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A STUDY OF TOP MANAGEMENT'S ABILITIES

—Through a Field Research on 79 Companies in
the Electronics and Chain Restaurant Industries —

by

Ryūei Shimizu

Table of Contents

1.	Introduction	54
2.	Attributes of President	55
2-1.	Type of president	55
2-2.	Family origin	56
2-3.	Age, period of presidency and field of specialization	57
3.	Abilities of President	58
3-1.	Ambition	58
3-2.	Ability in coping with a new situation	59
3-3.	Determination	60
3-4.	Intuition	61
3-5.	Respecting others	63
3-6.	Willingness to do others a favor	64
3-7.	Persuasion	65
3-8.	Health	66
3-9.	Ability in gathering information	67
3-10.	Ability in gathering indirect information	68
3-11.	Requirements for president	69
4.	Decision-Making in Business	71
4-1.	The strengths of firms cited by president	71
4-2.	Setting business goals	72
4-3.	Decision-making pattern	73
4-4.	Motivation of employees	75
4-5.	Attitude toward R & D	76
4-6.	The criteria for promotion to department head cited by president	77
5.	Results of Decision-Making—— Ratios of New-Products, New-Equipment and New-Stores	78
6.	Summing Up	79

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1. Introduction

The abilities required for the top management include the quality to accomplish managerial functions in a given environment, which are roughly classified into three: thinking out future business concepts, decision-making and business management and control. By demonstrating this quality, the top management can better contribute to the company's growth, successfully adjusting himself to the business circumstances in which he is placed. Desirable top management's abilities vary with the environment, however, it is generally agreed that the top management should have a character or personality which makes it easy for him to fulfill above functions.¹⁾

This paper is designed to study the abilities necessary for company head from various viewpoints. First, I will discuss objective attributes of the top management, such as family origin, business career and age. Described next will be my research and analysis on president's abilities, including ambition, determination, intuition and persuasion, which I consider requisite to the top management. As a method of research, I refrained from directly asking company heads about their abilities. Instead, I asked them about their views on business life and behavioral pattern, as surrogates for abilities expected of them. A set of abilities referred to in this paper is based on the past work of the author.²⁾ Thirdly, I will examine top management's set patterns of decision-making and management concept. Finally I will study the results of the decisions made by the company head in terms of ratios of new products, new equipment and new stores.

This paper is characterized in that it not only studies top management's attributes, abilities and decision-making patterns, but also discusses them in relation with respective business results and employees' morale, along with the integrated business results (employees' morale plus business results).³⁾ For excellent employees' morale is essential for the company to become vital and continue to develop for long.

This paper is an attempt to examine how company head's comprehensive abilities

1) Ryūei Shimizu, "Systematization of Top Management's Abilities," *Mita Shōgaku Kenkyū*, vol. 24, No. 6 Keio University, 1981.

2) the same above.

3) Ryūei Shumizu, *Growth of Firms of Japan* (Tokyo: Keio-tsushin 1980) pp. 207~221.

help enhance employees' morale and business performances, analyzing the electronics industry undergoing rapid technological innovation and the chain restaurant industry where consumption structure is drastically changing.

As to the method of research, I sent a questionnaire to nearly 100 companies in each of the two industries. Of these, 47 in the electronics industry and 32 in the chain restaurant industry gave effective answers. In addition, I interviewed the presidents of six electronics companies and four chain restaurant firms. The combined method of observation of large numbers and interviews with the top management is used to make my analysis and interpretation of the subject matters objective and appropriate. In analyzing the result of questionnaire survey, I used the method of QAQF, Quantitative Analysis for Qualitative Factors,⁴⁾ which the author and his group have developed.

The results of analysis are all hypothetic because the number of samples used is comparatively small and the survey is the first of this kind. If future surveys result in similar hypotheses, they will be theorized.

2. Attributes of President

2-1. Type of president

When presidents are classified into four types of: founder of the company, successor, company-bred and *amakudari* (retired high ranking bureaucrat), the number of company-breds is the largest in the electronics industry, while the founder-president is dominant in the chain restaurant industry. This is probably because the former industry has a relatively long history, compared with the latter.

Table 1 shows the relation between president's type and business results. The underlined figures show the maximum number in each category and those with * are statistically significant at a level of 5 percent. From Table 1, the following hypothesis can be drawn:

Hypothesis 1: In the four-type classification of presidents, the firms whose presidents are their founders have the best business results.

Table 1. President's Type and Business Results

Industry	President's type	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Founder	14.9%	<u>4.00</u>	<u>5.71</u>	<u>9.74</u>
	Successor	19.2	3.44	4.25	7.69
	Company-bred	34.0	4.00	4.92	8.92
	Amakudari	31.9	3.60	<u>5.13</u>	8.73
Chain restaurant	Founder	59.4	3.90	<u>5.31*</u>	<u>9.21*</u>
	Successor	28.1	<u>4.11*</u>	4.87	8.98
	Company-bred, Amakudari	12.5	3.25	3.52	6.77

4) *Ibid.*

Explanation: the founder-president has strong entrepreneurship and excellent planning ability. In the electronics industry, he is actively engaged in research and development of new products, and in the chain restaurant industry, he is desperate in establishing additional stores, working on new service systems. But, the founder-president sometimes discourages employees' morale due to his too strong personality.

2-2. Family origin

In order to verify a general notion that the company head is required to have a so-called "hungry spirit", I raised the following question to the presidents: "How do you rate the standard of living of your family when you were aged between ten and 15? Please choose one out of the nine social classes of: "uppermost, middle upper, lower upper, upper middle, middle, lower middle, upper low, low, and lowest."

President Katsutarō Kataoka of the Alps Electronic Co., chose "middle". He recalls: "My father was once a joiner with about 25 employees, and ran a transport company using some 50 buses and automobiles. Having failed in both businesses later, he sold his big house. I felt sad that I was sent to usurer to pay loan interests every month." President Tadao Kashio of Cashio Computer Co., answered "lower middle," saying that he was born in a farming household, and graduated from a night school, called Waseda Koshu School. "In those days, a salaried worker could not expect a position higher than section chief unless he finished higher education, so I became self-employed," says Kashio. President Satoshi Sakurada of Mos Food Service Inc., selected "lower upper". He says, "I was born as the tenth and youngest son of a relatively big Japanese restaurant in Iwate, northern Japan." "Since my parents regarded higher education as an asset they could give to their children, I was allowed to come up to Tokyo to attend a high school and then university," Sakurada says. President Shohei Tomita of Kentucky Fried Chicken Japan Ltd., replied, "middle". Born in Tokyo, he was a student of Tokyo Prefectural Middle School II when he was 15 years old. Later, after graduate from university he entered Mitsubishi Corporation: in 1968, he was transferred to the food division after returning from overseas assignment. He joined Kentucky in 1969 when foreign capital investment was liberalized in Japan. President Yōzō Ishizuka of Pioneer Electronic Corporation picked up "upper middle". "My father was a school principal," says Ishizuka, "When I was graduating from university, I had a vague idea of my future course. Out of romanticist and humanitarian feeling at the time, I sought career in the labor management field." President Den Fujita of McDonald's Co., answered "middle". He was a student of Kitano Middle School in Osaka when he was aged 15. He established a shop when he was a law student of University of Tokyo. "Japan was defeated by the U.S. in the Second World War due to money power of the U.S.," says Fujita, "So, I always thought of beating her on the strength of money." President Yūsuke Sanbe came from an uppermost class family, but he insists on the need of "hungry spirit" for business management. He says, "Those who experienced athletic activities in their school days, should be able to show off fighting spirit at work." President Fukujirō Sono of TDK Electronics Co., chose "middle". He recalls: "My parents inspired me with a spirit of self-reliance, so I dreamed of becoming independent as early as pos-

sible when I was young." "As a graduate of an Ikuei Commercial School, my educational background is poor, however, I used to read Marx's *The Capital* and consider how to realize better society," says Sono.

