

CASE 5

Japanese-American Seating Inc. (A)

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In mid-January 1991, Jim Needham was facing one of the first challenges of his new position as general manager at Japanese-American Seating Inc. (JASI). Located in southwestern Ontario, JASI was a joint venture between a Japanese seat manufacturer and a Michigan-based seat assembler. When Needham arrived at the beginning of the year, the JASI plant had been through 20 months of commercial production under his predecessor, Bill Stanton. After several hours of discussion in a recent meeting about how to strengthen project management, Needham's Japanese managers had finally gotten his agreement to hire a project coordinator who would report to the materials manager and schedule and control engineering projects. But the more he considered the situation, the more uneasy Needham felt about enlarging the role of the materials department. Could he renege on his earlier decision, or should he just let this one go?

The North American Automotive Industry

The automotive industry accounted for a large part of manufacturing activity in both Canada and the United States, and contributed significantly to the expansion and recession of these economies. In the past decade, the "Big Three" U.S. automakers had experienced an unprecedented decline in market share and profitability, and they continued

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Joyce Miller and Professor J. Michael Geringer prepared this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have discussed certain names and other identifying information to protect confidentiality.

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EXHIBIT 1 The Big Three Automakers and the North American Automotive Industry

	1973	1978	1987	1988	1989
<i>General Motors Corporation</i>					
Quality (defects per 100 cars)	—	—	176	165	158
Productivity (cars per person per year)	11.4	12.1	11.3	12.9	12.6
Inventory turns	5.4	6.7	18.0	18.8	20.0
Profit per unit (\$)	490	684	435	692	645
Return on sales (%)	6.7	5.5	3.5	4.4	3.8
Market share (%)	51.5	47.3	34.7	34.9	35.0
<i>Ford Motor Company</i>					
Quality (defects per 100 cars)	—	—	156	169	143
Productivity (cars per person per year)	13.7	13.8	18.7	19.9	20.9
Inventory turns	5.3	6.5	15.6	17.3	18.0
Profit per unit (\$)	260	360	1023	1014	663
Return on sales (%)	3.9	3.7	6.4	5.7	3.9
Market share (%)	29.8	26.5	23.1	23.7	24.6
<i>Chrysler Corporation</i>					
Quality (defects per 100 cars)	—	—	178	202	169
Productivity (cars per person per year)	13.0	13.1	16.2	18.0	19.5
Inventory turns	5.6	6.3	16.8	21.6	26.3
Profit per unit (\$)	127	(129)	853	649	649
Return on sales (%)	2.1	(1.5)	4.5	3.0	1.0
Market share (%)	15.6	11.2	12.3	13.9	13.7

Source: Annual reports and industry sources

to battle against foreign car companies (Exhibit 1). A recent study noted that sales of vehicles made by North American manufacturers had dropped dramatically as the popularity of overseas models increased, particularly those from Japan, Taiwan, and South Korea. In the 1984–89 period, annual North American vehicle production was relatively flat at about 13 million units, roughly 30% of global production. Captive imports represented a growing phenomenon, and accounted for nearly 5% of North American motor vehicle sales in 1990. Pure imports accounted for an additional 24% of 1990 sales. Captive imports were vehicles imported by American companies. For instance, Chevrolet marketed the Isuzu I-Mark as the Spectrum, General Motors' LeMans and Optima were manufactured in Korea by Daewoo, and Chrysler imported several products made in Thailand by Mitsubishi.

Overall, foreign nameplates had captured about a third of the North American automobile market, despite trade barriers designed to keep them at bay. Honda now claimed 10% of the North American passenger vehicle market, and Toyota had a 7.5% share. These companies beat the quotas by agreeing to voluntary restraints, and building plants in North America, sometimes in conjunction with domestic producers. These operations were called "transplants." The total transplant production in Canada for 1991–92 was forecast at 460,000 units or 16% of Canadian capacity, an explosive increase since 1988, when transplants represented only 3% and 9.5%, respectively, of total Canadian and U.S. production capacity. Under the Auto Pact, vehicles manufactured in

Canada and having at least 50% Canadian or U.S. content could be exported duty-free to the U.S. This also applied to vehicles built by transplant operations.

