

In This Issue

Warner's "Japanese Management Training"

It is often emphasized that in Japan there are no Western-style MBA programs and that is the key to recent Japanese business and managerial successes. There must be some truth in it: the U.S. productivity and competitiveness have steadily declined in direct proportion to the explosion in the number of awarded MBAs. Very little of globally competitive quality management is taking place in a country where almost everybody in business now has an MBA. Having MBA means being stuck with a particular and rather outdated way of thinking and being equipped with a rather small box of simple and ineffective quantitative tools.

Professor Malcolm Warner has studied Japanese education and training practices during his recent visit in Japan. One of the major distinction noticed and well known and documented, is the university emphasis on developing a well rounded personality with general academic background while delegating the specialization and expert preparation to the company and on-the-job training systems.

In the USA this is just about reversed: university education providing narrow, deeply specialized and quickly outdated expert knowledge, company and on-the-job training very poor and short, and integrated personality development left to nature and its forces.

The tradition of company based and run business schools and institutes is not exclusively Japanese. It has been rather common in the U.S. until the 1930s and also the successful Bat'a system of Central Europe was based company made, not externally bought, business education.

Professor Warner analyzes several universities and their business education programs, some of them closely approximating an MBA pattern. Their success and effectiveness remain doubtful. The emphasis on employees integrated personalities and abilities has been so successful that its abandonment is imp[ossible and would be suicidal. High

standards in general education, strong emphasis on mathematics (not on simple quantitative formulas), followed by rigorous selection process and strong long-term in-house education and training cannot be easily beaten in the modern world of knowledge, knowledge systems and knowledge capital.

Japanese managers also read books, not executive summaries. Business publications cover 50 to 80 new titles a year, many of them national best-sellers. *JMA Journal* has circulation of 50,000 copies. Translation of selected Western books and articles is extensive and very actively pursued. *Japan Productivity Center* (JPC) has sent 26,000 participants to the USA, whereas only 700 Americans came to Japan so far. The roots of high productivity are thus rather simply traced.

An Academy of Management Development specifically emphasizes "*Understanding the latest theories*" as its main concern; this probably would not even make a list in the USA. Other concerns: "*Developed advanced levels of expertise*," "*Intellectual creativity and practical adaptability*" and "*Leadership and corporate responsibility*." One cannot go wrong with such right stuff.

Professor Warner has concluded that Japanese convergence with Western-style approaches is uncertain and unlikely in the conceivable future. In Japan, the variety and breadth of the "On-the-Job", "In-House" and "Off-the-Job" training is considerable and evolving in a rather integrated complementary fashion.

It is quite likely that the so called Western-style education itself will be forced to abandon its exclusively "Off-the-Job", highly specialized training in favor of more system-oriented and whole-personality oriented approach abandoned in the 30s and successfully resurrected by the Japanese.

Lin's "Knowledge Systems Evaluation"

Professor Lin has attempted to address fundamental problems of evaluating the investment in knowledge-based systems. Modern companies are

not only becoming joint human/computer knowledge processing systems, but also, and more importantly, knowledge creating systems. Traditionally “intangible” investments are becoming more important than the so called “tangible” ones: the whole issue of tangibility becomes mute in the world of world-class management and competition.

Binshan Lin is attempting to take knowledge systems and knowledge support systems from the domain of engineering and put them into their proper and vital domain of management. Unfortunately, there is no integrated approach for evaluating the investment in the knowledge base of the organization. Lin’s approach is to describe the creation of knowledge assets and their evaluation, their effect on organizational control and risk management, necessary form analysis and implications for managers.

The distinction between *knowledge + inference*, which is what knowledge support is all about, and *data-algorithms*, which is what is being done instead, is crucial. This is why the assets of corporate intelligence do not appear on its balance sheet.

Instead, blind adherence to traditional measures of ROI and DCF still persists and presents the greatest single obstacle to implementation of knowledge systems. These artifacts are still being taught in some MBA programs, not as examples of what *not* to do, but what to do in the twenty-first knowledge-base management.

