Transformational CEOs

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Transformational CEOs

Abstract

During the 1970s and 1980s, the success of Japanese corporations meant that Western executives and business school academics looked to Japan for lessons on management. Total quality management, quality circle, lean production, etc., were avidly learnt from Japan.

By the 1990s the appeal of the Japanese model had been severely dented by the increasingly mediocre performance of the Japanese economy. The fact that the problems were more attributable to ineffective government policies and the performance of many leading Japanese firms continued to be strong had scarcely impacted the shifting ground of management thought.

In support of the argument that many of the excellent firms from Japan continue to be world-class competitors and have consolidated and extended their international leadership, the authors conducted five in-depth cases, and identified two different management approaches: Proto-image of the firm (PIF) and Profit arithmetic (PA) styles. They hold that a central tension in the role of chief executive officers ought to be handled differently, depending on the business environment and the CEO's cognitive process as well as their belief systems. Neither of the two styles can be said to be better than the other – its usefulness is contingent on these factors.

In the 70s and 80s Japan appeared to be invincible. Rockefeller Center, a symbol of American capitalism, was acquired by a Japanese real estate company of the Mitsubishi Group. Japanese firms were pioneers in management practices such as Total Quality Management and Continuous Improvement which enabled these firms to gain substantial cost reductions and quality advantages. The world was full of management books eulogising Japanese management.

The burst of the bubble economy in 1990 in Japan reversed this trend. Since then Japan has not seemed capable of looking up. The 90s was called the lost decade by Japan watchers[1].

Such household names in the Japanese economy as Nissan and Long Term Credit Bank of Japan went under or almost did so and then were turned around by newly appointed foreign managers or overseas trained Japanese managers.

The contrast is so stark between the invincible Japan of the 70s and the 80s and the past-the-best-period Japan of the 90s. The macro economic factors certainly exist. The burst of its bubble economy originated from the credit expansion and excessive liquidity based on the speculation of land price, which ended in the instability of Japan's financial industry and the bankruptcy of Sanyo Securities, Hokkaido Takushoku Bank and Yamaichi Securities among others.

However, obviously the change in business environment and the mismatch in the way many Japanese companies conduct their business is a serious factor not to be ignored. It is also true that during the 90s not all Japanese firms went down, some of them survived and even succeeded.

The main purpose of this article is to analyse the causes and factors that made these companies successful on the

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assumption that, under the current fast-changing business environment, firms' competitive strength owes much to top management's strategic excellence[2]. We identified several successful Japanese firms and CEOs and treated them as "best practices" in management, that are applicable to other countries and business environments as well. We conducted in-depth case studies of these companies and their leaders in an effort to find the common factors that helped them successfully ride out critical situations[3].

Two mental schemes

The five cases on Japan's excellent CEOs (Nissan's Ghosn, Shinsei Bank's Yashiro, Yamato's Ogura, Sony's Ohga, and Shin-Etsu's Kanagawa[4]) provide us with superb examples of how the thought processes of strategically outstanding top managers is. Based on them we identified two mental schemes, namely Proto-Image of the Firm – PIF - and Profit-Arithmetic – PA – approaches.

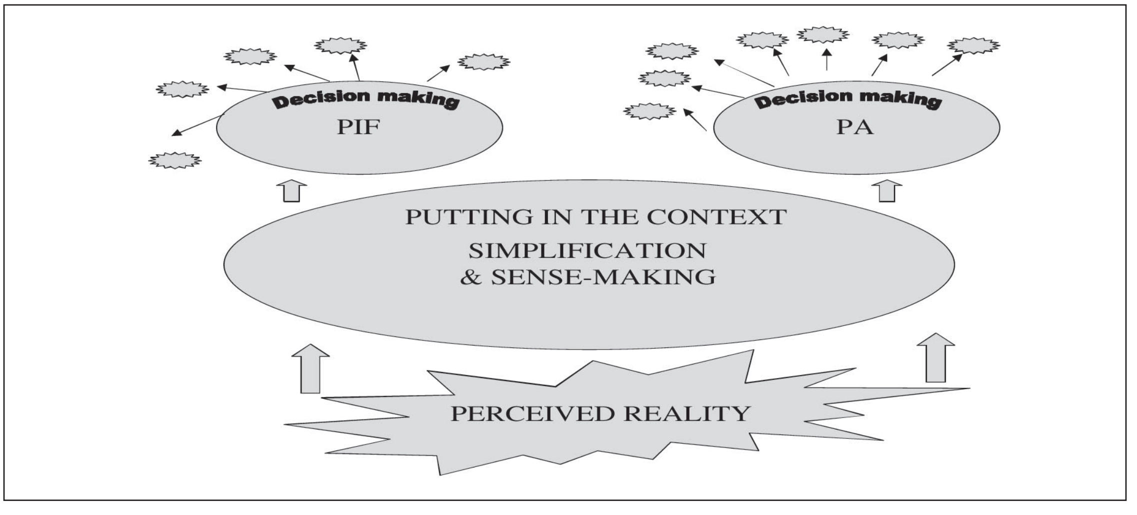
On the one extreme Sony's Ohga has a clear image of what the essence of Sony is or should be and, on the other, Shin-Etsu's Kanagawa acts based on his extraordinary business acumen that allows him to discern what levers should be pulled if profit is sought after. Both of them were and are successful despite the difference in their mental schemes, and therefore different approach to business.

It goes without saying that Ohga does not ignore profit levers entirely nor that Kanagawa does have a corporate image to which he contrasts decision alternatives to see their fit.

Let's call Ohga's way of basing his judgment on a specific image of a firm *the proto-image of the firm (PIF) approach*[5]. This approach sets guidance to incumbent managers on how to cope with changes in the business environment by facilitating the concentration on products and activities that fit the primary or primordial image of the firm they cherish. In contrast, Kanagawa obviously operates on the basis of processing data and information through a mental model that enables him to discern which are profit levers and which are not, to emphasise daily operations rather than a long-term design, and to set right priority to projects and issue. This we call *the profit arithmetic (PA)* approach. How do these approaches operate?

In short, people and organisations need to make sense of the situation they are facing. Simplification of the situation is,

Exhibit 1



therefore, indispensable[6]. Our thesis is that the simplification takes place in the mind of business leaders[7] for which they use either of the two approaches – PIF or PA (for a graphical representation of this, see Exhibit 1.)

Factual phenomena are perceived to be complicated but are greatly reduced in their complication when mental filters are applied to simplify and then to make sense by placing them in a meaningful context. Business leaders go through this thought process, more often than not, without realising it themselves.

Which of the two approaches is applied depends on the training, experience, character, business environment, etc., of the leaders. The switch from one approach to the other cannot be done at a point in time, since its adoption roots deeply in the mind-set of the person who applies it[8]. A change, either gradual or sudden, of the business environment; a drastic restructuring of personnel; a demise of a firm due to near bankruptcy, etc., may make the switch possible or make it even preemptory, though.

Having briefly defined the two types of mental scheme, we will now proceed to describe them in greater detail.

Proto-image of the firm (PIF)

We will focus on the proto-image approach by examining how Sony launched new products and diversified into new business areas based on the proto-image of the firm. This is to cope with changes in its environment, since PIF enables the firm to concentrate on products and activities it could cope with.

The two recent periods or eras, namely, the Ohga and Idei eras, (especially, the former) will be brought into the spotlight to review and analyse how the basic image of the company as structured in the leaders' mind and disseminated to Sony's staff, helped the firm to renew itself and enabled it to keep pace with the changing business environment and to grow.

