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Lifelong High Performance, the Japanese–American Way

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BY BOBBIE VAN DER LIST

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Could the next big management fashion be a hybrid of Japanese and U.S. styles? Could it provide the competitiveness of the most successful U.S. companies while still benefiting from the commitment and loyalty that Japanese companies earn from lifelong “salarymen”? A few companies in Tokyo are experimenting with a prototype approach that, if successful, could be used by companies everywhere to combine high performance and creativity with a nurturing, community-oriented business environment.

Japanese companies are remarkably innovative. They invented the light-emitting diode, portable music player, bullet train, video tape recorder, compact disc, flash memory, motion-sensing video game controller, the humanlike robot, and the Toyota production system, the original source of lean management. Yet the prevailing Japanese business culture is one of stability, consensus, and lifetime employment security. As freewheeling business cultures have risen up in places such as Silicon Valley and parts of China, some Japanese enterprise leaders are beginning to worry that they are too staid, bureaucratic, and complacent, per-

haps even coddling their employees. They fear being overtaken by more aggressive newcomers.

“From early in life,” says Shin Sakane, CEO of the Tokyo startup Seven Dreamers Laboratories, “we are taught that ‘the nail that is sticking out will be hit down.’ Consequently, it is very difficult to find people willing to lead.”

Seven Dreamers places special value on creative leadership because it has staked its future on continual innovation. The company was originally part of Super Resin, a fiber-reinforced plastics (FRP) manufacturer then in its 54th year. “Super Resin is a traditional business-to-

business manufacturer, making parts for electronics companies and car manufacturers,” explains Sakane. “While Seven Dreamers is also technology oriented, it is mainly aimed at consumers. We develop products, but we outsource manufacturing.”

In the mid-1990s, Super Resin began developing carbon-composite FRP materials and looked for products that could use them profitably. (See “The Next Big Technology Could Be Nanomaterials,” by Jeffrey Rothfeder, *s+b*, July 26, 2017.) Seven Dreamers was originally its vehicle for designing and making those products; it was spun off into a separate company in 2011. The two companies’ offerings include windmill blades, satellite technologies, remote-controlled aircraft, and components for Japan’s Hayabusa spacecraft, the only uncrewed spacecraft to land on an asteroid and return to Earth with a mineral sample. In late 2016, Seven Dreamers raised more than US\$60 million in venture capital to launch the “laundroid,” a machine that will use artificial intelligence to recognize fabrics and fold laundry.

Sakane, who holds a Ph.D. in chemistry and biochemistry from the University of Delaware, is a member of the family that founded Super Resin’s parent company, I.S.T. He joined Super Resin in 2008 as president, and was Seven Dreamers’ founding CEO — and a skeptic about the value of Japanese-style group management.

“If I have a problem and I ask a team member which solution is best, he or she will wait for orders on how to go about [solving] it,” Sakane says. “So I decided to shake things up.” For example, he began promoting employees on the basis of individual performance, rather than se-



niority. This made employees more likely to take initiative, but it also raised the level of uncertainty; Japanese workers could no longer be sure of how their career path would progress. “I believe that the person who has the best qualities, or whose qualities match a certain position, deserves to get the job or make the promotion,” Sakane says. “We now have managers in their 20s and 30s, which is very uncommon for Japanese firms.”

At the same time, Sakane recognized that employees do their best creative work when they are part of a supportive workplace, relatively free from the fear of failure or dismissal, with decisions made through

ment in that type of system is to drive performance not through competitiveness and pressure, but through a sense of belonging, almost as a shepherd drives a flock. “The most important thing for a Japanese company is to provide stability and job security for employees,” says Parissa Haghirian, professor of international management at Tokyo’s Sophia University and the author of *Understanding Japanese Management Practices*. “Crucial to the Japanese leader is ensuring the company, or his or her department, remains a stable and trustworthy unit. For them it is very important the group sticks together, and is protected by its leader. If a leader can’t

a visible sign of his commitment to traditional employees: Even if they lost status within the company, they could still be assured that their younger bosses would speak to them with the social and cultural terms of respect. “Slowly but steadily, we resolved the issue,” he says, “and found a neutral language to speak.” For Sakane, it was a crucial lesson: The application of foreign ideas about managing a company needs to go hand in hand with an appreciation of fundamental Japanese values.

