19. Cultural mythology and global leadership in Japan

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INTRODUCTION

Certain conditions which characterized Japan as a nation as well as its climate contributed to the formation of an inherent Japanese culture and consciousness. There are views and analyses from two research streams used to explain the backbone of Japanese consciousness. The first is Shinto as described in the Kojiki and Nihonshoki. Prior to its establishment as a nation state (predating the period of Shotoku Taishi), Japan had hardly ever been exposed to outside influences due to its geographical isolation as an island nation. In that environment, a localized religion which celebrated the worship of ancestral gods and which eventually developed into Shinto was establishing solid foundations. The second stream was Buddhism which was officially introduced to Japan in 538. Shotoku Taishi (574–622) embraced Buddhism at a young age and after becoming regent, incorporated the teachings of Buddha into a constitution (Seventeen Article Constitution) as a framework for governing the state, thereby establishing for the first time a basic foundation for a Japanese state. This milestone had a significant influence in the establishment of the inherent consciousness and culture of the Japanese people thereafter.

This initiative was interpreted by some as an effort by Shotoku Taishi to integrate Shinto and Buddhism (the syncretization of Shinto with Buddhism) to maintain the stability of the Japanese state. In the next section, the authors will present general observations on the relevance of Shinto and Buddhism and the Japanese consciousness.

SHINTO AND BUDDHIST TEACHINGS

In his examination of the basic structure of Japanese mythology in the Kojiki, Kawai (2003) indicated that the ‘knowledge of mythology’ is important in the lives of human beings and refers to the structure of Japanese mythology as the ‘hollow equilibrium structure’. According to him, the starting point of the
concept of the hollow equilibrium structure lies in the ‘overall harmony’ of the human world. The ‘overall harmony’ accepts new ideas and contradictions, and allows each individual element to coexist in harmony within the whole. Rather than the integration of the whole under a central authority or principles based on logical compliance, however, overall harmony refers to an esthetic sense of harmony where the balance of the whole is skillfully achieved.

Although this view may at first appear to be based on dialectical thinking, it is not a Western model of dialectical logic (the processes of Being, Nothing, and Becoming according to Hegel) but instead is similar to Eastern dialectical thinking which attaches importance on the ‘middle way’, which psychologist Richard E. Nisbett (2003) asserts and which the authors shall refer to as the ‘harmonized dialectic.’

At the same time, Takazawa (1996) refers to the existence of the ‘logic of harmony’ as a unique and independent sense of order in Japanese culture. According to him, this logic of harmony was emphasized in a semi-subconscious manner and served to maintain order based on the ideals of Shinto for a long period of time prior to the introduction of Confucianism and Buddhism in Japan. Furthermore, the logic of harmony, with its enshrinement of the principle ‘harmony is to be valued’ in Article 1 of Shotoku Taishi’s Seventeen Article Constitution, had a significant impact on the formation of the Japanese State. The logic of harmony therefore became the cornerstone in the building of a society based on oneness in body and spirit and the development of mutual trust between human beings and the resonance of value (Kodama, 2001).

The second stream is the influence of Buddhism. During the reign of Emperor Tenmu in the late seventh century, the conflict between Japan’s ancient Shinto and the foreign religion of Buddhism was also reflected in the political authority of that period. At the same time, as mentioned earlier, Shotoku Taishi had placed emphasis on the worship of Buddhism in the Seventeen Article Constitution in a conscious attempt to include Japanese Buddhism. However, it is understood that the Japanese people of that period did not necessarily embrace Buddhist ideas in their entirety but incorporated those aspects of Buddhism which could be accommodated within the scope of the inherent views of the Japanese people which were rooted in Japan’s ancient Shinto. This attempt to maintain harmony with Shinto while accommodating Buddhist ideas is believed to have spawned the development of a Japanese type of Buddhism. After ‘Buddhism’ of this nature went through a process of permeation, a Japanese form of Buddhism eventually took root in Japan and gave rise to an era when Buddhist culture and thought flourished.