Before we describe and analyse these two eras, we will introduce Sony founders' Proto Image of the firm, since it sets the groundwork for later development of its PIF.

Sony's founders' idea[9]

It was in October 1945 that Masaru Ibuka and his friends set up a business that would develop into a firm known later as Sony[10]. Table 1 provides a few lines of the founder's prospectus that became the basis for "essential and enduring tenets" – core values, that marked Sony's "character as an organisation, namely, its consistent identity" – core ideology[11].

Ibuka emphasised[12] in the prospectus that the firm's purpose was to serve as an ideal factory for engineers to "exercise their technological skills to the highest level[13]."

They did not aim to imitate competitors' products. A fierce pioneer spirit can be

Table 1 Founder's prospectus

Purpose of Incorporation	Management Policies
To establish an ideal factory that stresses a spirit of freedom and open-mindedness, and where engineers with sincere motivation can exercise their technological skills to the highest level	We shall eliminate any unfair profit-seeking practices, constantly emphasising activities of real substance and seeking expansion not only for the sake of size

To reconstruct Japan and to elevate the nation's culture through dynamic technological and manufacturing activities	We shall be as selective as possible in our products and will even welcome technological challenges. We shall focus on highly sophisticated technical products that are very useful to society, regardless of the quantity involved. Moreover, we shall avoid any formal demarcation between electronics and mechanics, and shall create our own unique products uniting the two fields, with a determination that other companies cannot overtake
To promptly apply highly advanced technologies which were developed in various sectors during the war to common households	We shall carefully select employees, and our firm shall be comprised of a minimal number of employees. We shall avoid having formal positions for the mere sake of having them, and shall place emphasis on a person's ability, performance and character, so that each individual can fully exercise his or her abilities and skills

Source: Sony Corporation[11]

observed in this prospectus. In essence it expresses:

- The pursuit of uniqueness
- The avoidance of imitation
- The acceptance of technological and commercial challenges
- Ferocious independence of mind

Morio[14], an old hand at Sony, evaluated Sony's PIF in the following terms:

> "[We] may say that it was Sony that created the audio video industry. The tape recorder, CD, transistor radio, home-use video, etc., were developed by Sony...Why do we insist on developing products that fit Sony's image (Sony-rashii shohin)? It's because the values Ibuka and Morita instilled at Sony's inception are still vividly shared among the firm's staff. The moment you start to imitate competitors, you will have lost Sony's spirit..."

Kihara, another Sony veteran, recognised that when he joined the firm he had tried to create something newly independent of Sony's image, but later he only tried to create products that fit it (Sony rashii mono wo tsukuro)[15].

Our thesis is that based on the proto-image of the firm (PIF) that was fostered and nurtured by its leaders, Sony developed and evolved its product/market and its activities to become a world-class enterprise.

PIF is at the very centre guiding corporate renewal and diversification or contraction activities. Successful companies do not only grow by diversifying but also can be successful by becoming smaller.

The Ohga era (1982-1994)

John Nathan's recount of Ohga's view of Sony[16] describes the Ohga era and his PIF as follows:

"Sony must always be extraordinary. Mr. Ibuka and Mr. Morita were extraordinary people. They were a pair of geniuses. I did my part to grow Sony in their footsteps, and I always asked myself what was essential to the company. Recently, I find myself thinking about the Chinese character 'san', which means to shine dazzlingly like the sun - san-san to kagayaku. It's not simply a matter of brightness. 'San' means an extraordinary radiance. Ever since I became involved with the company, I've worked hard to ensure that Sony would shine with that blighting light. It's been my main focus and my theme."

For Ohga, Sony represents something shiny that dazzles people. He worked hard to keep up this PIF. It is a logical extension of the founder's idea with even more emphasis on the uniqueness and "aloofness from the run-of-the-mill".

A firm with a strong PIF that is commonly shared among its staff and management emphasises the brand's importance since it symbolises the basic image of the firm or PIF.

Convinced that the brand image was very important and defining it as the common value of Sony, Ohga personally changed the design of the firm's logo and set the standard templates for different sizes of newspaper ads in which the position of Sony's logo, the catch phrase, etc., were clearly indicated. For Sony's staff, "the four letters composing Sony's name signify that a product is Sony's…the problem is that if you launch a mediocre product you cannot charge a premium price thanks to the logo…[17]"

Table 2 Activities during Ohga era

	Key issues	**Strategic initiatives**	**Implementation**
1	The battle over VCR format	Diversification development of core components	Entering new business fields PC business OEM business New VCR format (8mm) Acquisitions of CBS Records and Columbia Pictures Strengthening of brand image
2	Dealing with Digital audio technology	Alliance with key players	CD player MiniDisc system
3	Management of various business units	Decentralisation	Business unit system Divisional company system

Source: company records

PIF and the brand image should ultimately be reflected on products. Together with developing the company's brand image, Ohga accordingly emphasised product development and planning.

He stressed that products should be worthy of the Sony logo or image, since they might or might not please their customers. If the product design were not attractive, he would not allow the Sony logo to appear. The underlying belief was that an attractive design and ease of maintenance were the hallmark of Sony's good industrial design.

Ohga attended almost all New Product Planning meetings in which all new products launches were discussed until the beginning of the 1990s. He personally commented on the product planning and their designs. He paid special attention to the usage of Sony logo[18].

Ohga always insisted that Sony products must have a certain, extra something that

Table 3 Chronology of Ohga era

Year	New Product	Organisation	Businesses initiated	Remarks
1982	*CD player, *Professional VCR "Betacam", *Microcomputer "SMC series"		Computer	Ohga : COO
1983	*Personal Computer" Hit Bit" Word Processor " Series 35"(Japan)	"Business Unit system"	OEM	
1985	Single-unit 8mm video camera			
1986		Established a battery development subsidiary		
1987	*Digital Audio Tape(DAT) deck, *Workstation "NEWS"		Workstation	
1988	Electronic still-image camera "Mavica"	Acquisition of CBS Records		
1989	Hi8 video camcorder "CCD-TR 55"	Acquisition of Columbia Pictures Entertainment	Films	Ohga: CEO

1990	Colour HDTV "HD Trinitron"			
1992	Mini Disc (MD)			
1993	Broadcast-use "Digital Betacam"			
1994	Consumer game "PlayStation"	"Divisional Company System"	Game business	

Source: company records

wins over customers[19]. He was concerned that as Sony grew larger and its product range became more diverse, the firm might drift away from its philosophy of consistently developing high quality and innovative products.

Table 2 summarises the main issues around which Ohga's leadership revolved -– namely, the battle over VCR format, the dealing with the digital audio technology, and the management of business units.

Ohga was quoted as having stated:

> "A consistent product philosophy is the basis of Sony's brand image. With it, Sony can expand and globalise, while still maintaining consistency in design over the long-term. From the customers' point of view, there is only one Sony[20]."

Some of the landmark events, and product development, as well as organisation structure changes are chronologically described in Table 3.

By the time Ohga was appointed president, Sony had already become one of the most admired firms not only in Japan but also throughout the world. It had already released such popular products as the portable radio in 1955, the Trinitron line of television sets in 1968, the Betamax VCR in 1975, and the Walkman in 1979.

Nevertheless, in terms of operations and product range strategy, Sony could not be said to be a world-class company as yet, since it still relied heavily on single best selling products such as VCRs.

