

Title	The systematization of top management's abilities in Japanese firms
Sub Title	
Author	Shimizu, Ryuei
Publisher	
Publication year	1985
Jtitle	Keio business review Vol.22, (1985. ) ,p.1- 10
JaLC DOI	
Abstract	
Notes	
Genre	Journal Article
URL	<a href="https://koara.lib.keio.ac.jp/xoonips/modules/xoonips/detail.php?koara_id=AA00260481-19850000-03920095">https://koara.lib.keio.ac.jp/xoonips/modules/xoonips/detail.php?koara_id=AA00260481-19850000-03920095</a>

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## THE SYSTEMATIZATION OF TOP MANAGEMENT'S ABILITIES IN JAPANESE FIRMS

by

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### 1. Abilities Needed by Japanese Company Presidents

Abilities required for a company head in Japan include the quality to accomplish three managerial functions: 1) Thinking out future business concepts, 2) Strategic decision-making and 3) Business management and control. A desirable company president must be able to carry out managerial functions efficiently, adjusting himself to a given environment, and thereby contributing greatly to the growth of his company.

There exist no standard abilities expected in common of company operators, because managerial functions vary with business conditions. In general, successful founder-presidents in Japan are confident of their past decisions who have keen intuition or "sixth sense" concerning management. For example, in the electronics parts manufacturing industry undergoing constant technological innovations, intuition is a quality that is needed by the president. But, such a quality is not always desirable in a stable industry like the "sake", Japanese rice wine, industry which are conducting no major technological innovations. Instead, the ability in analytical thinking is necessary in order for the president to conduct various management analyses including a market analysis in terms of products and regions, or a sales promotion analysis.

The president of a giant enterprise in Japan does not express his view in the first place at an executive meeting for fear that his remarks may sound like an absolute order, so discourage free discussions among the executive staff. The president is expected to listen to opinions of his subordinates, rather than be vocal himself. On the other hands, such a passive attitude is undesirable for the successor-president in a medium-large enterprise in Japan, where the executive staff is likely to consist of the right-hand men and co-managers of the founder of the company. If the president of such an enterprise does not take initiative at an executive meeting, chances are that he will follow the company's conventional business strategy centered on old stable products. The successor-president therefore must be able to persuade his subordinates by speaking up himself based on concrete data which support his ideas.

As explained above, there are no such abilities as needed in common by company heads in Japan. The generally-expected abilities of the presidents only refer to individual

character or personal traits that facilitate the fulfilment of managerial functions by the presidents. Again, a desirable company operator must be able to adjust himself to a given environment and better contribute to the growth of his company.

## 2. Systematization of Abilities Needed by Japanese Company Presidents

In general terms, a Japanese company head with strong entrepreneurship possesses such characteristics as holding beliefs and ability in foresight, while a company head with strong administratorship is featured by respects for human elements in business and scientific thinking. Both types of presidents attach importance to tough body and knowledge on various aspects. Table 1 shows abilities needed by Japanese company presidents in relation with three managerial functions. Managerial functions are shown vertically and abilities are horizontally. The table also includes my definition of each ability in business context and my views on how each aspect of abilities is developed. From the table, you can see that an entrepreneur-type president possesses: ambition, sense of duty, philosophy, beliefs, intuition, imagination, insight, determination, and abilities to take a risk and create discontinuous tension. These factors play a significant role in working out a vision of the future business as well as in making strategic decisions. In contrast, an administrator-type of president has: generosity, fine personality, personal attraction, ethical sense, morality, sense of responsibility, systems approach, effective use of time, quantitative thinking, abilities to endure continuous tension, leadership and readiness to do others a favor. These factors play a big role in strategic decision-making and business management and control. All company heads must possess health and the ability to collect information which take a vital part in all aspects of managerial functions, namely, future business planning, decision-making and corporate management and control.