In response to the challenge posed by foreign manufacturers, the Big Three had invested over US\$8 billion in the past five years to upgrade capacity and launch quality programs aimed at matching the Japanese. As well, they were streamlining the manufacturing process by using just-in-time (JIT) principles and contracting out subassemblies. Outsourcing was part of an industry-wide effort to reduce costs. Where car makers used to retool and redesign components almost annually, they were now pushing the burden of design and engineering down to parts suppliers.

These developments had a dramatic impact on organizations supplying seats to the automotive manufacturers. Until the early 1980s, the seat industry was highly fragmented, and could be described as a series of hand-offs, from engineering through to marketing. Each supplier concentrated on one or two areas, such as headrests or suspension systems. The automakers handled most of the "cut-and-sew" activities in-house. By 1991, however, 40% of seat production was being outsourced to suppliers who designed and manufactured complete seating systems. A complete system included the frame, foam pads, cover, seat tracks, lumbar support, recliner, headrest, and trim. At this time, to cut overheads and increase quality control, the automakers were reducing the number of suppliers, and the seat industry was becoming more competitive.

Japanese-American Seating Inc. (JASI)

In 1987, Kasai Kogyo Ltd., a seat manufacturer based in Tokyo, and Banting Seat Corporation, a seat assembler headquartered in a Detroit suburb, formed a 65-35 joint venture to exclusively supply seats on a JIT basis to Orion Manufacturing Corporation. JASI was one of several companies established in southwestern Ontario as dedicated suppliers to Orion. Located 15 km away, Orion was a recently negotiated Japanese-American joint venture which expected to begin producing four cylinder subcompact cars in early 1989. The Orion plant would have the capacity to produce 200,000 vehicles annually, most of which would be shipped to the U.S. Actual production volumes would depend on the market's acceptance of these vehicles as well as cyclical movements of the industry.

Banting and Kasai were leaders in automotive seating in their respective countries. Banting employed about 5,000 people in their North American operations and another 2,000 abroad. They were an established supplier to the Big Three with over \$1 billion in annual revenues. After several years of reorganization, Banting had shed all of their non-automotive businesses, and were focused exclusively on seating (approximately 70% of revenues) and other automotive interior parts. Banting's objective was to attain a position of leadership in the automobile seating industry. During the late 1980s, they had invested heavily in R&D and manufacturing facilities in the U.S., as well as acquiring several smaller European producers of automotive seating and interior components.

Kasai employed about 4,200 people and had \$1.5 billion in annual sales. Nearly 80% of Kasai's revenues were from the automotive industry, with the remainder coming from office and communications equipment, chemical products, building materials, and

miscellaneous machinery. Overall, while heavily involved in their traditional business of automobile parts, Kasai's objective was to achieve greater growth and stability through product diversification and overseas market expansion.

While Banting relied on a myriad of raw materials suppliers to assemble their seating systems, Kasai had a more vertically integrated operation. Kasai owned 12 plants and 26 affiliated companies in Japan, most of them involved in auto-related activities. By applying just-in-time principles to seat production, Kasai had gained a strong reputation within the Japanese auto parts industry. In the 1980s, in an effort to follow their customers and to increase penetration of international markets, Kasai had aggressively expanded their sales network throughout the world, with regional sales headquarters in the U.S., Canada, Spain, Brazil, Taiwan, and Thailand. Although Kasai had also pursued international manufacturing through 11 joint ventures worldwide, the JASI operation marked the company's entry into North American production. The JASI venture was initiated, in part, to help Kasai maintain its supplier relationship with the Japanese firm which was the majority partner in Orion.

The venture was to be run as a profit center. Banting held the minority participation, and JASI would supply Orion on an exclusive basis for a five-year period. The contract called for 3-5% annual price cuts. Construction on the 120,000 square foot facility began in mid-1988, and was completed in early 1989. An investment of \$20 million was required and breakeven was expected within four years. The plant had the capacity to produce 245,000 seats annually and would eventually employ 220 people on two shifts.

JASI's Start-up

Under the terms of the joint venture agreement, Banting would design the plant, contribute a general manager, and negotiate the purchase of major raw materials and components. Kasai would contribute their expertise in production and process technology and provide a president to head the venture. Orion placed great value on having an important representative from Japan on-site.