One of the most important concepts in this Buddhism is the established view of ‘nothingness and self-renunciation’. Nothingness and self-renunciation mean not having fixed ideas about ways of thinking and acting.
Maintaining and adhering to one’s views result in bias and rigidity, ruling out the possibility of further progress and development in one’s life. It is a way of thinking based on the premise that because human beings have flexibility and mobility, they are able to experience progress and development (for example, Mizuno, 1971). Buddhism takes the view that when this idea of nothingness and self-renunciation is firmly established within a person, it naturally leads to the ‘way of practice’. In Buddhism, the principle of practice is expressed in the words the ‘middle way’. Based on the idea of nothingness and self-renunciation mentioned above, Buddhism places importance on actions that are guided by a person’s practice of the ‘middle way’, which means steering away from bias toward the extreme left or right, but at the same time accepting the merits of both and compensating for the shortcomings of each (for example, Masutani, 1971).

Buddhism in a broad sense is philosophical anthropology (for example, Mizuno, 1971) and the ideals of this Buddhism share many common areas with the concept of ‘practical wisdom’ (‘practical knowledge’) (Kodama, 2007b: 185–9) in Aristotle’s Nichomachean Ethics (Aristotle, 1980). Furthermore, they also bear many similarities to the harmonized dialectic of Shinto, which means a sense of balance as stated above.

Shinto and Buddhism, as mentioned above, form the backbone of Japanese thinking and Japanese culture, and also gave rise to a style of work which is characteristic of Japanese companies. The logic of harmony in Shinto was seminal to the development of team work, the concept of community and commitment, which characterize Japanese companies.

Furthermore, overall harmony and harmonized dialectical thinking created new business models (for example, the mobile telephone business and game business) which extend across different specialist fields of knowledge and industrial areas. Moreover, they also created a flexible organizational structure that was autonomous and decentralized, and therefore suited to realizing new business models (for example, Kodama, 2007a, 2007b). The ideals of Buddhism also enhanced the quality of activities which led to innovation in the work place such as concepts of work site priority (Genba-shugi) and Kairyo and Kaizen, which are based on practical knowledge characteristic of the Japanese people.

OVERVIEW OF JAPANESE MYTHOLOGY

Shinto and Buddhism, which underlie the consciousness of the Japanese people, were the springhead that created the ideals particular to Japanese companies and their corporate culture. Furthermore, in traditional corporations which were established by Japanese founders (for example, Matsushita
Electric, Sony, Honda, Toyota, Fanuc, and so on), the stories of their founders’ entrepreneurship and innovative spirit were to be carried on as tradition and shared by successive business managers and staff as their unique corporate myths.

In fact, Japanese companies which are achieving excellent results have devoted a significant amount of energy to spreading their own corporate culture and values based on the philosophy of their founders. For example, companies that have maintained high global competitiveness such as Toyota and Honda in the automotive industry, Canon and Matsushita in the electronics industry, and Fanuc in the field of factory automation (FA) possess corporate philosophies and values created by their founders which have been passed on as myths and stories over generations and have become pervasive among employees at every level within the organization.

Sharing the organizational culture and values of a company created systems and rules particular to that company and this practice firmly established the ways of thinking, views and patterns of behavior unique to that company to its employees. For example, Toyota has values such as ‘wisdom and improvement’ and ‘respect for humanity’. From these values, patterns of thinking and behavior evolved such as the notion that ‘water can be wrung even from a dry towel if one applies wisdom’ or the idea ‘to become a blank sheet of paper and observe production spots without preconceived ideas’. In addition, when considering an object, one should ask “why” five times over and ‘never be satisfied with one success but aim for higher goals through continuous improvement’. At Honda too, various patterns of thinking and behavior are pervasive among staff such as the three principles to ‘go to the work site, know the actual products and conditions, and be realistic’. Staff are also asked to ‘respect theory, ideas and time’ and to question ‘What is it for, what is the concept and what are the specifications?’ In this way, the culture and values inherent in a company create inherent systems and rules as well as an inherent employee style (mold), which in turn takes root within the organization. Needless to say, inherent values, culture and style are elements which companies should create independently. However, among these patterns, there must be an assumption that there are common elements in the way of thinking among Japanese companies. These are represented by concepts such as commitment, team work, workplace principles and community, and are reasons in support of what Drucker (2001) refers to as ‘collective-style corporations’ in describing Japanese companies.

OVERVIEW OF JAPANESE LEADERSHIP

Next, from the standpoint of ‘Shinto’ and ‘Buddhism’ in the first section, this
section will examine the type of leadership the management leaders of elite Japanese companies employed to make myths and stories pervasive within companies and to create, establish and reform their inherent organizational cultures. This chapter refers to this leadership style which elite Japanese companies possess and use to create and transform corporate myths as ‘innovative leadership’ (Kodama, 2007b).

