To Develop a Management Practice model Combining Indian and Japanese Management Model

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Abstract: *The automotive industry is a major contributor to India's economy (4th largest earning segment). The Indian automobile manufacturers face stiff international competition in the wave of all major US and European car manufacturers entering the Indian market.*

In this wake of plight Indo-Japanese ventures have proved to be a great financial boon. Japanese corporate engagement with India is 6th largest out of rest contemporaries and still growing strong post economic liberalization and 100% FDI involvement policy. With successful joint ventures such as Maruti Suzuki; Indo-Japanese ventures have taken a foot hold on the four-wheelers in the Indian market.

In this paper study has been conducted on management practice model of japan—their working supply management, quality control management, working ethics basic design and strict world class policies. The paper aims at studying the sustainability of Indo-Japanese ventures and the impact it makes on the Indian economy. The paper deals with the similarities and differences in the aforesaid framework between the countries and how combining the two models would roll out the best of the two dominations and serve the Indian automobile needs as well as demands.

Keywords: *Indo-Japanese venture, OEMs, expatriates, FDI.*

I. INTRODUCTION

The objective of this paper is to analyse the relationship status of Indo-Japanese management practice in the automobile sector leaning on the past decade; and its importance as to why it is needed in the country by realizing future goals and aspects.

This paper to begin with highlights the Indian automobile Industry. Japanese automobile sector is the late entrant from venture capitalist to opening subsidiaries at the local and sub local level.

The paper proceeds with first defining the basic similarities and dissimilarities of the individual management practice models being practiced by the two Asian Counterparts. Secondly, Japanese entry in foreign Indian Market and rising to a major capitalist crossing cultural boundaries and reforming economic strategy of the country.

Thirdly, the effect such a venture has had on the country economic backbone and affecting the civilian's life style-needs and demands and their mindset. The paper ends with the aspects of Roll out of such a venture in near future and the ever lasting impact unicultural Japan has on multicultural India changing the automobile scenario of the country.

Literature Review:

(1) Indian Automotive Industry

Description: India rather being a forwarding Producer Maret is a Consumer Market. The demand of the increasing population is greater than Manufacturing /production of cars as it is a developing country (HUMAN DEVELOPMENT INDEX as per UN: 0.624) Currently, it is one of the largest in the world (7th largest with annual production of 17.6 million automobile units *(ACMA: AUTOMOTIVE COMPONENT MANUFACTURERS ASSOCIATION of INDIA)*.

Indian Autombile Industry has emerged stronger from the recent global automotive ventures and sales across all segments have seen record breaking number in the recent past. Demographically and economically India's automotive industry is well positioned for growth, serving both domestic's demand and increasingly export opportunities. India's subtle present work age graph adds to the boon

1: Measuring Parameters

Working ethics:

a) **Inter-cultural communication**

b) Administrative experience

Brand quality management

Corporate legitimacy

Skilled professionals

Management practice model for India (need to supply demand):

Work Ethics:– Automobile Industry is rightly remarkded as Industry of Industries. The ladder for gaining success in the automobiles world is surely a long one for India. And the one factor which makes a huge hindering impact is the unethical approach adopted by the country.

"Work ethics" is a multi dimensional concept which ranges from workforce to Research design, innovative approaches, marketing, tax policies and powerful administration service.

i) inter-cultural communication- for the world which heads on globalization mixing of cultures is equally important as sharing of technology. Discrimination based on language, geographical region, cast or creed hampers the exchange of knowledge and development.

ii) Administrative experience: There needs to be a balance between keeping the administrative policies and infusing the productivity with innovation and design. Proper administration under able leadership and efficient organization drives the company's way to market success.

Brand Quality Management:

Automotive companies around the globe have a set a benchmark in every aspect – where it's engine and other hardware, speed, comfort, luxury, the single handed brand name class apart or other unique dynamics and stand along credibilities. Companies are pushing their way to mechanical excellence, mundane luxury and defining new levels of comfort speed and style catering the senses of the masses. One of the Indian brands Tata once showcased its business excellency model as to why it has reached the pinnacle of business excellence and is the only Indian automotive company which has put its benchmark on the world map.

iii) Corporate legitimacy – the Indian corporate environment is vastly different from the first world countries. The Indian management skims works in corporation with the government policies supply and curb the domestic needs. The companies aim at upgrading first the country's own vehicular expat rather than going big scale.