The start-up team was composed of Sumio Imai, president, Bill Stanton, general manager, Akira Hoshino, finance, Tadashi Abe, Orion design engineer, Katsuhiko Ito, engineering, and Yuji Yamanaka, manufacturing/quality director (Exhibits 2 and 3 have organization charts for mid-1989 and January 1991). This was the first time any of the Japanese managers had worked in North America. The Japanese who went abroad were typically on a five-year rotation. Rotating people to gain a cross-section of experience within a company was a widely accepted practice and was, in fact, the foundation of management training and development in Japan. Lifetime employment was still the common practice in Kasai.

Except for Imai, all the Japanese managers brought their families to Canada. Imai, who chose to return to Tokyo three or four times a year for three-week periods, commented:

My children have finished university and are working; it made sense to do it this way. I go back regularly to spend time with my family and to maintain business connections. The biggest challenge of going on rotation is actually returning. I mean this in a couple of ways.

EXHIBIT 2 Organization Chart, May 1989

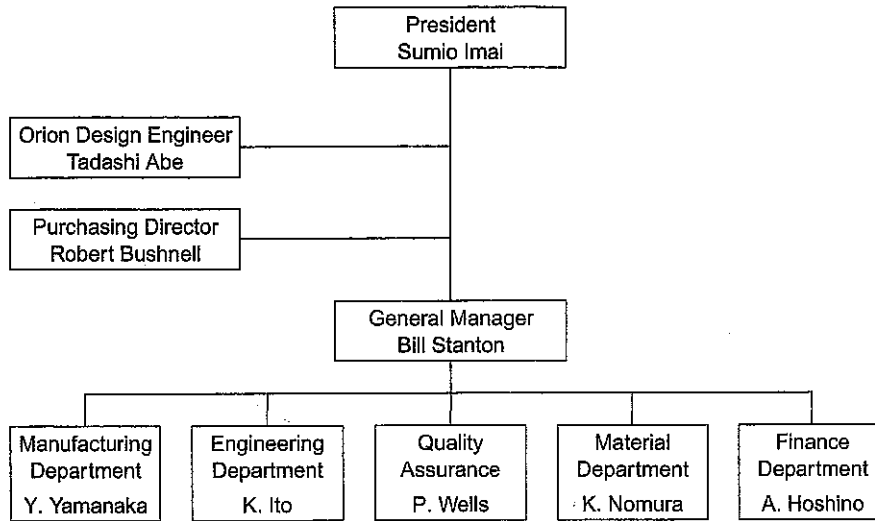
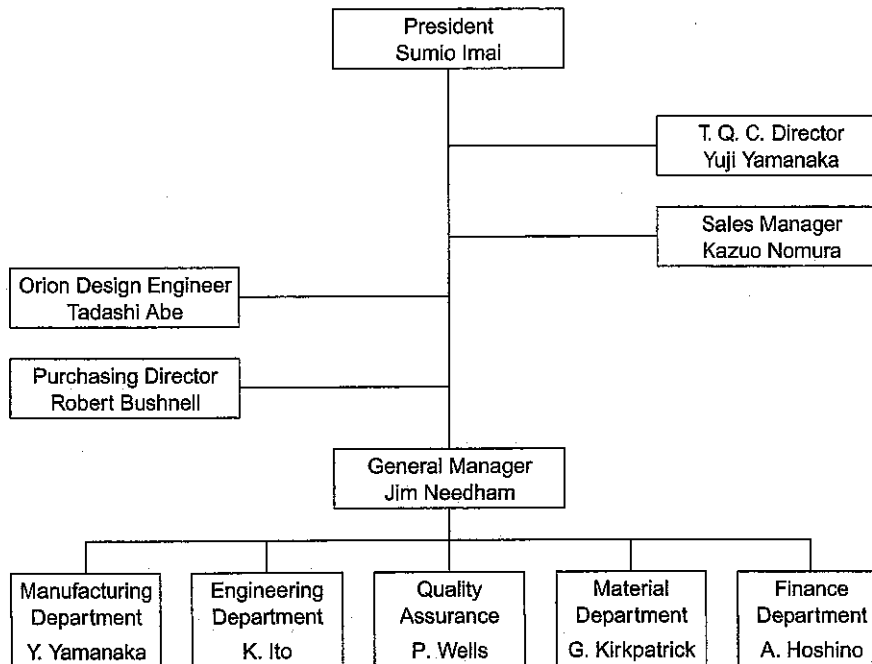


EXHIBIT 3 Organization Chart, January 1991



First, companies are dynamic, always changing, and it is important to know the organization. This takes time. It is not uncommon for people to spend many evenings after work socializing with colleagues, building up networks. Second, those who relocate their families to another country often find returning quite an adjustment. They get used to the lower cost of living and the bigger houses. Some people have difficulty getting their children back on track for the best universities. There is a sense that they have gained "bad habits" abroad.

