



JÖNKÖPING INTERNATIONAL
BUSINESS SCHOOL
JÖNKÖPING UNIVERSITY

Leadership trend in Japanese companies

Why Japanese companies hire foreign CEOs
An exploratory study

Bachelor's thesis within Business Administration

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Jönköping May 2011

Acknowledgements

We would like to give recognition to all the fine people who have helped us shape this thesis to what it is. First of all, we would like to thank our tutor Zehra Sayed for her guidance and helpful comments throughout the whole process. In addition, we would like to thank Stefan Sönerhed for answering our questions and giving us helpful tips in writing.

Furthermore, we are grateful to the people who took the time out of their busy schedules to read and give feedback on our thesis. Their help has been nothing less than invaluable to us in the shaping of this paper. That includes: Oscar Hillestad Andreasson, Aurélie Germain, Jan Andreasson, Anette Hillestad, Andreas Klang and last, but definitely not least, the other seminar groups.

We would also like to show our appreciation to Professor Yoichi Hara with the faculty of Business Administration at Ritsumeikan University in Kyoto for inspiring us to choose this topic.

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Bachelor's thesis in Business Administration

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Date: May 2011

Key Words: Japan, Leadership trend, Organizational change, Japanese corporate culture

Abstract

Purpose: The purpose of this thesis is to explore the factors that justified five Japanese companies to hire foreign Chief Executive Officers.

Background: Five large Japanese companies made the decision to hire a foreign CEO. These companies all shared a Japanese corporate culture as well as a negative financial situation at the time of hiring. In a majority of the companies, drastic changes are made by the new CEO, which for better or for worse changes the corporate culture.

Method: We have been unable to find any previous research on this topic, thereby justifying an exploratory study. The main method for approaching the research has been the compilation of historical data about the companies. The result has been a series of cases that will be interpreted in the end of the paper according to our theoretical framework.

Limitation: The limitation of this paper is the lack of information due to the recentness of some events. Also, for geographical, resource and time reasons we have been unable to collect any first hand data.

Conclusion: It has been concluded that a set of negative external factors has set the Japanese economy in a bad situation. The solution for some of the affected companies has been to hire a foreign leader. The act of hiring is somehow triggered by a recent slump in financials. In a majority of the cases, a large part of the Japanese corporate culture has been addressed and altered.

Value: The value lies in portraying a set of common problems that Japanese firms are experiencing. Furthermore, we hope to create an academic interest on this topic, which at the moment seems too low.

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1 Introduction

In this section we introduce our paper. The first paragraphs aim to give a general background to our problem statement, which is described in detail in the last paragraph. Following the problem statement we present the purpose, delimitation and disposition of the thesis/paper.

In the 1980's The Japanese economy culminated in an incredible expansionary phase (Motohashi, 2006). Japanese management concepts were viewed as mystical ways of achieving both efficiency and loyalty from the employees (Yang, 1984). The bigger they are, the harder they fall however, as the Japanese economy imploded when the so-called 'bubble economy' was burst in the 1990's (Motohashi, 2006). The aftershock of this crisis can be seen in the Japanese economy even today — 20 years later (To lose one decade may be misfortune, 2009). A troubled Japanese market has forced Japanese companies into organizational change (Black Ink, 2003).

While there was an interest from the western world in learning from the 'mystical' management practices in Japan, there had always been an interest in Japan to learn the practices that made western companies successful (Yang, 1984). Many Japanese companies have, in recent years, tried to increase profit by cutting costs, selling assets and laying off excess workers (Black Ink, 2003). These actions conflict with the Japanese corporate culture, which traditionally care more for growth and security for employees than profit (Marsland & Beer, 1983; Olcott, 2008).

Along with increasing globalization, international competition is intensified (Rogoff, 2003). Today, successful Japanese companies are becoming more rare on the global market. In just 15 years, the number of Japanese firms in Fortune's Global 500 list has decreased from 141 to 68, accounting for 24% less revenue compared to year 1985 (Black & Morrison, 2010). Apparently, something in the Japanese business model could not handle an increasingly competitive market.

Japan's inability to adapt to the western business culture ultimately resulted in a change of economic power in Asia (Hoffmann, 2007; Black & Morrison, 2010). While Japan still exercises the same business culture, China and India are adapting rapidly to the way the U.S. and Europe are doing business (Hoffman, 2007). This gives them an advantage

towards Japan (Hoffmann, 2007) and, as a result, China and India are becoming the new economic drivers in Asia, while Japan slowly falls behind (Hoffmann, 2007; Kihara & Kajimoto, 2011; Schuman, 2011).

How can Japanese companies more easily adopt the business culture that is needed in an increasingly competitive environment? Fukushima (2008) argues that developing and hiring global leaders is the answer. We found five instances where Japanese companies decided to hire a CEO from outside of Japan. When Carlos Ghosn was first hired to Nissan Motors in 1999 it was unheard of for a foreign CEO to lead a Japanese corporation. The traditional corporate culture of lifetime employment was discarded as Ghosn fired 21'000 of Nissan's staff the same year (Millikin & Fu, 2003). What made these companies take the decision to employ a foreign¹ CEO? A decision they surely knew would change the corporate culture. We decided to explore the characteristics that these companies shared in order to find the underlying reason(s).

We have been unable to find any previous research done on this topic, thereby justifying an exploratory study. Although there is literature describing leadership change as a means to organizational change, we have been unable to find any specific literature describing the use of a foreign CEO in order to implement organizational changes in a Japanese firm. Olcott (2008) shows the impact of foreign ownership and control on Japanese organizations and that is the article closest to our topic that we could find. Furthermore, there are many articles describing the uniqueness of the Japanese corporate culture and how it differs from the western business model. There are also many suggestions on how leadership should be employed and which styles are favourable in today's environment. There are, however, few articles that explain what happens when they are conflicted in this manner. This leads us to the purpose of our thesis.

¹ We will throughout this paper use the words 'foreign' and 'non-Japanese' to describe someone who is from outside of Japan. We want to point out that they denote the same thing and are only changed to provide variation and avoid repetition for the reader.

1.1 Purpose & Research Questions

To explore the factors that justified five Japanese companies² to hire foreign Chief Executive Officers.

Our aim is to find and portray a set of core problems that these companies have in common. We hope to connect the situations that make the Japanese organizations react with the actions of the new foreign leader to solve the situations. In order to fulfil this purpose we have formulated three research questions.

- Why is each company deciding to hire a foreign CEO?
- How does Japanese corporate culture relate to the trend?
- How does the Japanese leadership style relate to this trend?

1.2 Delimitation

This being a bachelor thesis in business administration we have focused on trying to portray a simpler view of the problem rather than involving deep annual report analysis as well as complex financial ratios. That, we felt, would be a thesis within another subject and too broad of a scope for ours.

Although much could have been written on the subject of the Japanese management practises we chose to give a shorter definition in favour of a longer description of implications from these practises. We considered that it was more important for the reader to understand the consequences of these management practises rather than complex and long definitions.

We set out in this exploratory study with the aim to analyze a trend in relation to leadership style. The fact that our purpose closely touches on management styles is true. However, we felt that incorporating a complete theoretical framework of both leadership styles and management styles as well as analysing the findings in relation to each other would be too complex and confusing — both for us, and the reader. Especially

² The five organizations are Nissan Motors, Sony Corp., NSG group, Olympus Corp. and Seiyu Ltd.

since the subjects are unquestionably intertwined — leadership being the decision maker of management practises while managers are exercisers of them.

1.3 Disposition

This paper is designed in the following way: First, we describe and give background to our problem in the introduction. We continue by stating our purpose and our research questions. Second, we present our theoretical framework, starting with an account for external factors in the Japanese business environment that possibly could have affected our case companies. We continue to show the theories behind organizational change, starting from a broad perspective and ending with relationship to the purpose. Furthermore, we define a set of unique Japanese corporate culture practices, which to some extent, is or was present in our case companies. We also present a literature review of leadership styles, again starting from a general perspective and move toward more specific matters in relation to our purpose. Thirdly, we introduce our case companies in our result section. They are first portrayed in a table to give the reader a simple overview, after which a more detailed record is presented in chronological order. Fourth, we give our interpretation of the results in respect to the theoretical framework. Lastly, we conclude our findings.

2 Theoretical framework

In this part of our paper we present the framework of information that is used. We start by describing the three external factors that affect Japanese companies. Following that we explain the theories behind organizational change. This is followed by an account of the different Japanese corporate culture concepts. Lastly, we present leadership styles. In all chapters we have tried to start from a general perspective while ending up in relation to Japan and our purpose.

2.1 External factors

The purpose of this thesis is to examine the factors that compelled five Japanese companies to hire foreign leadership. All five companies examined in this trend share the geographical location of Japan. We would therefore like to start by describing about the external factors for that region. Factors that, to a little or large extent, affect the environment these companies operate in.

2.1.1 Globalization and its implications on Japan

One factor that four of the organizations observed is increased competition. The phenomenon of globalization is relevant to our purpose in the way that, in theory, globalization increases international competition (Rogoff, 2003).

Keohane & Nye (2000) define globalization as an increase in networks of interdependence between nations around the world (cited in Kahler & Lake, 2003). According to Kahler & Lake (2003) the definition should also include the expansion of political linkages between countries and that the social life is becoming more homogeneous due to global standards, products and cultures. Furthermore, globalization increases the economic integration between countries. Barriers are reduced in order to improve economic exchange, movement of capital, goods and services (Kahler & Lake, 2003). Friedman (1999) argues that globalization is an impossible phenomenon to prevent. In globalisation today, he continues, nations and corporations are able to become international farther, faster, deeper and cheaper. This is due to an integration of markets and the declining cost of communication and transportation (Friedman 1999). Rogoff (2003) states

that the increase in international competition is a consequence of a continuously increasing globalization.

According to Hoffmann (2007), Japanese companies have not prepared themselves enough for the globalization and the economic development of other Asian countries like China, India and South Korea. China, for example, as the host for many outsourcing projects is gaining knowledge through globalisation (Bhagwati, Panagariya & Srinivasan, 2004; Li, 2006). Furthermore, Japanese top managers can hardly speak any English, because the public educational system does not want the Japanese culture to be too influenced by the surrounding world (Hoffmann, 2007). Fukushima (2008) agrees that overall English skills in Japan impede its ability to compete internationally. Japan has had consistently low results in the TOEFL (Test Of English as a Foreign Language), making Japan one of the worst English speaking countries in Asia.

Fukushima (2008, p.1) is concerned over Japan's shortage of global leaders. He states that the lack of global leadership will "almost certainly impair Japan's ability to compete in the global marketplace of the 21st century". In a survey done by the Japanese Management Association in November 2006, respondents agreed that "globalisation of management" was an important issue and that it would be more important in the future (cited in Fukushima, 2008). Black & Morrison (2010), argue that when Japan's export-led growth ended, keeping a homogeneous leadership was the most important mistake that Japanese companies made. It prevented the necessary transformation of cultures and processes that were needed for global leadership.