As mentioned above, the logic of harmony in Shinto develops trust-building and resonance of value among staff including management leaders and is an important element in inducing team work and commitment to the company. The leadership element required for this will be referred to here as ‘resonating leadership’. Resonating leadership is a way of thinking and conduct observed among employees and management leaders alike in many Japanese companies.

The element of leadership which induces innovation activities based on practical knowledge, also a fundamental principle of Buddhism, will be referred to here as ‘practical knowledge leadership’. Practical knowledge leadership is often observed in the development and production sites of high-tech products in industries such as the automobile, machine tools and consumer electronics industries, which are fields where Japan is currently performing very well.

The two aspects of resonating leadership and practical knowledge leadership will be referred to here as ‘value-based leadership’.

In addition, overall harmony and the harmonized dialectic as well as management philosophy based on the middle-way of Buddhism will be referred to as ‘dialectical leadership,’ which has the two aspects of ‘strategic leadership’ and ‘creative leadership’.

The element of dialectical leadership is thinking centering on management leadership which is observed in particular at development sites in advanced high-tech industries in Japan such as Toyota, Canon and Fanuc, and this is an organizational capability for simultaneously pursuing and integrating contradictory ideas such as ‘efficiency and creativity’ and ‘planning and emergence’ continuously. The concept which consolidates value-based leadership and dialectical leadership will be innovative leadership mentioned above. The following section will refer to the respective elements of these types of leadership.

‘Value-based Leadership’

Resonating leadership, one aspect of value-based leadership, is the management leaders’ ability to establish ‘resonance of value’ and ‘trust’ (Kodama, 2007b). The resonance of value and trust are gradually formed as employees mutually assert their subjectivity and values in the course of dialectical dialog
(Kodama, 2007b) and discuss strategic visions and the strategic goals. A deep dialectical dialog enables the sharing of strategic visions and goals among employees including the top management. However, in reality, individual interpretations of the visions and goals differ significantly from one individual to the next. When this occurs, as in the case of Honda which was explained earlier, the management leaders pose the question ‘why’ and keep repeating fundamental questions such as ‘What is the reason for doing this?’, thereby making it necessary to share and establish this system among staff. Therefore, a sense of unity among staff regarding the formulation and implementation of the corporate strategies is generated by arriving at a mutual understanding of the differences of interpretation of individuals and by sharing values and their resonance. In this chapter, this is referred to as the ‘resonating leadership’ of management leaders.

The second aspect of value-based leadership is practical knowledge leadership, leadership which enables management leaders and staff to practice ‘what’ and ‘how’ to create new values through the resonance of value and mutual trust among the staff. This is leadership for sharing high-quality practical knowledge (Lave, 1998; Hutchins, 1991; Brown and Duguid, 1998; Cook and Brown, 1999; Boland and Tenkasi, 1995; Tsoukas, 1997; Spender, 1992; Orr, 1996; Schon, 1983, 1987; Wenger, 1998) among staff including management leaders for putting into practice optimal decision-making and processes by staff. In this chapter, this is referred to as ‘practical knowledge leadership’ of management leaders.

‘Resonating leadership’ and ‘practical knowledge leadership’ together are given the generic name ‘value-based leadership’ in the sense that they generate knowledge as new value in the organization. Put another way, this value-based leadership can perhaps be viewed as ‘the organizational capability where management leaders form resonance of value and mutual trust and discover appropriate decision-making and optimal actions based on practical knowledge to create new knowledge for implementing individual, specific strategies’.

‘Dialectical Leadership’

Another important form of leadership for reforming the organizational culture and acquiring new organizational capability is dialectical leadership. Dialectical leadership has the aspect of leaders and staff implementing strategies as a science in an attempt to formulate and implement the corporate strategies analytically and rationalistically, and a second aspect of leaders and staff implementing strategies as a craft and art in attempts to create and implement the corporate strategies creatively and intuitively. This chapter will now take up the issue of satisfying both efficiency and creativity as an example and
examine it in relation to dialectical leadership which is demonstrated for that purpose.

There are two important aspects in dialectical leadership. The first is the aspect of strategic leadership for formulating and implementing both the short-term business plan (including immediately pressing issues) and the long-term business plan (road map) aimed at rationalistically and analytically improving productivity and efficiency of the company as goals. The second is the aspect of creative leadership (Kodama, 2005) for promoting creative ideas and behavior which are independently disseminated for achieving new business creation. In dialectical leadership, both strategic leadership and creative leadership are essential.