## 3. Ambition, Sense of Duty, Philosophy and Belief

Ambition is a desire that appears beyond one's ability. It is the base for a strong desire to succeed, enthusiasm about the product and business, perseverance, creativity and competitiveness.<sup>1)</sup> Ambition is a source of vitality for company presidents; ambitious presidents always enjoy good business performances. Ambition in the top management often stems from an inferiority complex they felt when they were young. A study of Japanese company heads by social and economic conditions shows that those who are from a lower social class family are ambitious, achieving high business results.

The sense of duty refers to a belief that one's job is a task assigned by God. Ambition is not always acceptable to Japanese company employees, rather, it sometimes invite their criticism. The company head in Japan therefore should aim to persuade his employees to do their job not because of his ambition, but because of the sense of duty. In operating a large business in Japan, it is vital to narrow a gap between the purposes of the company and its employees. To include sense of duty in company creeds will help reduce such a gap. An example of this is Matsushita Electric Industrial Co. Ltd. which has "National

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1) Herbert E. Kierulf; "Finding and Keeping Corporate Entrepreneurs", *Business Horizon* Vol. 22, No. 1, Feb. 1979.



service through industrial activities” in its company mottoes. The sense of duty of a company head can be developed by convincing himself everyday that his job is a kind of mission.

Philosophy is a supreme concept that controls individual experiences as a whole. A company head is expected to hold, from his past experiences, knowledge and philosophy, high ideals such as a hope to contribute to the improvement of living standards of all human beings. If his ideals which are compatible with social values are handed down to his successors over an extended period of time, they will become a management philosophy. As individual sense of value changes, so does management philosophy; in a mass society like in Japan, a humanistic and democratic way of thinking is important. The management philosophy is cultivated gradually through efforts to look closely at the social trend and practice soul-searching.

A management-related belief is similar to a religious belief, or something like self-confidence. But for confidence, company head cannot lead his employees. Henry Ford recalls in his autobiography that his belief in automobiles for the masses led him to develop T-model cars.<sup>2)</sup> Resembling a religious belief, however, a management belief is likely to result in a failure to meet changing social needs. An example of this is the Ford Motor Co. It suffered a failure because it stucked to T-model cars for too long. A management belief is constructed as the company head continues to believe in his own management philosophy.

#### 4. Intuition, Imagination, Insight and Determination

Intuition is the power of mind to understand something without logical reasoning such as judgement and assumption. In philosophical terms, it is an intellectual sympathy. And it can see through the true nature of something. When a company head has a new information, he must be able to grasp it as a whole before thinking about it logically. Intuition can be fostered by constant soul-searching and accumulated experiences. Together with analytical thinking, intuition can help the company operator predict a new business condition. Whether his intuition is right or wrong is determined by the actual outcome of his intuition. If the company head repeatedly succeeds in his intuition, he will become confident of himself, which will help him refine his intuition. Likewise, if a new product development which resulted from a president's intuition proves successful, the president will become even more confident with his “sixth sense” becoming keener. In rapidly growing industries like electronics and chain restaurant industries, the intuition of the presidents is important. This is because in such industries, a business failure caused by an inappropriate decision can be offset by big profit margins. A quick decision is also vital in these industries so that they can put their products on the market earlier than rival firms.

Imagination is the power of the mind to create a mental image of something. In order to analyse problems identified by his intuition, the company president must first

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2) Henry Ford; *My Life and Work*, 1922, *Entrepreneurship in Britain 1750–1939*, pp. 82–87, edited by R.H. Campbell & R.G. Wilson, Adam & Charles Black, London 1975.

form mental images of the future. I call such images "creative mental images". For having clear creative images, the company head needs strong will and purposes. In other words, the company head must first identify management problems and construct various mental images, from which he must select several effective ones. He will then be able to concentrate his thinking on the selected images for solution of problems. What is most important for creating various mental images is to listen to others' opinions constantly, for views that are different from yours help stimulate your imagination. The successful president does not even try to judge on who is right or wrong before he fully understands one's opinions.

