

# MANAGING SUSTAINABLE TECHNIQUES FOR RESILIENT BUSINESS PERFORMANCES: EMPIRICAL EXPERIENCE OF JAPANESE MNC'S

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doi:[10.63356/978-99976-57-32-9\\_1](https://doi.org/10.63356/978-99976-57-32-9_1)

## Abstract

Originating back in January 1981, when the famous management guru Peter Drucker, wrote in the Harvard Business Review the article '*Behind Japan's Success*', accompanied by the distinguished best-seller in 1984, by Peters and Waterman, '*In Search of Excellence: Lessons from America's Best-Run Companies*', the continuous, competitive strive for developing and implementing of management methods, techniques and models, that would increase overall business performances, has proven to possess one of the leading change management roles, in harmonizing the sustainability challenges of economic progress, social stability and environmental circularity, on one hand, with the imperative of increased, dynamic employee capabilities. The illustration of previous capital works reflects the constant orientation for advancing business performances in various dimensions, according to prevalent external and internal pressure on competitiveness and sustainable growth.

These tendencies could clearly be seen in the prior thematic topic of the latest World Economic Forum, held in Davos, in January, 2024, '*Navigating Global Challenges*', which is clearly indicating that the prior economic battle among MNC's is predominantly international, far more than domestic one, through the concept of '*human centered management*', especially it's resilience and agility. While attempting to clear-up the grassroots for increasing national and international competitiveness, Japanese MNC's have manifested recognizable and wholistic advancements, which are vivid through the achieved degree of resilience and excellence.

The developmental process of each Japanese MNC relies on an excessive application of certain Japanese management techniques, like Kaizen, 5S, Amoeba Management etc., which add substantial overall business value. Therefore, the potential for transforming the prevalent business model by applying various Japanese management techniques should be inter-connected to the competitiveness effects that derive from distinctive change management model that generates progressive potential for external adaptation and internal integration. Therefore, modalities for achieving and sustaining business performances constantly change.

**Key words:** Management methods, resilience, business excellence, Japanese MNC's

## INTRODUCTION

Contemporary attempt for achieving advanced business performances, nowadays, involves not only prior focus to effecting economic results, perceived as one of the success performance indicators, but far more to broadening the sustainability framework of each business performance, through unifying the following components:

- Stable and predictable economic results,
- Adding value to collective solving of several municipal and national modalities of social problems, and,

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- Progressive environmental protection, particularly due to increasing categories of environmental challenges which move beyond national borders.

If we pay significant attention to the ‘spiritus movens’ of the latest World Economic Forum, held in Davos, in January, 2024, which has been titled as ‘*Navigating Global Challenges*’, with an active participation of over 2,500 leaders from over 100 countries, predominantly from the fields of economy, politics, science and culture, we could clearly identify the progressive tendency of inter-depending forms of holistic, national developments, especially illustrated by the four systemic elements of the global landscape Global Risks Report 2024 | World Economic Forum | World Economic Forum (weforum.org), Approached April 26, 2024:

1. Trajectories relating to global warming and related consequences to Earth systems (Climate change).
2. Changes in the size, growth and structure of populations around the world (Demographic bifurcation).
3. Developmental pathways for frontier technologies (Technological acceleration).
4. Material evolution in the concentration and sources of geopolitical power (Geostrategic shifts).

The process of harmonization of above 4 elements undoubtedly leads to the global necessity of managing the critical features for optimal managing of business agility and resilience, both placed in the very center of one of the most prominent developmental, excellence-based concepts world-wide, i.e. ‘human-centered management’ concept.

Prior research question in the current review analyzes concentrates on identifying the potential for increased potential for consistent application of Japanese management techniques, particularly Kaizen, 5S and Amoeba management in the practice of businesses that attempt to apply the resilience and agility features of their business performances.

