Foreword

These are interesting times for scholars of management. Companies are facing unprecedented strategic and organizational changes, but their capacity for responding to these challenges is limited by the lack of generally accepted management models or consensus over appropriate managerial responses to common organizational circumstances.

This is a contrast with previous decades. During the last quarter of the 20th century, a substantial degree of consensus existed over the management approaches that best matched the conditions of the time. During the late 1970s and throughout the 1980s, the outstanding international success of Japanese corporations—Honda, Toyota, Matsushita, Komatsu, Canon, and YKK—meant that Western executives and business-school academics looked to Japan for lessons on management. The Japanese management model comprising commitment to global market share, continuous improvement (kaizen), total quality management, participative work groups, and just-in-time scheduling were seen as offering the potential for a hitherto unprecedented combination of low cost, high quality, and employee satisfaction.

By the 1990s, the appeal of the Japanese model had been severely dented by the increasingly sclerotic performance of the Japanese economy. The fact that the problems of the Japanese economy could be attributed primarily to the ineffectiveness of government policies towards macroeconomic management, monetary, and banking regulation, and that the international performance of many leading Japanese companies continued to be strong, had little impact on the shifting ground of management thought. During the 1990s, the geographical center of management swung back to the United States where new financial theories—agency theory and valuation techniques—together with US entrepreneurial vigor and US leadership in many digital technologies, encouraged increasing deference to a management model founded upon the single-minded pursuit of shareholder value. The shareholder value maximization model was also associated with the UK, Canada, and Australia—hence the term ‘Anglo-Saxon capitalism’ became used to emphasize not just its association with English-speaking countries but also a hint of rapacious barbarism too.

Rigorous pursuit of shareholder value resulted in major changes in corporate strategy. ‘Core-business focus’ replaced diversification; outsourcing replaced vertical integration; the primacy of profitability over growth led to
the downsizing of many major corporations as underperforming assets were divested and costs were pruned. These strategies were successful, not just in boosting profitability and laying the foundation for the stockmarket boom that continued from 1988 until 2000, but also creating a productivity boom that was unprecedented both in magnitude and duration.

Early in the new century, the Anglo-Saxon shareholder-value model began to unravel. The dot-com collapse of 2000 ushered in the stock-market meltdown of 2001–02 and coincided with host of corporate scandals – which included several of the exemplars of the shareholder-value model and New Economy based on digital technologies: Enron, WorldCom, Marconi, Adelphi Communication, and many more. By 2002 it was clear that we had entered an era where we lack any dominant management paradigms.

In this new era of uncertainty, the refocusing upon Japanese management by Kase, Sáez-Martínez and Riquelme is timely. Since the Japanese stock-market collapse of 1990 and the southeast Asian financial meltdown of 1998, Japanese companies have faced the most difficult conditions of the postwar era, and yet many have consolidated and extended their international leadership. Particularly interesting, is the finding that the management styles of the companies studied by Kase et al. are less distinctively Japanese than the picture of Japanese management painted by Pascale, Aoki, Ohmae, and Morita in their books of the 1980s. The prominence of several non-Japanese CEOs – most notably Ghosn at Nissan and Stringer at Sony – is just one indicator of this. More significantly, the styles of management that Kase et al. discover, are striking in their similarities to those of successful companies in Europe and North America. To begin with, Kase et al.’s focus upon chief executives gives a ‘view from the top’ that is familiar to students of Western corporations and distinctively different from the picture of managerial patriarchs, consensus decision-making and distinction between ceremonial leadership and real decision-making authority that was once observed in some Japanese companies.

Most interesting however are the management models of successful companies that Kase et al. discern. In their ‘proto-image of the firm’ (PIF) and ‘profit-arithmetic’ (PA) models, Kase et al. identify approaches to top-management leadership that echo styles that have been observed in a number of Western companies. The role of vision is central to Kase et al.’s PIF model. This links closely with a stream of empirically based observations that extend from Peters and Waterman’s *In Search of Excellence* to Collins and Porras’s *Built to Last*. The PA model similarly focuses upon a metrics-based approach to management that concentrates upon establishing quantitative goals based upon strategic and operational variables that are directly linked to bottom-line results. Again, a stream of Western management techniques that extend from ‘management-by-objectives’ (MBO) some half a century ago to ‘balanced scorecards’ today represent a parallel line of development.
My objective in these comments is not to downplay the novelty of Kase et al.’s findings, but rather to emphasize that their findings may be viewed within the broad context of the development of management thought. They point to a fundamental dichotomy in organizational leadership: the inspirational, future-orientated leadership associated with the conceptualization and articulation of a vision; as compared with the disciplinarian, results-based management of organizational performance through setting and monitoring performance goals. These two aspects of leadership form a central tension in the role of chief executives. One of the most valuable findings of Kase et al.’s study is to suggest which of these models is appropriate to different circumstances. The direct management of financial performance through the PA model presumes that the drivers of profitability are known and manageable. Its use is particularly suited to situations where a firm’s financial performance is suboptimal and there are strong short- or medium-term pressures to increase profitability through cost cutting, asset redeployment, market repositioning, or similar strategies. Such an approach is particularly suited to sectors of comparative stability where technological change and other sources of market discontinuity do not disrupt the relationships between managerial action and profit outcomes. Conversely, the visionary leadership associated with the PIF model can be followed in companies where short-term financial pressures are moderate, and is particularly suited to guiding the long-term evolution of businesses in situations where market boundaries are fluid and where the firm’s business portfolio is subject to change.

Robert M. Grant
Professor of Management
Georgetown University
Washington, DC