According to the OECD³ Japan has the lowest productivity among all G-7 countries, ranking 19 over the last 11 years (cited in Fukushima, 2008). Even though Japan as a whole ranks low on productivity there are Japanese industries that perform well. According to Harada (1996), statistics show that there are four industries in Japan – transport, electronics, primary metals and chemicals - that are equally or more productive than similar industries in the U.S. These industries however, only take up about 20 percent of the overall economy in Japan. Furthermore, the remaining 80 percent is occupied by low-productivity companies, which are protected by state regulations and meas-

³ Organisation for Economic Co-operation and Development

urements (cited in Heizo & Ryokichi, 1998). Yoshikawa, Rasheed, Datta & Rosenstein (2006) found that export-ratio played a key role in motivating Japanese firms to increase their leverage and efficiency.

The OECD recommends in their Economic Survey of Japan (2008), that Japan should increase competition through regulatory reform, upgrade competition policies and raise international openness. Fukushima (2008) argue that Japanese companies can enhance competitiveness through three steps: In short term, by appointing executives who can implement the needed strategy regardless of gender or nationality; In medium term, Japanese firms should start developing global leaders and in long term, Fukushima continues, the educational system in Japan needs to be improved to provide better global education.

2.1.2 Appreciation of the Japanese yen

Apart from increased international competition, the companies in our paper are affected by another external factor. The appreciation of the Japanese yen (JPY) is, according to Master (2008), a major concern for the Japanese economy. The reason being that it is more expensive to import from a country whose currency is increasing in value. Many Japanese corporations (e.g. Sony, Nissan, Toyota) are present on international markets and when then JPY appreciates it harms their exports and hence, their ability to compete internationally. Combined with a decrease in global demand, this results in a big decline in profit for many of Japans major corporations (Master, 2008).

Japanese companies have since 1985, as a result of the appreciating currency, increased their overseas production (Motohashi, 2006). Yamamotoo (2008) argues that an appreciation of the Japanese yen by 10% would cause the GDP⁴ of Japan to drop by 0.4% and further cause the Japanese stock index (Nikkei) to drop drastically (cited in Master, 2008). The yen was valued almost 9% stronger than the U.S. dollar and 19% stronger than the euro, comparing the last three months in 2010 with a year before (Tabuchi, 2011, February 3).

⁴ Gross Domestic Product

2.1.3 Recession

In the 1980's the Japanese economy culminated in an incredible expansionary phase (Motohashi, 2006). The bigger they are, the harder they fall however, as the Japanese economy imploded when the so-called 'bubble economy' was burst in the 1990's (Motohashi, 2006). The aftershock of this crisis can be seen in the Japanese economy even today — 20 years later (To lose one decade may be misfortune, 2009). A troubled Japanese business environment has forced Japanese companies into organizational change (Black Ink, 2003).

2.2 Organizational change

Scholars have discussed organizational change in great detail over the years. Wilson (1992) writes about emergent and planned change while Pettigrew (1987) studies strategic and non-strategic change. James (2005) defines change as a dynamic process, where change in one dimension often results in compensatory change in others. Tushman, Newman, & Romanelli (1988) frame organizational life through case histories and other studies. Tushman et al. suggest that an organization in a changing environment need more than incremental adjustments to make necessary responses. Furthermore, an organization in need of radical transformation should try to exercise a new strategy where modifications in systems and procedures, decision-making and possibly leadership might be necessary (Tushman et al., 1988).

But, why is it so hard to change? Yoshikawa et al. (2006) examine in what way growing financial and product market integration has pressured Japanese firms to change. According to McGrath (2011) it is difficult to recognize a failing business model. The problem is that, at most companies, the people at the top got there by using their current business model with success. Furthermore, Black & Morrison (2010) criticize the Japanese corporate culture for not changing: "what gets you to the top is not what keeps you there", in their article about the rise and fall of Japan in the world economy.

Oliver (1992) describes why intra-organizational practices might persist or change. Relevant to our paper, she describes factors inside of an organization that will contribute to the deinstitutionalization of established practices:

- Increasing workforce diversity;

- power shift;
- declining performance or crisis;
- threat of being superseded (cited in Olcott, 2008).

While Oliver (1992) analyzes why organizations might change, Tushman et al. (1988) suggest how they might change. They agree that companies in declining performance or crisis often prefer to change leadership in order to create the necessary change. Many companies have been able to turn companies back to profit with new leadership (e.g. Marks, 2011; Millikin & Fu, 2003; Appel, 2009). Charan & Colvin (2010) argue that it is crucial not to have the wrong CEO appointed for too long in today's rapidly changing environment. Furthermore, Fukushima (2008) argues that Japanese companies should hire executives that are the most capable in implementing the strategy needed for the organization, regardless of nationality or gender. These individuals, she continues, may give the organization insight and experience that can make it easier for the company to be flexible and adapt to an increasingly fast-changing global environment.

Brooks (1996) examines organizational change from the leadership's role in a cultural change process. He concludes that successful cultural change requires leaders to think culturally, to employ the cultural tools of symbolism and to use a cognitive model of change while keeping in mind the politics of acceptance.

In a sense, our paper aims to explore the factors that made a few Japanese companies go beyond what is norm and hire a non-Japanese executive. It is therefore very interesting to learn that Japanese organizations are particularly difficult to change. In contrast to western capitalism, the nature of the Japanese capitalism traditionally set employees' interest beyond those of other stakeholders (From squares to pyramids, 1999; Olcott, 2008). Furthermore, Olcott (2008) explains that the employment system is deeply embedded in the traditional Japanese organization and that this creates an obstacle for external influence and ultimately hinders change. Additionally, organizational change seems to be held back by a very comfortable relationship between the government, financial institutions, companies and labour (Olcott, 2008). Olcott argues that incentive to vary from the status quo is further lowered by a supportive legal framework.

The act of hiring a foreign CEO directly forces a change in the Japanese corporate culture. "A change of CEO also means a change in the decision-making group" (Yang,

1984, p.173). The decision-making process of the foreign CEO is different from the consensus decision-making process exercised in a typical Japanese company (Yang, 1984).

2.3 Corporate culture in Japan

The Japanese culture has been a popular topic for writers over the years and many have tried to categorize and stereotype what ‘The Japanese way’ really is (Sugimoto, 1999). Eventually it has spawned the genre *Nihonjinron*, which literally means ‘Theory of the Japanese’. Sugimoto (1999) examines the changing features of *Nihonjinron* in the face of globalization. He states that the thousands of books in the genre advocate and share one fundamental assumption; “That Japaneseness differs greatly from ‘westernness’.”

Although incredibly focused on industrialization, the government of Japan did not want to destroy the traditional way of life and values of its society (Kemp, 1983). These are some of the unique features that can be found in the Japanese corporate culture today:

2.3.1 The lifetime-training

This concept is a heritage from the samurai. They believed that a task could never be fully mastered and consequently training never stopped in a samurai society. Continuous training was also necessary to keep a certain skill from weakening (Drucker, 1971).

Roy & Mourdoukoutas (1994) says that job rotation is an important part of the lifetime-training concept. It allows the employees to perform different tasks and it provides the company with the possibility to adapt quickly to changing market conditions or employment requirements. It is also a way for the organizations to assure their employees that they will have a lifetime employment even if the market conditions change, since they can easily be reassigned (Roy & Mourdoukoutas, 1994).

According to El Kahal (2001), job rotation is used to motivate workers to increase their performance and is therefore an excellent tool to increase the productivity and efficiency of the whole firm.

2.3.2 Collectivism

Hofstede (1984) defines *Collectivism* as a measurement of how extensively individuals are bound into groups. If a culture leads individuals in to mostly care for themselves and/or their immediate family it can be marked with a high individualism (IDV) score. In contrast, if a culture form strong bonds between larger groups of people it can be placed on the other side of the spectrum (Hofstede, 1984).

According to the Hofstede (1984), Japan scores a 46 in individualism. Compared with the United States, which has a score of 90, the Japanese are more group-oriented. In practice, it is very important as a Japanese to belong in a group (Marsland & Beer, 1983). For example, the best football player in the world has no status until he becomes a member of a team (Marsland & Beer, 1983). Collectivism in Japanese culture derives from the tradition of *mura-shakai* (agricultural society), in which the people were members of groups and individual effort was discouraged (Hisama, 2000).

2.3.3 Lifetime employment system (Shushin-koyo)

The concept of lifetime employment was introduced after the Second World War in order to achieve stability in the working population. An employee is expected to stay with the company from the time he is hired until retirement. This concept is strengthened by the *lifetime training concept* and the *seniority system*. Investing in continuous training for employees is attracting if you can be sure that the investment will yield benefit for the company for a long period of time (Koehn, 2001).

Aoki (1990) states that lifetime employment was often viewed as a foundation of what was called the “Japanese miracle” and was the basis for the growth of the Japanese economy (cited in Yoshikawa et al. 2006). In year 2000, the ratio of employees who spent over 10 years with the same employer was only 25.8 percent in the U.S.A., but 43.2 percent in Japan (Auer & Cazes, 2003, p. 25). Yoshikawa et al. (2006) argues that this philosophy makes it harder for corporations in Japan to adapt to changes in technology and demand.

According to Kato (2001) Japanese managers, which he interviewed, are today aware of the problem of over employment that results from lifetime employment. However, because of how important the corporate culture is to Japanese managers, they cannot lay

off employees in order to cut costs (Kato, 2001). Instead they postpone and, to some extent, try to avoid the problem by transferring unnecessary employees to subsidiaries (Kato, 2001; From squares to pyramids, 1999). These employees are often unsatisfied with their transfer, but understand that their current position would never yield future career advancement (Kato, 2001).

From squares to pyramids (1999) describe the problems and benefits with lifetime employment further: “When growth stops or turns down, as it has done in Japan, companies must cut expenses but lifetime employment fixes costs”. However, employment for life is beneficial to the moral of the organizations as well as to justifying the continuous training concept.

Nishumuro (2000) stated that the commitment to lifetime employment in Japanese firms have significantly decreased since the recession. According to the researcher, Japanese executives are acknowledging that they have to break away from the old corporate culture in order to survive in the next century (cited in El Kahal, 2001).

2.3.4 Seniority System (Nennkou-jyoretu)

The seniority system decides wage and whether the employee will be promoted according to the employee’s age (El Kahal, 2001; Tachibanaki, 1996). The concept is derived from the religious roots of Confucianism in Japan, which emphasises respect for the elder as one of its core principles (El Kahal, 2001). The system has been able to survive due to the support of labour unions and was first introduced in order to strengthen loyalty and commitment towards companies (Tachibanaki, 1996).

While age and years of service are still part of what determines the wage and promotion today, many Japanese companies are trying to move away from the custom (El Kahal, 2001; Fukushige & Spicer, 2007). Mroczkowski and Hanaoka (1998) state that 75 % of Japanese companies are now determining wage according to competency instead of seniority (cited in El Kahal, 2001).