## LITERATURE REVIEW

The historic, evolutionary comparison of the differences in building-up and sustaining national competitiveness concepts have always manifested an incredibly challenging component of harmonizing the sustainability challenges of economic progress, social stability, and environmental circularity, on one hand, with the imperative of increased, dynamic employee capabilities, on the other hand. Originating at the period when the American MNC’s have settled the roots of their ongoing sources of competitive changes, theoretically explained in the distinguished best-seller in 1984, by Peters and Waterman, ‘*In Search of Excellence: Lessons from America’s Best-Run Companies*’, the prior focus of the authors has been given to:

- optimization of McKinsey’s 7 S management model, composed of strategy, structure, systems, shared values, style, skills, and staff,
- applying the ‘rationale model’, which places the analytical focus to developing adequate, most appropriate, logical, reasonable, sense-full etc. method for problem-solving competitiveness challenges, aimed at proper identification of the most relevant business philosophy,
- forming the grassroots of contemporary model of business analytics, through progressive managing of ambiguity and paradoxes, seen through ‘shaping the culture of organizations’, as a pathway to benefiting from the corporate culture of MNC, as well as,
- managing organizational fluidity, as a pre-condition for sustainability transforming in the direction of business agility, back in times implemented through the MBWA –

Management by Walking Around technique, by experimenting with several changes, simplifying the systems hierarchy, and increasing the degree of action – oriented management decisions.

In current, dynamic and, to a great extent, unpredictable times of doing business, in-debt analyses of the ‘human-centered management’ concept is connected to the work of Lepeley Maria-Teresa in 2017, titled *Human Centered Management: 5 Pillars of Organizational Quality and Global Sustainability*. Principally, 5 pillars that enable fullest and progressive application of the human-centered management (HCM) concept are identified as the following developmental components (Lepeley, 2017):

- human capital,
- disruption resilience,
- talent management,
- agility, and,
- sustainable quality (SQ).

The integrative analyses of above specified components of the HCM concept can be inter-connected with the fundamental determinants of the success of Japanese MNC’s, stipulated in the prominent article which originates back in January 1981, when the famous management guru Peter Drucker, wrote in the Harvard Business Review highly influential article ‘*Behind Japan’s Success*’. In detailing the key determinants of Japanese management success, Drucker clearly emphasized that:

- Japanese businesses take very seriously the competitiveness challenges, indicating that, on a national level, it is measured through the policy impact to Japanese productivity in industry, whereas on an industry level, like automotive industry, for instance, it is connected to strategy of ‘massive export’ and competing both on international and on the domestic market,
- Comparing the prior differences in the leadership model between USA and Japan, implying that Japanese MNC sacrifice their own interests, goals, expectation and value to the overall, national ones, whereas American MNC apply the western leadership practice, concerned primarily with economic consequences of business activities, through ‘self-interest first’ concept,
- Dominant focus on mutual relationships among employees in Japanese MNC’s, developed on the foundations of mutual trust and common interest, in comparison with the American orientation towards problems-oriented communications, actual or perceived ones. In this context, the immense Japanese tradition of non-expressing victory due to the business success, accompanied by fullest respect of the overall business tradition, is an approach established long back in 1920’s, in the period of conceptualizing the modern Japanese industry.

Among other scientific works that have presented an immense importance to increasing the resilient and agile performance of businesses, in fact, are ‘*Managing for Social Impact: Innovations in Responsible Enterprises*’ by Cronin J. Mary, Dearing C. Tiziana Editors (2017), ‘*Progressive Business Models: Creating Sustainable and Pro-social Enterprise*’ by O’Higgins Eleanor & Laszlo Zsolnai Ed. (2018), ‘Role-based engagement: scale development and validation’, in *Journal of Management & Organization*, by Young F. Stephen, Lisa A. Steelman, Matthew D. Pita & James Gallo (2020), ‘*The Work of Management: A Daily Path to Sustainable Improvement*’, by Lancaster Jim & Emily Adams (2017) etc.

## RESEARCH METHODOLOGY

Applied methodological framework within this paper would rely on comparative analyses, induction, and deduction methods, as well as analyses and synthesis of interdependences between various components of the resilient business performance, illustrated on the practice of Japanese MNC's.

## FOUNDATIONS OF MANAGING PERFORMANCES IN JAPANESE BUSINESS CONTEXT

The structural analyses of the foundations, orientations, and overall potential of the 'human-centered management' concept possesses theoretical, as well as an empirical importance, because it is significantly in relation to fundamental sustainable models for increased organizational effectiveness:

- Circular (Circular Supplies, Resource recovery, Product Life Extension & Sharing Platforms)
- Innovative business models (Triple Layered Business Model Canvas etc.), as well as,
- Management models which benefit from the Japanese management experience.