Accordingly, by the time Ohga took charge of the presidency, some considered that Sony's heydays had long past. The battle over the VCR format was being lost. In addition excessive inventories were causing serious financial problems.

In considering the variety of the challenges he faced, Ohga must have realised that Sony was still a firm in need of more sophistication in terms of operations and strategy.

Under such circumstances Ohga did not have much choice but to seek a way out by developing new businesses and improving the management system. Ohga attempted to outgrow the VCR-dependence to become truly a multi-business company. His intention was to rise to a host of challenges by diversifying into new products and businesses and to adopt a new organisational system to meet such challenges. Ohga sowed its seed and reared it, which was reaped by his successor, Nobuyki Idei.

Idei Era (1995-2005)

In 1995 Ohga made it public that his successor would be Nobuyuki Idei. His selection was not based on Idei's past achievement, which Ohga thought rather poor: Idei was not successful as deputy general manager of MIPS (Media, Information Products and Systems) Division; his attempt at entering the home computer business was a failure. Ohga was adamant on this point: his selection was not based on the past but on the potential Idei offered.

Ohga's ideal man to lead Sony was somebody who would dazzle the world with his resplendence. Ohga strove to make Sony a company that would dazzle people because of its brilliance[21]. Therefore his successor had to be a person who understood Sony's uncommon quality to outshine its competitors. And Idei was such a person with a "gut-level" understanding of the core values.

The issues that faced Idei at the time of his appointment were the transition from the founding fathers to professionals as president, the commoditisation of audio-video products and survival in the new IT society, and the financial hardship (See Table 4).

Vis-à-vis the afore-mentioned challenges, Sony, under Idei's helmsmanship, undertook to develop new products and business activities as summarised in Table 5.

Table 4 main activities under Idei's management

	Key Issues	**Strategic Intent**	**Executions**
1	Acceptance of a new breed of presidency	Strengthening the corporate centre	*Reform of the corporate centre and board system *Establishment of a corporate laboratory
2	*Survival in IT society *AV products as commodity	Adaptation to the agile business environment	*Reform of Strategic Business Units *Separation of some functional divisions *Entering IT business *Integration of hardware and software (NACS)
3	Financial hardship	Shifting "economies of scale" to operational efficiency	*Implementing Cash Flow management *Installing EVA

Source: company records

Table 5 Chronology during Idei era

Year	**New Product**	**Organisation reform**	**New Business Initiatives**	**Remarks**
1995	*Flat panel display "Plasmatron" *Digital video camcorder "Digital Handycam"			Idei : COO

1996	*Personal Head-mounted LCD monitor "Glasstron" *Digital still-image camera "Cyber-shot" *Personal Computer "VAIO" *Flat Display (FD) Trinitron	*Reorganisation of the "Divisional Company" system *Establishment of Executive Board *Corporate Laboratory	*CS digital broadcast business *Internet Provider service *Restarting PC business	The 50th Anniversary since its founding
1997	*DVD video player	*Corporate Executive Officer("Shikko-yakuin") system *Sony Marketing (Japan)		
1998	*Recordable IC Memory Card "Memory Stick"		Investment in fibre-optic network service business	
1999	*Super Audio CD *Entertainment Robot "AIBO" *IC based portable stereo "Memory Stick Walkman"	*"Network company system" *Privatizing three Sony Group subsidiaries *Strengthening Headquarter *Sony Human Capital		Idei : CEO
2000	*Personal Entertainment Organiser "CLIE" *Personal IT Television "airboard"		Investment in Cable Television business	Ando : COO
2001	*Bluetooth Module at CES "Infostick" *Wireless Data Exchange Solution for Memory Stick Expansion Module	*Separation of Group HQ (Global Hub) and Shared Services function *Sony EMCS		

Source: Company records

Ohga diversified Sony's businesses and decentralised its organisational structure by empowering lower management. The product and service range was amplified, which allowed Sony to widen its revenue sources and to depend less on a single product such as VCR. Overall, his initiatives were more centred on the obtainment of the competitive edge at the business strategy level.

Idei's efforts focused on the corporate-level strategy. The clear separation of management and ownership is an example of his efforts. The sheer size of Sony and the faster environment change due to the emergence of the network society made it necessary for Sony to depart from its traditional management based on the charismatic leaders taking care of both business-level and corporate-level strategies.

Before the Idei era, Sony counted on management geniuses such as Ibuka, Morita, and Ohga for inspiration. Idei thought that Sony had to learn to live with a more systematic way of doing business based on contributions made by staff.

"Abstraction" was the word used by Idei to describe the systematic way of business. He meant to emphasise the importance of "theorising" what and how Sony was doing its business.

Two citations from Nathan[22] illustrates Idei's point:

> "Our tradition of product manufacturing resists abstraction - and that allergy we have for generalising has been strength in our electronics business. But tomorrow's top management has to develop the capacity to think abstractly."

> "As the top management in Sony, which has approximately 170,000 employees comprised of various nationalities, languages and culture, one of my most important jobs is to make a speech, to communicate methodology, to send my vision, to revolutionise Sony...The most important thing in speech is a key word. If there is not something to keep in mind for the audience, the information is diluted in the spreading process. Thus it is necessary to embed key words which express the clear vision by the form resonated with the audience."

Idei centred his attention on formulating or "abstracting" the question of what Sony should be doing now and in the future. The messages he sent to his stakeholders contained several key issues, among which were (1) the "regeneration" and "digital dream kids"; and (2) the integration of the electronics and the entertainment businesses.

As a "salary-man" president, namely, a professional without major shareholding taking charge of the top position, Idei decided to lead the firm quite differently from his charismatic shareholding founders and predecessors. He had to design and implement an appropriate management mechanism for Sony to part company with the "heroic" eras.

Idei's version of Sony's PIF was to bring up to date the founders' ethic that had driven Sony to becoming a ground-breaking and challenging company. Idei accordingly revamped it and tried to communicate its key features to set direction for the firm's efforts. Emotionally charged words such as "regeneration" and "dream" were an obvious choice.

Thus Idei coined the word "regeneration" to revitalise Sony. He avoided using words with negative connotations such as restructuring and reengineering.

His messages were meant to get across a comprehensive management vision and a company-wide guideline to ensure that Sony would remain an excellent company over its next fifty years by setting forth "regeneration" as a new management theme preserving the original founding spirit[23]. The regeneration was to take advantage of the past but would adapt Sony to the new environment based on "Sony-rashisa", namely, the Sony ethic[24].

The firm's PIF, expressed as Sony being *digital dream kids,* became even more important as a guiding ethic. Digital technology mesmerised young and old. These digital kids would be Sony's future customers. Therefore Sony, at all its management levels, would have to become dream kids to continue creating new products that would meet its future customers' expectations. (For Idei, Ibuka was a transistor kid, with Morita being a Walkman kid, and Ohga, a CD kid.)

Digital dream kids signified the combination of the AV (audio video) technology, Sony's traditional stronghold, and IT (information technology) into which Sony would have to delve[25].

Likewise, Idei captured the difference between the traditional analog technology-based business and a new digital technology-based business by identifying the underlying forces as the Law of Diminishing Return (LDR) and the Law of Increasing Return (LIR) for the respective businesses.

Television sets and radios are typical LDR products. Their cost structures deteriorate as the size of production grows. LIR products such as films and music-related items (digital products) dramatically change their cost structures as their sales grow.

PlayStation games and software, in general, were often cited by Idei as examples of LIR products (and concerns Idei's second message which is referred to as *supra*). It combined Sony's traditional strength in hardware and the network externalities by virtue of which the growing sales would affect the cost structure. It would open the way to more businesses such as IP services, network carriers – broadband carriers – cable television outlets, satellite broadcasting, etc.