For example, when Toyota workers are faced with a discrepancy, they do not adopt an ‘either or’ attitude but pursue the problem from a ‘both and’ stance. As a result of this perspective, Toyota is not only able to pursue quality and cost efficiency uncompromisingly, but is also able to successfully produce creative cars like Lexus which possess ‘elegance’ and ‘depth’ (Osono, 2004). At Honda and Canon (Kodama, 2007c), at Fujitsu, a typical company in the field of ICT (Kodama, 2005) and at NTT DoCoMo (Kodama, 2007a), dialectical leadership is the starting point for the realization of innovation. The source of dialectical leadership which is peculiar to Japanese companies exists in the dialectical dialogue among staff including the top management. The dialectical dialogue enables the sharing of deep thoughts and sentiments among staff including the top management. In the time and space where the dialectical dialogue transpires, a process of ‘how will we create it?’ is asked rather than the conventional syllogistic approach of ‘does it or does it not exist?’ In other words, the dialectical dialogue makes use of the productivity of contradiction by delving into the content (meaning). Open thinking among staff including the leaders therefore becomes significant. In concrete terms, it is important to recognize the compatibility of self-assertion and modesty among members. It also becomes important that staff become aware that they personally make errors and that they use confrontations with others as the medium for developing themselves to a higher level.

In the Commentary box, corporate myth, organizational culture and leadership are examined by taking a look at the example of Fanuc, a typical blue-chip firm in Japan (see p. 353).

FANUC, SUPPORTING JAPANESE MANUFACTURING INDUSTRIES

Since 1982 the Japanese machine tool industry has been an industry boasting the world’s largest production in terms of volume and has strong international
competitiveness. Since its founding to the present day, Fanuc has consistently had a close to 50 percent share of the market worldwide and at the same time maintained extremely high ordinary profit level, reaching as high as 30 percent. Fanuc started out as an in-house venture of Fujitsu and became independent as a separate enterprise in 1972. Since then, Dr Seiuemon Inaba has been involved in the management of Fanuc as an actual founder of the business. A notable characteristic of Fanuc is its speedy ability to get things done through concerted efforts by staff in carrying out business decisions made by Inaba. What makes this highly developed organizational ability to get things done possible is the company’s bureaucratic system in executing top-down processes effectively and the sharing of visions and ideas on a company-wide level (Shibata and Kodama, 2007).

**Vision Sharing and Resonating Leadership**

Since Fanuc separated and became independent from Fujitsu, Inaba has devoted significant efforts to finding ways of sharing the corporate visions and ideas with all staff of the company. Then, Dr Inaba is very skillful at using symbols for sharing visions. Symbols allow for various interpretations depending on the persons viewing them and depending on their view of the world and the life. Symbols also spark the imagination. Inaba had a profound understanding of the effect symbols have and attempted to steer the consciousness of company staff in the same direction by actively using the power of the symbols. The following examples demonstrate how Inaba utilized symbols for demonstrating the resonating leadership.

To begin with, the Fanuc company emblem contains five vectors facing in the same direction. These vectors stand for the five current product groups of Fanuc, which are NCs, robots, servo motors, injection molding machines and wire-cut electric discharge machines, and they symbolize that the company’s business is developing with all divisions moving in the same, single direction and sharing the same purpose. Inaba emphasizes the importance of bringing together the vectors of all staff of the company and, to drum this into the consciousness of all staff of the company, used the five vectors as symbols.

Second, in the foyer of the main office there is a painting of a tree known as the *Keyaki tree* (Japanese zelkova tree). Inaba’s ideals, expectations and hopes for Fanuc are said to be encapsulated in this painting. His great expectations for young engineers in particular are said to be contained in it.

These two visions and ideals have been passed on to Fanuc staff today as Inaba myths. They include the meaning of ‘new value creation in society with technology at the core’ and, as mentioned earlier, also the meaning that demonstrating ‘resonating leadership’ is required of Fanuc’s management leaders. This indicates how much attention Inaba paid to sharing visions and
ideas among the staff in demonstrating resonating leadership at Fanuc. A sophisticated organizational driving force demonstrated by Fanuc’s management leaders through their resonating leadership is possible only when there is pervasive sharing of the visions and ideas which have been handed down as the myth.