Specifics that reflect sustainable models arising from the practice and experience of Japanese MNC's would be illustrated through the most influential business elements that add value to the outstanding Japanese managerial performances, i.e.:

- Life-long learning – in accordance with the Japanese cultural foundations, employees are feeling a constant pressure for increasing the quality of performances as the learning process progresses,
- Seniority - based reward system – at equal level of qualifications, older employees have higher salaries, traditionally deeply rooted in the application of an 'experience-based' employee behavior,
- Tradition of excellence in performances (Mitsui, Sumitomo Corp., Konoike Group etc, from XVII century) – as an illustration, in Japan exist more than 3.000 businesses with over 200 years of tradition – as a comparison, in USA the number of these long-lasting businesses are above 1500, in Germany 500 etc.
- Obtaining & benefiting from application of the new and renewed knowledge – it is an ethical duty of every Japanese employee to submit change recommendations within the field of his/her expertise,
- Collective responsibility – everybody knows the CEO of Microsoft; how many people know the name of the CEO of Sony or Toyota? Is it a result of the differences in performances or of undertaking entire corporate responsibility? It is evident that in Japanese MNC's ethical responsibility is much higher than in non-Japanese MNC's,
- Integral focus on work life – within the working period of Japanese employees, their determination is to become one of the best employees in the industry, concentrating far more on the work life, rather than on social life,
- 'Managerial awareness' – critical-to-quality excellence feature, at candidates for managerial positions, subject to testing prior to appointing on certain managerial position, especially at top management.

In unifying the empirical importance of above business elements that add value, the role of dynamic employee capabilities is connected to building up the business capacity to accomplish the following sustainability development requirements:

- Develop, integrate & reconfigure internal & external business competences,

- As a component of the systemic management, dynamic capabilities should concentrate on agility and changes, far more than on adaptability and equilibrium,
- The precise influence of dynamic employee capabilities to specific business model lies in the fact that they are composed of ‘micro-foundations’, as elements that stimulate changes, and are expected to be found in every dynamic business model, in developing business strategy, as well as in the results of the final products/services, i.e. business performances,
- Determine the level of ‘sustainable business value’, which is the key element in developing sustainable business models outside of solely economic resilience, by paying equal attention to social cohesion and environmental predictability. It would be explained on the following Figure 1:

**Figure 1** Levels of Sustainable Value Creation



**Source:** Laszlo Chris (2005), “The Sustainable company: How to create Lasting Value through Social and Environmental Performance”, pp. 21-37

The importance of differentiating from mitigating risk value level, up to influencing industry standards, as the highest value level, reflects adding sustainability in the overall business performance. In this context, holistic potential of above elaborated sustainability development requirements is dependent to a proper and consistent creation and application of the contemporary ‘human-centered management’ concept.

## CREATION OF ‘HUMAN-CENTERED MANAGEMENT’ CONCEPT

Very development of the ‘human-centered management’ concept is determined by the principal conclusions which are arising from the following associations and institutions:

- World economic forum (WEF), particularly the focus on integrating and involving both academia, and private sector, in an inclusive developmental partner’s approach, through the following key findings from WEF, 2024:
  - Key developmental areas: fundamental principles that drive trust, including transparency, consistency, and accountability,
  - Key future global challenges: economic growth, climate and activities towards nature, energy safety, technological governance, and integrated human development.

- Adopted 17 SDG's in September 2015, and presented as “UN world to-do list between 2016 and 2030 (THE 17 GOALS | Sustainable Development (un.org), Approached March 13, 2024)”,
- Global Infrastructure Initiative (GII) of McKinsey & Co. etc.

As a comprehensive continuation of the behavioral managerial techniques, aimed for achieving sustainability at businesses, it integrates disruption resilience and agility, as 2 out of 5 developmental components of the ‘human-centered management’ concept, alongside with the human capital, talent management and sustainable quality. Applicative importance of these 2 focal sustainability business components is placed within the following:

1. Resilience, for the purpose of HCM, is “the capacity of people to empower themselves and improve their lives, by developing capacity to help others and become agents for change and continuous performance improvement in organization” (Lepeley, 2017). As such, it leads to the following analytical importance:
  - Is determined by the capacity, i.e. the potential of the employees to increase the performance quality of themselves and afterwards to all others,
  - Is related to the orientation for changes, which is crucial for the development of every sustainability management technique, and,
  - Continuous, generally small improvements, can most frequently be perceived in most popular Japanese managerial techniques, like Kaizen, 5S, Amoeba Management etc. Therefore, the empirical evidence of application of these and many other managerial techniques is important for identifying the future pathway for resilient business performances.
  - Nowadays, in turbulent and highly dynamic external and internal business environment, resilience is often analyzed as disruption resilience, and largely inter-dependent to the economic resilience, which is interwoven in each developmental strategy.
2. Agility, in function of the ‘human-centered management’ concept implies to the potential to achieve the technological acceleration systemic element of the WEF, 2024, determined in business as:
  - “Continually reducing risk so that the organization does not die, adapting to changes in the environment, the needs of customers and interested parties. And it would help if you did it effectively. It would be best to do this incrementally, with most products. But the point is: try not to die as a company” (Appelo J., 2024), at Business Agility Explained | Management 3.0 (management30.com), Approached March 11, 2024), according to the founder of Management 3.0 model,
  - “a set of organizational capabilities, behaviors, and ways of working that affords your business the freedom, flexibility, and resilience to achieve its purpose, which is composed of the following 5 agility domains:
    - Engaged culture,
    - Responsive customer-centricity,
    - People-first leadership,
    - Flexible operations, and,
    - Value-based delivery” (Business Agility Report, 2023, pp.2-14).

The process of simultaneous functioning of the resilience and agility, in order to achieve an outstanding business performance implies that managers should concentrate on increasing the capacity of their employees for a multiple usage of their knowledge, skills and experience,

which, through agile responding to current and future external and internal possibilities would increase the change capabilities, through applying of sustainable managerial techniques.

It is evident that highly performing MNC's, including European, American and Japanese, consistently apply various methods, models and techniques, which add sustainable value in processes and in behavior, on one side, and enables harmonized implementation of economic, social and environmental implications of every change action, on the other side.

## **JAPANESE MANAGERIAL TECHNIQUES FOR ACHIEVING BUSINESS EXCELLENCE**

The immense experience of Japanese MNC's in developing and implementing sustainable managerial techniques that systematically, consistently, and holistically add value is one of the key advantages for achieving immense national competitiveness of Japanese economy. Out of the Japanese techniques, I would pay particular attention to the most prominent ones, which has a potential in the practice of European MNC's:

- Kaizen,
  - 5S, and,
  - Amoeba Management.
1. Kaizen technique originates from the Japanese tradition of undertaking continuous, small, evolutionary changes for outstanding performances. It is composed of the following 2 words, known as 'change for the better':
    - Kai – change, and,
    - Zen - improvement

The fundamental influence of Kaizen technique, originally created by Masaaki Imai, back in 1970 in his legendary book '*Kaizen – The Key to Japan's Competitive Success*', towards reaching business excellence, illustrated through the following excellence indicators:

- The Kaizen process is composed of PDCA plan (Plan-Do-Check-Act), which, according to 2023 leaders analyses 5 essential attributes of a kaizen leader for 2023 ([processexcellencenetwork.com](https://processexcellencenetwork.com)), Approached April 27, 2024, incorporates all critical-to-quality business components, like:
  - Empathy,
  - Digital soft skills,
  - Creativity,
  - Data analytics, and,
  - Growth-mindset.
- The Kaizen includes agility which is universally in use by European and American business by establishing in 1986 the Kaizen Institute Consulting Group (KICG), focused on agile harmonization of principal Kaizen features, to the western business practices. Originally, it leads to lean practice of continuous improvements, initially seen in the manufacturing experience of Toyota Production System (TPS), which brings marginal gains both in effectiveness and efficiency, achieved through flexible and resilient purpose implementation.

Kaizen is principally used by the following Japanese MNC's, like Toyota, Nissan, Honda, Sony, Toshiba, Canon, Sojitz etc. The potential and influence of this

management method for future increase of management agility is constantly growing in all business sectors.

2. 5S Japanese sustainability technique implies to introducing an excellent organization and standardization of the types of products or services affected by applying 5S. In general, it comprises of the following 5 components, reflecting the successive managerial steps that add value:
  - Seiri – Sort,
  - Seiton – Set,
  - Seiso – Shine,
  - Seiketsu – Standardize, and,
  - Shisuke – Sustain.