2.3.5 Consensus decision-making

A company using consensus decision-making that faces a dilemma first takes its time to decide what that problem is (Drucker, 1971; El Kahal, 2001). When it is clear exactly what the problem is, the different decisions are debated throughout the organization un-

til one decision has reached consensus. Only then, do they take action. Although this method results in slow decision-making, it enhances willingness for company staff to go through proposed changes (Drucker, 1971). This characteristic of the Japanese corporate culture is also derived from *mura-shakai* (agricultural society), where equality was important and all the members in a group should agree before making a decision (Hisama, 2000).

In a data examination of 48 Japanese manufacturers, March (1992) says that, in contrast to what many western observers believe, decision by consensus in Japan has not led to a democratic workplace. Although the workers are encouraged to make suggestions, whether the opinion is brought forward or not is up to the manager's discretion (March, 1992).

Other sources have found this type of decision making to be slow (e.g. Drucker, 1971; El Kahal, 2001; *From squares to pyramids*, 1999). El Kahal (2001) argues that too many unnecessary suggestions and questions are raised and too many meetings are held. The process slows down business decisions that needs to be made quick (El Kahal, 2001).

Other factors point at incredible benefits from using this system. Not only does its existence create co-operation between workers and managers (*From squares to pyramids*, 1999). The corporate culture brings about continuous incremental improvements to the manufacturing process through bottom-up communication (El Kahal, 2001). Apparently, Toyota workers submit 730,000 suggestions every year for improvements in the company and 98% of them are adopted (El Kahal, 2001).

Yang (1984) also argues that consensus decision-making is a positive factor in Japanese companies. The decision taken is often of high quality. Furthermore, a decision made from consensus also improves moral while risk is shared and spread within the company (Yang, 1984).

Drucker (1971) argue that even if the Japanese are taking a long time to reach a decision, their implementation of that decision is much faster than in, for example, the U.S.

2.3.6 Keiretsu networks

There are two different types of keiretsu. A network of companies within the same industry is called a vertical keiretsu. In such a network, there is only one end-product

manufacturer, which is supplied with goods and service by smaller companies. A horizontal keiretsu is a network that consists of larger firms from different industries. This type of keiretsu usually includes cross-shareholding and a main bank as financial support (Weinstein & Yafeh, 1995; Constand & Pace, 1998; Jameson, Sullivan & Constand, 2000).

What are the benefits from being part of a keiretsu network? The keiretsu has been a way for Japanese companies to protect itself from foreign entry. Lawrence (1991, 1992), has made two empirical investigations of Japan's international trade, where he argues that in markets where keiretsu firms have a high market shares there is a significantly lower import and foreign direct investment, than in other markets (cited in Weinstein & Yafeh, 1995).

In a comparison between Japanese and U.S. non-life insurance companies, where the Japanese organization was part of a Keiretsu network, Kim (2000) found that there was no statistically significant difference in productivity growth and productivity pattern between the two countries. Furthermore, Kim rejects his hypothesis when finding that there was no noteworthy efficiency difference between an independent Japanese non-life insurance firm and a similar firm, which was part of a keiretsu conglomerate. Vivian & Gene (2005) however, made a similar comparison and found that keiretsu firms "seem to be more cost-efficient" than non-specialized independent firms in Japan.

In contrast to Kim (2000), Yoshikawa et al. (2006) found that market ownership (non-keiretsu) had a positive correlation with efficiency and a negative correlation with leverage. Yoshikawa et al., argues that market investors, unlike relationship investors, usually exercise profit-maximizing investments.

Lincoln & Shimotani (1999) argue that Japan as a whole has been moving away from keiretsu as a concept. They do mention, however, that in recent years there has been some signs that keiretsu is coming back. Nissan, for example, which capitalised on its keiretsu network when the firm was in an economical downturn, has now been reported to be reinvesting in its suppliers (Lincoln & Shimotani, 1999). Dow, McGuire & Yoshikawa (2009) argue that the vertical keiretsu has been affected the most by recent downturns in the Japanese economic environment while the horizontal is still relatively stable.

2.3.6.1 Growth rather than profit

Japanese corporate culture is traditionally rather growth-oriented, with high security for employees, than profit focused (Marsland & Beer, 1983; Olcott, 2008). As previously mentioned, the Keiretsu networks are built on relationship investments instead of market investors, which would have pressured for a more profit-oriented approach (Yoshikawa et al., 2006).

The non-Japanese ownership of listed companies in Japan was increased from under 5 percent in 1990 to more than 20 percent in 2003 (Seki, 2005). At the same time, keiretsu membership was decreased and pressure for more performance-based strategy was increased due to a larger number of foreign investors from the US and UK (Dow et al., 2009). Furthermore, Isobe, Makino & Goerzen (2006) found that being a member of a horizontal keiretsu has a negative correlation with profitability. Many Japanese companies have, in recent years, tried to increase profit by cutting costs, selling assets and laying off excess workers (Black Ink, 2003).

2.4 Leadership

The terms leadership and leaders can be defined and described in numerous ways; Shahani (2008) describes leadership as “the process by which a person influences others in order to accomplish an objective”. Leadership is said to exist in all societies and to be essential to the functioning of organizations within societies (Den Hartog, House, Hanges, Ruiz-Quintanilla, Dorfman, 1999). Shahani (2008) argues that it is the leader who has the vision, which is then shared with the rest of the organization and thus, the leader is the one who binds the organization together with certain beliefs, values and knowledge. There are numerous quotes that seek to define leadership, two of those are the following:

“Leadership can be defined as the process whereby one individual influences other group members towards a common goal.”

(Kelken, Chew, Ling, Hua and Koon, 2001, p. 1);

“Leadership is lifting a person's vision to higher sights, the raising of a person's performance to a higher standard, the building of a personality beyond its normal limitations.”

(Quote by Peter Drucker; cited in Rochlin, 2008, p. 7).

According to Den Hartog et al. (1999) there are factors that add to the wide scope and ambiguity of leadership. Individuals for example, have their own ideas and perceptions of what leaders and leadership should be about. People have a tendency to develop individual theories of leadership and thus their theories relate to their own set beliefs about how leaders behave in general and what is expected of them (Den Hartog et al., 1999).

2.4.1 Leadership styles and theories

A leadership style is usually said to be reflected by the leader's personality and traits. These are based on various factors such as e.g. cultural heritage (Kelken, et al., 2001). There are however several different types of leadership styles and theories, and they can vary to a great extent depending on which researcher you study (Mason, 2011). There seems to be a tendency that the older theories are more focused on behaviour and qualities of the leader, while the more recent ones have a focus on associates, followers and employees (Gitundu, 2009).

2.4.1.1 Behavioural theories

Wynn (2010) explains that behavioural theories focus on how leaders behave and ask what characterizes a good leader; if they dictate what needs to be done and expect it to be done as such, or if they involve the team in the decision making process while encouraging acceptance and support. Behavioural theory assumes that leadership can be learned and focuses on the behaviour of the leader rather than their traits (Wynn, 2010).

Lewin, Lippitt and White (1939) based their leadership framework on a leader's decision-making behaviour. They argued that there are three general types of leaders:

- **Autocratic or authoritarian** (*high management control*)

These leaders make decisions without involving their teams or employees in the decision-making process. This type of leadership is considered appropriate when fast decisions need to be taken and when participation and team agreement are not necessary for a successful outcome.

- **Participative or democratic** (*medium management and employee control*)

This leadership style allows the teams or employees to take part in the process before making a decision, although the degree of allowed participation can differ depending on the leaders. This type of style is important when team agreement matters. However, this leadership style can be quite difficult to manage when there are many different perspectives and ideas.

- **Laissez-faire or free reign (Delegative)** (*high employee control*)

These leaders do not allow the employees within the teams to make most of the decisions. This type is appropriate when teams do not need much supervision and when the members are highly capable and motivated. However, this style can come to pass because the leader is lazy or distracted, and in such a situation, this approach could easily fail.

Another behavioural approach is the Managerial Grid, or as it is also called the Leadership Grid (Blake and Mouton, 1964). The model describes the way to lead, by taking into account the concern for people in contrast to the concern for production. It is useful when describing or analyzing leaders in order to determine if they are more task oriented or people oriented, and to what extent, graded on a scale of 1 to 9 (Zeidan, 2009).

The Managerial Grid by Blake and Mouton (1964) describes five different leadership styles. Zeidan (2009) explains the structure in the following way:

- **Impoverished style** – Low production / Low people (**1,1**)

This is not a very effective leadership style, the leader has an *indifferent style*, and does not care all that much about the employees or production.

- **Country club style** – Low production / High people (**1,9**)

This is a style where the leader pays most attention to the needs of the employees, and has very little focus on production.

- **Team style (sound style)** – High production / High people (**9,9**)

Team style is considered to be the best one out of these five, it has a high concern for both people and production, as well as having high motivation and commitment among employees.

- **Produce or perish style** – High production / Low people (**9,1**)

A leader who has this style is very task-oriented and has a very low concern for people. This type of leader does not pay much attention to the needs of the employees, instead he prefers to put focus on production and usually works by rigid schedules.

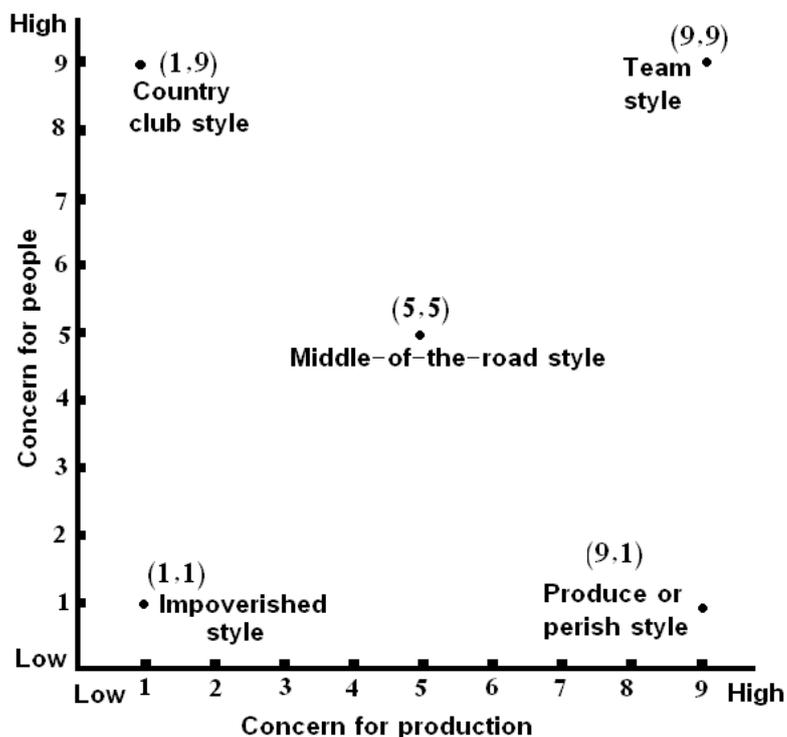
- **Middle-of-the-road style (status-quo style)** – Medium production / Medium people (5,5)

This style has a focus on balance and compromise, the leaders tries to meet both the needs of people and production. Leaders with this style usually believe that such a compromise between people and production needs are the highest attainable, as a result, neither are fully met.