The integration of audio and video resources was another focus point for Idei. Thanks to the acquisition of CBS Records and the development of the CD-related business, Sony enjoyed synergies derived from the combination of audio and video resources. However, in the case of Columbia Pictures, at first Sony did not enjoy synergy effect on account of the poor financial and managerial condition of the film company, until Sony re-christened the film firm as Sony Picture Entertainment (SPE) and turned it around.

The linkage of the hardware and the software also engaged Idei's attention. The establishment of an appropriate infrastructure for the digital network was thought to help to link them. It included the CS digital broadcast (SKY Perfect Communications, 1996), the Internet provider (Sony Communication Network, 1996), and Cable Television (Tokyu Cable Television, 2000).

In an effort to provide the integration of the software and hardware businesses, Sony opened in 2002 the Network Application and Content Service Sector (NACS), which was expected to ensure that business units grouped into the three Core Sectors (namely, Electronics, Game, and Contents) are linked through network services. Sony's 2003 reorganisation gathered more staff with different skills and backgrounds at NACS[26].

Overall Sony had to supply innovative products that were amenable to being connected by its customers. The connectability must provide synergy (1) between different hardware items and (2) between hard- and soft-ware items. Let's call this the "network capability". The core competence had to move to enhance this network capability.

We proposed that the basic driving force behind the strategy of Sony during different eras was PIF. Sony's PIF translated into several strategic thrusts, namely, product development, an innovation scheme, and organisational structure.

Proto-Image of the firm compared with other similar concepts

Collins and Porras held that the companies that had outperformed the general stock market by a factor of 12 since 1925 had a vision of their own[27]. Perhaps one of the most popular concepts in the 80s was that of culture specially after the book by Peters's and Waterman's "In Search of Excellence[28]". The authors claimed that successful organisations were rich in culture that at times was interchanged with ideology.

An ideology consists of core values and core purposes that permeate through the organisation. The former refers to a system of guiding principles and tenets, and the latter to the organisation's reason for being. Ideology converts an expendable organisation into an institution with life of its own[29]. That is, institutionalisation implies infusing the organisation with value. Mintzberg adds that an ideology "ties individuals to organisations", generate an 'esprit de corps" and a "sense of mission"[30].

The differences between ideology and the PIF concept reside mainly in two aspects (1) **static versus dynamic view of the firm**, and (2) **its capability to enact a firm's development**.

First, a common criticism of the ideology framework is that it may run the risk of culturally locking in the firms or an individual (like the CEO) resulting in "their inability to change corporate culture in the face of clear market threats[31]. The CEO is caught up with the chains of the ideology of the organisation. However, we know that companies that consistently turn a profit are those that continually reinvent themselves in an effort to outperform the market[32].

PIF in contrast with the ideology concept prompts firms to reinvent themselves[33]. The role of the PIF resides in the individual rather than in the organisation. PIF, a mental schemata, is not an inner state that is individuated independently of the cultural context; however, the culture, or ideology of the organisation does not trap the CEO in its web. Although the organisation can have an identity of its own with staff sharing beliefs, values, etc., it is the schemata of the CEO that will prevail in terms of the organisational dynamic.

The PIF approach is conceivably a mental prototype, a sort of universal generalisation about the image of the firm. A prototype has the advantages of embodying a whole range of complex generalisations and co-occurring features about an organisation and at the same time it provides the flexibility that is precluded in the strict universal generalisation (Churchland, 1991). The PIF is not representational in that it does not stipulate the existence of underlying symbolic representation in the mind of the person. Rather, it assumes that the substrate of cognitive activity is a large neural-like associative network. It assumes that the operations employed in connectionist models are not ones of symbol manipulation, but rather parallel distributed patterns of activation in the network. And although we have explained that the PI is a form of schemata, we are using the term in a metaphoric way. That is, the PI is a set of connection strengths which, when activated, have implicitly in them the ability to generate states that correspond to an instantiated schemata.

The challenge in determining the PIF is posed as to what constitutes a PIF, and how to determine the features around this central concept. The first challenge specifically refers to what makes the very basic, constituting elements of the PIF. The second refers to how the PIF is formed around features that come close together in order to form the core PIF and what constitutes closeness enough to be part of the core. In this regard, we can make use of the connectionist theory to explain the PIF phenomenon. This theory can guide us in the future to understand and recreate the PIF by which CEOs approach companies and decision-making processes.

The second major difference with ideology is that, PIF, when enacted by the CEO, as shown in the analysis of Sony, drives the firm to a continuous assessment of its theory of the business and acts as a direction-setter of its corporate renewal. In the case of ideology the company seems to run because there is an integration of individual and organisational goals; it brings about the same effect as the sense of mission[34]. A sense of mission is an emotional commitment, which occurs when there is a match between the values of an organisation and those of an individual. In the case of the proto image of the firm, the CEO reviews his or her theory, and uses this mental structure to direct his or her decisions. An ideology by itself is not enacted except through the leader. And under the ideology concept, the organisation has a life of its own that develops and reinforces through a number of mechanisms. This concept leaves very little room for the individual, the CEO, to make decisions, unless they fit with the ideology of the organisation. In our review, we see also CEOs having an independent understanding of the firm and act on their own proto image to give new directions to the firm.

This section analysed (1) how Sony renewed itself by launching new products and entering new activities for which the PIF approach was an important component of its strategy since it enabled the firm to concentrate on the products and activities that Sony could cope with, and (2) how the renewal process helped Sony to review its theory of the business since new products and new activities gave Sony's management and staff a chance to re-examine the assumptions on which the theory of the business was founded.

Profit Arithmetic Approach

Our studies of the way successful CEOs approach business decisions indicate that the PA approach puts emphasis on (1) the profit levers such as cost cutting, (2) daily operations rather than on a long-term *grand dessein*, and (3) priority-setting.

Because of limited space constraint we will mainly draw on the case of Shin-Etsu Chemical's Chihiro Kanagawa, which, however, provide us with a rich insight into the working of PA. The analysis will therefore focus on the afore-mentioned three points, namely, their use of profit levers, conduct of operations, and setting of priorities. For purposes of clarity we will break down the main concept into its three main characteristics.

Profit levers

PA-type CEOs pay more attention to actual arithmetic of profit and how to make individual managers act on the levers that produce the profit (rather than to on how each individual manager behaves). Charles Allen from UK's Granada, for example, claimed that he was a PVC fetishist[35]. He meant that he focused on Price, Volume and Cost using them as key levers to run the business. Managers were expected to think deeply about how to improve all three levers.

Much in the same vein, Shin-Etsu's Kanagawa concentrates on (1) the minimisation of interest-bearing debts, (2) the control of the pay-out for dividend, (3) the target of 10% ROE, and (4) a close scrutiny of net income[36]. Despite the unassailable simplicity of these levers one can understand the critical factors, in the CEO's PA schemata, that determines the quality of the results in a business.

To concentrate on a limited number of variables may help the staff to have a clearer notion of what is expected of them. Also, it presumably helps the CEO to supervise, at a more generic level, the drivers that have the greatest impact on the value and ultimately the survival of the company.

Besides looking at the specific levers that are contributing to the results of the business, we also found that CEOs have an explicit understanding of the sources of capabilities and their potential impact on a business.

