

What we can learn from Japanese management

By Peter Drucker, Harvard Business Review, March-April 1971

All executives would agree on the following priorities for any organization:

- Making effective decisions
- Harmonizing employment security with the need for labour productivity, and flexibility in deploying labour in a changing environment
- Developing younger professional managers

The Japanese approach these priorities in a way that is quite different from what is seen in the west.

Decision making

The Japanese tend to make decisions by consensus. At the same time, they are capable of making sudden changes in direction when the situation demands. The key to understanding this paradox is that for the Japanese, the most important element in decision making is defining the question or problem. The Japanese strongly feel the need for consensus when they are examining the need for a decision and trying to understand what the decision is all about. The focus at this stage is not on the answer as that would force people to take sides.

Once the decision is taken, things move fast. In the west, after making a decision, it has to be sold. But in Japan, the decision has already been pre sold. So, the implementation can be swift and efficient.

The consensus driven system, involving people at different levels, also forces the Japanese to make big decisions as it is far too cumbersome to be applied for minor matters. For Peter Drucker, nothing "causes as much trouble in an organization, as a lot of small decisions."

Employment practices

Contrary to common belief, Japan's lifetime employment practices have created remarkable flexibility. Most employees retire at the age of 55 and thereafter cease to be permanent workers. As temporary workers, they keep doing the same work but at a wage that is one third lower. The system makes the young and the old feel confident about the future. The young feel they can look forward to a secure job and a steadily rising income. The older people feel wanted and do not think they are a burden on society.

In a “safe” environment, the Japanese employees are willing to accept changes in technology and processes and regard increasing productivity as good for everyone. The extraordinary emphasis on training also provides them the necessary skills and tools. Training in Japan is not linked to promotions but to performance. Japanese employees undergo training not only in their current job and also in adjacent areas. After a training program, the participants look for ways to do their job better.

Developing young people

The Japanese way of grooming talent is indeed unique and quite different from what we have in the west. Until the age of 45, promotion is largely by seniority. The emphasis in this phase of the career is on conformity and deference. At the age of 45, a small group of people are selected to become the company directors. These are the top executives of the future and can continue to be with the company for as long as they want. Others, as mentioned in the previous section, retire at 55.

An informal network of senior middle managers act as godfathers to the young employees during the first 10 years of their career. Godfathers are people from outside the line of reporting. They are not a part of the top management and are unlikely to make it to the top rungs in future. But they are highly respected. They are in a phase of their career, where they are not inclined to build factions or play politics. Godfathers usually come from the same university as their wards as old school ties are strong in Japan.

Godfathers are expected to know their wards, meet them regularly, be available for advice and counsel and look after them. The godfathers can even help the young employees to change their role if the situation demands. The godfathers explain to the wards what is possible and what is not under the system. The godfathers will also discipline their wards quietly and in private when required. It is the godfathers who sit with senior management and discuss the potential of the young employees. The personnel department will consult the godfathers before planning important career moves for young people who are considered high potentials.

In the west, it is quite common to hear young people complain that they have no one to talk to if they have a problem. Not so in Japan. The godfathers take care of the problem. Drucker mentions in his article that for a Japanese student who had mostly studied in the US, he himself acted as the “godfather” during a

visit to Japan and made a recommendation to a senior executive of his company.

Conclusion

It may be foolish to replicate completely what the Japanese are doing. But there are many good practices that we can learn from them!