Insight is the power to see into things. The true nature of something cannot be seen by analysing related data alone. Instead, a free way of thinking is most important to see through things. The company president must pass a judgement not based on right or wrong, but on natural or unnatural.<sup>3)</sup> It is important for a Japanese company operator to make a constant evaluation of the present business problems of his own company, especially when the management situation is healthy. Many company presidents in Japan cite insight as one of the abilities required for presidency. Those who have insight can afford to roughly understand another's field of specialization, not fully though they can. Insight is a quality that is beyond knowledge and analytical ability. To cultivate insight, the company head must accumulate experiences in actual business operation and see things, keeping in mind whether they are natural or not.

Determination is the ability to decide on something with confidence and boldness, or even with non-logical thinking if necessary when business situations are uncertain. Determination is indispensable in making a business decision when there is only insufficient information. It is also vital for the company president to select one effective mental image as to uncertain future business situations from among many images, concentrating his insight. In determining something, the company head must choose one from among the three available alternatives: 1) To go ahead, 2) To cancel and 3) To maintain the status quo.<sup>4)</sup> Determination is increased by experiences and confidence in business operation. If the company head successfully deals with various unstable business situations and gain confidence in his ability, his determination will be further strengthened.

## 5. Entrepreneurship

Entrepreneurship can mean the ability in creating discontinuous tension in business context. It also includes the quality to foresee changing environments and decide on a new combination of elements at one's own risk. Entrepreneurship is also a driving force to break off an "inertia" in conventional management practices. The company operator with entrepreneurship participates in the development of new products even when the

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3) President Fukujiro Sono of TDK Corporation said in an interview with the author in October, 1981, that he judged something based on whether it was natural or not. He said, he made a "natural" judgement, being unable to decide on something based on whether it was good or bad.

4) President Katsutaro Kataoka of Alps Electric Co. Ltd., said in an interview with the author in November, 1981, that whenever he faced a decision, he selected one out of three alternatives: to go ahead, to cancel, and to maintain the status quo.

current method of management centering on stable products can expect a sizable growth of his company. Such a positive attitude comes from his ability in constantly creating new tension in himself. Using this ability, he aims to break the existing framework in pursuit of the optimum. The power to create discontinuous tension is strengthened by past experiences in successful business decision. A company president who had succeeded in his decisions on school selection, getting job, etc. in his private life, and on starting a new project, new product development, etc. in business life, must have gained confidence, becoming optimistic about future success, in addition to enhancing power to create discontinuous tension in himself. Those firms being run by presidents from a lower social class enjoy good business performances. Many such presidents and founder-presidents of large enterprises who started their careers from a small business succeeded in making many critical decisions in the past, so they are confident of their decision-making abilities. Such confidence is a source of power for the company president to create discontinuous tension and entrepreneurship, bringing his company a success.

#### **6. Generosity, Fine Personality, Ethical Sense and Sense of Responsibility**

Generosity is the ability to accept and understand others. It belongs to a broad-minded company head who can take others' position into consideration. A generous president allows his executive staff to talk freely without interrupting them. He fully understands what is behind their statements. And he does not begrudge praising them. Where does this generosity come from? The Japanese company head is said to begin showing generosity when he has become free from rivalry against his subordinate executives. In the present-day society in which everything is competition, it is unrealistic to expect in a company president generosity that is similar to a religious mercy. Sense of rival goes out and generosity comes out, when the president holds views that are more sophisticated and broader than those of his subordinate executives.

Fine personality is a good personal trait. Personal attraction is the power to attract others. Personality is measured not by what one has done, but by what one has not done. Personal attraction comes from being aware of man's weakness or the frailty of human life. An attractive person does his best at work, having the quality of entertaining people around him. An attractive company head with fine personality in Japan does not show off his competence; he must be "somewhat incompetent" in administering his employees. Trust between the company president and his employees is vital for successful personnel management in Japan. Such trust can mean that the company head should sometimes endure incompetent employees, while being "somewhat incompetent" himself. Both fine personality and personal attraction are hard to acquire in a short period of time. A company president, seeking such personal charms, must constantly practice soul-searching and mental training so that he can remove his egotism.