Kanagawa only competes in the field in which his company can successfully do so[37]. Thus, his firm focuses on the products in which it ranks highly worldwide. They include wafers and vinyl chloride (the world number one), optical fibre materials (number two), and silicone resins (number three).

The focus is supported by determination. In February 2001 Shin-Etsu invested ¥ 70 billion in the installations for the production of 300 millimetre diameter silicon wafers in the face of falling demand of semiconductors, their main application. Other companies thought better of it and did not dare to spend money on production expansion. Kanagawa went forward with the investment plan on the conjecture that semiconductor producers would demand the 300 millimetre diameter silicon wafers since these wafers could halve the production cost of semiconductors. The decision allowed Shin-Etsu a ten months head start over its competitors[38].

Focus also means that Kanagawa steers clear of the businesses he thinks he cannot understand and does not give up on those that he knows well even if they are out of "fashion". Some examples will illustrate this.

At the time of Japan's bubble economy years (1990s) Kanagawa was presented with a proposal to build and manage a business hotel in Takefu in Fukui Prefecture. The proponents urged him to approve the plan on the grounds that everybody including the chairman was in favour of it.

Kanagawa immediately and flatly rejected the plan. He reasoned that Shin-Etsu did not have know-how or resources to run a hotel business. Run by Shin-Etsu the hotel would be a second-rate or third-rate hotel. Its location would not help, either. It's removed from urban areas such as Tokyo or Osaka. Kanagawa recently estimated that if the firm had taken up the plan it would have lost ¥ 20 to 30 billion. However, at that time the business atmosphere in Japan favoured such a venture.

Kanagawa also prohibited his staff from speculating in financial markets doing what was known as *zaitekku* (literally financial engineering, but actually financial speculation). He was quite clear on this point: the firm did not have expertise to speculate in financial markets. The *zaitekku* was the nemesis of many a Japanese firm later on.

In referring to the difficulty to be successful in new products or fields, Kanagawa emphasises the importance of the old economy – mature businesses – for his firm. In the case of Shin-Etsu the fertiliser business exemplifies this. It was one of the original businesses with which the firm started. Its relative size was small. No brilliant future was predicted for it. Many suggested that it should be discontinued or sold off.

Kanagawa resisted the pressure and kept it for twelve years after his appointment as president, alleging that every year it contributed ¥ 100-300 million profit. He ultimately sold it as soon as he clearly saw that its profit-making possibility seemed to have petered out.

It is Kanagawa's firm belief that a business should be kept as long as it can generate cash flow. Kanagawa is convinced that it would take at least ten years for a new business to start to generate ¥ 100-200 million profit and that it was not easy to be successful in a new business[39].

Vinyl chloride is another "old economy" business. It is a low technology product. Many environmentalists attack it as being a generator of dioxin. Kanagawa is adamant, however, not to shed it since its world market is growing at a rate of 3 to 4 percent a year. It is also a solid profit-generator at Shin-Etsu. So Kanagawa sees no reason to drop it[40].

Vinyl chloride is a commodity and basically everybody produces the same quality. The condition to win lies in increasing profit by keeping a tight rein on sales and product cost. Kanagawa managed to do so by increasing the production without adding more personnel[41].

To keep costs under control is an important factor for a PA-approach CEO like Kanagawa. He advocates the concept of minimising total cost, while his competitors focus on cost leadership through the maximisation of productivity, oblivious of the fact that cost reduction is an all embracing effort including production, distribution, overheads, etc[42].

The increase in production capacity may tip the delicate balance in the minimisation of total cost on account of superfluous, excessive production. In deciding on the production capacity increase, Kanagawa's proverbial correct reading of the market trend has been an important component.

The minimisation of the total cost is pursued in the interest of profit maximisation, which is never sacrificed on the pretext of gaining market share.

He keeps labour costs low at Shintech, Shin-Etsu's major subsidiary in US, by counting on a chosen few.

Yamagata and Tawara recorded Kanagawa's opinion in the following terms:

> "Business is about how to handle people and get the best of them. You have to give them a chance to learn. If I see a person is capable, I give him a large assignment. Ten or twenty of them will suffice to change the firm[43]."

Kanagawa in his book published in 2002 expressed his conjecture that there might be 2,000 people engaged in the production and marketing of vinyl chloride among nine producers[44], intermediaries, etc., in Japan. This contrasts with Shintech's 230 staff. The productivity is 8 to 1 in favour of Shintech.

For him, an almost commodity item such as vinyl chloride requires severe costs control, which is the only way to survive the competition. Shintech is the only firm in the world that has been generating profit in this line of product.

No superfluous personnel exist at Shintech. It has only 10 salespeople who are travelling around the world. No unnecessary indirect personnel are to be found at the US firm. The collection and control of accounts receivable is taken care of by Kanagawa's personal assistant. She only received minimum indispensable training: to advise customers ten days ahead of payment due dates, to remind them of delayed payments, etc.

Shintech does not have any financial specialist on its payroll. Kanagawa does not think the US firm needs any financial man to borrow money when the firm's equity ratio is 89 per cent.

Kanagawa's heart still bleeds, however, when he remembers the ¥ 4 billion the firm spent on its corporate identity campaign. The spending went to sponsoring motorcycle competitions, TV commercials, etc. Kanagawa's assessment regarding the results is negative. Nothing was obtained from it. It hurts him to think that with ¥ 4 billion the firm would have been able to build two research laboratories. His excuse is that he was only a vice president at the time and could not stop his president from doing the spending.

But he has learnt. Despite abundant cash on its balance sheet (¥ 300 billion), Kanagawa is against moving into a new headquarters building and insists on staying in a rented office building. Nonetheless, what terrifies him is not so much the amount of money but the loss of time and energy for moving – a month spent on it might be better used for the development of a new business.

A bias towards daily operations rather than towards a long-term *grand dessein*

Kanagawa is against the argument that CEOs should not focus on daily but on long-term issues, since their task is to set in place a long-term vision and plan. He wonders how somebody can plan ahead if he or she is incapable of sorting out today's problems. He rubbishes a mid-term plan:

> "…It's useless to make a mid-term plan. You can prepare a beautiful plan by increasing the sales price and lowering the cost of goods sold on paper. How can you forecast for three years if you don't even know what will happen next year[45]?"

Kanagawa is convinced that a long-term vision comes as an accumulation of daily operations. He does not deny the need to develop a longer-term plan. A lack of such a plan offering a timeframe may make it difficult to develop a new business.

The focus on short-term, daily issues tends to lead CEOs to a certain bias on the future and influences his long-term plan. A caveat is that the market will never ever move in the direction one wants it to move.

Kanagawa works out his forecast on the market but fight shy of making a plan based on it. Even if he makes one, he tries to foresee a worse scenario than his forecast indicates. He maps out an action plan in preparation of the worse or worst situation.

The orientation towards short-term, daily operations leads to actions. Actions are based on fast decision-making. Kanagawa is proud of taking the majority of decisions in thirty seconds. Out of ten proposals he gives immediate comment or decisions to eight or nine. He never puts off the decision-making to consult the board (that meets once every other week).

For the tons of documents that find a way to his desk, he spends a few second on each one of them and goes quickly through them. He sets aside those that require further study. If the explanation on the document is lengthy, he asks the person who has written it to give him a brief verbal explanation.

How this fast decision-making may benefit the firm is illustrated in the investment in 300-millimetre diameter silicone wafers referred to earlier. The launch on the market of this product in February 2001 led to a ten months lead over the competitors, which enabled Shin-Etsu Chemical to enjoy a 60 percent market share in the world.