**Practical Knowledge Leadership**

On the wall in the foyer of Fanuc’s research laboratory there is a clock which operates ten times faster than normal speed. This clock is placed there to raise a pervasive awareness among staff of the importance of speed in research and development. To emphasize the importance of timing, Inaba often makes reference to the Battle of Stalingrad between the Soviet and German armies in 1943. The German army completed the development of the Tiger tank, which was the state-of-the-art tank at the time and outfitted with powerful destructive and defensive capabilities. However, by the time its development was completed, the battle was already over and ended in the defeat of the German army. No matter how advanced a developed product may be, there is no use for it if it has missed its timing. The purpose of the clock on the foyer wall of Fanuc’s research laboratory that measures time at ten-fold the pace of normal clocks is to raise awareness among engineers of the importance of timing and speed. Through the clock, Inaba is driving home the point that engineers should not view the progress of their work in terms of ‘clock time’ alone but should tackle their work with an awareness of the importance of what he calls ‘timely time’. Timely time is a concept of time which the engineers themselves consciously redefine on their own, and has the connotation of emergent and extemporaneous time. In this chapter ‘timely time’ is referred to as ‘emergent time’ (Kodama, 2008). Following this notion of emergent time, engineers undertake product development and product marketing based on emergent ideas and extemporaneous action.

At Fanuc, there is also a policy whereby management leaders with positions in top management as well as division and section managers are required to be involved in work at the work site for a certain percentage of their working time apart from their own management duties. This is to encourage management leaders in the development division to engage in work which they develop on their own outside of their management duties.

Rooted in experience, this principle is also Inaba’s mantra which asserts that unless managers are involved in the front line of work at the work site all the time and unless they are fully conversant with details and actual conditions of the work site, they will not be able to manage their subordinates. As part of their training, engineers are also required to experience the field of sales work through first hand experience. The main point in doing so is to drive home the
point that the formulation and implementation of strategies should not be separated. The mindset that managers of headquarters and administrative departments are apt to fall into is one which has the illusion or misunderstanding that strategy formulation is a manager’s work and that the work of strategy implementation is the role of staff at the work site. Formulation and implementation of the strategy are parts of an integrated whole and must be promoted by management leaders dynamically through an ongoing process of trial and error (Kodama, 2007a, 2007c).

In this way, the management leaders of Fanuc demonstrate practical knowledge leadership and implement in emergent time strategies underpinned by knowledge accumulated on a daily basis. Furthermore, their engineers hone their daily practical knowledge and accumulate it as an organization and, through the smooth interaction between the work place and the market, they create products in a rapid and timely manner.

Synthesis of Paradox and Dialectical Leadership

Fanuc is a company which has placed technical development at the core of its business and has accordingly devoted relentless efforts to strengthening its technological development expertise (Shibata et al., 2005). Fanuc’s three principles, which are displayed in the foyer of its research lab, are: 1. RELIABILITY UP (Enhance the reliability of products), 2. COST CUT (Produce at a cost that is cheaper than any other product) and 3. WENIGER TEILE (Design products with fewer parts). Staff involved in research and development see these principles every time they pass through the foyer in the morning and in the evening. Fanuc’s basic policy toward technical development is condensed in these principles.

A viewpoint of particular importance in the three principles mentioned above is the third principle of WENIGER TEILE. This principle is a German term created by Inaba as a symbol, so to speak, meaning to create a design that enables production using a small number of parts. While Fanuc places priority on both reliability and cost at the time of product development, the notions of increasing reliability and cutting costs are generally considered to be at odds with each other. This is because increases in costs cannot ordinarily be avoided when efforts are being made to enhance reliability. The notion of ‘designing products with fewer parts’ as a design process for achieving this task is a concept established by Inaba, and Fanuc has tried to firmly build this process of design into work procedures at its research laboratory. There is no doubt that a product design based on a smaller number of parts reduces the complicated relationship of interdependence of parts and, therefore, most likely does contribute to both increased reliability and reduced costs.