Zeidan (2009) mentions the notion that the Team style in the Managerial Grid was initially based on theory Y, and that the Produce or perish style was based on theory X; both theories were developed by McGregor (1960).

The model uses a grid to place the leader's concern for people is on one axis and the concern for task or production is on the other. The concern is rated from high to low on each axis, and when the preference or concern is rated, the outcome becomes evident on the scale (Wynn, 2010).

Figure 1 The Managerial Grid (Blake and Mouton, 1964)



2.4.1.2 Trait theories

Trait theories are said to be, to some extent, built upon the Great Man Theory, which was developed during more historical times when most leaders were male with aristocratic positions (Wynn, 2010). The Great Man Theory states that leaders are born and not made, and that traits are inherent to this great leader (Wynn, 2010).

Trait theories argue that leaders share a number of common and distinguishing personality traits and characteristics, such as intelligence, honesty, self-confidence, and appearance (Thye, 2010). Wynn (2010) also suggests that these traits include technical, social and administrative skills. Trait theories suggest that leadership is a natural, instinctive quality, which you either have or do not have. The basic assumption is that leaders are born and that their internal beliefs and processes control their leadership style (cited in Wynn, 2010).

2.4.1.3 Transformational and transactional

McGregor Burns (1978) was the first to introduce the term transformational leadership, by describing it as a process where leaders and followers help and encourage each other to rise to a higher level of motivation and moral. Avolio and Bass (1993) claim that many organizations, need both transactional and transformational leadership.

Transactional leadership is really a type of management, not a true leadership style, because the focus is on short-term tasks. It has serious limitations for knowledge-based or creative work, however it can be effective in other situations (Avolio and Bass, 1993).

The transactional leaders ensure that routine work is done reliably, while the transformational leaders look after initiatives that add new value (Avolio and Bass, 1993).

2.4.2 Leadership through the theories X, Y and Z

Two names that are associated with the theories X, Y and Z are McGregor and Ouchi. McGregor (1960) developed the theory of X and Y, which were proposed in his book "The Human side of Enterprise", while Ouchi (1981) later proposed theory Z in his book "How American management can meet the Japanese challenge". Theory Z shares many characteristics with theory Y however; the Ouchi (1981) claims that his theory is more advanced. He also suggests that his theory exemplifies the Japanese management

style. The theories analyze and describe the relationship between leaders and employees. They portray the differences in behaviour, depending on how the leaders perceive the employees and act accordingly.

2.4.2.1 Theory X and Y

McGregor (1960) suggests that there are two primary approaches when it comes to managing people, those being theory X and Y. Theory X is described more as an authoritarian management/leadership style while theory Y is considered to be a participative style. The assumptions that McGregor (1960) makes of theory X is that workers are innately lazy and that people generally do not like work, which implies that the workers need some kind of direct pressure and control in order to work in an effective manner. Theory X managers and leaders like to keep most of their authority and make decisions on their own (McGregor, 1960). According to Zeidan (2009) companies that are on the edge of failure or downfall often use this type of dictatorial theory X style. It is used as a means of Crisis Management, as it is efficient for achieving high output in the short term. However, in the long term, there are usually losses due to an unavoidable high labour turnover (Zeidan, 2009).

Theory Y managers and leaders, however, assume that workers are creative, eager to work (McGregor, 1960). According to McGregor (1960), they are said to strive for more responsibilities and challenges in order to receive rewards that come with task achievements and a job well done. They are also assumed to have a strong desire to participate in the decision making process and the organizational planning (McGregor, 1960). Zeidan (2009) claims that because of this, theory Y leadership is more participative leadership and the manager or leader are said to share decisions with the group. Examples of subtypes to this kind of leadership are (participative) democratic and consensual leadership styles (Zeidan, 2009).

2.4.2.2 Theory Z

The theory Z is often referred to as the “Japanese management style”. Ouchi (1981) suggests that theory Z leadership is exemplified by Japanese participative leaders, and building to a larger extent on McGregor’s theory Y. Ouchi (1981) suggests that Theory Z leaders are said to use a blend of both “task-centred” and “people-centred” approaches in order to lead subordinates. Ouchi (1981) makes certain assumptions, similar

to McGregor (1960), about workers. The Japanese workers are described as opportunity seeking and motivated by teamwork. They are also described as seeking to share in the responsibility for attaining group goals and take part in the management process (Ouchi, 1981).

In order to visualize the contrast between the Japanese and the American leadership in companies, Ouchi (1981) listed their differences in the most noticeable key areas.

Figure 2 Cultural Comparison; based on Ouchi (1981)

Japanese organizations	American organizations
Lifetime employment	Short-term employment
Slow evaluation and promotion	Rapid evaluation and promotion
Non-specialized career paths	Specialized career paths
Implicit control mechanisms	Explicit control mechanisms
Collective decision making	Individual decision making
Collective responsibility	Individual responsibility
Wholistic concern	Segmented concern

Table adapted by authors; based on Ouchi (1981).

Ouchi (1981) describes theory Z as having the following characteristics: long-term employment, collective decision-making, individual responsibility, slow evaluation and promotion, implicit, informal control with explicit and formalized measures, moderately specialized career paths, and a holistic concern for the employee, including their family. According to Ouchi (1981) theory Z can be seen as a combination of the more successful aspects of the Japanese and American management styles, and thus being the favourable theory to adhere to, within the management and leadership field.

2.4.3 Leadership across cultures

Dickson, Den Hartog and Mitchelson (2003) argue that the definition of a cross-cultural leader is associated with a great deal of ambiguity.

The national culture of the leader is an important situational factor, since the culture is likely to determine or influence the leader and thus the leadership style, sometimes even the efficiency of the given style (Kelken, Chew, Ling, Hua and Koon, 2001).

Den Hartog et al., (1999) suggested that societal culture and background have an important impact on the development of these predetermined characteristics and implicit leadership theories. In strong or homogeneous cultures predetermined types of leaders are widely shared among the people, whereas in countries with a weak culture or multiple subcultures, a wider variance among predetermined types of leaders is common (Den Hartog and Mitchelson, 2003).

Black and Morrison (2010) mention that Asian executives are better at achieving organic growth and productivity, while they are less efficient at cutting production costs and recombining productive assets in the companies. This is in contrast to more western executives, which are the opposite regarding these abilities; they are better at cutting production costs and recombining productive assets (Black and Morrison, 2010).

2.4.4 The Japanese leadership style

The Japanese leadership style is often described as participative and transformational (Workman, 2008). The Japanese leadership has made it possible for the organizations to achieve higher levels of employee motivation, commitment, delegation in terms of decision making and intrinsic job satisfaction (Ouchi, 1981). Japanese leaders also invest great efforts to maintain the harmony in their companies. However, according to Kelken et al. (2001) Japanese employees are expected to respect and obey their leaders. This can be said to characterize the relationship between them. The leaders in turn act with a high paternalistic attitude towards the employees, which has led to the existence of extremely hierarchical and rigid organizations in Japan (Kelken et al., 2001).

According to Hofstede (1993), the core of the Japanese organizations is largely made up by the worker groups; those consist of loyal employees and members who seek life-long employment. Since the collectivism is high in the Japanese context, it supports the fact

that they have a tight social framework and that they work in close teams where they look after each other (Hofstede, 1984). Thus, Japanese workers are to a large extent controlled by their peer group rather than by their manager (Hofstede, 1993).

A homogenous leadership has historically characterized the Japanese leadership style, and through history, it has worked well for them in order to build strong cultures and business models in the Japanese corporate world (Black and Morrison, 2010). Black and Morrison (2010) argue however that the homogenous leadership was the main mistake made by the Japanese companies at the time when the export-led growth of Japan ended. Black and Morrison (2010) also claim that it prevented the necessary transformation of the culture and processes, which was needed in order to achieve a global leadership.

While building on that leadership style and business model, Japanese firms managed to create strong corporate policies and patterns of both thinking and behaviour. As it proved to be efficient at the time, they integrated this somewhat rigid and homogenous leadership to the core of their values and ways. Black and Morrison (2010) mention that the effects of this were such that the Japanese companies' export grew, however, this at the same time it was hurting their operation in foreign markets.

A majority of Japanese executives believed that they needed to replicate their way of managing and doing business, in order for them to be successful in foreign markets. Therefore, they usually sent their own teams of experts overseas, and refrained from hiring other experienced executives, which led to them making errors in foreign markets. (Black and Morrison, 2010).

2.4.5 Leadership and leaders – “the right way”

Allio (2009) suggests that leadership theory and principles can be taught, but leadership behaviour must be learned. Individuals are said to evolve into leaders as they experiment with alternative approaches to new challenges, and slowly integrate the successful outcomes of those into a personal leadership style and strategy. Allio (2009) argues that the primary aspect of leadership abilities is to be able to adapt the company to the changes which are occurring, also that it may possibly be the most important competency of leaders today; “Adaptability is key to longevity” (Allio, 2009, p. 7).

In a comparison of Asian and western executive style differences, Asian executives (all but Chinese) were rated very *low* as to having adaptability skills (Goldsmith, Baldoni and McArthur, 2010). For reference purposes it is worth mentioning that western executives were rated *high* as to having that characteristic. Kelken et al. (2001) suggests that good leaders should not use one specific style exclusively; good leaders would adjust their leadership style according to what the situation requires.

2.4.6 Global leaders

Ciporen (2009) suggests that as globalization is setting higher demands on leaders, and thereby leadership, the leaders in today's global business world are expected to meet these challenges in the best possible ways. Ciporen (2009) argues that leaders today have to be able to conduct transformative learning in order to meet these challenges of globalization, increased competition, and technological innovations in their business.

Fukushima (2008) mentions the deficit of global leadership which is observed in Japan, the deficit is argued to have a negative effect on Japan's competitiveness in the global market.

Fukushima (2008) also mentions a survey conducted by the Japan Management Association (JMA) in November 2006. In the survey, Japanese business leaders were asked to choose the most important management issue that they were facing at the time. The leaders rated "globalization of management" as 17th in priority, they however predicted it to be ranked 3rd in the year 2015. This proves the fact that Japanese leaders have come to realize an increasing need for global leaders. However, there are no greater actions taken in order to develop or improve the notion of global leaders (Fukushima, 2008).

3 Methodology

Under this heading we explain the thought process behind the choice of study. Furthermore, we try to motivate our choice of method as well as give an account of the limitations we have faced. We list the arrangements of data in the result. We also describe how the theoretical framework is bound together.