Table 2 shows the result of an observation of large numbers. Please note that "upper class" in the table includes uppermost, middle upper, lower upper and upper middle classes, and the "lower class" does lower middle upper low, low and lowest classes. "middle class" equals middle. From Table 2 and above remarks of presidents, the following hypothesis is available.

Table 2. President's Family Origin and Business Results.

Industry	Presidnet's family origin	Percentage	Employees' morale	Business results	Integrated Business results
Electronics	Upper class	57.5%	3.59	4.55	8.14
	Middle class	27.7	4.00	4.79	8.79
	Lower class	14.9	4.00	7.01*	11.03*
Chain restaurant	Upper class	43.7	3.86	4.95	8.80
	Middle class	31.3	4.00	4.51	8.51
	Lower class	25.0	3.75	5.56	9.31

Hypothesis 2: The firms whose presidents were brought up in the lower social class enjoy better business results.

Explanation: The company heads, coming from the lower class, have a "hungry spirit". They are confident of their own thought and manners as they won the current positions by managing many critical decisions. Their innovative and prompt decision-making and entrepreneur daring displayed in every situation have brought about high business performance.

2-3. Age, period of presidency and field of specialization

The average age of presidents in large manufacturing firms as a whole is between 62 and 63, and 60 to 61 in medium large companies.⁵⁾ The average age of the presidents surveyed is 59.2 for the electronics industry, and 52.1 in the chain restaurant industry. The difference between the two industries may be attributed to the fact that the latter is comparatively young itself.

The average period of presidency on the whole is seven to eight years in large manufacturers, compared with eight to ten years in medium large manufacturers.⁶⁾ In contrast, the figure for those surveyed is 9.2 years in the electronics industry, and 13.7 years in the chain restaurant industry. The difference between the two industries may reflect that in many of the latter industry, the presidency has been held by the founders. No significant relations were observed between president's age and period of presidency, and business results.

A classification of presidents by field of specialization shows that engineering and

5) *Ibid.* p. 48.

6) *Ibid.*

production ranks first in the electronics industry, while sales and trades is the most dominant in the chain restaurant industry. Only an insignificant relation was seen between president's speciality and business performances. This is probably because most of the presidents have already become generalists as well.

3. *Abilities of President*

In order to find out what abilities are required for the top management, I drew up a questionnaire which asks them about views on business life and management concept. The questionnaire consists of ten alternative questions. An example goes like this: "Suppose you drink and eat out with your familiar friend, who will pay the expense? Answer A: We usually split the account. Answer B: I usually pick up the bill. Please encircle one of the following four sub-answers: 1. Answer A, 2. Answer A, more or less, 3. Answer B, more or less, and 4. Answer B".

Following are the results of the questionnaire survey on ten items and the interviews with the top management.

3-1. *Ambition*

Answer A: A future business concept is made based on the result of a detailed analysis of the present strengths and weaknesses of the firm.

Answer B: A future business concept is made with ambition to, for example, become No. 1 within the industry ten years after.

President Yutaka Oyamada of Clarion Co., says, "I always consider the ambitious business condition which will enable us to win a runaway victory over all other firms in terms of productivity, quality and cost reduction. In particular, it is vital to take an unquestionable lead in the overseas business strategies." Mr. Oyamada thus attached a great importance to ambition. McDonald's Fujita places emphasis on a "simplified" ambition, saying that Answer A refers to tactics, and Answer B does strategies. He says, "The ambition-oriented strategy must be as simple as possible." Pioneer's Ishizuka is also in favor of ambition. He insists that without ambition, vitality, which is indispensable to win a business war, will not come out. On the other hand, Alps Electric's Kataoka refers to the necessity of considering the strengths and weaknesses of his own company first. He explains: "It's impossible for us to produce a competitive video tape recorder, because our rival firms, Hitachi and Toshiba have engineering abilities ten times better than ours. Furthermore, they have a number of research facilities, such as production research institute and industrial material laboratory."

Table 3 shows the result of an observation of large numbers concerning the relation between ambition and business results.

Table 3. Ambition and Business Results

Industry	Thinking out future business concept	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Based on strength and weakness	46.8%	3.50	4.66	8.16
	Based on ambition	53.2	<u>4.00*</u>	<u>5.26</u>	<u>9.26</u>
Chain restaurant	Based on strength and weakness	56.3	3.78	4.78	8.55
	Based on ambition	43.7	<u>4.00</u>	<u>5.20</u>	<u>9.20</u>

From Table 3 and above remarks of the top management, the following hypothesis is possible.

Hypothesis 3: The firms whose presidents stress the need of a simple ambition in future planning, enjoy high employees' morale and business performances, compared with those whose presidents give priority to their strengths and weaknesses.

Explanation: Company heads need to have a tremendous ambition which will make it possible for them to lead the employees, make a business reform and thus improve employees' morale as well as business results.

3-2. Ability in coping with a new situation

Question: "If the information comes in that a new material has been developed, what will you do?" Answer A: If it appears to have no direct bearing on my company, I will wait for further information. Answer B: Although it appears to have no direct bearing on my company, I will actively consider how to use it.

Alps' Kataoka is for Answer B. He says, "I am very much interested in industrial raw materials, such as ceramics, ferrite and insulators, on which research is undertaken at the company's Central Research Institute. I will work on a possible use of any new raw materials." Mos Food's Sakurada also mentions the importance of a deep insight into and quick response to a new business environment. He says, "I, as president, always set to work on a new product. For instance, once I was informed of the popularity of pizza and chicken in the United States, I started its research, and set lead time for actual production. Such efforts resulted in hamburger with calcium." Kentucky's Tomita selected Answer B, too. He says that the bio-technology will have a large impact on the food industry, by substituting a decomposition by ferment for heating. It is possible, he notes, a substitute item now will become a main item in the future. "If we wait for further information, taking no actions, the rival firms will take initiative," says Tomita.

Table 4 shows the result of an observation of large numbers as to the relation between president's ability in coping with a new situation and business results.

Table 4. Ability in Coping with New Situation and Business Results

Industry	Reaction to new situation	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Wait for more information	23.4%	3.55	4.69	8.24
	Consider how to use it	76.6	<u>3.83</u>	<u>5.07</u>	<u>8.90</u>
Chain restaurant	Wait for more information	25.0	3.50	4.36	7.86
	Consider how to use it	75.0	<u>4.00</u>	<u>5.16</u>	<u>9.16</u>

From Table 4 and above remarks of the presidents, the following hypothesis is possible.

Hypothesis 4: The firms whose presidents are quick to respond to a new situation, enjoy better employees' morale and business results, compared with those where presidents take a wait-and-see attitude.

Explanation: The top management need to have a deep insight into and a long-term prospect for a changing business environment. But for such an ability, they will be unable to lead the employees, and therefore fail to improve business performance.

3-3. Determination

Question: "If sales of main products or main projects, you are in charge of, decline for three years, what will you do? Answer A: I will continue the production and sale of them as long as they are profitable. Answer B: I will completely withdraw.