Kanagawa had been observing a year earlier how quickly its market was heating up, presaging plateauing-out of the demand and then a fall. He judged that the boom would not last more than six months and decided that Shin-Etsu had to enter the market before it would start its downward trend.

Kanagawa did not consult the board of directors for the decision. For him, speed was everything and he could not jeopardise the business chance by listening to generic discussions. So he gathered some informed-opinions and approved the investment under his exclusive responsibility.

The priority-setting

Sorting out one's priorities is an important action in management. CEOs with PA approach prioritise those decisions and actions directly bearing on the generation of profit.

Kanagawa is uncompromising about the purpose of the firm being to give return to shareholders. For him its only owners are shareholders. Therefore the CEO's bosses are shareholders, not employees who are part of the firm. CEOs should not confuse this point: the firm does not exist to cater exclusively and mainly to employees[46].

Kanagawa emphasises that the achievement of a firm's objective does not preclude the firm from observing the social ethics and the code of behaviour as a social corporate citizen. He stresses likewise that a firm contributes to society by paying its corporate tax, but that the contribution to the society is a result, not the objective of the firm's existence. A private firm is for profit making. Shareholders have trusted managers for the handling of their money. CEOs are bound to correspond to their trust by contributing a return on their money[47].

In operational issues, Kanagawa does not advocate pure drudgery in order to attain goals. This is remarkable in Japan where new recruits are told more often than not (1) to take action rather than to think, and (2) to appeal to the emotional reaction of customers[48]. He makes the point of telling his younger staff that they ought not to attempt at achieving results by dint of mere physical hard work. In its place, he emphasises the importance of designing a creative and imaginative plan. He insists on the quality, not the quantity of labour.

PIF and PA compared

What are the main differences between PIF and PA regarding their time frame, applicability, etc.? (As to a comparison between PIF and PA, see Table 6.)

As explained above, the essential factor of the PIF approach is the "image of the firm", an abstract conceptualisation of the business that guides CEO's decision making. On the contrary, the PA approach is more pragmatic, for which actions oriented to profit levers are key.

The degree to which constituent factors influence each mental model is different. PIF is influenced by a CEO's professional experience, the environmental situation, the firm's business culture and ideology, and the institutionalisation process.

The first two factors, of course, shape the PA approach, too, but their impact is different. Other elements that configure the PA approach most are the CEO's knowledge of the firm and industry in which it operates and his "hunch for business".

Thus, the PIF approach presupposes, to varying degrees, that the CEO has a previous knowledge or familiarity with the firm, its culture, tradition, etc. It is essential if a CEO is to manage it effectively.

PIF is shaped by the firm's business culture, which does not necessarily mean that both are identical. The PIF, in the mind of a transformational CEO, may be quite different from the actual situation of the firm, and may therefore result in a change in its business culture and routines.

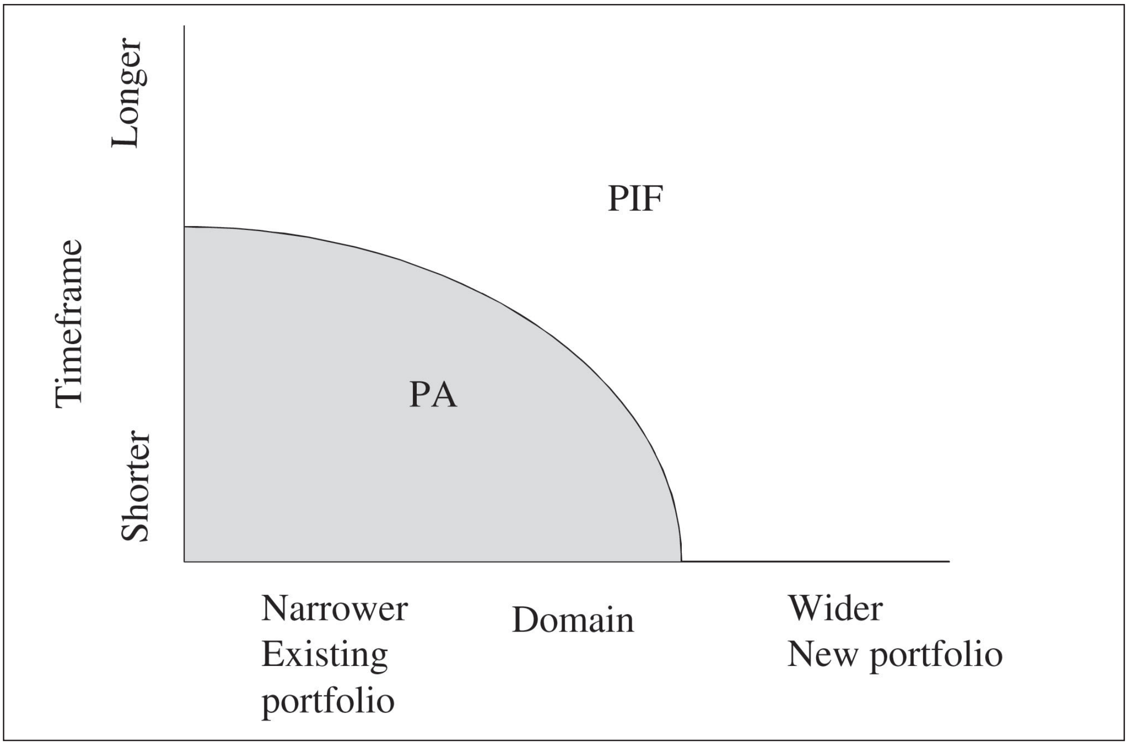
Although desirable, a familiarity with the firm's culture and ideology is not so essential in the PA approach. Business leaders with the PA approach may have less of a problem to switch firms, because their knowledge of an industry's key success factors will help. Their short-term orientation and good track records may fit the requirements of the firms in need of a quick fix with the new blood. Their profit-orientation will make their decisions more understandable to their staff.

Regarding time frame, the PIF approach puts emphasis on the mid- to long-term time horizon, while PA is more action and

Table 6 Comparison of PIF and PA

	PIF	**PA**
Essential element	Image of the firm	Actions oriented to profit levers
Shaping or constituent factors	Professional background, environment, firm's business culture and institutionalisation	Professional background, environment, knowledge of firm and industry and sense for business
Familiarity with the firm	Essential	Not so essential
Time frame	Focus on mid- to long-term	Penchant for short-term
Domain	Wide, new competences and products are fostered	Narrow, existing portfolio
Cash flow position	Affluence required	At the time of crisis, the only option to survive
Explicit or implicit instructions from the top	Implicit, second-guessed	Explicit
Applicable in switching firms?	Difficult	Possible
Succession	Relatively easier to find a person of a similar approach, if he or she shares the belief	Imitability or replicability low
Combination with the other approach	PIF – top management PA – lower management	If PA is at the top, PIF is not possible at lower management

Figure 1 PIF and PA compared



operations oriented, focusing on short-term results. Apart from the personality of business leaders, this difference may derive from the firm's balance sheet and profit and loss account situation. If a firm suffers from a short cash position or is losing money, it has to prioritise the generation of cash flow. In any case, the CEO's concern will not be how to take advantage of his image of the firm (see figure 3.5).

A PA manager is not worried about whether a decision matches the image of the firm he cherishes or not. He is basically short-term profit-oriented; therefore, his time frame will be shorter than the PIF approach. This does not mean that PA managers do not think ahead nor consider long term results. The PA approach would accept short-term losses in the certainty that mid to long term benefits will be gained, if these losses do not endanger the firm's survival.