Ethical sense is a respect for morals, while morality is that for socially-accepted rules of behavior. Fairness means one's behavior or judgement is impartial and just. A company operator without ethical and moral senses is feared to make improper decisions; and thereby misleading his company in the long run. If a decision by the president conflicts with social values, it will invite social criticism and endanger his company. Specifically, if

the company head is responsible for an environmental pollution problem or involved in an immoral affair with a woman, it will lower his employees' work morale and affect business performances. Fairness of personnel management is essential for business operation. People usually have feeling of fondness or dislike of others. If the company head conducts unfair personnel affairs that lacks ethics, he will lose his employees' trust as well as his leadership. Both ethical and moral senses vary with the environment in which one was brought up. An individual from a family in which he was educated in some way about the meaning of human existence or modesty is likely to have acquired ethics and morality.

Sense of responsibility makes someone feel that he is obligated to fulfil a task, and that if he fails to do so, he will be subject to disadvantage or punishment. The company president always feels responsible for developing his company for long and practicing fair distribution of the fruit. He must be ready to resign as president if he becomes unable to continue operating his company for such reasons as a drop in productivity and resultant accumulation of deficits, or frequent labor disputes due to unfair distribution of fruit. An irresponsible company head cannot lead his employees. It is feared that such a president will make a mistake in company management. Sense of responsibility is developed through experiences in doing responsible work at home and in school. Those who have been overprotected by their families are less likely to have strong sense of responsibility.

#### **7. Systems Approach, Effective Use of Time and Quantitative Thinking**

The systems approach concerns the way of viewing a matter as a sub-system of a larger total system. This approach makes possible more scientific and reasonable judgments in business. Suppose a company inquired about several machinery makers about an equipment investment plan for the purpose of labor-saving, and received answers in terms of estimated return on investment. If the highest ROI was ten percent, the sub-optimum will be ten percent even if it is lower than expected. A systems approach will make the company conduct a similar inquiry with other manufacturers as well as those in the United States. If all these attempts fail to achieve expected figures, the company must then reconsider the labor-saving plan. In this way, the systems approach seeks a total optimum, expanding the scope of one's thinking. It has many advantages such as making it possible to rank several conflicting sub-systems from a broader viewpoint of total system, for the purpose of achieving business goals. The systems approach is developed by constant efforts to think of something in a broader framework of space and time. Specifically, the company head must always work out a long-term business plan, in addition to viewing everything from a global point of view.

Effectiveness in using time refers to the ability to handle a matter in a limited time, concentrating mental power. The systems approach helps the company head think of a broader framework in coping with a matter. But, his thinking is limited like others' due to the limits of time. He is always faced with limitation of time, so he needs to be constantly aware of important problems so that he can find a solution in a limited time based on a large total system. To achieve this, the president must always aim to identify essential management problems while attending business meetings, reading newspapers or talking

with someone, in addition to selecting vital information. Again, for using time effectively, the company operator must always be aware of important problems and continue choosing necessary information.

Quantitative thinking enables the company head to grasp important management aspects through figures. Even if he remembers various financial figures in detail, not knowing important aspects shown in those figures, it does not mean that he is excellent in the ability in quantitative thinking. Important aspects in business operation include the amount of demand for main products, the market share, sales growth rates, sales-profit rates, the break-even point, and financial and personnel expenses. The knowledge of the break-even point is particularly important to understand the trend of the corporate structure as a whole. In fact, low-growth and smaller firms run by presidents who are exactly aware of their break-even point enjoy good business performances. The quantitative thinking is most used in reading financial indicators. In general terms, the present-day strategic decision-making involves various complex aspects. For passing a comprehensive judgement on such aspects, financial indicators are necessary to classify complicated figures. For example, various market-related figures such terms as total demand, market share, market prices are reduced to a term of sales by product of the company. To refine the quantitative thinking ability, the top company executive must constantly follow changes in variable and fixed costs, in addition to being aware of the break-even point.