JASI adopted the principles of the JIT production system known as "kanban," which was considered to be Toyota's invention. As one Japanese manager remarked, "Toyota has been doing it for 30 years and is seen as the master of the kanban system. In Japan, everybody likes and lives under kanban." Where the conventional production system was built on an earlier process continuously forwarding products to a later process regardless of its requirements, the kanban system was built on reversing this conception. To supply parts used in assembly under this system, the later process traced back to an earlier process, and withdrew materials only when they were needed. In this way, wasteful inventory could be eliminated. Imai was an early champion in applying the kanban system to the production of seats at Kasai.

In JASI's case, the kanban referred to a triangular vinyl envelope which accompanied parts and products as they moved through the plant. The kanban provided information about picking up or receiving an order so that only what was needed would be produced. The kanban controlled the flow of goods by serving as a withdrawal order, a work order, and an order for conveyance. Associates picked and replaced parts in small batches according to the kanban.

Work cells contained several machines designed for quick, easy changes and short set-up times so that a single operator could do a series of tasks. At any one time, there was no more than 4-8 hours of inventory in the plant, from parts through to the seats waiting on the rack for shipping. Seat storage and shipping were geared to the "live broadcast" of cars coming out of Orion's paint section which fixed the order through final trim and assembly. To meet JIT requirements, units were shipped sequentially based on material and other options according to Orion's production schedule. JASI typically had a 3.5-4 hour window to deliver a particular seat set to Orion. There was a substantial financial penalty for late or incorrect delivery. Incoming seats were transferred directly to the final assembly line in the correct position without having to sort through an entire truckload to locate a specific unit. An industry analyst observed:

Kanban systems require a lot of training: training workers to monitor inventory levels and training suppliers to operate under JIT principles. Suppliers have to understand the concept of delivering 50 pieces at 10 a.m.; not before, not after, and not 49. It's about supplying the right quantities of the right product at the right time. It's changing the philosophy away from protecting business behind the delivery door; it's about partnerships.

JASI had approximately 100 suppliers of small stampings, nuts and bolts, cloth, foam, frame, recliners, and other raw materials. At some point, certain activities like manufacturing foam might be brought in-house in a separate facility.

In September 1988, Kazuo Nomura joined the company as materials manager. Following the Japanese model, Nomura had both purchasing and sales responsibilities, and

oversaw all aspects of cost, material, and production control. In addition to being a liaison with Orion, handling suppliers, and scheduling incoming materials, he controlled engineering projects. However, expediting materials was taking up an extraordinary amount of his time. Nomura explained:

North American suppliers don't give us the kind of support we're used to in Japan. I'd end up having regular quarrels with suppliers just trying to explain the kanban process. It was taking longer than I expected to get them to buy in, to deliver small quantity shipments on a JIT basis, and I was getting frustrated. It was hard to handle everything. Our reputation with Orion was key, and I was dedicated to building this relationship. In January 1990, I became sales manager, and JASI hired a Canadian, George Kirkpatrick, to take over materials. By this time, many of my responsibilities had been parcelled out to other departments. Kirkpatrick would schedule parts in and products out, keep suppliers onstream, ensure manufacturing had the materials to keep the plant going, and interact with Orion regarding product sequencing and shipping.

During start-up, the management team generally worked well together despite some differences in management style. Stanton had designed the plant, knowing nothing about Japanese management and production principles that would be used to operate it. Over a six-month period beginning in November 1988, three groups of two or three salaried managers and technicians went to Japan to learn about Kasai's production system, and see the same seats they would be making being built at the Tokyo facility. Throughout this time, JASI was producing pilot seats, programming and debugging the numerically controlled metal benders and robot welders, and training people how to properly fit seat covers.

Overall, there were few technical problems or difficulties with the non-unionized workforce. The area had an abundant labor pool, particularly with the recent influx of East European and Southeast Asian immigrants. Stanton's policy was to recruit young people without industry experience; and have them work in teams and cross-train. With a monthly absenteeism rate of 3%, where the industry average was 5%, JASI was considered a highly successful venture, especially on the interpersonal side.