Alps' Kataoka stresses the importance of clear determination. He says, "When you face a decision on an on-going project, all you can do is to select one out of three alternatives; to further promote the project, to cancel it and to continue it as it is now. In my case, I have boldly discontinued a joint venture with Motorola three years after the establishment due to a difference of business principles." He cites another example: "In September last year, company withdrew from the video camera field, because our potential ability was insufficient to manufacture the systems product." He insists that a determination should be based on the analysis of merits and demerits of the company. Pioneer's Ishizuka explains an example of determination he showed in cancelling production of loud speakers: "Pioneer was once manufacturing speakers in a relatively low wage area in Yamagata, northern Japan, as a subsidiary of a large industry. But as wage levels went up there, we transferred the job to a factory in Taiwan later. When we faced a determination on whether we should continue the production or not, many workers of Pioneer stuck to the long-time main product, although it was a near break-even item. After several years of discussion, however, we gradually discontinued it in an effort to allocate business resources to items of high investment efficiency. Ishizuka thus points out that investment efficiency is a decisive factor for a delicate decision of withdrawal. Likewise, President Tasuku Chino of Restaurant Skylark Co., asserts that giving up a thing is sometimes necessary. He says that determination results from

breaking off "an inertia of feeling" in management practices.

Table 5 shows the result of an observation of large numbers concerning the relation between president's determination and business results.

Table 5. Determination and Business Results

Industry	Determination	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Continue production	59.6%	3.57	4.84	8.41
	Discontinue production	40.4	<u>4.05*</u>	<u>5.19</u>	<u>9.24</u>
Chain restaurant	Continue production	25.0	3.75	<u>5.11</u>	<u>8.86</u>
	Discontinue production	75.0	<u>3.92</u>	4.91	8.83

From Table 5 and above remarks of presidents, the following hypothesis is available. Hypothesis 5: In the electronics industry which has ample opportunity for developing new products, the firms whose presidents have a determination to give up a declining product enjoy better employees' morale and business results. In this case, the president is expected to fully consider the strengths and weaknesses of the company, and the return on investment. However, this hypothesis is not true in the chain restaurant industry where chances of product development are slim.

Explanation: Although the top management must gather as much information as possible under uncertain business environment, he should be able to make a bold and even non-logical decision should the need arise. In other words, if he waits until the situation becomes certain, his company will lag behind other firms and no management reform will be expected.

3-4. Intuition

Question: "On what basis will you estimate the total sales for five years after? Answer A: related figures and information in stead of my intuition. Answer B: my intuition rather than related figures and information.

Aiwa's Sanbe insists on the importance of intuition. "People of slow perception are useless. I've been urging the middle management to train their intuition," Sanbe says, "In order to refine intuition, you should constantly try to foresee a change in business situation through experience. Persons with excellent intuition are likely to have a good luck." Many other presidents note the need to use intuition backed by objective information, however. For instance, Skylark's Chino says, "I would value my intuition highly, but I base it on relevant figures and information." Mos Food Service's Sakurada is proud that he bears in mind more figures and information than anyone else, based on which he uses perception. "Errors of my profit estimates have been about ten percent. You can train intuition if you challenge with enthusiasm and curiosity," he says. Clarion's Oyamada warns that perception will become dull unless you think

of the background of available figures and information. "Persons of slow perception are no good. The president has better perception than his subordinate executives because he has constantly made critical decisions," he says. McDonald's Fujita refers to the necessity of intuition plus objective information in making a decision. He says, "Figures alone are insufficient. In 1978 when a new shop was planned for Enoshima, a summer resort near Tokyo, the research section estimated an annual sales of the shop at 10 million yen in view of the relatively small number of pedestrians and little possibility of the frequent fast drivers dropping in at the shop." "But, I launched it, following my intuition that it would attract speeders. It recorded an annual sales of 80 million yen," says Fujita. "On the contrary, my intuition was a failure in the case of a shop in Kurosaki, southern Japan. The existence of a supermarket near the planned site for the shop made me overestimate the local effective demand. But, the reality was that the distance between a near-by train station and the shop served as a negative factor," he recalls. Alps' Kataoka is among those who stress the necessity of objective data only. He says, "Now that the company's production size has become large, I rely on objective information, rather than my intuition when I make sales estimate." Pioneer's Ishizuka is confident that he has successfully made sales projections on the basis of figures for the past ten years. Kentucky's Tomita also values objective data highly. He says, "In working out a long-range business plan covering five years, we make it a rule to follow a sales forecast based on objective data." "Annual budget plan has been formulated tightly as well," he adds.

Table 6 shows the result of an observation of large numbers concerning the relation between intuition and business results.

Table 6. Intuition and Business Results

Industry	Sales estimate	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Based on data	70.2%	<u>3.79</u>	4.92	8.71
	Based on intuition	29.8	3.71	<u>5.12</u>	<u>8.83</u>
Chain Restaurant	Based on data	62.5	3.75	4.89	8.64
	Based on intuition	37.5	<u>4.08</u>	<u>5.09</u>	<u>9.17</u>

The following hypothesis has been induced from Table 6.

Hypothesis 6: In the rapidly growing industry, the firms whose presidents value intuition, backed by their past experiences, in making a sales estimate, enjoy better business performances.

Explanation: In the rapidly growing industry, it is rather easy to foresee a desirable course of business strategies, and a failure can be recovered by implementing alternative projects. Starting action following such a course faster than rival companies is more important than making a detailed analysis. Thus intuition takes precedence over objective data.

3-5. Respecting others

Question: "Suppose you made a reasonable decision on personnel management involving an executive, but you still feel somewhat sorry for him, what will you do?" Answer A: I will convince myself that presidency is a lonely job. Answer B: I will think of better alternatives.

Aiwa's Sanbe rejects the possibility of the question itself, saying that he would conduct personnel management in a way which wouldn't cause such a feeling. One of the company heads surveyed reveals that he will dismiss an executive if he fails to rectify his attitude after he receives a warning on two occasions. He says, "the president is exclusively responsible for personnel issues involving executives. Suppose I often hear a bad rumor about an executive, I will confirm whether it is true or not, in addition to questioning him. If necessary, I will reprimand him and eventually discharge him in a way which will not disgrace him." From above episodes, we understand how careful company heads are in handling personnel matters involving executives.

Table 7 shows the result of an observation of large numbers concerning the relation between president's concern for others and business results. As in the table, the two industries produced opposite results. This is probably because in the chain restaurant industry, president's attitude to respect others and improved employees' morale and services directly lead to better business results, whereas in the electronics industry, undergoing a drastic technical innovation, business performance is influenced by the enhancement of product functions.

From Table 7 and above interviews with the presidents, the following hypothesis can be induced.

Hypothesis 7: In the restaurant chain industry, where improved morale of workers is especially important to obtain better business results, the firms whose presidents have a warm personality and attitude to respect others, enjoy higher business performances. However, this is not always true in the electronics industry, going through a major technological innovation, where product performance directly affects the business results.

Table 7. President's Respect for Others and Business Results

Industry	President's attitude	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Impersonal, rational	63.8%	<u>3.80</u>	<u>5.06</u>	<u>8.86</u>
	Human feelings-oriented	36.2	3.71	4.83	8.54
Chain restaurant	Impersonal, rational	65.6	3.81	4.90	8.71
	Human feelings-oriented	34.4	<u>4.00</u>	<u>5.08</u>	<u>9.08</u>

3-6. Willingness to do others a favor

Question: "Suppose you drink and eat out with your familiar friend, who will pay the expense?" Answer A: We usually split the account. Answer B: I usually pick up the bill.