Indian managers were thought to be proficient in English apart from their regional language. They were expected to display clean work ethics giving the highly moral Indian culture but they lacked a positive attitude. They failed in mingling their work ethics with approach of doing work. They coudn't uphold to their view infront of the superior managers. they would extend a helping hand for their friends and go out of the way for some people and would keep their immediate tasks on hold. All this but only created chaos in the organization efficiency.

iv) ***Skilled Professionals***:-

1. The middle class is growing in India which indicates educated & elite speaking work force. Automobile sector relies on man power. India as a developing country has a positive graph for increasing population which caters to the needs of educated man power in various sectors.

2. The social anthozoopological study of mindset reveals that approx 60% people are more inclined for safe and secure positions rather than taking and managing risks. Due to such kind of attitude a lot of tasks at hand is done without any opposition.

3. The job culture in India is more of training based so low grade education doesn't hinders companies interest. The companies train people as per their needs and suitabilities.

Management practice model for Japanese as observed in India (wants to supply demand):

i) Working ethics: Japanese have been ruling the world when spoken of setting bigger targets and working very hard to achieve them. Post world war II japan has emerged to become a leading nation which is showed in its automobile sector. Autonomously it has reached a pinnacle to single handedly release cars which attracts a world class attention for its design, luxury and affordability. The Japanese management is based on 3 ideologies 1. (Sshu no kingi)-lifetime employment system 2) (Sushon Koyio)- seniority based wages and 3). (Nebji-Jaretsu)-Promotion system –their programmatic approach to stand strong in corporate sector in domestic area to build the nations focus and reduce foreign interdependency.

ii) ***Brand quality management:*** For Japanese companies, the benchmark of quality control is laid at the factory location and is inclusive of the brand where the bench mark of the product is set at the manufacturing location.

iii) ***Corporate legitimacy***-The main difference between the corporate environment between the two nation lies in the difference in the way they think differently and execute their strategy. In particular *genchi genbutsu*(go and see) which aims to get to the heart of problems by employees searching for and solving the root cause of them. A study was designed to test some of the theories

Toyota Production system (TPS)	Outcomes
Adapted from Toyota.com	1. To provide customers with the highest quality vehicles. 2. To provide members with work satisfaction, job security and fair treatment. 3. Gives company flexibility to respond to market changes and achieve profit through cost reduction.
Kaizen- continous improvement	The heart of the tps. Continually striving for improvements in every sphere of activity from manufacturing to serving the customer and the wider community.
Just-in time	Allowing the production process to be regulated by supply and demand. Customer demand stimulates production of a vehicle. In turn the production of a vehicle stimulates production of the delivery of parts. The kanban card system- whereby a card is attached to every component that is removed and returned when it is used-signals when a component needs re-ordering. This is integral to the JIT system.
Jidoka- automation with a human touch	Any member of the production team can stop the production line if abnormalities occur. Thereby minimizing defects and maintaining quality.
Suppliers and TPS	Supplies are encouraged to adopt the tps in order to improve productivity, quality and working conditions.

and ides which have come out of the research into the transfer of Japanese management in India. In the light of scant previous work in this area, it was seen that the firms such as Honda and Suzuki combine both the Japanese philosophy and the Indian culture. The Japanese theory of “KAISEN” (continous improvement) and that of becoming a global power added with the sheer willpower of every person to give beyond their hundred percent in wake of strict rules and regulations has all added up to make it a automotive business magnate.

iv) ***Skilled professionals***: The transfer of Japanese production methods overseas which involves the transfer of personnel as well as practices such as “kaizen” (continous improvement) is well document, and Japanese companies are widely believed to bring their HUMAN RESOURCE MANAGEMENT SYSTEM with them when they expand overseas. In order to retain Japanese form of competitiveness in its investments. They send a lot of their expatiates to their investment sites. This helps in retaining the spirit of work as well as dictates the line for attaining excellency at work for the people involved who learn from them.