JASI began commercial production in April 1989, coinciding with Orion's start-up. Over the next 20 months, the company made steady progress in training their workforce and suppliers, containing costs, and meeting the price cuts scheduled into the contract with Orion. From the start, JASI had adopted the Japanese concept of "kaizen." Literally translated, this meant continuous improvement. This philosophy encouraged associates to submit ideas for new methods, rationalized set-ups, more efficient ways of operating machinery, and so on.

The Japanese managers considered that JASI operated relatively autonomously from both parent companies, particularly Kasai. Their communications with Kasai were principally about issues of product quality; major problems with customers, especially regarding product quality issues; engineering changes, and the development and testing of prototypes; and proposed investments. For example, in response to model changes at Orion, they would send samples of parts prototypes for testing in Kasai's labs, since JASI lacked the required capabilities. Interactions with Banting often involved operational details, such as purchasing materials, changing suppliers, and introducing new products. They also communicated with Banting regarding cultural issues which the Japanese

managers were unfamiliar with, such as donations to a local charity, or staging a company party for employees and their families.

On a monthly basis, both parent companies received a statement outlining the venture's general financial status. While Kasai had never requested additional detailed financial data, Banting had occasionally asked for figures on overtime, production costs, and output, particularly during the venture's start-up. JASI's managers were strictly required to consult with both parents, including detailed documentation, whenever funding was required for new investments. One Japanese manager noted that requests for investment funds had never been rejected, and parent inquiries associated with these requests had diminished substantially as the venture became more established. However, he noted that where Kasai would allow the venture to have a negative cash flow for five years, Banting had a significantly shorter horizon and seemed to require stricter budgetary control.

As a sole supplier of a major component, quality or delivery problems on JASI's part could shut down Orion's plant. Of all of Orion's suppliers, JASI believed it faced the greatest potential for problems; the fabric, foam, and weave of the knit all affected the final product. Most returns were because of variances within tolerances. Nomura was the key liaison between the two companies, and he met daily with Imai to report current issues. He travelled frequently to the Orion site, and was in daily contact with the purchasing, engineering, and quality departments to feed information back into the JASI plant. Nomura explained:

For minor problems, Orion's quality department talks directly with our quality area. If problems are deeper, I get involved. I'll set up a meeting with people from both sides to analyze the current system and get at the root cause, then I report back to Orion about how we're implementing improvements. Everyone has their mind on corrective action and there's a lot of informal communication. We're still small enough to respond fast. When significant new investment is required, I'll get the president and general manager involved. Otherwise, it's up to me.

Showing a high degree of responsiveness and taking quick action to correct returns had enabled JASI to build an excellent reputation to the extent that the company had recently been taken off Orion's regular quality audit list, which meant that performance reviews would only be conducted every six months. By this time, a strongly knit culture had developed, both in management and on the plant floor.

When Orion geared up production in September 1990, JASI brought on a second shift which added 100 people to the payroll. Work groups had to be split up to train the new associates. Defects increased and productivity deteriorated significantly during this period. At this time, the Canadian Auto Workers (CAW) made a successful bid to unionize the workforce. In October, the CAW was certified as the official bargaining unit and began negotiations with JASI management.

Jim Needham's Arrival

In Fall 1990, Banting finalized a deal to acquire a German seat assembler, giving the firm entry into the country which represented about one-third of the automotive manufacturing

market in Europe. European seat makers had traditionally sold foam and metal components, but there was increasing pressure from the car makers to deliver complete seating systems on a JIT basis. Stanton was asked to take over the management of the plant in Germany, and Jim Needham was offered the general manager position at JASI, a promotion from his current position managing a seat assembly plant in Michigan. Needham, age 41, expected to spend at least three years at JASI. He reflected:

Bill took the job in Germany because he felt he couldn't do much more here; he was ready to take on a new challenge. I accepted the job in mid-November and started commuting back and forth several times a week. A lot of my time was taken up with paperwork and immigration matters. I had to buy a house, move my family here at the beginning of the year, and get my two kids settled into new schools. My wife and 12-year-old son seemed to make the transition okay. But my 16-year-old daughter wasn't exactly thrilled about moving to a small rural town in another country. At first, it seemed like there was just one brick on my back after another.

