2014). This term includes the concept of improvement that involves everyone, both management and workers, at a low cost (Zailani et al., 2015). In contrast to Western management, which emphasizes innovation through technological breakthroughs, management concepts, and cutting-edge production techniques that require high costs, Kaizen emphasizes maintenance and improvement activities starting from small things but carried out continuously over a long period by involving all elements of the organization/company. The core of this typical Japanese management practice can be in the form of increased productivity, PMT (Integrated Quality Control) activities, Quality Control Groups (GKM), and work relationships (Daniyan et al., 2022).

The basic philosophy of Kaizen is that our way of life, whether in work life, social life, or home life, should focus on continuous improvement efforts (Wijaya, 2023). Kaizen also improves quality and productivity (Otsuka et al., 2018). In the context of Japanese industry and companies, Kaizen is more focused on efforts to produce quality products and reduce production defects, which is called *budomari* in Japanese. For this effort, Kaizen is applied as a step to improve quality and productivity by minimizing waste (*muda*), excess load (*muri*), and inconsistency (*mura*), better known as 3M. These three elements are the central core of kaizen activities (Lindahl et al., 2022). To achieve these goals, management commitment and worker support at all levels are the main factors in implementing Kaizen. In its development, Kaizen is a sustainable management philosophy and method that involves all parties, has added value, and is low-cost for improving quality, productivity, costs, delivery, safety, morale, and environmental quality (Dhani & Mayasari, 2022). In the workplace, the concept of Kaizen began to be developed in Japan after World War II, when many Japanese companies had to start over again after being devastated by the war. In rebuilding businesses at the lowest possible cost, managers and employees had to think hard and develop an attitude toward life as taught through Kaizen. The Allies occupying Japan at that time sent management and statistics experts from the United States, William Edwards Deming, and Joseph M. Juran, in the late 1950s and early 1960s (Rival, 2023) to help entrepreneurs build their businesses.

The two experts formulated the concept of statistical quality control using the United States model combined with a participatory approach to the worker level to reduce confrontation and conflict between management and workers. One example of this application model is the application of 5S in the work environment consisting of *seiri* (succinct), *seiton* (neat), *seiso* (clean), *seiketsu* (maintain), and *shitsuke* (diligent) for all company members without exception. The concept of Kaizen

became increasingly well-known and widely applied after Taiichi Ohno, Vice President and Director of Toyota Motor Corp., successfully developed it in the form of the Toyota Production System (TPS) in 1956 to improve productivity and reduce costs. The basic concept of TPS is cost reduction by eliminating four types of waste, namely excessive production resources, overproduction, excessive inventory, and unnecessary capital investment (Wijaya, 2023).

This system continues to be developed by emphasizing aspects of controlling the amount of production and materials, quality assurance at all levels, and respecting humanity (human resources) in the form of Total Quality Control (TQC) and Total Quality Management (TQM). The Toyota Production System is seen as the embodiment of TQC and TQM at the highest and most systematic level (Alvarado-Ramírez et al., 2018).

Toyota's success in dominating the world automotive market and the oil crisis in 1973 encouraged many Japanese and foreign companies to be interested in studying and adopting TPS so that the concept of Kaizen became increasingly well-known worldwide. One of the Japanese companies in Indonesia that has implemented the idea of Kaizen is PT Toyota Astra Motor (PT TAM), a joint venture between Toyota Motor Company and PT Astra International. The company was founded in 1971 to produce passenger and commercial vehicles in Indonesia. With more than five thousand employees, one example of problem-solving with Kaizen is the problem of productivity due to the many levels of management whose roles and accountabilities often overlap in the workplace or genba/field (Fatkhurrohman & Subawa, 2016). Since 1992, the roles and Genba manager accountability have been reorganized and consistently improved to avoid conflict and confusion and to increase productivity. Kaizen is implemented by emphasizing the formulation of work guidelines and development programs for managers and employees through training organized

by the Kaizen Implementation and Human Resources Division (Boma et al., 2022). The success of the implementation of the kaizen culture at PT TAM can also be seen from the number of suggestions for improvement, which in 1995 was recorded at seven suggestions per person per year, a number that is better than the average for Japanese companies in general (Daniyan et al., 2022).

## CONCLUSION

Kaizen is a process to optimize production effectiveness by identifying and eliminating waste and production efficiency through teams at all levels of the operational hierarchy. Philosophically, Kaizen is a deep blend of Buddhist, Confucian, Taoist, and Shinto teachings practiced in Japanese life. Kaizen is not limited to organizational management and business practices but also includes personal, family, and social life. The results of this study indicate that by applying the concept of Kaizen, the causes of failure to achieve production targets can be identified, including waste defects, waiting, and inventory. This case study can help managers and practitioners understand the need to consider human factors in production (Fatkhurrohman & Subawa, 2016).

In the increasingly competitive business world, Kaizen is widely implemented by Japanese companies, thus encouraging the birth of various innovations, although on a small and limited scale. However, because these improvements are carried out continuously and sustainably, the results will only be enjoyed for an extended period. In addition, Kaizen is also implemented without requiring enormous costs and low risk, so for the company, it will have a positive impact as a result of efficiency.

This is what distinguishes Kaizen from the concept of innovation that is widely adopted by Western nations. Kaizen manifests in Japanese management practices, such as Total Quality Control (TQC), quality control circles, and the Japanese labor relations

management style. On the other hand, Kaizen emphasizes human effort, morale, communication, training, cooperation, empowerment, and self-discipline, which is a common-sense, low-cost improvement approach.

The differences between Japanese and Indonesian cultures allow for friction that can fail in the system's implementation. Therefore, in-depth and comprehensive research on this matter is very much needed, considering that from time to time, Japanese investment in Indonesia has increased and is massive, along with social problems that occur in Japan due to demographic issues such as the high number of older adults and low birth rates, while on the other hand, Indonesia has an attraction in the high population of productive age and increasing purchasing power so that it becomes a potential market for Japanese products.

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