This is simply dialectical leadership aimed at achieving both efficiency and
creativity, which seem contradictory at first glance. No matter how many times top management repeatedly talk of enhancing reliability and cutting costs, unless this contradiction is resolved at the actual behavioral level, it is difficult for staff to implement it at the work site. The fact that a vision for enhancing reliability and cost reduction became embodied at the level of an action agenda of ‘design with a smaller number of parts’ and that it became embedded inside the organization as the corporate vision, mission, and, furthermore, as the strategy goal, are perhaps key points in gaining an insight into Fanuc’s sustained capability in technical development.

The above observations illustrate how at Fanuc the ideas, business philosophy and corporate mission of Inaba, the founder of the company, pervaded the company as corporate myths and stories and resulted in the formation of a unique organizational culture. Furthermore, the corporate culture, which is unique to Fanuc and which is imbedded in the management leaders at each management level including the top management, and the management leaders’ innovative leadership (‘value-based leadership’ and ‘dialectical leadership’), which is rooted in this corporate culture, are generating initiatives in support of Fanuc’s sustained technological innovation – see Commentary box.

**COMMENTARY BOX**

**Dr Seiuemon Inaba, Founder of Fanuc**

If we undertake our work under one clear principle which is understood by all staff in a strict sense, we are unlikely to compromise or neglect our duties easily, nor should [we] become absorbed in our own personal prestige and turn to dishonest acts. [The] painting [of the Keyaki tree, which hangs in the foyer of his company’s main office] is an expression of my expectations for Fanuc, which, though small in size, I hope will grow massive and robust, and that in five to ten years new technologies will grow from its thick trunk. My request is that all staff will take pride in such a Fanuc and help nurture its growth. (from Inaba, 2003)

**GLOBAL IMPLICATIONS**

As the authors have discussed, Japanese mythology and Buddhism had a powerful impact on the formation of corporate culture and on the leadership of management leaders. In practice, it is the top leaders of the organization (CEO and executives) who create a company’s unique corporate culture and
fulfill the role of promoting the sharing of values among employees. At the same time, it must be recognized that fulfilling this role depends to a large extent on their power to create a myth and the quality of their leadership.

Shein (1985) argued that the essence of top management leadership was not to provide management for the sake of achieving goals but for creating the organizational culture, for managing it, and even destroying it. Furthermore, Selznick (1957) placed emphasis on the importance of the mythical power of leaders. To promote the sharing of culture and values in an organization, he argued that the use of myths and stories was an effective way of uplifting the morale of the employees and in speaking of the company’s particular vision and strategic objectives. In addition to promoting the establishment and sharing of the corporate vision, myths and stories play a role in creating a consensus in decision-making in strategy formulation and implementation in the course of daily corporate activities.

One point which requires attention here is that although stories such as these, which have been passed down as corporate myths, must be perpetuated as oral tradition within the company as the source of values and culture, the actual corporate systems and rules must change with the times and the market and undergo dynamic transformation. However, when the systems and rules become inseparable and associated with the myths which originally created them, there is a tendency to regard them as something inviolable. When the systems and rules are created by the founders themselves, there is a tendency for them to be associated with the strong charismatic characteristics attached to the founders in the myths, thus making it difficult to reform existing systems and rules. For example, Matsushita Electric, which is considered a typical company with Japanese-style management, posted an enormous deficit in excess of 400 billion yen for the first time since its establishment in 2001. One of the causes for this was the obsolete business division system within the company which was established by the founder of the company, Konosuke Matsushita. Despite suffering from systemic fatigue in an age of digitalization and network systematization and becoming somewhat dysfunctional, the system became inseparable from the myth of the company founder and, therefore, nobody was able to undertake its reform. Without a doubt, Matsushita’s business division system had in the past been a driving force in the development of Matsushita Electric but the system was not able to respond to the changes in the market of recent years.

Despite its flaws, the business division system, which was merely a system that had become linked with the myth of the company founder and incorporated in the myth as being inviolable, had to wait until the arrival of Kunio Nakamura for reform to take place. Assuming the position of president in June 2000, Nakamura dismantled the business division system and reorganized it into a more broad-based system of 14 separate business areas. Openly declar-
ing within the company that it was okay to dismantle any aspect of the company save the philosophy of the company founder, Nakamura promoted reform through a *modus operandi* of ‘demolition, creation and leaping forward’ and succeeded in achieving a V-shaped recovery in 2002 (Kodama, 2007a, 2007c). In fact, Nakamura did away with all systems, rules and work structures which had become entrenched within the organization by force of habit and which were no longer in tune with the times and he formulated new systems and rules. As the above illustrates, corporate myths may become the source of corporate value but they may also become the source of inhibiting reform.