The purpose of this study is to explore a new trend that has been observed. We define our findings as a trend since an occurrence is repeated in five different firms. Because of the limited information about said trend we have decided that an exploratory study is necessary. An exploratory study is done when there is little previous information about the situation at hand and there is no information about similar situations solved in the past (Routio, 2007). In the case of limited information, it is important to undertake extensive research in order to understand the phenomenon and become familiar with the subject. We want to understand the nature of the observed trend, in which case an exploratory study is the appropriate research method.

A fundamental source of information for analyzing this trend is based on examples from organizations, in which the pattern has been observed. Since the trend concern Japanese companies that have recently hired a foreign CEO, the recentness of some of the examples have made research difficult. Nippon Sheet Glass, for example, hired Greg Naylor in 2010 and Olympus Corp. appointed Michael Woodford in 2011 (Sanchanta, 2010; Olympus-global.com). This has made the investigation complicated, since little secondary data is available on these cases. In contrast, the case of Nissan from 1999 is mentioned in many texts concerning Japan, organizational change and corporate culture (e.g. Donnelly, Morris, & Donnelly, 2005; Ghosn, 2002; Hunston, 1999a; Lincoln and Gerlach, 2004; Millikin & Fu, 2003).

The companies studied are all large Japanese corporations with an international market presence however, some to a larger extent than others. Nissan Corp., Olympus Corp., Nippon Sheet Glass, Sony and Seiyu Ltd. were chosen because they all share a set of common variables: experienced declining profits or losses; changed to foreign leadership; international presence; and they shared values within Japanese corporate culture (Millikin & Fu, 2003; Schoner, 2006; Sanchanta, 2010; Naylor, 2010; Ghosn,

2002; Matusitz, 2009; Reynolds, 2011). The key areas of their respective businesses are: automobile production, cameras, glass manufacturing, electronics and retailing.

The company cases are compiled from secondary qualitative data. We have tried to gather and arrange the information in the following way:

1. Small company background to make reader familiar with the firm.
2. When foreign CEO was hired, and if found, why.
3. Background of the company's status at #2 and how it got there.
4. How did the new CEO deal with these problems? If we find that all the new executives acted to solve the issues in the same way, then maybe there is a common cause.
5. If possible, we provide the results from the changes made. Some instances (e.g. NSG, Olympus) are too recent to show results while Seiyu's results, although a few years old, has been held by Wal-Mart. Seiyu has not released an annual report to the public since 2003.

Furthermore, the company cases have been organized in a chronological order starting from Nissan (1999) and ending with Olympus (2011).

The theoretical framework has been formed with secondary data obtained through qualitative case studies together with interviews and statements provided by newspapers and academics. The literature review starts with an account for external factors in the Japanese business environment that possibly could have affected our case companies. We continue to show the theories behind organizational change, starting from a broad perspective and ending with how it relates to the purpose. Furthermore, we present definitions of a set of unique Japanese corporate culture practices, which to some extent, is or was present in our case companies. Since the purpose of this paper concerns a trend of leadership change, it was also necessary to include leadership aspects and theories, starting from a general perspective and, again, ending with how it relates to our purpose.

Figure 3 Design of The Teoretical Framework



Model by authors: Design of theoretical framework.

The analysis of an exploratory research is about *abstraction* and *generalization*. Abstraction means that observations, measurements etc. are translated into concepts (Routio, 2007). Generalization means that material is arranged so that focus is kept on common factors to all or most cases while disregarding deviating instances (Routio, 2007). According to Alasuutari (1993 p.22) a qualitative analysis of findings can be brought down to two points in an exploratory study: The simplification of observations and the interpretations of findings (cited in Routio, 2007). This is what we aim to accomplish in the analytic part of this thesis.

3.1 Limitations

An exploratory study is done for the precise reason that there is little data available. Because of this, exploratory studies are typically strengthened by first-hand collected data such as interviews or surveys. However, due to geographical distance and language barriers we have been unable to provide such data. Consequently, we have been limited to the use of secondary data and, as a result, been forced to rely on its accuracy. Regarding the company analysis used in the thesis, the limitations are similar to those of using a

sample; a greater number usually yields a higher precision. We therefore consider it a limitation that we have not been able to find more than five company examples.

4 Results

In this section we show the result of our research. In our case, that is the compilation of qualitative historical data of the companies examined; Nissan, Seiyu, Sony, NSG and Olympus. The cases are first presented in a table for easy overview and are then further depicted under a separate heading.

The following five companies have all hired a foreign chief executive while facing a negative trend. We will therefore describe these companies' status — at the time of appointing new leader — in order to explore the reason behind that decision. Furthermore, we will explain what happened after the change of leadership, where data is available. By learning about the actions and the results we hope to portray a picture of what the common factors were.

Figure 4 Case Companies Overview

Company	Year of action*	Industry	Description of action
Nissan Motors	1999	Automobile	After seven years of losses due to high operating costs and increased competition, Nissan hired Carlos Ghosn.
Seiyu	2003	Retailing	Facing severe financial problems, Seiyu was acquired by Wal-Mart, after which, Ed Kolodziecki was appointed Chief Executive Officer.
Sony	2005	Electronics	Howard Stringer, former president of BBC news, was hired by Sony to stop the company from bleeding.
Nippon Sheet Glass	2010	Glass manufacturing	After a drop in demand of automobile glass along with falling stocks, Nippon Sheet Glass decided to hire Craig Naylor.
Olympus	2011	Cameras	Sharply declining profits and increased international competition made Olympus hire Michael Woodford.

* *The hiring of a foreign CEO*

4.1 Nissan Motors - Carlos Ghosn

Before Carlos Ghosn arrived, Nissan Motors was a traditional Japanese firm⁵ (Donnelly, Morris, & Donnelly, 2005; Ghosn, 2002; Millikin & Fu, 2003). The company was founded in 1933 and is now a major car manufacturer actively selling vehicles in 20 countries (Donnelly, et al., 2005). In 1999, when Nissan creates an alliance with Renault, the company makes a drastic change and hires their first non – Japanese COO⁶, Carlos Ghosn (Donnelly, et al, 2005; Millikin & Fu, 2003). According to Black & Morrison (2010), Nissan was compelled to hire Carlos Ghosn as a condition for receiving a cash infusion from Renault. According to Hunston (1999a) there was resentment to the fact that a foreigner was now in charge of a famous Japanese company, however the bitterness was muted since all seven of Nissan’s own rescue plans had failed leaving the current management with next to no credibility (cited in Donnelly, et al, 2005). Seven years of red numbers had resulted in a \$22 billion debt, which made suppliers and financiers insecure (Millikin & Fu, 2003). Without the alliance, Nissan might have been forced out of business (Donnelly, et al, 2005; Millikin & Fu, 2003).

How had Nissan ended up in such a dangerous situation? Donnelly, et al. (2005) argue that the answer is complex rather than the result of a single cause. They partly point at external factors like the appreciating yen and the overall stagnation of the Japanese economy in the 1990’s. According to Millikin & Fu (2003), a series of bad decisions had put Nissan in a spot where the brand image was failing, the debts was increasing and the product portfolio was getting worse as only four out of 43 models were actually making profit. Bad liquidity contributed to the situation as no money was available for new product development (Millikin & Fu, 2003). However, the most significant problems seem to have been found inside of Nissan’s traditional Japanese business culture (Donnelly, et al. 2005; Ghosn, 2002; Millikin & Fu, 2003). Furthermore, Nissan’s strategy was a fundamental issue as it focused on growth rather than profit (Donnelly, et al. 2005; Ghosn, 2002; Millikin & Fu, 2003).

⁵ It can be argued whether Nissan is still a traditional Japanese company.

⁶ Carlos Ghosn was appointed president and CEO of Nissan in 2001 (Nissan).

When Ghosn was hired in 1999 he was faced with the challenge of turning Nissan around within two to three years. His view of the situation was that Nissan's troubles had roots deeper than that of just bad business; he knew that he needed to tackle the Japanese cultural norms that were embedded in the corporate culture (Millikin & Fu, 2003; Ghosn, 2002).

After analyzing the problems, Carlos promised that if he could not turn Nissan profitable in by 2001 he would step down. He started by creating nine Cross-Functional Teams (CFT's) consisting of 10 managers each. These CFT's were each given an area of focus, in which they would analyze and improve (Millikin & Fu, 2003).

As soon as sufficient information was gathered, Ghosn took the decision to cut 21,000 jobs, which at the time was 14% of Nissan's workforce. He also organized the closure of five factories. The jobs were to be cut from manufacturing, management and the dealer network. Furthermore, Ghosn decided that Nissan needed to break away from the two other Japanese business cultures: *keiretsu* investment and promotion by seniority (Millikin & Fu, 2003).

So what was the result of these culture clashes? Since the firing of so many employees clearly went against the tradition of lifetime employment in Japan, it was met with strong criticism (Millikin & Fu, 2003). The dismantling of the keiretsu network had, despite widespread concern, positive effects (Ghosn, 2002; Lincoln & Shimotani, 2009; Millikin & Fu, 2003). Arguments that relationships would be damaged proved untrue. According to Ghosn (2002), those relationships became stronger than ever. Apparently, Nissan's partners made a clear distinction between Nissan as a shareholder and Nissan as a customer (Ghosn, 2002). Not only was Nissan able to lower its purchasing costs by 20% (Millikin & Fu, 2003). Nissan's suppliers all posted increased profits in 2000 (Ghosn, 2002).

Furthermore, by liquidizing the keiretsu investments, Nissan was able to secure billions of cash — money it needed to invest in R&D as well as clear debts (Millikin & Fu, 2003). The successful dismantling of Nissan's keiretsu network has made the keiretsu concept less of a 'sacred-cow' in Japan and several companies have since followed Nissan's example (Ghosn, 2002; Lincoln & Shimotani, 2009; Dow et al., 2009).

However, even though this particular dismantling of a keiretsu network seemed to be successful, it might not be so for others. Some reports suggest that Nissan specifically had a very lax, and as a consequence, unprofitable relationship with the suppliers in their keiretsu (Donnelly, et al, 2005; Lincoln and Gerlach, 2004). In contrast, Toyota is renowned for expecting annual price reductions from their keiretsu suppliers (Womack et al., 1990).

The dismantling of the promotion by seniority norm created “some problems regarding lack of cooperation” (Ghosn, 2002, p.1). Younger employees, who were promoted, apparently had troubles with controlling older employees than themselves. Ghosn however, only saw these “tests of authority” as a growth experience for the young managers (Ghosn, 2002).

Lastly, Ghosn decided to implement a western style incentive system. Bonuses and stock options were to be given to achievements that directly linked with increased operating profits and revenue. Traditionally, incentives for performance in Japan are given through a slightly higher annual raise of salary (Ghosn, 2002; Millikin & Fu, 2003). In the end, Carlos Ghosn managed to take Nissan into profits after only 12 months, which is 1 year before he promised to. He later reflects that the “most fundamental challenge was cultural” (Ghosn, 2002).