Where the scope of domain is concerned, the PIF approach is more inclined to domain selection. New product development, new business exploitation, the fostering of new core competences, etc., are its main priorities. PA is in this sense more centred on domain navigation (see Figure 1).

Staff may find it relatively easy to second-guess top management's intention based on the PIF approach. Even if the CEO has "imposed" his image of the firm, employees understand what is expected of them and know what they should and should not do. This also signifies that if a CEO (who, for example, is somebody who came from outside) wants to have something done that does not fit the firm's previously shared values, he will find his intention thwarted. It will be sabotaged actively or passively unless he effectively gets across his image to the staff members. When the CEO's PIF is effectively communicated to employees and when their own interpretation of the image of the firm is similar, top management instructions do not need to be explicit, as members can interpret them using his own PIF.

On the PA approach, top management instructions need to be more explicit so that staff members do not have to apply their own criteria to interpret them.

The PIF approach is inherent to a particular firm. In other words, it is a particular vision held by an individual of a specific company. Therefore, when this individual leaves the firm and joins another he needs to build his own image of this new company. A CEO with this approach who joins a new firm will have to build his PIF by getting himself immersed in the new corporate culture. In this process, his previous experience may help him shape the new PIF. However, as PIF is indivisible from the firm, the proto-image of the new firm will necessarily be different from the old PIF even if both firms are in the same industry. During the process the new CEO may have to adopt, more often than not, PA-type management as the firm that recruited him may be in the red and need a quick turn-around.

The PA approach does not depend on the tradition of a firm or its culture, or at least not to the degree to which PIF depends on them. The PA approach managers benefit most from personal experience. So, they seem to be less constrained by the industry or firm and their mobility could be higher. This approach can be easily applicable to different firms from different industries if profit levers are similar.

Another interesting point is to analyse which of the two approaches is easier to find successors to the incumbent. We discussed above that the PIF approach, to be managed effectively, presupposes the full understanding of the shared values at a firm. If a successor is imbibed in these values the succession could be less of a problem. Therefore, though more abstract and conceptual, the PIF approach can be better codified and made explicit, and, accordingly, it could be easier to find a successor inside the firm.

On the contrary a PA CEO's expertise may be cultivated due to his personal experience. His business acumen may hinge on his personal sense or hunch of business. Less observant successors may not be able to comprehend the intricate mental scheme his or her predecessors have developed nor to subscribe to his or her belief system.

As UK's researcher-consultants, Michael Goold and Andrew Campbell discovered, "you cannot have a longer view than your boss". As mentioned above, PIF can be longer-time oriented than PA. It is understandable, therefore, that PIF CEOs can be less intransigent than their PA counterparts regarding quarterly results, which allow their staff more manoeuvrability. If the CEO has the PA approach, his subordinates, with a penchant for viewing issues on a long-term, may have to expect a rough ride. Thus, PIF management may accommodate the PA approach at a lower level; but the other way round seems very hard to sustain.

Conclusions and discussions

In this article we analysed the causes and factors that made some excellent Japanese companies successful. Our assumption was that, under the current fast-changing business environment, firms' competitive strength owes much to top management. Two mental schemes – PIF and PA – were identified.

Questions may crop up such as: (1) is one approach more successful than the other?; and (2) how can firms continue their success even if their leadership changes?

Regarding the first question, our conjecture is that the PIF-type mental scheme is more appropriate in a business environment where fast technological changes take place, which makes it necessary to adopt a long-term view of business by spending a substantial part of cash flow on research and development. In contrast, PA-type leaders may pay more attention to shorter-term, operation-oriented decisions and their implementation. This is made possible because the industries in which they work may be technology-driven but their pace of change is less hectic. Their products can be commoditised. Reading correctly market trends and pre-empting competitors' moves are essential. This means that there is no exclusive best way to craft a strategy. It depends on the environment in which the firm operates.

The second question leads to two issues: the grooming of future business leaders and the duration of the CEO' mandate. In the system currently operating in Japan, operationally efficient managers tend to benefit from faster promotions. Personnel evaluation attaches more importance to the sorting out of day-to-day problems. Exposure to wider general management experience by seconding upcoming young staff to smaller business units or subsidiaries as their heads may foster strategic thinking.

Some studies (e.g., Tanaka and Morishima, 2004[1]) found that the average tenure of presidents in Japanese firms dropped from 15.6 years to 5.3 years between 1960 and 2000. This shortening may lead to newly appointed presidents accepting not to "ruffle other people's feathers" by taking unusual initiatives. Presidents or CEOs rotate in good order as if their positions are just one more career stage. Rotational presidency differs from the ideal of a leader figure steering the enterprise based on a long-term strategy. Breaking away from this trend will vitalise many firms.

Apart from the above two questions, of course, more could be raised. For us, the most important one would be: Do these mental schemes exist in Western companies? If so, how are their variations compared with their Japanese counterparts?

To answer these questions further comparative research would be needed not only in geographical terms (US and Europe, Korea, China, India, etc.) but also in wider industry ranges (manufacturing and service industries).

[1] Porter ME, Takeuchi H, Sakakibara M. 2000. *Can Japan Compete?* MacMillan Press: London

[2] Niihara H. 2002. The skills of the best managers at superior companies, Vol. 2002. RIETI. Niihara's argument is that the firm's competitive strength owes either to operational effectiveness or management capability. The former refers to such cases as the Toyota Production System, which excels in making best use of factory operators productivity. However, cumulative and incremental efforts can be powerless, when faced with a fast-changing industry environment that requires a drastic and real-time strategy shift (as is the case in the majority of industries nowadays). In such a circumstance, the latter is more effective.

[3] For more detailed discussion, refer to Kase K, Sáez F, Riquelme H. 2005. Transformational CEOs: Leadership and Management Success in Japan. Edward Elgar Publishing: Cheltenham, UK

[4]

Companies studied		
Company	**Industry**	**CEO**
Nissan	Automobile	Carlos Ghosn
Shin-Etsu	Chemicals	Chihiro Kanagawa
Shinsei Bank	Bank	Masamoto Yashiro
Sony	Consumer electronics	Norio Ohga
Yamato	Transport	Masao Ogura

[5] When Sony's Ohga had to find his successor as Sony's president, his selection criterion was not the past achievement. For him it was more important to find somebody who could guide Sony towards the next century. Ohga's criterion was more deeply set in Sony's corporate image than values, mission, or vision.

[6] For example, Bateman TS, Zeithaml CP. 1989. The psychological context of strategic decisions: a model and convergent experimental findings. *Strategic Management Journal* **10**: 59-74

[7] Daft and Weick Daft RL, Weick KE. 1984. Toward a model of organization as interpretation systems. *Academy of Management Review* **9**(2): 284-295 argue that the interpretation of the environment is done by strategic-level managers. They cite the observation recorded by Aguilar Aguilar F. 1967. *Scanning the Business Environment*. Macmillan: New York in the sense that "below the vice president level, participants are not informed on issues pertaining to the organisations as a whole."

[8] "Values are integral to companies' sense of who they are, what they represent, what they want to achieve, and how they intend to achieve it." Grant RM. 2002. *Contemporary Strategy Analysis: Concepts, Techniques, Applications* (Fourth ed.). Blackwell Publishers: Oxford.

[9] We posit that PIF is a cognitive structure that resides in Sony leaders' mind but that permeates deep into a company's belief system and underlies its core values and core ideology.