#### **8. Administratorship, Leadership Abilities and Readiness to Do Others a Favor**

Administratorship is the ability to efficiently administer his organization as a whole for the purpose of achieving business goals, by enduring continuous tension and keeping in mind such business goals. Administratorship includes strong will, perseverance and calm attitude. These qualities are particularly important to a company operator when he is faced with a serious management crisis. If a technical defect in a new product, which resulted from a president's decision, caused unrest among the employees, the president must exert his leadership, enduring the situation. Or, if the president is entrusted with a decision on the internal conflict among senior executives over personnel affairs, he must consider alone a possible adjustment of different views. Administratorship alone does not enable innovative management because of its nature of seeking an optimum in a given framework. The ability is useful to the management of the company achieving a stable growth, but is not necessarily useful with the firm requiring innovative management. The ability in enduring continuous tension can be attained more easily by those who have climbed the social ladder, overcoming many difficulties in their youth. Many Japanese company-bred or "amakudari" presidents having held various administrative positions have the administratorship quality.

Leadership quality is a combination of various aspects of abilities such as the ability to formulate a long-range management plan, excellent generosity, fine personality, personal attraction, strong confidence, thoughtfulness to others, ethics, fairness and perseverance. The leadership quality cannot function successfully if any of the above abilities is overemphasized. Instead, a balanced use of these abilities is important to the company president. This explains the popular notion in Japan that the leadership means a balanced

way of thinking. Leadership can be enhanced by experiences in administering many employees, or serving as division manager or president of an affiliated company.

Readiness to do others a favor includes the practice of trying to understand others' feeling and helping them achieve their hopes. The company president must always know what his executive staff are thinking. For carrying out the logic of "kashi-kari" (give and take), the company head must first be aware of the feeling of the executives. If one of the executives has difficulty in getting his daughter married, the president is expected to help her find a prospective husband. Likewise, if another executive has trouble concerning his work, the president must give him advice. By thus doing favors to his subordinates and obligating them for his favors, the president becomes able to facilitate quick decision in business. The practice of the give-and-take logic is also important in the process of business management and control; the president must constantly offer a helping hand to his employees in anticipation that they will do everything for him when need arises. A truly influential person in Japanese enterprises is one who can afford to constantly do many staffs a favor, and thereby making many persons loyal to him. The readiness to do others a favor can result from constant efforts to please others and know their desires through everyday contacts.

### 9. Health

The health needed by the company president is the state of being tough mentally and physically so that he can work out a long-term vision on the future, make a prompt decision and conduct satisfactory management. Good health is the first and foremost requirement for the company head to demonstrate his abilities. A study shows that more than 40 percent of company operators in Japan cite health as one of the qualities needed by the presidency.<sup>5)</sup> There are no other factors as health that are needed in common by so many company presidents. In smaller enterprises in Japan, physical and mental power of the president serves as a driving force of corporate operation. Health is a necessary condition for the president but is not a sufficient one, although the president who is tough physically and mentally is active in developing new products or challenging a risk. Some people are born healthy, and other are not, though, the company head can improve his health through such efforts as physical training, leading a steady life, forming good interpersonal relations at work, or substantially delegating his authority. If one remains in the top management post for too long, he tends to damage his health.

### 10. Ability in Collecting Information and Curiosity

The ability to collect information needed by the company head is the ability to collect precise information quickly on ever changing environments both outside and inside the company. The information on outside environments is data for various aspects such as the society, politics, economy, international relations, market, technology, and the present situation and the trend of rival firms. The information on in-house environments refers to the knowledge about such factors as the level of technology, and pro-

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5) "Toppu Gunzo" (Top Executives), Nippon Keizai Shimbun, Jan. 1979—Aug. 1981.

blems concerning sales, finance and labor management. These information should not be collected at random. Instead, top priority should be given to information on the present and future of the market for a company's main products as well as on technical problems. This is because such a product strategy is a key to successful company operation, being influenced both by ever-changing external environments and the increasing rigidity of in-company conditions. Also important is the knowledge about the relevance between information collected. This means that the company president must have the knowledge on how changing world politics, economy and technology, etc. that look irrelevant to his company, are related to the present and the future of his company's products. In addition, the company president must always make efforts to increase or renew memories built in himself. Not being systematized theoretically, the built-in memories are inscribed in the president's head that come out spontaneously upon receiving a stimulus. These memories, responsive to a new information, are the first criterion for selecting necessary information. If the company head does not renew memories built in himself, he may make an error in selecting information and thus fail in dealing with a new situation. To improve ability to collect information, the company operator must always keep contacts with leaders in various circles in pursuit of new information sources. In addition, he must be always aware of the company's critical problems, integrate the collected information that is directly or indirectly relevant to them and provide his fellows with the newly integrated information.

