

Interviews with 34 Japanese Leaders and Employees Reveal the Secrets of Success and Long-Term Survival of Japanese Companies

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The leadership and structure of Japanese organizations make them stand out. Japanese executives have secret ideas that may be the key to their success and long-term survival. When advancing a business endeavor, learning the secrets create the kind of success that is easy to follow and worth emulating. By reviewing interviews with 34 Japanese leaders and employees and our observations, this article attempts to reveal them.

Keywords: Strategy, Social Capital, New Competencies, Leadership Development, Systems Approach, Company Success, Company Survival.

Japanese leadership style has been the object of both acclaim and criticism worldwide. For example, Toyota is a leading and successful Japanese company in industry. With its new and creative ideas, this company was able to rebuild the marginalized image of Japanese cars in the international business scene and take a large share of the car market in the world. Our interviews with 34 Japanese leaders and employees and our observations as senior consultants in Japanese organizations have shown that the innovative and agile organization of these organizations minimizes inefficiencies in the two prominent areas of human resource and leadership development. Take a look at Table 1 to view the statistics of interviewees by industry, sampling strategy, and interview style. In terms of job positions, 13 of the interviewees were employees, while 21 of them were in management positions. 22 interviewees were male and 12 of them were female.

However, a quote from a Japanese business leader posits that “non-Japanese employees of Japanese firms frequently mention the penchant that many Japanese managers have for public criticism. Whereas Americans would prefer to receive negative feedback in private, Japanese seem to prefer to give it in public. And in some cases, the negative feedback goes one step beyond into the realm of “chewing out,” or just plain “yelling.” These criticisms notwithstanding, we identified 5 secrets of success and long-term Survival of Japanese companies. They are strategy, social capital, new competencies, leadership development and systems approach. Now we will look at the five secrets of the success of these organizations so that managers can use them.

Secret #1: Bridging the Gap between Strategic Writing and Strategic Implementation

In Japanese organizations, the gap between what senior managers’ plan and what operational departments implement is small due to a large amount of communication and a cross-referencing of ideas. A Japanese business leader has mentioned that “senior managers do not speak in generalities, they use a measurable language in expressing their strategic plans”. Particularly, Japanese organizations rely on two well-known basic components: knowledge management and systems approach.

The successful implementation of an integrated knowledge management system in Japanese organizations has caused the formation of effective communication channels between the senior and operational levels of these organizations. The existence of a systems approach in these organizations has also resulted in synergy. The system approach refers to a global point of view in which everything is interrelated and interdependent (Evans, Fernando & Yang, 2017; Deszczyński, 2021). From a management perspective, the system approach stands on the assumption that an organization is a system and, therefore, it should be analyzed as a whole which is made up of sub-systems (Connell, DiMercurio & Corbetta, 2017; Loucks, 2022). The flow of information in Japanese organizations, along with the existence of a systems approach, has caused all departments to pursue their own departmental goals and also effectively focus on the long-term goals of the company. Middle managers play a role as facilitators of information flow between senior levels as decision makers of the organization and operational levels as implementers of strategy. These middle managers also play an important role in expanding the systems approach by holding discussion and consensus meetings between the top and operational levels.

Secret #2: Organizing based on Social Capital

Japanese organizations portray a new form of discipline that maximizes their agility. As organizations get larger, they place their focus on efficiency. Innovation is sacrificed for efficiency and the structure becomes more and more bureaucratic. Efficiency can bring inertia and reduce agility. Innovative ideas in this bureaucratic structure, which only focuses on achieving a high level of efficiency, are suppressed. Thus, this bureaucratic structure minimizes the organization’s ability to respond quickly and innovatively to environmental changes and takes the organization away from its original idea of helping society. Japanese organizations have also solved this problem by relying on a component called social capital. In fact, Japanese companies are still focused on the 5S model. However, this model - sort, set in order, shine, standardize, sustain - has also embraced social capital to sustain profitability and meet the new needs of today’s changing business environment.

Table 1: Statistics of Interviewees by Industry, Sampling Strategy, and Interview Style

Sampling Strategy	Interview Style	Number of Interviewees (Automotive Industry)	Number of Interviewees (Finance Industry)	Number of Interviewees (Mining Industry)	Number of Interviewees (Electric Vehicle Industry)
Opportunistic	Unstructured	8	4	3	2
Targeted	Unstructured	6	4	4	3

Through the exchange of ideas, social capital can play an important role in increasing the ability of organizations to increase agility and reduce the gap between realizing environmental changes and responding effectively to them (Al-Omouh, Simón-Moya & Sendra-García, 2020). Trust and interaction are two main components in the structure of Japanese organizations based on social capital. This social cohesion also plays an important role in creating more innovative organizations by expanding the flow of knowledge between employees (Liu, 2018; Birasnav, Chaudhary & Scillitoe, 2019). A Japanese HR manager has noted that “all the processes and events of these organizations are designed in a way that provide human interaction to share more ideas and expand the systems approach. They convert as much human capital into social capital as possible.” Japanese organizations provide a platform for the development of human capital by using successful methods by designing and structuring based on social capital. This secret helps them become more innovative and spread ideas quickly and effectively. According to the annual ranking of the “50 World’s Most Innovative Companies” of Boston Consulting Group, this secret may be one important reason why Japanese companies such as Toyota are ranked among the top 10% most innovative companies.

