“There once was an economic power that dominated the world’s industrial production. This country was the world’s leading manufacturer and predominant exporter of goods. Much of its success was based on its basic research, its ability to invent, and its unparalleled technological leadership. A time came, however, when it began to decline relative to its international competitors and was challenged by another country whose ships, filled with new products, arrived with increasing frequency.

Several decades earlier, the two nations had been engaged in a bitter war, but they had become allies. Some time after the war, the upstart country focused on its manufacturing prowess, eventually regaining renown for its new and unique productions processes that turned out goods of high quality.

At first the dominant country had no fear of its lowly ally, which focused on low-end products with small profit margins. It was not known for its quality, and all of its products were basically imitations; inventiveness or creativity was not its strong suit. But the upstart country kept plugging away, improving its manufacturing processes, quality, exports, and market share in a number of industries.

As the number of industries in which the upstart country challenged the dominant one grew, people began to examine how and why this was happening. Articles were written, reports were commissioned, and books were published to explain the new powerful manufacturing processes of the upstart country and to recommend how it could best be emulated. Many factors were identified to explain its success, including:

- A focused, orderly, and systematic manufacturing process that depended on the combination of highly skilled workers, automated machinery, and a new way of moving materials and goods through the factory.
- Strong and continual gains in productivity and quality, thanks to the involvement of workers in improving the process.
- Highly skilled and well-educated workers who maintained clean work environments and had high marks for attendance.
- Continual, incremental technological innovations.
- A high level of cooperation among national competitors, which helped the rapid diffusion of process innovations.
- A high degree of reliance on subcontractors for innovations and production skills.
- A strong education system.
- A culture that was unique and relatively homogenous.

Thoughtful individuals in the dominant country warned of dire consequences if the nation as a whole did not change its ways and rise to the challenge. But the nation’s business leaders did not know how quite to respond. As the upstart country continued its march toward larger and larger market share, fears arose that it would eventually overwhelm its bigger ally and the rest of the world with its exports, putting domestic firms and even entire industries out of business. The country was faced with the prospect of losing the economic superiority it had held for so long. Time appeared to be running out.”