

How Japanese Organizations Work: To Change, Mobilize the Power of Groups

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- Japanese society is defined by an intricate web of reciprocal obligations to multiple groups to which an individual belongs.
- Nothing is more threatening than decisions taken outside the group that will affect it, especially those relating to scope and power.
- Appoint respected middle managers as team leaders, ones that can mobilize the positive power of the cohort network.
- Expect it to take three times as long to change in a Japanese organization as it needs to establish new norms.

When visiting Japan there are signals everywhere of order such as places marked on the pavement where one is expected to stand and wait for the train to facilitate embarking and disembarking. Order facilitates life for the common good. "Japanese reassurances are based on a way of life that is planned and chartered beforehand and where the greatest threat comes from the unforeseen."¹

A recent string of cross-border deals of Japanese Life Sciences companies (Takeda's acquisition of Nycomed, Millenium, URL Pharma and now Shire; Astellas' purchase of OSI Pharmaceuticals) indicates that Japanese firms are increasingly looking for growth outside their home market. However, making such cross-border deals work and creating effective global organizations is challenging, especially for Japanese businesses.

How would a typical Japanese company deal with the uncertainty inherent in change? True to type, they would rely on the power of the group. In a recent case of managing in unchartered waters, a Japanese pharmaceutical company created global teams to define and implement a new global marketing organization. It did it through overlapped groups: a review team of corporate officers who defined the objective and constraints within which to work; and, a design team of senior managers who evaluated the options and recommended a consensus recommendation. It was a long (five months) process of discussing, debating, refining and socializing new ways of working. They defined the new norm in great detail.

By contrast, Americans are much more individualistic in their world view, they see order as confining. "Americans gear all their living to a constantly changing

¹ The Chrysanthemum and The Sword, page 28.

world – and are prepared to accept the challenge.”² They welcome uncertainty as a chance to exercise their freedom and improvise. Their approach to developing a new organization would be to focus on the outcomes, less on the roles. They would clarify the processes by which the new global organization would work.

Typically, a Japanese organization will take three times longer to change because it needs time to establish new norms or world order. There are ways to accelerate the creation of new norms (Kloucek, Crom 2018 “Creating An Agile, Future Proof Company Culture”). The time taken will pay-off during implementation as you’ll find everyone included knows why the change is taking place, what their role is and how to operate in the new environment.

Leaders Create Harmony

Taking “one’s proper station,” is central to the Japanese world view. With it comes obligations and privileges. Each class had certain guarantees (e.g., income) given to it as well as prescribed expectations of their role in society. Much like a family structure, hierarchy provides stability. Senior executives in Japanese organizations draw their power from the loyalty of those who directly report to them. Those at the top are often not charismatic individuals, rather those who are good at creating harmony and consensus. In fact, Japanese companies distrust leaders who are exceptionally talented because they upset the balance of mutual dependence between figureheads representing the group and devoted subordinates who keep the ship of state running on course. There is no word in the Japanese language for individual “leadership.” To the extent that senior Japanese leaders are involved in the merger, they will let a consensus emerge on key integration decisions rather than decide themselves or articulate a clear vision at the outset.

Power of the Cohort

One way of stabilizing the economy after World War II was to offer employees life-time employment. Securing human resources was one of the top priorities for companies in Japan’s quickly recovering economy. College graduates were recruited and entered employment together as a “class of cohorts” typically starting with a ceremony in the company auditorium. The “cohort” is a special group of those who enter the company together and/or “once worked in the same department.” Because of the slow pace of promotion, people in the cohort feel that they are treated equally and no one has a sense of having lost out in the promotion race. This creates a strong sense of unity until the employees are in their mid-40’s at which point it is difficult to leave to find a better job on the outside. By the time an employee has made their fourth move in the organization, typically over 15 years, his cohort group has grown and he knows a surprisingly wide scope of things by staying connected to his cohorts and peers.

It should be noted that as the ones engineering an employee’s moves inside the company, Human Resources is typically a powerful function in Japanese

² The Chrysanthemum and The Sword, page 28.

companies. The informal organization of cohorts is an important information channel. Outsiders will be treated with caution and skepticism until they have earned the trust of the long-established insiders. Corporate HR can play an instrumental role during periods of transition through appointments and a systematic approach to talent management.

Relationships Define The Organization

Relationships define the organization, not contractual obligations. In other words, a person isn't hired to do a job, rather has a relationship to his boss to fulfill an obligation. Japanese organizations are defined by one-on-one relationships that are vertical. As a result, information and decisions move up and down a typical Japanese organization, poorly cross-functionally, apart from the informal exchange of information within the cohort.

Sometimes, a boss does not want his subordinates to interact with other departments out of the boss's sight. Because of stronger vertical relationships, "push-back" is quite rare, or done very softly and tacitly, resulting in vague communication where reading between the lines is important.

If functions are to be integrated and consolidated, special care should be taken to help establish subordinate/supervisor relationships, with the expectation that the change will take years.

Seniority versus Merit

The Japanese are very ambitious and performance oriented; however, their strong group orientation and difficulty in objectively measuring potential, has led to a long-standing system of seniority based promotions. This ensures that the harmony of the group is maintained and no one is signaled out unfairly. For that reason, department heads are typically the oldest members not necessarily the most talented. Processes like 'Organization Talent Reviews' and 'Talent Management' will be counter-cultural since based on assessing an individual's potential. Japanese companies that have started to adopt performance management tools do so in "soft" and subtle ways being extremely careful not to damage the motivation of people by focusing too much on individual performance.

An Intricate Web

Japanese society is defined by an intricate web of reciprocal obligations to multiple groups to which an individual belongs. Therefore, acceptance is of utmost importance. A Japanese person is roused to aggression when they detect an insult especially one that implies they are not living up to their obligations. It can be interpreted as putting their membership in a given circle at risk.

As a result, it is critical to pay attention and respect to those in a change effort who may feel threatened, by including them and giving them the opportunity to contribute their expertise. Nothing is more threatening than decisions taken outside the group that will affect it, especially those relating to scope and power.

The Power of Symbolism

Since ultimate power in Japanese society and organizations is symbolic, it is rarely exercised. The risk of loss of face is too great. Therefore, it is incumbent on those in service of the leaders to exercise power behind the scenes on their behalf. "The officials who head the hierarchy do not typically exercise actual authority. Advisers and hidden forces work in the background."³ Understanding who has the informal power and working with them to make decisions is a critical success factor.

Committees Bridge The Gaps

Often used by Japanese companies to bridge cross-functional gaps, committees are often very large (20 or more individuals) since they symbolically must include the most senior departments heads and their direct reports only a subset of whom actually do the work.

Organizations that use committees effectively are able operationally to manage cross-functional processes well; however, the ones that do not know how to take advantage of committees, often create them without clear objectives, authority. It is recommended to carefully charter committees so leaders can define the boundaries within which department heads are expected to come to solutions.

ABOUT THE AUTHORS



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³ The Chrysanthemum and The Sword, page 301.