Secret #3: Discovering New Competencies

Organizations such as Nokia show why some organizations no longer exist. Perhaps the main cause of their demise was that new competencies were underdeveloped or avoided altogether. Organizations should give up on short-term profits to achieve a guarantee of long-term survival. Japanese organizations have solved this problem.

Japanese organizations, such as Toyota, are ready to discover new competencies. This is the preparation of coordination between all the components of the company, including R&D teams, top managers as decision-makers, operational levels as implementers of strategic decisions, middle levels as communication channels between the top and operational levels, and foreign investors. This wide flow of information has caused an awareness of the necessity of discovering new competencies and new investments. In fact, although investing in these new areas will reduce short-term profits, in the end, long-term survival and even more profitability is achieved. To that end, and based on the Fortune Global 500, it is reasonable to see Japanese companies as the most profitable companies in the world.

Secret #4: Adopting a Three-Stage Leadership Development Program

The Japanese leadership development program is based on the principle that future leaders can experience and act along with their current leaders. This three-step leadership development program

is the secret to the amazing innovations that occur in Japanese organizations. Practice makes perfect, commitment to the mission and vision, and change that is constant coupled with the development of innovation. This leads to the growth of organizational commitment and a systems approach.

A Japanese employee has also noted that “Japanese feel that it is the system that manages itself perfectly, not just the wheels of a car that spin but the whole car itself. Therefore, their cars outlast the competition and people are just waiting for the time to trade it instead of it breaking down.” This leadership development program has flourished the organizational culture and solved many of the anomalies in the individual lives of the employees of these organizations. Life of the Japanese executive is very important to the organization. Their lives, homes, travel, and vacation are all intertwined to build a great executive. Drucker (1971) stated that: “They could have a far-reaching impact on the quality of our executive decision making, corporate planning, worker productivity, and management training.”

In the first step, future leaders are encouraged to attend current leadership meetings. In these meetings, the future leaders under the supervision of a board member as a mentor realize the dynamics needed in personal relationships and the personal qualities needed for effective leadership. In the second step, future leaders are asked to analyze their personal characteristics compared to the characteristics required for leadership and to state which characteristics need to be changed and improved to be more in harmony with leadership requirements and how these future leaders can effectively bring about this change in their individual characteristics. This stage requires more discussions and expression of leadership experiences between the mentor who is a member of the board of directors and the management trainees. And in the third stage, as the mentor’s relationship with future leaders gradually decreases, the human resource development department enters the development process and establishes a relationship with trainees to create favorable conditions for continuous improvement and commitment to change. Human resource development specialists are in contact with these leaders and continuously monitor the changes and challenges faced by these applicants.

Secret #5: A Systems Approach - A Dynamic Interaction between Processes, Strategies, and Capabilities

Organizations turn our ideals and dreams into results that benefit the whole society and all the people around the world (Goffee & Jones, 2013). Just look at the question that the former CEO of Benz asked himself and see how this question (why do cars crash?) led to results such as the design of smart sensors that use alarms to alert sleepy drivers and if there is no response from the drivers, it automatically leads the

car driver to a safe place, assuming a heart attack or unconsciousness. This question prevented the death of millions of people in the world. Japanese organizations are at the forefront of transforming individual ideals and aspirations into exciting results that benefit the entire society and people around the world. These organizations do this by building a dynamic interaction between their processes, their strategies, and their organizational capabilities.

Individual ideals and wishes of each of their employees, if realized, can improve the position of these organizations in industry, just as Cristiano Ronaldo improves the position of the Portuguese national team in the ranking of FIFA national teams by scoring each goal. Awareness of the importance of this issue has caused a dynamic interaction between the processes, strategies, and capabilities of these organizations by their leaders. And these three basic factors lead to synergy in a dynamic interaction. Synergy ultimately leads to innovation and greater adaptation to environmental changes.

Conclusions

The secret weapons of success and long-term survival of Japanese organizations are no longer secret. Japanese organizations are among the best and most valuable organizations in the world. The annual ranking of the “50 World’s Most Innovative Companies” of Boston Consulting Group and the Fortune Global 500 support this argument that Japanese companies such as Toyota are ranked among the top 10% of most profitable and innovative companies. Their change and movement towards success and survival require the commitment of leaders as senior managers. Should other executives learn from the Japanese, according to Peter Drucker, the answer is yes. The challenge now facing business leaders around the world is to adopt and implement these success codes to achieve long-term success and survival, optimizing the changes to better plan for the future of leadership development.

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Review

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