I drew up this question in an attempt to verify my assumption that the president should constantly obligate his subordinate executives for his favors to facilitate a decision-making. This is called as a "logic of *Kashi-Kari*" which is one of the characteristics of Japanese management.⁷⁾

Casio's Kashio says that he has a few intimate friends, and that it is always his treat when he asks his colleagues or the employees for a company. McDonald's Fujita is also in favor of treating. He says, "I cannot drink as much as I like when I know others will pick up the bill. I think I am the only president to pay for drinks using pocket money in Ginza, Tokyo's popular spot, among expense-account spenders." All other presidents interviewed gave similar answers, but with a different nuance: Apls Electric's Kataoka says, "We don't go Dutch. Suppose I pay for someone one time, he will treat me to drinks next time. In the long run, it becomes Dutch account as a result." Pioneer's Ishizuka insists that the "kashi-kari" (give and take) approach is essential to maintain good human relations with his colleagues. He says, "I pay for my colleagues usually."

Table 8 shows the result of an observation of large numbers as to the relation between president's willingness to do his colleagues favors and business results.

Table 8. Willingness to Do Others a Favor and Business Results

Industry	President's attitude	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Split the expense	21.3%	3.70	4.69	8.39
	Pick up the bill	78.7	<u>3.78</u>	<u>5.06</u>	<u>8.84</u>
Chain restaurant	Split the expense	21.9	3.86	4.69	8.55
	Pick up the bill	78.1	<u>3.88</u>	<u>5.74</u>	<u>8.92</u>

The following hypothesis is possible from the table.

Hypothesis 8: The firms whose heads always obligate his colleagues and subordinates for their favors, such as treating them to drinks, enjoy better employees' morale and business results.

Explanation: In order to expedite a decision-making by the highest decision-making body, it is vital for the president to constantly obligate his subordinate executives by making *Kashi* or doing a favor for them and to lay a sufficient groundwork for obtaining their approval.

7) Ryūei Shimizu, *Growth of Firms in Japan*, pp. 36~39.

3-7. Persuasion

Question: "If an executive opposes your new product strategy, what will you do?"

Answer A: I will shelve up my plan temporarily, and try to persuade him through occasional contacts with him. Answer B: I will try to persuade him persistently on the basis of objective data.

Alps' Kataoka denies the possibility of this question, saying that he will inform fellow executives of a new project well before it is launched, and that he has been faced with few objections from others. However, he stresses the necessity of objective data in laying a groundwork. He says, "I won't jump to a conclusion on a critical issue." Some of the presidents interviewed explain how they successfully persuaded colleagues. For example, Mos Food's Sakurada says, "When I planned to include sandwiches in the list of our service items, I faced an objection which stuck to the existing items, profitable hamburgers." "I could persuade the opposer, however, by explaining consumers' need for sandwiches, using related data," says Sakurada. Pioneer's Ishizuka cites a similar example: "When voices for video tape recorders prevailed within the company, I was persistent in starting video disk by referring to its high sound quality, compared with tape recorders." Fujita of McDonald's goes further to speak on the positive aspect of objection. He says that he will welcome an objection which clarifies a problem area involved in a new project. "We can take a precautionary step against it in the process of materializing the project," Fujita says. He continues: "A unanimous consent is not always desirable."

Table 9 shows the result of an observation of large numbers concerning the relation between president's persuasion and business results.

Table 9. Persuasion and Business Results

Industry	President's attitude	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Shelve up temporarily	19.2%	3.56	4.77	8.33
	Persuade persistently	80.8	<u>3.82</u>	<u>5.03</u>	<u>8.84</u>
Chain restaurant	Shelve up temporarily	12.5	3.50	4.05	7.55
	Persuade persistently	87.5	<u>3.93</u>	<u>5.09</u>	<u>9.02</u>

From Table 9 and presidents' remarks above, the following hypothesis can be induced.

Hypothesis 9: The firms whose presidents are able to persuade fellow executives, opposing their business strategies, enjoy better employees' morale and business results, compared with those whose presidents freeze the strategies temporarily.

Explanation: The top management is required to have a clear understanding of his own idea. It must be presented as a material for discussion with other executives. Without a firm belief in his thinking, he will be unable to persuade them to conduct a new project.

3-8. Health

In an attempt to examine president's views on health, which is considered to be one of requisites to presidency, I have asked them whether they are taking good care of their health while engaging in duties, or they are giving top priority to the duties. Answer A: I work within the limit of my physical power. Answer B: I give top priority to my duties, irrespective of my health.

The company heads surveyed appear to be blessed with health mostly. Aiwa's Sanbe says that he has never felt tired as he has a strong constitution. Fujita of McDonald's is proud that he hasn't stayed away from office for the past 30 years. "If the president takes a day leave, the company will lag behind rival firms by 30 days," Fujita says. "Likewise, a misjudgement made by him one day can be corrected on the following day if he appears at the office every day," he adds, "people become sick when they are careless about health." Mos Food's Sakurada holds a similar view, "I haven't suffered any diseases. Every meals taste good. I think people catch cold because of lack of mental concentration." Alps' Kataoka also insists that priority should be given to duties. He explains: "I work to the very limit of my physical strength if necessary. When I feel like eating "zenzai" (sweet adzuki bean soup), it's a danger signal for my health. I can recover from fatigue by taking a two-day leave." Clarion's Oyamada is also confident of health. He says, "My view on health care has changed as I grew older. I worked like a dog in my forties, but I came to take some care of my health after I became 50 years old." Being very healthy, however, they still are taking various ways to maintain health. Mos Food's Sakurada eats nothing after 9:00 p.m. He goes to bed before 12 midnight and gets up at 6:00 a.m. He eats brown rice and plays golf once a week. Likewise, TDK's Sono takes a cold bath every day. Of those interviewed, Cashio's Kashio is the only president who is unhealthy. He says, "As I have intestinal difficulties, I refrain from drinking and eating too much. I have undergone periodical physical check-up." But, he is confident that he has a strong determination trained in adversity, and is ready to work hard.

Table 10 shows the result of an observation of large numbers concerning the relation between president's health and business results.

Table 10. Health and Business Results

Industry	President's attitude	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Health-conscious approach to work	61.7%	<u>3.79</u>	4.90	8.69
	Give top priority to work	38.3	3.72	<u>5.12</u>	<u>8.84</u>
Chain restaurant	Health-conscious approach to work	53.1	3.59	4.96	8.55
	Give top priority to work	46.9	<u>4.20</u>	<u>4.96</u>	<u>9.16</u>

The following hypothesis is available from Table 10 and above remarks of presidents. Hypothesis 10: The firms whose presidents give preference to their duties, irrespective of health, enjoy better business results, compared with those where the heads are health-conscious while engaging duties.

Explanation: The top management needs good health so that he can survive a hard work. Daily self-control and health care are essential for this purpose.

3-9. Ability in gathering information

I have drawn up the following question on the assumption that it is necessary for the top management to collect information in consideration of its possible effect on the products of the company, rather than to do so at random.

Question: "What do you think of gathering product-related information?" Answer A: I constantly collect as much information as possible. Answer B: I collect information, considering its possible effects on the products of the company.

Alps' Kataoka chose Answer A. He explains: "Our sources of information are large manufacturers, SRI, and speech meetings sponsored by the Japan Productivity Center, and through U.S. tours. In addition, through various informal contacts with others comes information." Thus he indicates that he is active in gathering information through many channels. Mos Food's Sakurada also insists on the positive attitude, saying that he always props an antenna for information gathering, and that he sees both sides of the information coming in. "I obtain microscopic information through each store, and macroscopic one from my fellow experts," he says. Skylark's Chino chooses Answer B.