[10] Kase K. 2002. Sony Corp. In P Kotler, H Kartajaya, DH Hooi, Sanda Lim (Eds.), *Rethinking Marketing: Sustainable Marketing Enterprise in Asia*: 111-117. Prentice Hall: Singapore

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[13] Sony Corporation. 2003. History: The founding prospectus of Tokyo Tsushin Kogyo, Vol. 2003. http://www.sony.net/SonyInfo/CorporateInfo/History/prospetus.html

[14] Morio M. 1998. Gijutsu no sujo wo miro (Examine the "pedigree" of the technology). In O Katayama (Ed.), *Sony no Hosoku (Sony's Law)*: 69-90. Shogakukan: Tokyo

[15]Kihara N. Ibid.Hitomane suruna, dakyo suruna, akirameruna (Don't be a copycat, don't compromise, and don't give up): 110-131

[16]Nathan J. 1999. *Sony: the Private Life.* HarperCollins Business: Boston, MA

[17]Kazama S. 1998. Shigoto wa soshiki de naku hito de ugokase (Get tasks carried out by the people and not by the impersonal organisation). In O Katayama (Ed.), *Sony no Hosoku (Sony's Law):* 91-108. Shogakukan: Tokyo

[18]A manager interviewed commented that Ohga was the product planning incarnate Kutsuwada K. 2003. Corporate Renewal through New Business Development: Sony's Case, *Graduate School of International Management:* 128. International University of Japan: Urasa, Niigata. Another interviewee on June 3rd 2003 who worked closely with Ohga pointed out to Kutsuwada that to his knowledge Sony's former CEO never explained to his staff what his proto-image of Sony was (apart from some interviews granted to Nathan, etc.). The proto-image was transmitted and shared among Sony's staff who guessed from Sony's "legend" what it was, or through formal and informal conversations in which they would try to define what their understanding of Sony (or Sony *rashisa*) was.

[19]Ohga Ohga N. 1998. Kantan, shosan, keifuku sareru kaisha ni nare (Let us be a firm that is admired, praised, and respected). In O Katayama (Ed.), *Sony no Hosoku (Sony's Law)*: 257-282. Shogakukan: Tokyo admits that he was not enthusiastic over Walkman. For him it did not signify any technological break-through. It was a mere putting-together of yesterday's technology. He thought that anybody could do it. As such it was not up to Sony's standard.

[20]Kutsuwada K. 2003. Corporate Renewal through New Business Development: Sony's Case, *Graduate School of International Management*: 128. International University of Japan: Urasa, Niigata

[21]Nathan J. 1999. *Sony: the Private Life.* HarperCollins Business: Boston, MA, Takagi H. 2001. The corporate governance at Japanese companies (2) - The selection of successors: Sony, Matsushita, NEC (Nihon kigyo no corporate governance wo kangaeru (2) - Kosei shacho no sennin: Sony, Matsushita, NEC). Keio Business School

[22]Nathan J. 1999. *Sony: the Private Life.* HarperCollins Business: Boston, MA

[23]Sony Corporation. 1996b. Sony History – Regeneration through team spirit, Vol. 2003. http://www.sony.net/Fun/SH/1-37/h1.html

[24]Idei N. 1998. Microsoft ni akogarerukoto nakare (Let's not aspire to be a second Microsoft). In O Katayama (Ed.), *Sony no Hosoku (Sony's Law)*: 313-344. Shogakukan: Tokyo

[25]Ibid.:

[26]NACS targeted as key linkage areas: hardware (Network Compatible AV/IT products, PS2, etc.); Network Services (the ISP So-net was well as the contactless IC card technology FeliCa and its related settlement services Edy and eLIO); and content (Game, Music and Picture Sectors).

[27]Collins JC, Porras JI. 1994. *Built to Last: Successful Habits of Visionary Companies.* HarperBusiness: New York

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[32]Mirazita L. 2002. "Built to last" or "create and destroy": which is the path to long-term

prosperity? *Harvard Management Update* (March): 3-4

[33]"Sony is not afraid of change. Change is its hobby. Our culture appreciates it." Hashimoto T. 1998. Konton wo hitei sezu (Don't negate the chaos). In O Katayama (Ed.), *Sony no Hosoku (Sony's Law)*: 301-312. Shogakukan: Tokyo

[34]Campbell A, Devine M, Young D. 1990. A Sense of Mission. The Economist Books: London

[35]Campbell A. 1998. Granada 1997. Ashridge Strategic Management Centre: London

[36]Kanagawa C. 2002. *A company Does Not Change if Its President Does Not Fight: Non Excuse Management at the Time of Crisis (Shacho ga tatakawanakereba kaisha wa kawaranai - Fukyo wo iiwakeni shinai jissen keieigaku)*. Toyo Keizai: Tokyo

[37]Kase K, Sáez F, Riquelme H. 2005. Shin-Etsu Chemical's Chihiro Kanagawa. IESE Business School

[38]Shimizu M. 2002. The competitive excellence of focusing on a limited number of businesses in contrast to the recession-ridden "diversified chemical companies" ("Sogo kagaku" wo azawarau jigyo shiborikomi senryaku no sugomi), *Shukan Diamond*: 42-44

[39]Nomura H. 2002. You cannot save the country laying the blame for its plight at the door of the banks (Ginko wo semetemo kuni wa sukuenai), *Nikkei Business*: 48-51

[40]Kanagawa C. 2002. *A company Does Not Change if Its President Does Not Fight: Non Excuse Management at the Time of Crisis (Shacho ga tatakawanakereba kaisha wa kawaranai - Fukyo wo iiwakeni shinai jissen keieigaku)*. Toyo Keizai: Tokyo

[41]Nihei E. 2002. Series: In search of the man - Chihiro Kanagawa (Ningen tanken - Kanagawa Chihiro), *Economist*: 102-105

[42]Maeda K. 2002. Top Interview - Chihiro Kanagawa, *Quality Management*: 2-5

[43]Yamagata Y, Tawara T. 2001. There is always a way-out even in the situation of impasse and management makes the difference at the time of crisis (Happo fusagari demo ketsuro ari. Kibishii toki koso keiei de saga deru), *Shukan Toyo Keizai*: 60-63

[44]Sawato Sawato M. 2000. The winners are - Shin-Etsu Chimical, Fuji Film, Mitsubishi Chemical ("Kachigumi" koho wa Shin'etsu Kagaku, Fuji Film, Mitsubishi Kagaku), *Eonomist*: 34 predicted that in the chemical industry Japan's survivors in the face of the world-wide competition would only be Shin-Etsu Chemical, Fuji Film, and Mitsubishi Chemical.

[45]Nomura H. 2002. You cannot save the country laying the blame for its plight at the door of the banks (Ginko wo semetemo kuni wa sukuenai), *Nikkei Business*: 48-51

[46]Kanagawa C. 2002. *A company Does Not Change if Its President Does Not Fight: Non Excuse Management at the Time of Crisis (Shacho ga tatakawanakereba kaisha wa kawaranai - Fukyo wo iiwakeni shinai jissen keieigaku)*. Toyo Keizai: Tokyo

[47]Ibid.

[48]K. Kase heard from a trainee that as a young graduate he had been told by his superior that he must learn how to cry in front of his customers to get an order by touching the customers' sentimental emotions. The company is a leading manufacturer of construction machinery. This kind of salesman-customer relations is common in many industrial fields in Japan. People often criticise you if you are too brainy and may tell you that you should behave more viscerally ("baka ni nare").