4.2 Seiyu Ltd. – Ed Kolodzieski

Seiyu was established in 1963 and is today one of the largest supermarket retailers in Japan with 371 stores all over the country (Seiyu.co.jp). In May 2002, Wal-Mart, which is a major U.S. supermarket retailer, began an acquisition process of Seiyu. Wal-Mart’s stake in Seiyu increased from 6.1% to 95.1% by the end of 2007. After acquiring the remaining shares in June 2008, Seiyu had become a completely owned subsidiary to Wal-Mart. (Walmartstores.com).

Matusitz (2009) analyses how Wal-Mart Japan — which by Japanese is known as Seiyu — managed to successfully implement principles of globalization theory to a Japanese retailer. The researcher argues that cultural flexibility was key in the process of “Wal-Martization”; the implementation of Wal-Mart corporate culture. Seiyu had been facing

losses for long time and, at one point, Seiyu's leverage was so bad that debt was 52 times larger than equity (Pederson, 2001).

In December 2005 Seiyu appointed non-Japanese Ed Kolodzieski as president and Chief Executive Officer of the company (Wal-Mart annual report, 2006). Prior to this assignment, Kolodzieski had been the Chief Operating Officer of Wal-Mart international (Wal-Mart annual report, 2006). During his position in power at Seiyu in Japan Kolodzieski made a series of major change in the company. Twenty-five percent of the head-quarter staff were fired including 1'500 of managers and employees in a first move by Kolodzieski to lower costs (Holstein, 2007). Shortly thereafter 23 unprofitable stores were closed down forcing a further reduction of staff. In fact, numbers indicate that the amount of Seiyu employees was reduced from 9313 in 2004 to 5697 in 2008 (EOL database).

How did Wal-Mart's business model perform in the Japanese retailer? According to Mpaxevanis (2010) Wal-Mart derives its competitive advantage from experienced inventory management system together with high buying power in relationship with suppliers. He continues, the cost of the highly competitive pricing is paid by a high employee turnover. This strategy is a clear difference from the Japanese corporate culture of lifetime employment.

Matusitz (2009) argues that Wal-Mart has been successful in implementing its principles into Seiyu. However, even though the principles were implemented, they did not seem work in Japan at first. Some organizational change was met with much criticism. Holstein (2007) from Fortune news, presents a series of arguments for "Why Wal-Mart can't find happiness in Japan". He says, for example, that the firing of employees has created a climate of resistance among the staff. Furthermore, the aggressive cut down of middlemen has hurt the company's relationship with its suppliers. Ian Rowley (2005) at *Bloomberg Businessweek* has further explanation for why "Japan Isn't buying the Wal-Mart Idea": Japanese retailing is built around a closely knit web of suppliers; a distribution system dependent on a large number of middlemen; and a customer base, which favours 'mom-and-pop' stores and expensive quality focused food. All of these factors are opposites of what the Wal-Mart business model favours: low supplier power, no middlemen and a price-sensitive customer base.

After seven unprofitable years with stake or ownership in Seiyu, Wal-Mart can now see a positive trend in the declining losses from 2008 to 2011 (Wal-Mart, 2011). In February 2010, Wal-Mart announced that Japanese Toru Noda, 49 would become the new Chief Executive Officer of both Seiyu and Wal-Mart Japan (Seiyu aims to expand network of retail outlets, 2010).

4.3 Sony Corporation - Howard Stringer

Sony Corporation, founded in 1946, is today famous for its products within the entertainment electronics industry. The consolidated employee count is 167,900 (2010) and its headquarters is located in Tokyo, Japan (Sony.net).

According to Behind the smiles at Sony (2005) the company's biggest problem was its low profit margins, especially in the electronics sector. The electronics production, which accounted for more than 70% of Sony's \$67 billion global sales, only had a 2.2% profit margin (Behind the smiles at Sony, 2005). That is almost 10% lower than competitor Apple Inc.'s 13.2% the same year (Ozanian, 2006). Sony also faced heavy and sudden competition in almost all divisions of the company (Schoner, 2006; Shim, 2005). The "ipod" completely took over Sony's dominating market share in the Walkman industry while Samsung and Microsoft were challenging Sony in flat screen television and the game station "Xbox" respectively (Schoner, 2006). Siklos (2009) argues that the problem in each failed competition case was Sony's tradition-bound mentality. According to Shim (2005) Sony had difficulties with coping to an increasingly competitive international market as manufacturers move to China.

Sony had to deal with its failing margins and consolidation (Shim, 2005). Howard Stringer, was hired in 2005 to improve the profitability of Sony. According to Schoner (2006) Stringers Japanese predecessors had tried to make changes but were unsuccessful due to the blockage of the Japanese lifetime employment culture. Schoner (2006) reflects that, "a CEO that is not immersed in the culture or the company itself can more easily make rough changes".

Howard Stringer, previously chief executive officer of Sony USA, is known for being good at slimming down companies with necessary cutbacks (Schoner, 2006). In his pre-

vious position he put into effect a restructuring plan that would cut one third of the staff, which amounted to about 9000 employees (Siklos, 2006).

Stringer's first agenda in Sony as CEO was to cut 10'000 jobs and shut down 11 out of 65 factories — this time in the electronics division in Japan (Schoner, 2006; Siklos, 2006). Furthermore, 45 retired Sony executives that maintained positions as paid advisers to the company were told that their “services were no longer needed” (Siklos, 2006).

In 2008 Sony faced the worldwide recession and projected a net loss of \$3 billion — the first loss in 14 years. Howard Stringer comment that "When this crisis came along, for me it was a godsend, because I could reorganise the company without having to battle the forces of the status quo” (cited in Game On., 2009); Implying that he was not satisfied with the amount of changes he had been able to make so far. Game On. (2009) explain that “foreigners are often used to shake things up in Japan, where a Japanese boss might be too cautious, deferential and slow”. Siklos (2009) says that a majority of the loss in 2008 can be blamed on the economy and the rising Japanese Yen. However, he continues that the huge Sony department of TV manufacturing has been showing losses because of high production costs.

Today, Sony still seems to struggle with getting back after the recession as it reported losses in both 2009 and 2010 (Sony, 2010). According to Tabuchi (2011, February 3) Sony is still being outperformed by its competitors (e.g. Apple, Samsung Electronics) however, Sony is crippled by the external factor of the strong yen. The yen being valued nearly 9% stronger than the U.S. dollar and 19% stronger than the euro, comparing the last three months in 2010 with the same period a year before (Tabuchi, 2011). We will have to see how much time Stringer has to get the company back to profitability. According to Bloomberg (2010, November 25) Sony is having internal discussions to replace Howard Stringer in the near future.

4.4 Nippon Sheet Glass – Craig Naylor

Nippon Sheet Glass (NSG) was founded in 1918 and is one of the world-leading producers of glass and glazing systems within three areas: automotive, building products and specialty glass (nsggroup.net). The NSG group is a part of the *Sumitomo Hokusui-kai* keiretsu network (Lincoln & Shimotani, 1999). The company has had a rapid growth

over the last couple of years. In 2006 NSG acquired the leading UK glass manufacture Pilkington Inc., which, at the time, was twice the size of NSG (Sanchanta, 2010). Today, the company has a total sale of roughly \$1, 2 billion U.S. dollars, with operations in 29 countries, sales in 130 countries. The company is currently employing 28,500 people around the world (nsggroup.net).

When Craig Naylor was appointed the new CEO in 2010, the NSG had severe economic difficulties. The same fiscal year the company reported a net loss of \$451 million, compared with a net loss of \$336 million the previous year. The losses were blamed on the big drop in the demand of automobile glass as well as falling stock prices, which had a connection to the current debt crisis in Europe (Sanchanta, 2010).

According to Craig Naylor (2010) NSG had one of the most international corporate cultures in Japan when he was appointed however, they still used lifetime employment and the seniority system (cited in Sanchanta, 2010). In order to change their current financial situation, he focused on diversifying the staff and locating talented younger managers. He also needed to cut costs in order to improve profitability and efficiency, which was impeded by an abundance of employees. Approximately 6700 employees were fired as an effect of the reformation of the company's structure (Sanchanta, 2010).

4.5 Olympus Corporation - Michael Woodford

Olympus Corporation was established in 1919 in Japan and is best known as a maker of cameras and other imaging instruments. The consolidated employee count is 35376 (2010) and they have announced that they are appointing Michael Woodford, as its president, effective April 1, 2011. Olympus is currently "transforming itself into a more globally competitive company" and the new appointment of Westerner Michael Woodford is made in order to "reinforce business infrastructure for global management" (Olympus-global.com).

Olympus has been facing a drop in sale that last two years, which has resulted in a decline in net profit when compared to their record year 2008 (Olympus). For the last nine months, April-December, they reported a decline in net profit by 80% from Y43.69 to Y8.68 (online.wjs.com). According to Reynolds (2011, February 10), Olympus predicts

that the last months of falling net profits it due to increased competition and a strong Yen.

Michael Woodford has made a couple of interesting statements since his appointment as CEO. Firstly, he said that that “Companies, particularly when there are good times, put on corporate fat,” he added that “Sometimes, the strong yen, the disaster or other things focus your mind”, referring to the earthquake and tsunami that hit Japan on March 11, 2011 (Reynolds, 2011 May 18, p.1). Furthermore, he announced that layoffs would be made in the American division of the company, but not in Japan. "We won't make compulsory redundancies in Japan," Woodford said. "If a company is profitable it would be obscene almost in Japan” (Reynolds, 2011 May 18, p.1).

5 Interpretation

In this section we present our analysis. The chapter starts with an examination of the external factors affecting Japanese companies today. Next we connect declining performance or crisis with organizational change in Japan. Furthermore, we dig deeper in order to explain what the unique corporate culture really means to Japanese firms. Following, we go over the five companies in this paper and compare them with respect to our theoretical framework. The last section aims to relate our result to leadership styles.

5.1 External factors

One of the logic consequences of globalization is increased competition (Rogoff, 2003). Globalization opens the world market to everyone and it has as a result brought foreign competition to most markets. According to Harada (1996) only 20 percent of Japanese companies are equally or more efficient than U.S. companies. This indicates that 80% of Japanese firms are less efficient than those of the U.S. According to Yoshikawa et al. (2006) export-ratio is positively related to efficiency in Japan. The logic connection here is therefore that the 20 percent of the Japanese firms that Harada (1996) found are at the same efficiency level as in the U.S. are most likely companies engaged in international competition. In a sense, efficiency gives a company the ability to internationally compete, while international competition makes the company efficient. If globalization means increased foreign competition (Rogoff, 2003), and 80 percent of Japanese companies are, relative to the U.S., inefficient (Harada, 1996) international competition would be disadvantageous. Globalization would, in that sense, have a bad impact on Japan.

The other troubling external factor that makes it difficult for Japanese companies, efficient or not, to compete internationally is the appreciating Japanese Yen (Master, 2008). Has the increasing JPY been a negative factor for all of the companies in this paper? An appreciating currency makes exports more expensive and therefore less attractive. Sony, Nissan, NSG and Olympus are all exporters of a variety of products. Seiyu however, is mostly focused on the domestic Japanese market. The Japanese Yen has appreciated for more than 25 years (Motohashi, 2006). We assume that all the companies mentioned

have over the years dealt with the situation by importing some components from other countries as well as moving some production overseas.