Table 11 shows the result of an observation of large numbers as to the relation between president's ability in gathering information and business results.

Table 11. Information Gathering and Business Results

Industry	President's attitude	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Gather as much as possible	89.4%	<u>3.86</u>	<u>5.01</u>	<u>8.86</u>
	Gather select information	10.6	3.00	4.77	7.77
Chain restaurant	Gather as much as possible	78.1	<u>3.92</u>	<u>5.17</u>	<u>9.09</u>
	Gather select information	21.9	3.71	4.21	7.92

The following hypothesis has been induced from Table 11 and above statements of presidents.

Hypothesis 11: The firms whose presidents gather as much information as possible constantly, enjoy better employees' morale and business results, compared with those whose presidents engage in information gathering, considering its influence on the company's products.

Explanation: Japanese firms are facing cross-industrial competitions both in the domestic

and overseas markets. Thus, changes in international politics, social situations as well as consumption structure, or technological innovations, which are apparently irrelevant to the company, are organically related to its management. In this light, the top management should gather as much information as possible, rather than valuable information alone.

3-10. Ability in gathering indirect information

In an effort to verify my assumption that a top management needs a broad range of knowledge in order to think out future business concepts and make related decisions, I drew up the following question. "Do you often read newspaper articles on politics, international relations, literature and other matters which appear to have no direct bearing on the company management?" Answer A: No. Answer B: Yes.

Pioneer's Ishizuka says, "Business management cannot be separated from political, economic and international affairs. Speaking of literature, I can understand the life style of young employees by reading, for example, a best-seller novel for youngsters, *"Nanto-naku Kuristal"* (*Somewhat Chrystal*). I read it earlier than some of my employees." Kentucky's Tomita says, "As for domestic articles, I only read captions, but I follow overseas news in detail." He adds that he is subscribing to a small daily paper, "Nikkan Gendai" (Contemporary Daily) as well as leading papers, because the latter carry only "formal" articles. Fujita of McDonald's also seeks overseas information: "I usually read the front page and a literary column, and review them in a world-wide framework."

Table 12 shows the result of an observation of large numbers concerning the relation between indirect information gathering and business results.

Table 12. Gathering Indirect Information and Business Results

Industry	President's attitude	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Don't read newspaper articles extensively	23.4%	3.55	4.83	8.38
	Read the above often	76.6	<u>3.83</u>	<u>5.02</u>	<u>8.86</u>
Chain restaurant	Don't read newspaper articles extensively	18.8	3.83	<u>5.61</u>	<u>9.44</u>
	Read the above often	81.2	<u>3.89</u>	4.82	8.70

The following hypothesis is available from Table 12 and above remarks of the presidents.

Hypothesis: In the electronics industry where internationalization of business is in progress, the firms whose presidents often read articles on international affairs and literature as well, enjoy better employees' morale and business results, compared with those whose heads only read professional articles. This is not the case with the chain

restaurant industry where management has not been internationalized.

Explanation: It is necessary for the top management, who is interested in entering the international market, to obtain information on overseas affairs, and review domestic news from an international standpoint.

3-11. Requirements for president

The abilities necessary for the top management differ depending on the business environment under which he is placed, and on the functions he is assigned. Then what are the general qualities requisite to presidents in the two industries surveyed? I had the respondents choose the first three requisites to the top management from among those I listed up below, consulting many past works on presidential qualities.⁸⁾ Direction: "Please select the first requisite (put a double circle), and two second requisites (put a circle each) from among the following qualities."

Qualities: 1. ambition, 2. sense of duty, 3. concept, 4. faith, 5. intuition, 6. imagination, 7. insight, 8. judgement, 9. boldness to run a risk, 10. broad-mindedness, 11. personal magnetism, 12. ethics, 13. systematic thinking, 14. effective use of time, 15. quantitative thinking, 16. leadership, 17. sense of responsibility, 18. health, 19. general knowledge, 20. knowledge of other executives' thinking, 21. curiosity, 22. others

Table 13 shows the frequency of each quality, as cited by the respondents.

Table 13. Requisite Qualities for President

		Frequency of Qualities (%)							
	Quality 1	2	3	4	5	6	7	8	
Electronics	0%	21.3	6.4	14.9	2.1	2.1	27.7	46.8	
Chain restaurant	3.1%	37.5	18.8	21.9	12.5	6.3	15.6	28.1	
		Quality 9	10	11	12	13	14	15	
Electronics	0%	8.5	25.1	2.1	0	0	4.3	53.2	
Chain restaurant	3.1%	6.3	31.3	0	6.3	0	15.6	25.0	
		Quality 17	18	19	20	21	22		
Electronics	17.0%	46.8	0	0	0	21.3			
Chain restaurant	15.6%	28.3	0	0	3.1	2.9			

The following hypothesis is possible from the table.

Hypothesis 13: Health tops the list of qualities which modern Japanese top managements think the first requisite to presidency. Following health are leadership and personal magnetism in the administratorship category, and insight, judgement, sense of duty and conviction in the entrepreneurship category.

Among those who cite personal magnetism is McDonald's Fujita. He explains:

8) Ryūei Shimizu, "Systematization of Top Management's Abilities," *Mita Shōgaku Kenkyū*, vol. 24, No. 6, Keio University, 1981.

“Personal magnetism is a combined quality of intuition, imagination, insight, judgement, broad-mindedness as well as sense of ethics. Without it, the president cannot lead the employees.” Pioneer’s Ishizuka says that the top management is not gifted with all the necessary qualities, he need expert’s assistance in business operation. “To attract bright experts who want to demonstrate their abilities he must have strong personal magnetism, which can be trained through efforts,” Ishizuka says. Alps’ Kataoka also stresses that personal magnetism is an indispensable requisite for the company head to lead young employees. He says, “The up-to-date electronics industry requires the contribution of young workers. Those aged below 40, especially between 27 and 37, are the main work force in the industry.” “The company head should have a fine personality, among other abilities, to lead the young work force, since they don’t follow him only because he is a senior,” Kataoka says. Mos Food’s Sakurada is among those who highly value sense of duty and conviction. “I have a feeling of duty toward my own tasks. I have instructed the employees and franchisees to work with the feeling. But for it, you can’t expect a vital work,” he says. Similarly, Fujita of McDonald’s regards sense of duty as a driving force of active management. He says that without the sense, one can’t engage in business in an aggressive manner. As to conviction, he points to the need for the top executive, as a weak human being, to have a firm belief in operating the company, which requires a high level of mental action. Kentucky’s Tomita holds a similar view on conviction. “Unless I have an indomitable determination to operate the company, the workers won’t follow me. I have kept my firm belief by constantly encouraging myself,” he says. TDK’s Sono considers deep insight and judgement necessary for the president. He says, “Insight is a quality which enables you to make a “natural” decision, namely, whether it is natural or not? I can’t decide when I try to judge something on the basis of whether it is good or bad.” On judgement, Alps’s Kataoka expresses the view that it is displayed when the president decides on whether to further promote a plan, to cancel it, or continue it as it is.

The next topic is whether the above qualities have actually contributed to the betterment of business results or not. Let’s look at the relation between the requisite qualities for the top management and business performance by classifying the qualities into three categories: 1. entrepreneurship: qualities numbered 1 (ambition) through 9 (boldness to run a risk), 2. administratorship: qualities numbered 10 (broad-mindedness) through 17 (sense of responsibility), and 3. health (quality number 18). Other qualities have been excluded as no presidents selected them.