Knowledge is not stable, solutions do not remain optimal, constraints are not given, procedures are not fixed. Rather, knowledge is in the process of becoming, subject to interpretation, thriving on firm’s interfaces with the ever changing environment. Not only the number and quality of outputs, independently and “objectively” measured, but bargaining positions of knowledge-sharing and knowledge-producing units is at the core of evaluation in flexible organizations. A continuous dialogue among all levels of the organization is required. Coordination of action, which is what knowledge is, can be achieved through mutual, circularly propagated and broadcasted information and communication.

These are knowledge generating and support systems with no central “manager”. Their development, utilizing the experiences from parallel com-

puter processing, have only recently started to penetrate traditional, centrally controlled engineering of decision support systems (DSS), indicating the need to move to the next level of information processing away from data, information and knowledge – towards wisdom. Wisdom Acquiring Computer Operational Systems (so called WACOS) are now just around the corner.

Lin’s conclusions are sensible: knowledge systems and their engineering are not the most important aspect – it is their evaluation and management that makes a difference. He also concludes that there is an urgent need for development and research in the areas of accounting, management, communication, interfacing, end knowledge engineering in order to develop a satisfactory evaluation methodology of the investment in knowledge-based systems.

It is to be expected that this necessary kind of *managerial* knowledge system evaluation and management will be evolved by researchers on the pages of *Human Systems Management: Its Editors* will give these efforts every support.

Hiwaki’s “Stable Employment in Japan”

Professor Hiwaki published his “Microeconomic Perspective” on the Stable Long-Term Employment System in Japan in *Human Systems Management*, vol. 9, no. 1, 1990, pp. 15–28.

Now, the innovative treatment of SLES (Stable Long-Term Employment System) by Professor Hiwaki continues. This is especially important since some economic ministers in Central Europe have declared the *unemployment* of at least 8–10 percent to be the criterion and proof (!) that their “reforms” are actually working (see e.g. the interview with Mr. Dlouhy, *Financial Times*, February 6, 1991). While the world is trying to minimize unemployment, the “reformers” of Eastern Europe (“East” Germany included) are purposefully (and without any international condemnation) subjecting their populations to unemployment levels never before experienced or encountered.

One after another, Poland, East Germany, Czechoslovakia, the Soviet Union, etc., these countries are using high unemployment as a cruel strate-

gy to satisfy the demands of IMF, World Bank and other money-lending and central-government-supporting institutions. Professor Hiwaki's analyses, both micro- and macroeconomical, provide at least some hope that the example of post-war Japan and its high-employment policies will be followed, at least by some. How does a "capital-poor" country become a "capital-rich" country without any extensive borrowing from the overseas and within a few decades? How could Japan accomplish this?

Hiwaki discusses the "inconspicuous" transformation of the SLES workers into *important partners (owners)* of relevant firms as one of the crucial aspects of Japan's rapid growth period. Increased SLES induces growth in total "communal savings" as the source of growth in aggregate corporate savings and capital formation, stimulating growth in the overall economic activity. SLES encourages human capital investment and growth in technology, enhancing the *complementarity* (not substitutability) between labor and capital and thus boosting productivity. Growth in productivity then "feeds-back" to the "communal savings" and capital formation. This self-sustaining cycle could explain the "Japanese Paradox", the rapid transfiguration of Japan in spite of all traditional economic theories.

Instead of traditional profit maximization, Japanese firms aim, much more appropriately, at market-share maximization. The point is, that market-share maximization combined with SLES policy implies nothing else than long-term profit maximization. Short-term profit maximization would bring only a heavier tax burden and, since Japanese management and labor consider themselves the "true" owners of the enterprise, higher rewards to external or "absentee" shareholders rather than to the owners proper.