5.2 Organizational Change

Consensus decision-making in the typical Japanese corporate culture is infamous for being slow (Drucker, 1971). With that in mind, consensus decision-making should be disadvantageous for a firm faced with a crisis. The vital decision to, for example, fire excessive employees or exit a certain market could be delayed because of slow decision-making resulting increased losses for the company. According to Friedman (1999), globalization grows faster and faster, which makes it all the more important to make quick business decisions in order to not miss important opportunities.

Tuchman et al. (1988) found that companies in crisis often preferred to change leadership in order to create the necessary change. The truth is, change is difficult without a crisis. It is understandable that they waited until the company was facing real problems. An entity naturally does not want to change if there is nothing wrong with it. A slight difference in efficiency can be shaken off easily in a time of prosperity with explanations of better quality or better working standards. However, when a company faces a serious economical crisis, the slight efficiency difference suddenly becomes very important. Decisions to change can finally be made when being backed up by a crisis. Oliver (1992) agrees to this when stating that “declining performance or crisis” is a prime reason for organizational change.

5.3 Japanese Corporate Culture

If we review the positive and negative aspects to Japanese corporate culture we can determine what situations it fits in and where it is troubled. Lifetime training is beneficial in the long term, however in the short term it is costly and as a result it is dependent on lifetime employment. Furthermore, it logically increases stability and security for the employees as they feel and are more valuable the more training they receive. The fact that job rotation creates business flexibility is also a clear advantage. Lifetime employment strengthens job security and stability in the company. It eventually creates a very experienced and professional workforce in the specific industry. On the negative side, stability and security would not motivate employees to make an extra effort, as

there is nothing to win or lose. Promotion by seniority constrains talented young employees from becoming decision makers, however, it creates an experienced management. Combined with a high collectivism count it forms an extremely loyal employee base.

Consensus decision-making is slow because it has to go through the whole staff; however, it is good for moral for the same reason. According to Yang (1984) it also makes for well-made decisions. Drucker (1971) say that even though it is slow, it is faster in the implementation phase since everyone was in on the decision. The use of shareholding in a relationship between a company and its suppliers also describe stability and is completely different from most western⁷ practices where firms are in a constant power struggle with their suppliers. The reason, for example, that Wal-Mart can sell its wares for such low prices is because of its incredible power of suppliers through bulk purchases. The difference is clear if you study the acquisition of Seiyu by Wal-Mart more closely. Lastly, companies in Japan traditionally focus on growth rather than profit (Marsland & Beer, 1983; Olcott, 2008) and that summarizes our answer quite well. All of these different concepts portray a picture of Japanese business as being harmonious, long term oriented, stable and democratic. At the same time relationships are based on loyalty — whether it is between firms and their suppliers or employees and their employers.

However, what happens when a Japanese firm, based on these cultures, competes with a firm that uses a completely different rulebook? In our opinion, this is where the Japanese corporate culture fails and that is why Japanese companies are now moving away from said culture. While an extremely stable, almost ‘win-win’, corporate culture seems utopian, it is probably only viable in an extremely stable or growing market — a phenomenon that Japan has not experienced since 1980.

According to Kato (2001) managers today are aware of the problems that lifetime employment brings to a company. They are still not able to overcome the corporate culture. It seems as if a sort of cultural blockage is in effect, keeping managers from making the logic decision.

⁷ ‘Western’, is used here to represent a more market oriented business practice where more focus is put on shareholders. According to Olcott (2008) a “distinction between Japanese and ‘Western’ forms of capitalism is valid, even if there is a number of ‘Western’ varieties.”

5.4 Company discussion

The purpose of our research is to examine the factors that are compelling five Japanese companies to hire foreign Chief Executive Officers. Although it is implausible for us to determine the exact factors and the precise amount they have contributed without first hand data, we can list reasons based on the company analyses that we have done.

When Nissan decided to hire Carlos Ghosn in 1999 they had been loosing money for seven years. The reason, most likely being, that only four out of 43 car models were actually making profit. Millikin & Fu (2003) argues that the company should have focused on increasing profit margin as opposed to market share. Ghosn (2002) identified the lack of profit orientation as one of the main factors. Furthermore, he argued that the biggest challenge would be cultural. Based on that we can conclude that Nissan seemed to lack a clear profit orientation. As described in the company analysis, Nissan had a very lax relationship with its suppliers. In today's very competitive car manufacturing market, it is impossible to be lax with your suppliers and survive. Companies have to operate as efficiently possible to meet competition.

The factors that made the decision makers choose a foreign CEO for Seiyu, the Japanese retailer, is difficult to specify. We can however say, based on the closing of 23 unprofitable stores and firing of over 3500 employees, that Seiyu had some unprofitable stores and overstaffing. This leads us to believe that Seiyu also lacked a clear profit orientation. It is important to recognize that the hiring of Ed Kolodzieski is related to the fact that he was an employee of Wal-Mart. It is equally important however, to acknowledge that Ed Kolodzieski had valuable experience of running an extremely profit oriented retailer (Wal-Mart) in a highly competitive environment.

When Sony made the decision to hire Howard Stringer as the CEO for Sony Corp. they did not have to look very far as he had managed Sony USA for many years. In our opinion, the main reason can be attributed to increased international competition, which Sony had been unable to really cope with. All the departments that Sony previously had been world leading and pioneering in were being contested. For example: Nintendo were successful with game console 'Wii' and Microsoft with 'Xbox', while Sony had troubles meeting their expectations with 'Playstation 3'. Furthermore, Sony lost more markets to competitors like the Walkman and the E-book reader. At the same time, as

portrayed in section 4.3, Sony was struggling with its profit margin. Excluding the external factors, which no doubt contributed, Sony did not seem to have a profit focused orientation either.

Nippon Sheet Glass had according to Craig Naylor (2010) one of the most international corporate cultures in Japan when he was appointed. However, he was critical about the fact that they were still using a seniority and lifetime employee system. His main focus was therefore to improve efficiency by locating talented managers and laying off the staff that were not needed. We could argue that a factor that leads to the hiring of Craig Naylor was that he could easier cut costs compared to a Japanese chief executive, who would be impeded by lifetime employment culture. The economic climate and the increased competition made the growth oriented business model more difficult to operate with profit. Another important factor starts with acquisition of the British Pilkington Inc. Imagine when the majority of the employees are not Japanese anymore and the majority of the revenue is gathered from outside of Japan. While NSG, before the acquisition, could survive without global management, it had to adapt to its now very globalized operations.

Since the case of Michael Woodford and Olympus Corp. is fairly recent there is next to no information available other than their own. It is natural for the company not to blame its own culture and therefore mostly external reasons can be found. The company state themselves that it has been a victim of a strong Yen, which would logically make Olympus exports to international markets more expensive. Deviating from what the other foreign CEO's in Japan did, Woodford announced that he will respect the lifetime employment culture and spare the company from mass layoffs.

Conclusively, what were the factors that made these companies hire foreign CEO's? The reason it would seem is that the traditional Japanese business model is not as heavily profit oriented as for example, western ones. The need for profit orientation, in turn, was brought on by the negative external factors in the Japanese economy. The large amount of keiretsu networks, built on relationship investments, could be the reason for the lack of profit orientation in some of the Japanese companies. If stakeholders are not compelling a company to focus on profit, why should it? The different corporate culture concepts in Japan give the impression of stability and harmony. The problem is that both of those elements seem to be difficult to keep in today's rapidly changing market.

A company has to be flexible and able to adapt to new situations. That is undoubtedly difficult if you cannot change suppliers or cannot adapt the workforce to current needs. The variable suppliers is fixed because they are stakeholders in your company and you are stakeholder in theirs; the variable employees because of a tradition of lifetime employment. Both suppliers and employees are hired when demand is high, however, they cannot be laid off when things turn bad — unless, someone who is not emerged in the culture is hired.

It was very interesting to find that Japanese Toru Noda replaced Ed Kolodziecki not too long ago as CEO of Seiyu and Wal-Mart Japan. Also, according to Bloomberg (2010, November 25) Sony is having internal discussions to replace Howard Stringer in the near future. If that is the case, both of these CEO's will have had a short-lived career in Japan. The question is, with danger of sounding speculative; maybe this is the role that foreign CEO's can take in Japan? A short-term solution to get past norms and tradition in the Japanese corporate culture can be to simply hire someone who does not share the same country and culture. The foreign CEO can then make the required changes after which, a Japanese leader can assert stability in the company again. History has proven, after all, how good Japanese companies perform well in a prosperous economic climate.

All of the new executives in this paper have dramatically gone against something in the Japanese corporate culture — except for one. Michael Woodford chose to make layoffs in Olympus U.S. while sparing the Japanese division. As an explanation he says that it is obscene in the Japanese corporate culture to make redundancies when the company is actually posting profits. However, Sony posted profits when layoffs were made. Furthermore, it is arguable whether it is fair to the employees who lose their jobs in the U.S. subsidiary that Japanese employees are safe because of culture. Why, if not for change in corporate culture, is a Briton appointed CEO of a Japanese company? Global leadership, as Fukushima (2008) suggested or maybe an international face is the reason. Only time will tell if the decision to respect the lifetime employment culture will pay off for Michael Woodford and Olympus.

Our findings do show that various Japanese companies are changing. Many are moving away from certain concepts in the corporate culture, e.g. lifetime employment, keiretsu investments and seniority rewarding systems. Black Ink (2003) points at the negative economic climate as the cause of this change. In our opinion, however, the bad eco-

conomic climate is just the factor that creates the reaction — it is not the fundamental cause of the problem. Donnelly, et al. (2005), Ghosn, (2002) Millikin & Fu (2003) suggest that Nissan Motors lack of profit orientation was its biggest problem. Ghosn (2002) continues that the fundamental challenge he would face in solving the problems of Nissan was changing the corporate culture. According to Schoner (2006) Sony's issues also came from bad profitability, which solution was impeded by lifetime employment. Craig Naylor of NSG also felt that an abundance of employees created a barrier for the company towards better productivity (Sanchanta, 2010).

According to Oliver (1992), declining performance or crisis is a prime reason for organizational change. All five companies that we have investigated had financial problems at the time of hiring a foreign leader. That is no coincidence. There is partly, the common reaction of appointing a new CEO in crisis (Tuchman et al., 1988), but at the same time it is the need for cleaning up the organization. Western companies have used recessions as a scapegoat for layoffs for long time (Pfeffer, 2010). Japanese companies seem to be ready to do this as well but Japanese leaders simply cannot do it effectively because of the tradition of lifetime employment. Both Schoner (2006) and Donnelly, et.al. (2005) state that the preceding management of Sony and Nissan tried to make the required changes but failed.