At the same time, in the shakeup of IBM (Gerstner, 2002) and Nissan Motor Company (Ghosn, 2002), unlike the case of Matsushita Electric, the intervention of top management from outside (for example, Sull, 1999; Siggelkow, 2001) consciously dismantled the corporate culture and organizational identity (for example, Thornton, 2002) and brought about a recovery in corporate results. The organizational identity can generate in the members of the organization a deep attachment to their work and commitment (Kogut, 2000) and can also become the source of the corporate competitive edge. However, in situations where the market and technology are undergoing dramatic changes, there is a possibility that the organizational identity will conversely lead to weakness (Walsh, 1995). An excessive bias toward an organizational identity rooted in corporate myth may entrench the mental model of the organization and restrict the way in which the organizational members respond to change (for example, Brown and Starkey, 2000). Furthermore, the corporation may slip into a state of core rigidity (Leonard-Barton, 1995).

In Japan, the culture of harmony in Japanese mythology and the pragmatism of Buddhism created a corporate competitive edge through teamwork and commitment, and a unique style in work practices. It also established within the organization an excellent attitude toward improving the workplace as seen in *Kairyo* and *Kaizen* as well as an innovative spirit. However, an entrenched culture of harmony excludes heterogeneous ways of thinking, and the company’s work style becomes entrenched in the work style of the business processes. As a result, there is a possibility that the mental model of the organizational members will become homogeneous and will lead to an aversion to new business processes and technologies (such as IT) among the organizational members.

To respond to changes in the environment flexibly as in the cases of Matsushita Electric, Nissan and IBM mentioned above, companies (especially large corporations) are inevitably confronted with the need to review their corporate organizational identity as the situation dictates.

For Matsushita Electric, it was a case of ‘creation from destruction’; for IBM, it meant dismantling the corporate culture and making the transition...
from products to services, and for Nissan, it was the dismantling of the mental model of the employees. Therefore, for a company to respond flexibly to changes in the environment, a dialectical examination of its present and future business and the innovative leadership of management leaders who possess practical competence based on practical knowledge will be vital. This is also a universal proposition applicable to all eras and countries.

PRACTICAL APPLICATION

This chapter examined insights from a new viewpoint of leadership looking at the relevance of myths and corporate founders through Japanese cases. Innovative leadership examined in this chapter was required not only of the top management team but also of the management leaders at the various management levels. It is difficult for a company to achieve corporate reforms and innovation by merely having a charismatic leader or through the demonstration of innovative leadership by the top management team alone. In a company it is important for each level of the organization (top level, middle level) to fulfill its respective role. It is also important to nurture management leaders who demonstrate innovative ideas and performance through practice in order to establish a management system where many management leaders are able to demonstrate their ability. One important element in establishing this management system is the promotion of management based on a sense of values rooted in ‘Shinto’ and ‘Buddhist teaching’ described in the first section of the chapter. At the same time, it is important to embed deep in the hearts of the members of each organization the corporate philosophy and corporate vision based on the ideas of the corporate founders as the corporate myths and stories, and, in that way, to create, maintain and transform the unique organizational culture.

However, as indicated in Section 3, in response to changes in the environment, a continuous review of the organizational identity based on the established corporate culture is also an element for maintaining ongoing competitive superiority.

As a future topic, this paper will take up the concept of innovative leadership presented in this article and focus on the issue as to whether it can be applied to companies in other countries. It is, of course, assumed that the leadership styles of management leaders are affected by the environment, type of business, business style and traditional organizational culture and are dependent on factors such as the ideas, corporate philosophy and sense of value of the top management. At the same time, however, it is a fact that Japanese elite companies achieved successful outcomes by implementing ‘business management based on a sense of values’ and ‘dialectical management’ in the past.
There are many journalists who make the comment that Japanese young people’s sense of values has changed in recent years. However, many Japanese (including young Japanese) consciously (or unconsciously) place importance on Japanese mythology and the Buddhist way of thinking. They also learn about concepts such as the ‘spirit of harmony’ and ‘universal harmony’, which are based on these, from an early stage in their education and they learn about these ideas repeatedly in various situations including training for new employees when they join a company. This traditional characteristic of Japanese companies as learning organizations has enabled high-tech industries such as the automobile, FA and electronics industries to lead the world in their fields.

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