“expatriates are more successful in India if they apply a culture-specific leadership style. Such a leadership style combines the aforesaid DDDP (DELIBERATE, DEMANDING, DIFFERENTIATED, PATERNALISM) style.

Foreign Direct Investment(FDI):-

Indian automotive sector has become an attractive playground in the early 2ooo’s, as evidenced by the number of investment announcements from global automotive giants. Infusion of FDI in this sector as envisaged in Automotive Mission Plan (2006-16) and 12th five year plan (2012-17) of the Government of India; the potential for employment generation is expected to show the same CARG estimated for the Automobile Industry – Automobile manufacturers (OEMs), Auto Component sector and in related enabling services. Foreign Direct Investment (FDI) as per Government of India’s New Industrial Policy in 1991 in aspects relating to delicensing, Passenger car segment in 1993 (more specifically), the asia pacific region has seen an economic growth in the recent past whereas the market has relatively slowed down in the western and the European countries. The impact of the various government interventions in FDI in Automobile sector (more importantly auto policy 2002 with its vision 2010) towards employment generation. The number of people using four wheelers has dramatically risen up with the consumeristic lifestyle of people. The main factors behind such growth are:

i) increasing affluence of the average consumer,

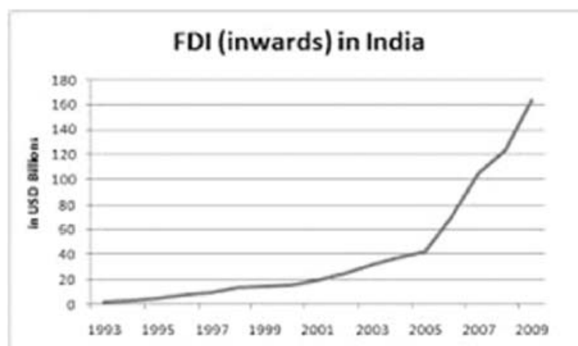
ii) overall GDP growth,

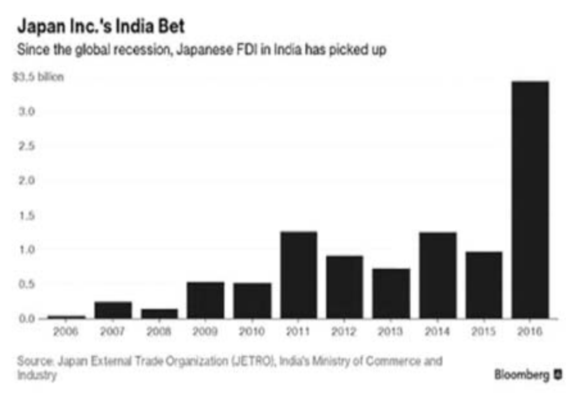
iii) the opportunity to offer low-cost or competitive small cars,

iv) increasing capability of Indian manufacturers and,

v) the growing presence of global manufacturers, with products that consumers want and a large manufacturing presence to bring those products in India.

Time series analysis of FDI in India:





Source: Department of Industrial Policy and Promotion, Government of India

Financial	Indian Owned manufacturers without/with Foreign Investment (Specific to Maruti) - Pre 1993				Foreign Direct Investment (FDI) Manuf acturers – Post 1993		
Year	Maruti Suzuki	TATA Motors	M and M		Hyundai	GM	Others
2001-2002	48.40%	12.80%	6.10%		12.80%	1.20%	18.70%
2002-2003	46.50%	13.70%	6.70%		14.40%	1.10%	17.50%
2003-2004	45.80%	14.60%	6.80%		16.70%	1.70%	14.40%
2004-2005	43.70%	15.50%	6.60%		18.30%	2.40%	13.60%
2005-2006	42.60%	15.80%	6.60%		19.80%	2.30%	12.90%
2006-2007	42.80%	15.50%	5.80%		19.70%	2.50%	13.70%
2007-2008	43.30%	13.70%	7.50%		20.40%	3.80%	11.30%
2008-2009	42.00%	12.60%	6.60%		26.40%	3.30%	9.30%
2009-2010	42.80%	11.70%	6.80%		25.90%	3.10%	9.70%
2010-2011	45.00%	14%	7.00%		14.00%	4%	16.00%
2011-2012	40.00%	13.12%	7.89%		13.88%	3.75%	21.36%
Average		64.5%					35.50%