Needham had worked for Banting for the past six years, coming up through the ranks from manufacturing manager. He continued:

I'm an old factory nut, and I was really impressed with the JASI plant: how well it was laid out, the robotics and metal bending capabilities, the high-tech product testing. JASI was making all their own frames whereas the plants I'd worked in before were building seats with purchased parts. I'd been through some consensus training but I had limited experience working with the Japanese. In Michigan, we were doing JIT, we had cards on the seats and were scheduling the replacement of batches. We thought we were doing a lot, but I've never seen kanban worked as thoroughly through the production process as here. It's hard to learn how to make kanban work, and making it work right is a real trick.

Right now, I'm concerned about the union negotiations. I'd worked with the United Auto Workers in the past but the CAW has the reputation of being a more militant organization. I hope that we won't get into the typical adversarial relationship. JASI's wage structure is good and the benefits package is solid. We have a progressive-thinking union rep who seems open to a different approach. I'm not anticipating a lot of restrictions; the union knows our relationship with Orion, that the company will be growing.

I think Bill took the decision to unionize quite personally. Bill put everything he had into this plant, and he had a strong feeling of personal ownership here. He was into all the details. Once he was convinced of something, he went all out to make it happen. He has quite a forceful personality with a decisive, direct style, even authoritarian at times.

Needham did not have a lot of preparation before taking on his new position. He remarked:

I only had 3-4 days with Bill, and I spent that time trying to get down the mechanics of the organization. I knew that I was coming into a tightly knit group. And I was coming into a situation where I couldn't even speak directly with my own boss and some of my key managers. Nomura and Hoshino had a working knowledge of English, but I'm not sure how much the other Japanese comprehend. They spend a lot of time together interpreting for each other. I suspect that Imai understands more than what he can express in English. Whenever Imai has a meeting with an Anglo, he'll always have someone else there, usually

Nomura, to interpret. Still, I have to be careful. What gets said may be just the best way someone knew how to say it and not necessarily their intent.

It's hard to figure out the dynamics of the management group. Imai is gregarious and outgoing while Yamanaka gravitates towards the role of the "keeper;" he keeps situations in control, he's more grounded. Nomura seems to be the linking pin in the whole operation. Bill tried not to tell me too much; he didn't want to predispose me to certain individuals. One thing Bill emphasized was the need to maintain operational control, especially in order to achieve better cost/benefit ratios. He gave the example that the Japanese continually look for improvements and might request that eight people be assigned to the task of rearranging a work cell. They'll justify it as being for the good of the company, but the benefit might not come until four or five years later. Bill noted that this could generate problems at Banting, since Mr. Begar, an Executive Vice President at Banting and their senior representative on JASI's board, as well as other executives at headquarters would expect me to regularly report key production data as Bill had done, and they would not be pleased if the figures varied substantially from budget.

I'm mostly learning as I go along. I realize that I can't do things the same way I did before. I didn't think people could tolerate an American coming in swinging. The last thing I want anyone to think is that I'm a dictator; I've worked for those types before, and it never works. I want to take the long view; changes will come over time. At the beginning, the important thing is to not make too many quick judgments or life-threatening decisions, to just get involved where you really need to.

I'm starting to have some interaction with Hoshino on the budget, and it's possible that he could be a window into the Japanese group, someone who I can put the sticky questions to and find out about personalities and political ramifications in Japan. At the moment, I'm very much the new guy. I have a sense that people might be looking for changes in the way things get done. I bring a new set of ears, and ideas that didn't get through before will be resubmitted. People are redefining relationships, and this isn't necessarily a bad thing. There are good reasons for making changes at this level: there's the saying that you can't change the players but you can sometimes change the coach. Maybe I'll have a chance to make the improvements my predecessor couldn't crack.

Shortly after Needham's arrival, the media reported that early January 1991 sales of North American vehicles had plunged as worries about the faltering economy and the Persian Gulf crisis continued to erode consumer confidence.

Managing in a Cross-Cultural Environment

Needham knew that his job at JASI would be more difficult, at least initially, than those he had gone into previously. He recounted:

I'm used to reading a situation quicker. I come from a system where a good boss listens to his manager, then makes a decision; his people understand it and follow it. The Japanese look for consensus, and this is hard to get to. Management meetings are long. Recently, we spent an hour only to find that we had two versions of the same vacation policy, one for the Japanese and one for the North Americans. We spent another two hours trying to hammer out a single policy. There's always a risk that everyone will nod their heads, and then the Japanese will go off and run the business their way and the North Americans will go off and do things differently. People forget that they're supposed to be learning from each other;

there's always some tension, and sometimes it's hard to get over the humps. The North Americans aren't familiar with the kanban system and sometimes they don't go far enough; they had something that worked before. Put that against the Japanese guys who know and believe in their system.