Curiosity is an interest in novel and unknown things. It is a vital quality for the company head to expand the scope of his knowledge. If he loses interests in things new, his company will stop growing.<sup>6)</sup> Business performances of those firms run by executives who are curious about external new things are better than those of others.<sup>7)</sup> Management strategy such as new product development and business diversification can result from the curiosity of the company head. Curiosity is not a quality that one has by nature. A company president, who has succeeded in sales of a new product, developed out of his curiosity, will become more active in developing new products, while becoming more curious himself. In fact, many Japanese founder-presidents with rich experiences in new product developments always attach importance to product development in their business goals.

### 11. Summing up

Abilities required for a company head in Japan include the quality to accomplish three managerial functions: 1) Thinking out future business concepts, 2) Strategic decision-making and 3) Business management and control. A desirable company president must be capable of adjusting himself to a given environment to carry out his managerial duties efficiently, and thereby better contributing to the growth of his company. There exist no standard abilities required in common for company operators.

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6) Edith T. Penrose; *The Theory of the Growth of Firms*, p. 35, Basil Blackwell, 1959.

7) Zygmunt A. Piotrowski; Consistently Successful and Failing Top Business Executives, An Inkblot Test Study (George Fisk, edited, the *Frontiers of Management Psychology* p. 26), Harper & Row, 1964.

In our systematization of abilities expected of company heads, such aspects as ambition, sense of duty, philosophy, belief, intuition, imagination, insight, determination and abilities to take a risk and create discontinuous tension, play a significant role mainly thinking out future business concepts and strategic decision-making. In contrast, such aspects as generosity, fine personality, personal attraction, ethical sense, morality, sense of responsibility, systems approach, effective use of time, quantitative thinking, abilities to endure continuous tension, leadership and readiness to do others a favor, are useful for strategic decision-making and corporate management and control. Good health and ability in collecting information are vital for the company head to accomplish all of the aforementioned three managerial functions.

Finally, I would like to give simple definitions of the above aspects of abilities. Ambition is a desire that appears beyond one's ability. It can contribute greatly to the improvement of business performances. A management-related belief is similar to a religious belief or self-confidence. But for confidence in himself, the company president cannot lead his employees. Intuition is the power of the mind to understand something without logical reasoning. It can be refined by experiences and confidence. Insight is the power to judge something keeping in mind whether it is natural or unnatural. Determination is the ability to decide on something with confidence and boldness, or even with non-logical thinking when necessary. The company president is always required to select one from among three available alternatives: 1) To go ahead, 2) To cancel and 3) To maintain the status quo. Entrepreneurship refers to the ability in creating tension and challenging new things constantly at one's own risk. Personal attraction comes from efforts to understand man's weakness or the frailty of human life, so do one's best at work and constantly entertain others. The most important aspect of ethics needed by the company head in Japan is fairness of personnel management. The systems approach is the way of viewing a matter as a sub-system of a main system. Effective use of time requires the ability to identify important problems in a limited time. Quantitative thinking by the company operator seeks accurate understanding of the break-even point which shows the situation of a business corporation as a whole. Administratorship is the ability to endure continuous tension. Leadership is a combination of various aspects of abilities such as generosity, personal attraction, confidence, ethical and moral senses. Readiness to do others a favor includes the practice of trying to understand others' feeling as well as pleasing them. Health is a necessary condition, not a sufficient condition though it is, to become a desirable company head. In order to improve ability to collect information, the company president must always identify critical problems, while increasing or renewing memories which are built in himself.