

# Where Is Japanese Management Heading — Evolution or Revolution?

## Assessment of Reform of Corporate Governance & Diversity Management

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"Talent management", a new management method to motivate workers by providing them with a venue to realize their personal values or ambitions in a company, will contribute to the achievement of "diversity".



## Japan SPOTLIGHT

### Cover lead

Japanese management, with lifetime employment and a seniority-based salary and promotion system as its core elements, has long been considered central to the success of Japanese business. The cohesiveness of a company developed by such simple management techniques was an engine in enhancing the competitiveness of Japanese companies in the process of catching up with global leaders until about the 1980s. In this process, vitality was more important than creativity, and such cohesiveness helped to create vitality. People around the world became interested in Japanese management techniques as the success story of the Japanese economy spread.

But now that the Japanese economy has matured and no longer needs to catch up with any other, Japanese businesses will need innovation and creativity instead of cohesiveness. They will need to develop on their own more new ideas and strategies to maintain their competitiveness, since they don't have any models to catch up with. New ideas and strategies often come from competition rather than collaboration, when you are pressed to create a distinction from your rivals by a new strategy or a new product in a serious competition for profits. The cohesiveness of a company may no longer be a primary necessity to win the competition for creativity. Rather, diversity will be a key to the creation of new ideas and thus to business success. Japanese companies now face the need to introduce diversity among the members of their management team, such as women and foreigners.

Corporate governance reform in Japan, which is now drawing international attention, would enable a Japanese company to engage in ROE-oriented competition which would lead to greater innovation. Diversity management and corporate governance reform are both recommended and promoted by "Abenomics". So traditional Japanese management now has to tackle these challenges and change by itself. This transformation process of Japanese management, whether it be called evolution or revolution, will draw international attention because conventional Japanese management

systems once provoked discussions about the future of global business itself. Corporate governance reform in Japan, and diversity management, two business reforms advocated by Abenomics, are the core factors of this transformation process.

For this issue, we have chosen a wide variety of authors with differing opinions on the transformation of Japanese business management, the reform of corporate governance, and diversity management. Wherever this transformation occurs, enhancing corporate value is its ultimate goal. Our top cover story article by Yasunori Nakagami, a leading business consultant and CEO of Misaki Capital Inc., outlines the basic direction in which a Japanese company is expected to proceed.

Nicholas E. Benes, representative director and founder of the Board Director Training Institute of Japan, describes how the current reform of corporate governance would be crucial to resolving the questions of illicit accounting practices raised by the case of Toshiba, while Jean-Yves Archer, a French economist, has a slightly different view on the corporate governance reform now in progress in Japan.

We also have the views of businessmen working at the coalface. We had interviews with two distinguished business executives from Hitachi Inc., a Japanese giant in home electric and electronic appliances. Both seem to be positive about the changes in progress in corporate governance reform and diversity management.

On the question of diversity management or diversity of corporate culture, we introduce the views of two intelligent young Japanese women – Naoko Miake, an economist writing in collaboration with Dr. Giovanni Ganelli, deputy head of the IMF Regional Office for Asia and the Pacific, and Naoko Ishihara, a business and human resources development consultant and chief editor of "Works" at the Recruit Works Institute.

I hope this issue presents a colorful picture of Japanese management today.

*Naoyuki Haraoka is executive managing director, editor-in-chief of Japan SPOTLIGHT.*