Table 14 shows the result of an observation of large numbers based on the three-category classification.

Table 14. Requirements for Presidents and Business Results

Industry	Requirements	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Entrepreneurship	51.1%	3.71	4.86	8.57
	Administratorship	31.9	<u>4.00</u>	<u>5.37</u>	<u>9.37</u>
	Health	17.0	3.50	4.62	8.12
Chain restaurant	Entrepreneurship	62.5	3.90	<u>5.24</u>	<u>9.14</u>
	Administratorship	25.0	<u>4.00</u>	4.54	8.54
	Health	12.5	3.50	4.39	7.89

The following two hypothesis are possible from the table.

Hypothesis 14: In the electronics industry, the firms whose presidents have vigorous administratorship, rather than entrepreneurship, achieve better business performances. In the chain restaurant industry, the result was opposite.

Explanation: In the rising electronics industry, where R & D and new product development are comparatively easy due to technological innovation, the president is required to have a moderate thinking which enables sound business management and harmonious human relations. This has been proved in the related data prepared by the Ministry of International Trade and Industry for the past seven years. On the other hand, in the chain restaurant industry, the products and services do not vary greatly with the company. So, in order to take lead over a rival firm, the president must have entrepreneurship qualities, such as insight into a change, even a slight one, in consumers' need, and the ability to cope with it.

Hypothesis 15: Health is a necessary condition, but not a sufficient one for the president.

Explanation: The president will be unable to make a long-term and innovative decision unless he is healthy. But, without entrepreneurship abilities, including firm conviction and insight, as well as administratorship qualities such as leadership and personal magnetism, he will fail to lead his employees and to achieve continued growth of the company.

4. Decision-Making in Business

4-1. The strengths of firms cited by president

The growth of a firm is largely affected by what its president considers to be the strengths of the firm, and by how he can make use of it.

Casio's Kashio cites as the strengths of the company the excellent executive staffs and their strong unity. "They are in concert in never giving up a project halfway. They are always attentive to musical instruments, computer and ECR technology," he says. McDonald's Fujita regards the firm's popularity and brand as merits of the firm. He says that the company totally relies its product and technical development, such as chicken sandwiches and speed meat roaster on the parent company in the U.S. Fujita thus stresses the U.S. excellence in developing ability, which underlies the strong brand. TDK's Sono refers to the stable sales markets: "The primary clients of TDK include most of the

Japanese large electric companies including Matsushita Electric Corporation and Hitachi Limited. Most of these firms hold our stocks. There are no major differences in sales of our products among our clients." He thus notes the company's close ties with clients.

The result of an observation of large numbers is shown in Table 15.

Table 15. Firm's Strengths and Business Results

Industry	Firm's strength	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Tradition, popularity, brand	14.9%	3.57	3.97	7.54
	Characteristics of product	21.9	3.67	4.46	8.12
	Product development	27.7	<u>4.23*</u>	<u>5.60*</u>	<u>10.22*</u>
	Excellent subcontractors, stable clients	17.0	3.38	5.08	8.46
	Executive staff, contents of assets	8.5	3.75	5.23	8.98
Chain restaurant	Tradition, popularity, brand	34.4	3.82	4.83	8.65
	Executive staff, employees' quality	12.5	4.00	4.14	8.14
	Stable clients	31.3	3.70	<u>5.36</u>	9.06
	Product development	21.8	<u>4.14</u>	5.07	<u>9.21</u>

The following hypothesis can be induced from Table 15 and above remarks of the presidents.

Hypothesis 16: In the electronics industry, the firms whose presidents consider ability in product development to be a strength of the company enjoy best business performances, while those whose heads cite tradition, popularity and brand name have bad business results. A similar tendency was observed in the chain restaurant industry, but no clear conclusion as reached.

Explanation: It is the most essential or the electronics industry to develop new products, coping with technological progress. If they depend on stable products with popular brand, they will be unable to deal with the changing business situation. In contrast, it is presumably necessary for the chain restaurant industry to obtain regular customers, and develop new products according to their tastes.

4-2. Setting business goals

Business goals set by the company head determine whether the company operation will become offensive or defensive.

Casio's Kashio attaches importance to development of new products. He says, "Our

company has technology which can make various human dreams come true. I believe the company can make whatever people want to have, and there will be no end to technical advancement." Skylark's Chino also notes the need of developing new products, using the strengths of the company. He explains: "Since a project lasts only ten years here in my company, we work on a more-profitable project about five years after one project started. In this process, a total of 300 stores nationwide play an important role." Kentucky's Tomita, on the other hand, sets a market share expansion target. He says that the company is serving improved food, such as smoked chicken, in order to maintain and expand the share of its main products. Clarion's Oyamada says that the company can expand its market share by developing new products and reducing costs, and thus equally rates the importance of these business goals.

Table 16 shows the result of an observation of large numbers concerning the relation between president's business goals and business results.

Table 16. Business Goal and Business Results

Industry	Business goal	Percentage	Employees' morale	Busiless results	Integrated business results
Electronics	New-product development	66.0%	<u>3.90</u>	<u>5.11</u>	<u>9.02</u>
	Share expansion	23.4	3.45	4.84	8.29
	Cost reduction	10.6	3.60	4.46	8.06
Chain restaurant	New-product development	31.3	<u>4.20</u>	4.91	<u>9.11</u>
	Share expansion	36.2	3.78	<u>5.01</u>	8.79
	Cost reduction	12.5	3.50	4.87	8.37

Hypothesis 17: In the electronics industry, the firms whose presidents set new-product development as a business goal achieve best business results. In the chain restaurant industry, those whose heads aim at expanding market share have the best ones. In both industries, those whose heads value cost reduction suffer the poorest business performances.

Explanation: In the electronics industry, development of a new-product encourages that of human resources, and vice versa. Such reciprocal process helps the company revitalize, bringing better business results. In the chain restaurant industry, where technological innovation is not so active as in the electronics industry, it is essential to expand a market share by increasing the number of chain stores. If the company continues to stick to cost reduction as a way to improve the poor business performance, it will maintain the status quo and lose organizational vigor, eventually resulting in poorer business performances.

4-3. Decision-making pattern

I presented the following three methods of decision making to the presidents surveyed for their choice: 1. decision-making according to the president's viewpoint,

2. decision by the president upon consultation with executives, 3. decision according to executives' views.

Pioneer's Ishizuka is for the decision-making by the president. He says, "Discussing everything is time-wasting. 18 years ago when pioneer was a small firm, each employee spoke up too freely, which disturbed the order of the company. Now that we have grown to a large enterprise, I, as president, make business decisions, consulting the executives." TDK's Sono takes the same stance as Ishizuka. He says that the president naturally takes initiative in making a decision, which is his responsibility. "There are few arguments among the subordinate executives as to my decision," says Sono. Alps' Kataoka says that he announces a new project two years before it is started out in order to lay a sufficient groundwork for obtaining agreement of the individuals concerned. He thus insists on the decision-making according to the president's view, but with a special concern for unofficial talks behind the scene. In comparison, Mos Food's Sakurada makes a decision after discussing with the executives on an equal footing. He says, "I raise an objection to the executive's opinion, in an attempt to encourage further discussions". McDonald's Fujita points to the necessity of discussion: "A founder-president is in danger of receiving the only information which is likely to please him, so he should discuss with the executives to work out constructive ideas." Lastly, Kentucky's Tomita speaks for the decision-making, respecting opinions of the executives. He explains: "Before a plan is submitted to the board of executives, consisted of department heads and myself, for approval, it has already been agreed on by managers and other lower ranking employees."