Another domain where Seven Dreamers bridged differences was in the *ringi* decision-making process, which dictates that all people who are potentially affected by an action need to be involved in the decision. “Let’s say I want to implement a new procedure,” says Haghirian. “I create a document on paper, and it needs the *hanko* — a personalized stamp, like a Western signature — of each person who is related to the project. If they don’t agree to sign, we must reconsider the decision, changing it in some detail, until every single member agrees on the final outcome. This is a circular process, in which all voices are heard. Eventually, they come to a conclusion which is acceptable to the majority.”

In the West, this is known as consensus decision making, and it is often criticized for its slow, bureaucratic nature — and for the groupthink, risk aversion, and slow responses associated with it. But in Japan, as Haghirian notes, it has the effect of fostering a strong commitment that leads to better results. “Once a decision is made,” she says, “and the group knows what kind of direction they want to go [in], they act quickly and they become very successful. It doesn’t only nur-

The perceived role of management is to drive performance not through competitiveness and pressure, but through a sense of belonging, almost as a shepherd drives a flock.

consensus. So he set out to develop a hybrid approach that would be competitive while ensuring that Seven Dreamers’ employees felt comfortable and secure. The guarantee of lifetime employment, pervasive in Japanese companies, is grounded in the broader culture. People often identify as part of a group that may form in university, go to work at a single company all together, progress up the ranks at a similar pace, and develop bonds that last through retirement. Japanese employees tend to feel proud of working for one company their entire life. Even younger Japanese often say in surveys that they prefer the stability of lifetime employment to the opportunities of joining a startup where they could advance more quickly but would take more risks with their career.

The perceived role of manage-

protect, he isn’t considered worthy of your trust. That is why Japanese companies place great emphasis on continuity.”

Because Seven Dreamers did not incorporate traditional Japanese management practices, it had to develop a company culture that made its more traditional, security-oriented employees feel comfortable. For example, the superior status of age is embedded in the Japanese language. Younger people are expected to address older people with honorific words. This deeply ingrained etiquette is considered crucial to any successful business in Japan, but it contradicted the career paths at Seven Dreamers, where managers were sometimes assigned to lead teams of people older than themselves. Sakane developed a kind of verbal template for managers that become

ture a good relationship between workers; it also provides much-needed involvement of employees with the long-term goals they are working toward.”

Here again, Seven Dreamers developed its own form of the *ringi* system — an online version, Sakane explains. There are no paper documents to slow down the process, and the company uses the method only for big budget decisions.

Some executives, including some who have come to Japan from the U.S., see a more brusque U.S. management style as a necessary corrective to the Japanese culture. For example, Buster Brown, a Texas-born executive who was president of Manpower Japan between 2014 and 2016, used U.S. cultural tropes as a way to promote efficiency and autonomous leadership. “In the West, eccentricity and outspokenness can give you good leverage; they can help you progress in your career,” he says. “Therefore, you will find many people who are willing to lead in the United States. This explains why Japanese companies in a state of crisis will often look for Western leaders.”

Japanese companies will probably continue to incorporate Western managerial ideas. This will help them hire more talented engineers, including those from outside Japan. It will give them a more meritocratic system, in which managers still feel protected overall, but have a chance to move up the ladder on the basis of performance.

But what about Western companies? Could they benefit from a more communal, collegial, Japanese-influenced culture? The last time the two nations extensively intermingled their management approaches was in the 1980s and early 1990s, when experts such as W.

Edwards Deming, Joseph Juran, and Richard Pascale seemed to have found a remedy for the U.S. malaise of short-term thinking. Many Western companies changed their ways accordingly, which meant that the United States’ “prevailing system of management,” as Deming called it, became significantly more participative, quality oriented, and ready to treat all employees as assets to be cultivated. Without Japanese management, one could argue, many of the practices common in well-managed companies today would never have taken hold.

This time, the momentum is moving in the other direction. Japanese companies, under fire, are beginning to change some of their long-standing ways. “In times of peace, Japanese continuity is preferred,” Haghirian says. “The group takes precedence over the individual. But in times of crisis, you may need a strong leader to make effective decisions.” If Japanese companies resolve this paradox — if they become more innovative and decisive, while providing a tangible commitment to their loyal employees — they may provide a model that will spread around the world. +

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