Hiwaki concludes that even though the costs of SLES policy are continually rising, many leading firms and employees still find a considerable value in it. Impartial protection of the earned employee privileges of seniority-weighted long-term benefits has to be found and then more competitive and discrimination-free employment practices can take over. SLES has fulfilled its remarkable transition role in Japan and it is now about to transform

itself. Are other countries going to learn from these valuable lessons?

Ishikawa, Mieno and Tatsuta's "Knowledge Engineering Management"

Knowledge systems, expert systems, decision support systems, etc., are all supporting and guiding managers and management. All these systems are designed, developed, implemented and often even used by knowledge workers: engineers, managers, computer specialists. All these people and their teams *have to be managed*. So this is an unusual paper, appropriately originating from Japan, about the management of teams of engineers creating management support systems.

Expert and related support systems are becoming a "big business". All this software and its testing is produced by complex teams of experts, not by enthusiastic individuals in some garage. How do we successfully manage teams experts as human resources producing expert systems? Why is the shift from *knowledge* to *wisdom*, wisdom technologies and wisdom management so appropriate in the world of today even though some experts in the U.S., still talk happily about *information* technologies (IT)? The *data* management and technologies" have finally been abandoned even in the U.S. Only Eastern Europe and the USSR seem to be "full of data" in the 1990s.

Management issues of knowledge collection, knowledge analysis and knowledge representation are discussed by the authors. For example, knowledge collection is quite different from and a more demanding task than collecting data or information. Knowledge analysis should be closely connected with strategic advantage: this is where knowledge technologies are being directly integrated into the organization itself, into the very way of doing business. Knowledge representation must reflect the imprecise, partial and transient nature of knowledge.

The authors have performed an important piece of research and conceptualization which integrates information technologies more closely with business organizations and strategies, more closely with management and its tasks.

Van Vlissingen's "Management by Consent"

Rogier Fentener van Vlissingen is President of Micro MAX Inc., an organizational development consulting business in Connecticut. He is also a propounder of Endenburg's "Sociocracy" which he refers to as Consent Decision Making or Management by Consent.

Endenburg's book "Sociocracy" was reviewed in *Human Systems Management*, 8 (1989)3, pp. 245–248. Gerard Endenburg has decided to publish (in *Argumenten*) a *rebuttal to a book review!* HSM Editors were not aware of this.

It is on this background that the readers should understand why van Vlissingen's article has been admitted into *Human Systems Management*.

It is often the case that an idea surpasses the grasp of its own creator. Very rarely can an idea originator foresee and understand all the implications, complexities and dynamics of his own invention. Very often he becomes his own enemy, a barrier to his own idea's success and evolution. He becomes a carrier of a dogma, proselytizing a methodology rather than running the company according to that methodology. One cannot preach consent management when his own employees are malcontented about its implementation and practice. Consent is not consensus: consent is simply the absence of any reasoned objection, i.e., instead everybody saying "yes", it is sufficient that nobody says "no". This opens the doors to subtle or not so subtle political

manipulations by minorities which can mobilize the "nays" without having to commit and take the responsibilities of the "ayes". Responsibility and commitment are here sacrificed to simplicity and ease. This could be desirable in some cultures, but some would strive on the opposite approach: stressing and enhancing the expertise, knowledge, commitment and the risk-taking of the employees/partners.

Van Vlissingen's article is an attempt to put Endenburg's Sociocracy into a more practical, more modern managerial and organizational perspective. This is very positive, because the world, especially in Central Europe, is in grave need of innovative organizational arrangements. Especially the double-linking (manager and chosen representative) between vertically related departments is a very useful feature for companies in transition from the hierarchy to low-layer self-governance. Yet, sociocracy remains far remote from the Japanese amoeba system which has achieved a zero-level of management hierarchy in 1985. Not all cultures are craving diminished commitment and responsibility, not every culture is bound on saving the systems of command hierarchy, no matter how enlightened.

The possibility of ending absentee ownership and establishing true stakeholder ownership is the most crucial contribution of Endenburg's sociocracy. Endenburg does not understand this and talks about a company "without owners."