Table 17 shows the result of an observation of large numbers concerning the relation between president's decision-making pattern and business results.

Table 17. Decision-Making Pattern and Business Results

Industry	Decision-making	Percentage	Employees' morale	Business results	Integrated business results
Electronics	According to president's view	25.5%	<u>3.92</u>	<u>5.83*</u>	<u>9.75*</u>
	Upon discussions with executives	63.8	3.70	4.69	8.39
	According to executives' view	10.6	3.80	4.67	8.47
Chain restaurant	According to president's view	28.1	3.56	4.83	8.38
	Upon discussions with executives	59.4	<u>4.05</u>	<u>5.22</u>	<u>9.27</u>
	According to executives' view	12.5	3.75	4.06	7.81

Hypothesis 18: In the electronics industry, the firms where the president is a main decision-maker, enjoy better business results, compared with those where the president gives priority to executives' opinions, or consults them on an equal footing. In the chain restaurant industry, the firms, where decision is made upon discussion between the

president and his subordinate executives on an equal basis, have better business results. Explanation: In the electronics industry, the firms, with the president being a main decision-maker, can expect a prompt and progressive decision, being quick to cope with changing business environment. However, to give the executives too big a say will lead to a time-consuming and mediocre decision. In the chain restaurant industry, where competitions are underway over similar products and services, better business results are achieved by those firms, with the president absorbing opinions of the executives in decision-making, and holding them responsible for administrating a decision made.

4-4. Motivation of employees

How the president's way of thinking about motivation of the employees influences their morale? I studied which one of the following factors the top management considers important as a motivating force: 1. pay/wages, working conditions, 2. human relations, 3. status/promotion, 4. job satisfaction.

McDonald's Fujita says that to provide the highest wages in Japan is our company principle. "The employees who are aged 27.8 on the average receive an annual salary of four million yen. No enterprises have ever gone bankrupt for reasons of high wages," says Fujita. Alps' Kataoka also notes the importance of high wages which, he says, help improve the workers' standard of living. "Only forcing moral factors is improper," he says. Aiwa's Sanbe holds a similar view. He says a survey conducted by the company on the former employees shows that dissatisfaction with low wages and bad relation with superiors top the list of reasons for their resignation. In contrast, Kentucky Fried Chicken's Tomita says, "Now that the Japanese economy has grown to a satisfactory extent, it's my job to prepare the working condition under which the employees can display their abilities. Skylark's Chino emphasizes job improvement, calling for agreement on company philosophy by all the employees. He says he wants them to share common "romanticism" at work.

The result of an observation of large numbers concerning the relation between the way of thinking about motivation for employees and business results is shown in Table 18.

Table 18. Motivation of Employees and Business Results

Industry	Motivation	Percentage	Employees' morale	Business result	Integrated business results
Electronics	Pay/wages, working condition	21.3%	3.50	3.92	7.42
	Human relation	34.0	3.94	5.15	9.09
	Status/promotion	14.9	<u>4.00</u>	<u>6.43*</u>	<u>10.41*</u>
	Job satisfaction	29.8	3.64	4.82	8.46
Chain restaurant	Pay/wages, working condition	40.6	3.84	5.29	9.14
	Human relation	28.1	3.44	4.21	7.65
	Status/promotion	15.6	4.00	4.22	8.22
	Job satisfaction	15.6	<u>4.60</u>	<u>6.21*</u>	<u>10.81*</u>

Hypothesis 19: In the electronics industry, the firms whose presidents emphasize promotion of the employees as a motivating force, achieve best business results, whereas those whose heads stress wages and working conditions suffer the worst ones. In the chain restaurant industry, the companies whose heads place priority on job satisfaction, wages and working conditions achieve better business performances than others.

Explanation: In the electronics industry, the employees are more or less controlled in a relatively large operation system, and enjoy high standard of living. Thus, they are greatly concerned about promotion leading to higher status within the company. In the chain restaurant industry, where part-time employees are the main work force, and a regular staff member, fresh from college, is likely to become a store manager in a short period of service, job satisfaction, higher wages as well as better working conditions may take precedence over other factors.

4-5. Attitude toward R & D

Whether the company will be able to develop a new product or not is determined by the president's attitude toward R & D. I have presented three alternative attitudes to the company heads surveyed for their choice: 1. active participation in R & D, 2. exert leadership to some extent, 3. delegation of authority to experts.

Aiwa's Sanbe says that essentially, R & D requires boldness to run a risk. He says, "As technical department manager tends to be afraid of a failure, I initiate R & D." TKD's Sono is also an active R & D planner. He says, "I can predict, by intuition, a future course of industrial materials, which are an object of R & D in the company. I inquire what I don't understand with the engineers. They always only fulfill technical duties which they understand." Clarion's Oyamada insists on the positive commitment of the president in setting R & D targets. "I hold a meeting with the employees responsible for technical development almost bi-monthly, where I have them explain delicate technical issues, such as the difference between new and old elements, from a marketing viewpoint." In contrast, Casio's Kashio indicates that R & D has been entrusted to experts. "I approve of a budget plan for R & D as requested, but I check the final myself," he says. Likewise, Kentucky's Tomita leaves R & D to the technical staff within the company, with vice president taking part in. "I don't hand it out to outsiders," Tomita says. McDonald's Fujita relies the company's R & D on the U.S. parent firm. "I know limitations of my abilities; I have excellent driving force, but lack boldness to take a risk. I know I am poor in R & D, so I leave everything about new product development to the U.S. headquarters."

Table 19 shows the relation between R & D-consciousness of the president and business results, as a result of an observation of large numbers.

Table 19. President's Attitude toward R & D and Business Results

Industry	President's attitude	Percentage	Employees' morale	Business results	Integrated business results
Electronics	Active role in setting R & D goal	14.9%	3.57	<u>5.75*</u>	<u>9.32</u>
	Exert leadership	68.1	<u>3.94*</u>	4.87	8.80
	Delegation of authority to experts	17.0	3.25	4.76	8.01
Chain restaurant	Active role in setting R & D goal	56.3	<u>4.00</u>	4.86	8.86
	Exert leadership	28.1	3.78	4.35	8.13
	Delegation of authority to experts	15.6	3.60	<u>6.43*</u>	<u>10.03</u>

From the table, the following hypothesis is available.

Hypothesis 20: In the electronics industry, the firms whose presidents are active in setting an R & D goal, demonstrating a pioneer spirit, have better business results than those whose heads transfer the responsibility to other experts. The situation in the chain restaurant industry is opposite.

Explanation: In many of the electronics companies, where the president has a long experience of product development, it is possible to work on R & D with a due consideration of technical, marketing and financial aspects. In addition, substantial risk-bearing is possible for progressive research. In the chain restaurant industry, however, it is safer to delegate R & D-related responsibility to experts, because the president hasn't a long experience with food production and service fields.

4-6. The criteria for promotion to department head cited by president

How the president considers criteria for promotion of the employees to department head affects the company morale, and eventually the company growth? I have presented the following criteria for the promotion of the presidents surveyed: service period, educational background, professional qualifications, ability and performance.

