

Cluster-Based Industrial Development: *KAIZEN* Management for MSE Growth

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Abstract

In order to reduce widespread poverty in low-income countries, it is essential to create jobs by promoting the development of labor-intensive manufacturing industries. Yet, there is no clear-cut, generally accepted, and effective strategy to develop such industries. This study attempts to provide an effective strategy to foster development of labor-intensive industries in developing countries based on the results of management training experiments conducted in selected metalwork, garment, and shoe clusters in Ghana, Kenya, Ethiopia, Vietnam, and Tanzania, as well as on a large number of our case studies of cluster-based industrial development in Asia and sub-Saharan Africa.

Special attention is paid to micro and small enterprises (MSEs) in industrial clusters because clusters consisting of MSEs are ubiquitous, and at least some of them seem to have high potential to grow and generate employment. The very fact that they have survived competition in the increasingly globalized world indicates that they have a comparative advantage. At the same time, the fact that only a few of them have successfully developed warrants the detailed study of a development strategy that helps them overcome market failures without causing serious government failures.

This study postulates that efficient management is the key to innovation, which is a major engine of enterprise and industrial growth. This study also hypothesizes that management training not only enhances the management capacity of entrepreneurs but also serves as an effective screening device to identify promising and non-promising entrepreneurs, which enables targeted policies to support the former. In particular, *KAIZEN* management is found to be effective in improving production management and quality control in several countries, which supports our view that the management training is an integral part of an effective industrial development strategy.

Profile

Tetsushi Sonobe is a vice president of the National Graduate Institute for Policy Studies (GRIPS) in Tokyo, Japan, and a professor of development economics and the director of GRIPS Global Governance (G-cube) Program at GRIPS. He received his BA from the University of Tokyo and his MA, MPhil, and Ph.D. from Yale University. Previously he was a professor of economics at Tokyo Metropolitan University, a senior researcher of the Foundation for Advanced Studies on International Development (FASID), and the director of the International Development Studies Program and the State Building and Economic Development Program at GRIPS. His research focuses on industrial development in developing countries. He has conducted a number of case studies of cluster-based industrial development, including randomized controlled trials of management training interventions, in Asia and Africa. He is a co-author of *Cluster-Based Industrial Development: An East Asian Model* (Palgrave Macmillan, 2006), *Cluster-Based Industrial Development: Kaizen Management for MSE Growth in Developing Countries* (Palgrave Macmillan, forthcoming).