A cumulative investment of US$ 1652.26 million during 2000-2011was received to strengthen the Japanese foothold on Indian subsidiaries.

Investment by Japanese Automobile companies in India has helped the development of both the Indian (increase in employment and transfer of latest technology) as well as Japanese economy.

Automobile Manufacturers (OEMs) - Passenger Vehicle share

With respect to India, it has produced an intimate relationship between parts industries and subcontractors as now the existing and upcoming Japanese firms heavily rely on the local Indian subsidaries for their manufacturing parts. This has not only boosted employment among the masses but also conferred the latest automobile technology to the Indian brain.

As for Japan, collaboration enabled Japanese automobile companies to establish a strong sales and services network in India, besides ensuring an efficient supply chain of dealers, ancillaries and vendors, saving costs and improving their bottom line.

All this has made the market very promising to the foreign players and hence the Japanese Automobile companies in India are set to grow in the years to come.

According to data released by Department of Industrial Policy and Promotion:

Major foreign players in India include:

Suzuki (japan)
Nissan (japan)
Volkswagen (germany)
Renault (france)
Hyundai (south korea)
General motors (USA)
BMW (germany)

Combining the practice models: (indo-japanese ventures)

Case study: maruti Suzuki

In late half of the 19th century, the Government of India passed a regulation that if assemblers were not investing in and executing to manufacture the four wheelers in the country then they should call it down. In late 1960's Sanjay Gandhi had opened a company named *Maruti Limited* in Gurgaon to manufacture cars locally but failed to keep up, hence it was acquired by the government and reformed in the name of *Maruti Udyog Limited* (MUL). The government later sold 26% of shares of MUL to Suzuki from Japan and then increased the stake to 50% .

Suzuki not only invested in MUL but also thrived in local production of automobile parts and invested in other automobile projects. They deputed their own man force as well as planned in reducing the cost procurement.

Liberalization of Indian economy paved the way for joint ventures. With this various international car manufacturers showed interest in the Indian market and entered the country creating even more bigger picture of the Indian automobile face. The Japanese venture not only helped in enhancing the local manufacturing of components but created a Domino effect in marking a foothold of India in exporting those components globally.

Major aspects: The two most important factors attracting FDI in India are low cost of production and a growing domestic market. Suzuki made cars which could be afforded by the middle income segment in the country. It was relatively easy for them to enter the market which was up till now unhindered.

Sustainability of Indo-Japanese ventures:-

i) ***Low cost skilled professionals***:-India has a large growing population and increasing number of people who are educated and technically skilled and where labor costs are relatively low. This has encouraged Japanese companies to set up operations in India. Most of the ventures had been a win-win situation for both Japanese multinationals and the local host. The destination India had to provide a little more than this simple cost advantage. The so called Indian brain which is intelligent hard working and technically sound has paved the way for Japanese to stay grounded on getting mingled with local subsidiaries.

ii) ***Market:-*** Indian market is consumer market rater being producing market. Suzuki didn't had any rivals in at the time for operation which acted as a win-win situation for them. Its success motivated other companies to follow suit. With other international car makers eyeing the unhindered Indian market; it paved the way. With now expanding urbanization the working middle class also aspires to own budget cars. Hence the joint ventures venture into combining ***technology with affordability.***

i) ***Physical Location***: India is geographically located in an advantageous position as it lies between the East and West. More over the location panned in the country for setting up the manufacturing units are connected by highways for easy transports; cheap labor availability good weather conditions, connectivity to ports and big cities

ii) ***Partnership***: Suzuki took joint venture to enter the Indian markets and faced some bureaucratic problems initially till the time it bought out the Government stake.