Casio's Kashio says, "We check a department head candidate according to the company's qualification system first, and then review how he has contributed to business results. For instance, among the criteria for being sales department manager are an outstanding job in increasing sales and enticing agents from other companies." Similarly, TDK's Sono rates highly the candidate's contribution to business performances. "I measure his achievement by how efficiently he educated his subordinates. To educate them, to level up harmony in the section, headed by him," says Sono. Kentucky's Tomita also takes the performance-oriented stance. He says that he values the employee, in the accounting section, for example, who made a system improvement or reduced work load. Mos Food Service's Sakurada, on the other hand, puts emphasis on abilities in planning and materializing a project, as well as leadership quality, which he says, will encourage others to participate in a project. "It is not desirable for superious to do everything on

their own," says Sakurada. Clarion's Oyamada explains that the employees are promoted based on a three-grouped qualification system. "They are placed in one of the three groups after three years of service. The first one is the most promising, having a special promotion plan, and two other groups have not such a special promotion plan, but they have a few "return-match opportunity." Oyamada says.

The result of an observation of large numbers concerning the above question indicates that most of the respondents cited the employee's over-all abilities and achievements as criteria for promotion, but no clear correlations between them and business results.

5. Results of Decision-Making – Ratios of New-Products, New-Equipment and New-Stores

The growth a company is boosted in the process in which a new-product development encourages a human ability development, and vice versa. Other factors for the company growth include introduction of new equipment, which will bring about better quality and cost reduction of products. Furthermore, opening a new store has the same impact as the new-product development. In this section, I have studied the ratios of products developed, new and powerful equipment introduced, and stores opened, for the past three years respectively.

Tables 20 through 22 show the results of large number observations on the relation between each factor and business results.

Table 20. New-Product Ratio and Business Results

Industry	Ratio of New product sales	Percentage	Employees' morale	Business results	Integrated business results
Electronics	below 10%	12.8%	3.33	4.35	7.68
	10 to 19%	27.7	3.69	4.40	8.09
	20 to 29%	23.4	3.73	5.11	8.84
	30% and above	36.2	<u>4.00</u>	<u>5.57</u>	<u>9.57*</u>

Table 21. New-Equipment Ratio and Business Results

Industry	Ratio	Percentage	Employees' morale	Business results	Integrated business results
Electronics	below 20%	10.6%	3.60	4.48	8.08
	20 to 29%	23.4	3.73	4.47	8.20
	30 to 39%	25.5	3.75	4.84	8.59
	40% and above	40.3	<u>3.84</u>	<u>5.49</u>	<u>9.33</u>

Table 22. New-Store Ratio and Business Results

Industry	Ratio	Percentage	Employees' morale	Business results	Integrated business results
Chain restaurant.	below 20%	31.3%	3.70	4.17	7.87
	20 to 39%	25.0	<u>4.00</u>	4.64	8.64
	40% and above	43.7	3.93	<u>5.71*</u>	<u>9.64*</u>

Hypothesis 21: In the electronics industry, the firms, whose sales of the products newly developed in the last three years, account for more than 30 percent of the total, achieve high employees' morale and business performances, while those with such ratio being below 10 percent are low in both factors.

Hypothesis 22: in the electronics industry, the firms whose new equipment introduced in the past three years account for more than 40 percent of the total equipment, have high employees' morale and business performances, whereas those with such ratio being below 20 percent are poor in both factors.

Explanation: When a firm's main product reaches a stable stage in its life cycle, the firm invests in the rationalization of production facilities, aimed at cost reduction and quality improvement, and in labor-saving efforts, which is necessary to win competitions with other companies. Such a positive attitude of the top management helps enhance financial results of the company.

Hypothesis 23: In the chain restaurant industry, the firms whose new shops opened for the past three years account for more than 40 percent of the total, have high business performances, while those with such ratio being less than 20 percent are low in business performances.

Explanation: Opening a new store steps up the growth rate and profitability of the company through increased total sales and lowered cost of mass-produced products.

6. *Summing Up*

I have compiled in Table 23 the factors expected of the top management, as reflected in the company's business results. Some are common in the two industries surveyed, and other factors not. There are a few other factors which have no relations with business results.

In terms of objective attribute of top management, a most desirable president common in both industries is the one who is a founder of the company, coming from a low social class. Other factors such as age, the period of presidency and field of specialization are insignificant in determining a good president.

Seen from a viewpoint of abilities, the desirable president has the following abilities in common; bold ambition, quick response to cope with a new situation, keen intuition, willingness to do colleagues or subordinates favors, persistence in persuasion, superb health and ability in collecting a wide range of information. Other abilities, such as determination and respect for others are not among decisive factors for a good company head. When presidents' abilities are divided into two categories, i.e., the administratorship and entrepreneurship, the latter is expected in the electronics industry, and the former

in the chain restaurant industry.

On the management concept and decision-making pattern, the desirable factors vary with the industry. As to the strengths of the company, for the electronics industry presidents, to cite new product development is desirable, while for the chain restaurant heads, to cite a stable demand from regular customers is desirable.

On management goal, for the electronics industry attaching importance to product development is desirable, whereas that market share expansion is given a top priority is desirable in the chain restaurant industry.

Concerning decision-making pattern, the firm whose president is the main decision-maker achieves a good business performance in the electronics industry, while the firm whose president consults his subordinate executives before he makes a final decision makes a good business performance.

In the electronics industry, status promotion is the most important motivation of the employees, while in the chain restaurant industry, worthwhile job is the leading driving force.

On the research and development, active participation is desirable for the president in the electronics industry, and it is desirable for the company head in the chain restaurant industry to entrust R & D to the experts.

In terms of results of decision-making, positive business management is desirable in both industries: in the electronics industry, the firms with the ratios of new products and new equipment being above 30 percent and 40 percent respectively, are desirable, while in the chain restaurant industry, those with the ratio of new stores being over 40 percent are expected.

As noted above, the objective and specific factors determining the desirable president, including attributes and results of president's decision, do not vary with the industry. For the abilities of the president, the situation is similar with a few exceptions. However, other factors for a successful president, such as management concept and decision-making pattern, differ depending on the industry. This is probably because these factors are greatly influenced by business environment surrounding the president.

Table 23. Factors Expected of Top Management

Factor	Desirability in the two industries	Most Desirable Factor	
		Electronics Ind.	Chain Restaurant Ind.
Attribute			
Type of president	Same	Founder	Founder
Family origin	Same	Lower social class	Lower social class
Age	No significant Relations observed		
Presidency			
Specialization			
Ability			
Ambition	Same	Great ambition	Great ambition
Coping with new situation	Same	Quick response	Quick response
Determination	Different	Bold determination	Unkonwn
Intuition	Same	Intuition	Intuition
Respecting others	Different	Impersonal	Human feelings-orientation
Willingness to do other favors	Same	Always willing	Always willing
Persuasion	Same	Persistent persuasion	Persistent persuasion
Health	Same	Superb health	Superb health
Gathering information	Same	As much information as possible	As much information as possible
Entrepreneurship, administratorship	Different	Administratorship	Enterpreneurship
Management Concept, Decision-Making Pattern			
Strengths and weaknesses	Different	Product development capacity	Stable clients
Business goal	Different	New product development	Market share expansion
Decision-making pattern	Different	President's initiative	Upon discussions with executives
Motivation of employees	Different	Status, promotion	Worthwhile job
Attitude toward R & D	Different	Active participation	Delegation of authority to experts
Criteria for promotion to department head	Unknown		
Result of Decision-Making			
New product ratio	—	above 30%	—
New equipment ratio	—	above 40%	—
New store ratio	—	—	above 40%