Oliver (1992) also state that power shift is a motive for organizational change. Apart from declining performance or crisis, the cause of change in Nissan, NSG and foremost Seiyu is a shift in power. Nissan was forced into an alliance with Renault (Donnelly, et al., 2005), where Renault was the company in power as they were able to bail Nissan out from its financial debts. NSG acquired a British company twice the size of itself (Sanchanta, 2010) and thereby also acquired a larger stakeholder group outside of Japan. Seiyu was purchased by Wal-Mart, which most likely was the decision maker in the case of new CEO.

5.5 In relation to leadership

Increasing globalization has affected nearly all businesses' and corporate markets in the world and Japan is no exception. The international companies that have the highest presence on the international markets also seem to face the highest challenges, which

are associated with globalization. In order to meet these challenges of globalization leaders today need to be able to conduct transformative learning (Ciporen, 2009).

The fact Japanese leadership style remained unaffected by globalization at a crucial time (when their export-led growth ended), prevented them from moving ahead toward necessary change (Black and Morrison, 2010). Japanese companies might have been able to keep being the superpower in Asia if it had allowed more change with globalization. Why did Japanese companies, which are famous for always trying to improve and master the every task possible fail to see this most important of changes. We believe that it might be possible that the Japanese leadership style is relying too heavily on the past success, and that they due to this have failed to see the need for a change in leadership and adjustment to the more global environment.

Fukushima (2008) says that the lack of global leadership in Japan has had a negative effect on the companies' competitiveness in the global market. Although Japanese leaders have come to realize an increasing need for global leaders there are no greater actions taken in order to develop or improve the situation (Fukushima, 2008). To us this seems somewhat confusing, as we have grown to learn that about the Japanese leadership that always strived to be better and more effective. Maybe Fukushima (2008) did have it right when recommending short-term hiring of whatever global leaders that exist, regardless of nationality, age or gender, and long term recommendation of developing more global leaders in Japan. However this is handled, it is probably a good idea to study the Japanese language at this point. Business administrators with knowledge of both English and Japanese will be a valuable asset in the future as Japanese companies are forced to become more globalized.

It raises the question of why Japanese leadership is so reluctant to change corporate culture themselves. Red numbers seem to be a trigger to hire a foreign executive. Losses, we think, justify the hiring of a foreign CEO to the board of directors while it also justifies changes to the employees.

The Japanese leadership style has through history been successful and beneficial in several ways. Workman (2008) suggests that the Japanese leadership style is often described as participative and transformational. It has been proven to be rather effective and for companies to achieve higher levels of employee motivation, commitment, dele-

gation in terms of decision making and intrinsic job satisfaction (Ouchi, 1981). Japanese leaders also invest great efforts to maintain the harmony in their companies.

Ouchi (1981) suggests that theory Z leadership is exemplified by Japanese participative leaders, and building to a larger extent on McGregor's theory Y. This type of leadership can be seen as a favourable leadership style in many contexts. This is supported by Zeidan (2009) as well, considering that the Team style of the Managerial Grid (Blake and Mouton, 1964) is said to be based on McGregor's theory Y.

Nevertheless, Ouchi's theory Z should perhaps be criticized on the account that the Japanese leadership style still has strong influences of typical Japanese cultural traits, and is not fully embracing the theory Z practices, as he claims.

There seem to be strong cultural traits that are still influencing the Japanese leadership and management ways. This is not to be mistaken as a suggestion that the Japanese leadership style should change its direction completely and embrace a more western one. However, we do believe that it is crucial for the Japanese leaders to consider a broader leadership approach when the situation requires that. This because we believe that it might be possible that the Japanese leadership style is relying too heavily on the past success and that they due to this have failed to see the need for a change in leadership and adjustment to the more global environment.

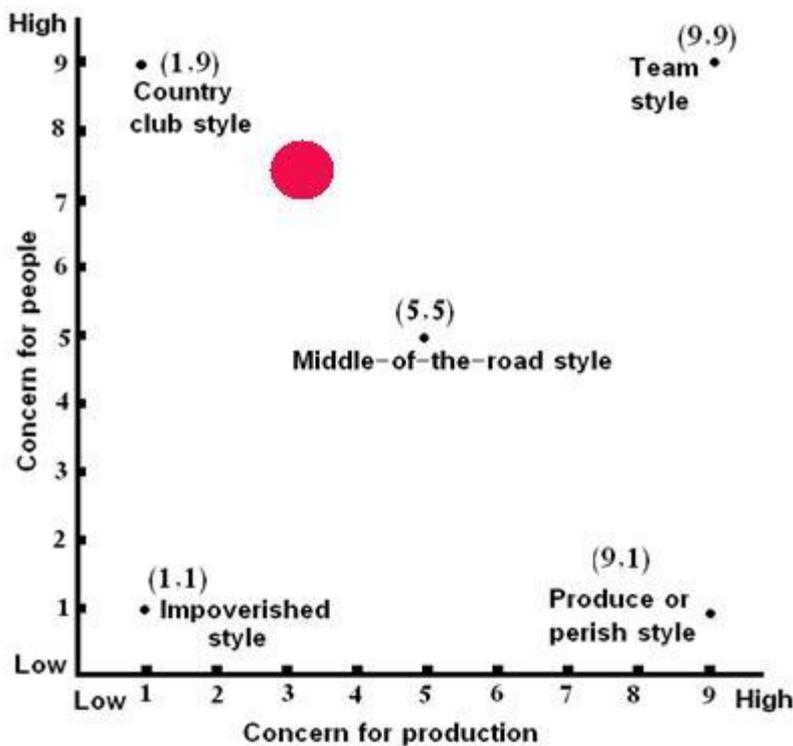
The trend, which is observed within the five Japanese companies that are explored in this paper, is a strong indication that they in fact need a different kind of leadership other than the one they have now. It is not difficult to see, that this need for more globally adjusted leadership will not fade anytime soon, in fact it is more likely for it to become even greater. Despite the fact that the Japanese leaders have not made any greater efforts to face this issue regarding their leadership, we still assume that it is in their best interest to somehow conform their current leadership approach, to a more competitive one.

The Japanese leadership is also understood as having a strong focus on collective responsibility within the organizations. The style is known for aspiring to maintain a certain harmony in the corporate environment and organizations, while also upholding to

integrate the employees in the decision-making process Kelken et al. (2001). Is the constant focus on people and the participation of the employees an obstacle for the Japanese leaders? The effort to involve everyone in the decision-making process, means that decisions cannot be made fast enough for certain situations. A capability that is vital in a faster globalized environment. An important opportunity might be lost to a competitor because of delayed action.

Based on what we have observed throughout this paper, we have come to an assumption that the Japanese leadership style would be placed close to the country club style, in the Managerial Grid (Blake and Mouton, 1964), meaning that they have a much stronger concern for people than for production.

Figure 5 The Managerial Grid with Japan included (Blake and Mouton); authors adaptation



We base our assessment on several observations regarding the company analyses and their actions on relation to the Japanese leadership style. We believe that our assumption of where the current Japanese leadership style belongs, on the Managerial Grid (Blake and Mouton, 1964) is reasonably supported throughout this paper.

When found in a crisis situation, the Japanese leaders have proven to be reluctant or unable to take certain measures; Japanese leaders either not willing or they are not good at cutting cost in their companies. This trait in leadership is rather common for most Asian leaders, (Black and Morrison, 2010).

When Nissan was experiencing high operational costs they hired a foreign CEO to help them resolve that issue; When Seiyu was struggling with similar issues and financial problems, they also hired a foreign CEO; so did the other three companies mentioned in the paper. Therefore, we believe that this trend is an indicator that the Japanese leadership is lacking some necessary characteristics, which are needed in today's global environment.

On account of this, we feel confident enough to say that the Japanese leadership needs to undergo some adjustments; Japanese leaders need to increase the level of transactional behaviour and focus on learning new ways of leadership, in order to have a more successful leadership style.

5.6 Limitations

The Seiyu analysis is slightly different compared to the cases of Nissan, Sony, Olympus and NSG since the appointment of a non-Japanese leader was the result of being acquired by a foreign company — thus, not perhaps the wishes of the company itself. However, regardless of who made the decision, the fact remains that a group of people observed a Japanese company in crisis and came to the conclusion that a foreign CEO was preferable. The limitation of this case is therefore only that a doctor decided the cure for the patient, not the patient himself.

The limitations regarding the leadership theories and framework are simply that there is a vast overabundance of information regarding the subject, mostly in the contemporary part regarding new information rather than old. This is most likely because the subject of leadership and management in the lines of business has become highly popular, and that alone makes it difficult to narrow down the viable information and be sure that it is the right one. Thus, the narrowing down and limiting the amount of leadership theories and information was somewhat of a challenge.

6 Conclusion

This last part of our paper aims to present a short result and interpretation of our research. Furthermore, we will give recommendations for further research needed in the area of study.

Our research has truly been an exploration into the Japanese way of doing business and the results have been many and different. There are a number of different reasons for why a Japanese company might hire a foreign CEO:

Japan has not been able to globalize with the rest of the world the way other Asian countries have. A foreign leader can be the link that Japanese companies need to further its business outside of Japan.

An appreciating currency and a series of recessions have been a major contributor to the financial troubles incurred in the companies used in this thesis.

A short-term solution to get past norms and tradition in the Japanese corporate culture can be to simply hire someone who does not share the same country and culture.

In a perfect world the Japanese business model is beneficial to many stakeholders. Unfortunately, the world is not perfect and the market fluctuations and the increased competition make it difficult for the Japanese corporate culture to survive. The model of doing business in Japan was created and moulded in a high growth environment and that is the setting where it operates best. A foreign CEO can more easily see how the corporate culture must change to cope with international competition.

The Japanese leadership style is to a great extent affected by strong cultural factors that have been part of the Japanese culture throughout history. Their leadership style has in fact been very effective and this is assumed to be one of the main reasons to why they still adhere to it. In order to meet the challenges of foreign markets, the Japanese leadership style needs to be conformed to a more appropriate style when needed.

Japanese companies need a good reason in order to change. Red numbers seem to be a trigger to hire a foreign executive. Losses, we think, justify the hiring of a foreign CEO to the board of directors while it also justifies changes to the employees.

6.1 Further Research

Being an exploratory research we hope to interest academics on this topic. A topic that we believe is very important and relevant to all companies in Japan. Most of all, research needs to be done with the element of first hand data, which we are lacking. How do the communities, the employees, the state, and the partners/suppliers in Japan meet fundamental corporate culture change by an outsider? These are just some examples of where further research can be directed. The truth is, we have but touched on many subjects of equal significance.

Furthermore, how are these companies affected on a micro management level? How more specifically do financials change juxtaposed to the timeframe of the changes made to the corporate culture? Speaking of time, that is the last element needed for further research. The events we describe are recent. Some references used were created just weeks before the publication of this thesis and more information is available by the day. In a few years, there will surely be more examples, more statistics, more research concerning this topic and that will be a good time to follow up on these companies. To find out, perhaps in comparison to other Japanese companies, whether the decision to hire a foreign CEO paid off or not.

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