I see my role as bringing up issues for discussion. If I walked in with the solution to a problem, there would be immediate resistance. We need the extra step here, and I'm patient enough to go through it.

Through a series of conversations, Needham discovered that the Japanese were used to relying heavily on their technicians. In Japan, once these people were told the rules, there was apparently little need to follow up. However, he noticed that JASI's floor technicians were not consistently enforcing such simple things as wearing safety glasses. Shop rules and discipline seemed to be foreign ideas to his Japanese managers. Needham elaborated:

The Japanese don't seem to recognize that the workforce might slip; they aren't trained to look for such problems. Even if they become aware of something, they appear to overlook it. I don't know if it's just a cultural difference, a case of not feeling comfortable dealing with the situation. For instance, it recently happened that someone was stealing and my Japanese guys didn't seem to realize that a person who behaved this way would have to be fired.

Another difference between the Japanese and North American systems was the role of the materials department. In Japan, this department was a large, central hub which ran new engineering and information programs, and scheduled and controlled all aspects of projects. In North America, these activities were typically handled by engineering or manufacturing. As a whole, JASI's Japanese management group felt strongly that the company needed to get better at project management to achieve continuing quality improvements and cost reductions.

The January Meeting

On January 11, 1991, Jim Needham convened a two-hour meeting with virtually the entire management team, including Imai, to discuss the project management situation. Project management was intimately linked with costs. The decisions made in this meeting would affect everyone. The Japanese managers felt strongly that the materials department should enlarge its role and regain its original status. As the venture had moved toward commercial production, many of the responsibilities Nomura originally had as materials manager had been dispersed across departments as he dedicated more of his time to building JASI's relationship with Orion. The Japanese felt that the key to better project management was to centralize this function back in materials. They argued adamantly that a project coordinator needed to be hired in.

Reporting to the materials manager, the project coordinator would launch projects and follow them through to completion. For example, if an engineering study proposed joining three pieces to bolt onto a seat, the project coordinator would find parts suppliers and obtain quotes to facilitate a make or buy decision. This person would also

interact with engineering, quality, and manufacturing to ensure each department carried out its responsibilities on the project. The Japanese contended that creating such a position would mean that everyone was informed of the status of ongoing projects. Starting up new projects would be smoother, less costly, and better quality. Needham responded:

I kept telling people I wasn't convinced that we needed to add an extra person. This hadn't been slotted in and I didn't want to bastardize the budget within the first month. I thought that the job could be handled by someone else already in the organization. I had recently talked to the quality manager, Paul Wells, and he was willing to schedule and follow up projects. This wouldn't make for as big a role for the materials department as the Japanese wanted: the real responsibility would still be with the pieces, but I didn't feel comfortable giving up some of my own authority when I still didn't completely understand the operation. My Japanese managers persisted. One even remarked that when I went to Japan in April, I'd learn why project management should be done in materials. After several hours of discussion, I finally relented.

I suspected that Imai and the others were pleased with the outcome. They were comfortable that I went after consensus, and I had a feeling they would like JASI to operate even more like a Japanese organization.

A few days after agreeing to hire a project coordinator, Needham was having serious second thoughts. Besides concerns that the company was still too small to warrant this additional person and the accompanying costs, he did not feel that the materials department was ready to take on this level of responsibility, and ultimately, he was not comfortable defining the department as largely as it was in Japanese operations. Delegating this additional authority to lower-level managers before he was comfortable in his new position might also limit his own decision-making authority in the future. But what could he do now?

Needham was to meet with Imai at 8 a.m. tomorrow for their weekly meeting, and the agenda which Imai had sent to him was quite full. In addition to addressing several important strategic and operational issues, such as improving integration of local suppliers within JASI's kanban system, production planning and quality control issues, and finalizing a strategy for upcoming negotiations with union representatives, Needham and Imai had been asked by the materials manager to formally approve the proposal to hire a project coordinator, including funding to retain a personnel recruiting firm and placement of position advertisements. In fact, this latter issue was the first item on their agenda, along with review of the quality control report for the prior two weeks, which showed a continuing decline in production defects. Could he change his mind? And how would he even go about doing it?