Japanese firms have been major investors in the country so the concerned state government has been very cordial to them in rendering taxation and utilization policies services for opening their joint subsidiaries. The investment by Suzuki let to the development of the whole auto ancillary industry by encouraging further indo Japanese joint ventures.

Besides, its success also gave a positive impetus to other overseas manufacturers to bet on the Indian growth story which resulted in the era of whole lot of OEMs to enter the Indian market. Many of them are now increasing their capacity in India by using it as an export base to reach out South Asian as well as African Markets. Hence, Japanese investments in the very formative years of the industry resulted in its rapid growth and maturity.

vi) ***Research and Development:-*** Research and Development has been emerging as a new area for investment by the Japanese firms in India. Many plants have been setup at various places in the country which together with the upgraded Japanese technology research intensely and bring forth technologies designed keeping in mind the Indian mindset.

CONCLUSION: (Future aspects of indo Japanese ventures)

i) Public and Private Support to Promote FDI in India:

Since India opened up for a partnership with the Japanese, the automobile industry has seen a boom in its sudden growth. India too was keen on Japanese participation as they had respect for Japan as an Asian giant as also because its political relationship with Japan was cordial. The Maruti Suzuki venture had also created a lot of trust for Japanese partnership. Till now indo-Japanese venture has proved to be a great economic boon for the country. They have expanded their business at local subsidized levels by expanding their expatriates base in india.

ii) Government Support:

The Government supports industries by getting a number of incentives. There are broadly two types of zones namely, 'industrial development zones' to give impetus to certain prominent sectors like automobiles, electronics and software industry and 'export processing zones' dedicated to those manufacturing units which plan to export some part of their products (Ministry of Commerce, Government of India).

The role of Government in promoting Japanese FDI in India can be scaled at the two levels- State and Centre.

Many State Governments has also favored the development of dedicated industrial clusters to attract Japanese Investors.

State level initiatives:

Neemrana Industrial Estate in Rajasthan about 122 kilometers from Delhi is an exclusive Japanese Economic Zone. Under the MOU signed between the JETRO (Japanese external trade research and organization) and Rajasthan State Industrial Development and Investment Corporation in 2006 and further extended in 2008, India benefits from this zone of huge employment and the firms in their investments due to deduced taxes and slashed prices.

New Japanese Cluster by Sri City SEZ:

South India's largest SEZ, Sri City, has set up a new 'Japanese Enclave' that accommodates Japanese small and medium enterprises (SMEs). Sri City is a private sector multi-product SEZ with a Domestic Tariff Zone (DTZ) and a Free Trade and Warehousing Zone (FTWZ) built in functional partnership with the government of Andhra Pradesh.SEZ houses 80 companies

Central Government Initiatives:

The Central Governmental support came in the form of the Special Economic Partnership Initiative (SEPI). This has several high visibility flagship projects like Western Corridor of the Dedicated Freight Corridor (DFC) and the Delhi-Mumbai Industrial Corridor (DMIC). The total volume of Japanese Official Development Assistance (ODA) loan committed for the first phase of the Western Corridor is about 405 billion Yen. A consortium of Japanese private sector companies is already collaborating with the DMIC Development Corporation as well as the Governments of the concerned states, in developing eco-friendly townships in the DMIC zone using Japan's best practices.

Another agreement that can be a potential ‾game changers for India-Japan economic relations is the India-Japan Comprehensive Economic Partnership Agreement (CEPA). Negotiations for a CEPA have been completed. As part of the

CEPA, India will eliminate tariffs on 90 per cent of its imports from Japan, and Japan will remove tariffs on 97 per cent of Indian imports on a trade value basis within 10 years. In addition, the CEPA will relax barriers on investment, trade in services and movement of professionals, competition and improvement of the business environment by both sides, besides enhanced cooperation on protection of intellectual property. Over the years, the Government has supported in the form of dedicated Japanese industrial clusters, automobile policy and promise of faster clearances and transparent proceedings but still, there is a need for more focused improvements.

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