The prevalent applicative importance of 5S management sustainability technique is placed at the following performance components that lead to excellence:

- Holistic advancement of the work environment – by developing and adopting of new procedures, methods, models etc.,
- 5S, widely known as ‘the new Japanese managerial doctrine’ applied prior to Kaized, sets the sources of excellence, which are later in Kaizen determined through a problem-solving approach,
- Finally, 5S increases productivity and employee engagement, on one hand, accompanied by sustained progress in the motivation of teams, on the other hand, which is crucial for collective managing of changes for business excellence.

The advanced form of 5S is the technique 6S, with the component Safety. Nowadays, 5S is implemented in the Japanese health-care system reform, Japanese automotive industry, Samsonite South-Asia etc. The capacity of 5S managerial technique for business advancements, especially in the segment of its’ resilience indicates transparent advancement in overall work environment, accompanied by programs for team cooperation and performances.

3. Amoeba management system (AMS) practically presents a unique method developed by Inamori, founder of Kyocera (Kyoto Ceramics) Amoeba Management | Management | About Kazuo Inamori | Official Site of Kazuo Inamori (kyocera.com), Approached April 22, 2024, through the following sustainability features:
  - Division of organization on small Japanese units, i.e. amoeba’s,
  - Outstanding cooperation and trust among themselves,
  - Voluntary participating in managing the amoebas by non-managers, through „Management by All”, which adds value to the modalities of participative Japanese management,
  - Amoeba management pays major attention on sustainable growth and functions on a higher degree at managers that possess work passion, desire for results, as well as determining adequate pricing system between amoeba’s,
  - Develop sustained leadership potential for each amoeba manager.

Amoeba management system, originally created as an accounting system, is applied in over 700 worlds’ famous Japanese MNC’s like Kyocera, Japan Airlines etc. In practice, Amoeba increases the capacity for simultaneous adding value between amoebas, as well as focusing on development of leadership potential of employees with a potential to become managers.



## CONCLUSION

If we pay significant attention to the ‘spiritus movens’ of the latest World Economic Forum, held in Davos, in January, 2024, which has been titled as ‘Navigating Global Challenges’, with an active participation of over 2.500 leaders from over 100 countries, predominantly from the fields of economy, politics, science and culture, we could clearly identify the progressive tendency of inter-depending forms of holistic, national developments, especially illustrated by the four systemic elements of the global landscape, i.e. climate change, demographic bifurcation, technological acceleration, and geostrategic shifts.

By managing organizational fluidity, as a pre-condition for sustainability transforming in the direction of business agility, back in times implemented through the MBWA – Management by Walking Around technique, advanced businesses are experimenting with great number of changes, simplifying the systems hierarchy, and increasing the degree of action – oriented management decisions. Dominant focus on mutual relationships among employees in Japanese MNC’s, is developed on the foundations of mutual trust and common interest, in comparison with the American orientation towards problems-oriented communications, actual or perceived ones.

Principally, the 5 pillars that enable fullest and progressive application of the human-centered management (HCM) concept are identified as the following developmental components: human capital, disruption resilience, talent management, agility and sustainable quality (SQ). Specifics that reflect sustainable models arising from the practice and experience of Japanese MNC’s, explained through the most influential business elements that add value to the outstanding Japanese managerial performances, like life-long learning, seniority, tradition of excellence in performances etc.

As a component of systemic management, dynamic capabilities are expected to concentrate on agility and changes, far more than on adaptability and equilibrium. The importance of differentiating from mitigating risk value level, up to influencing industry standards, as the highest value level, reflects adding sustainability in the overall business performance.

Resilience, for the purpose of HCM, is the capacity of people to empower themselves and improve their lives, by developing capacity to help others and become agents for change and continuous performance improvement in organization, whereas agility is a set of organizational capabilities, behaviors, and ways of working that affords your business the freedom, flexibility, and resilience to achieve its purpose. As such, it possesses not only a short-term, but rather long-term influence on overall business performances.

Continuous, small improvements, are most frequently analyzed in most popular Japanese managerial techniques, like Kaizen, 5S, Amoeba Management etc. Therefore, the empirical evidence of application of these and many other managerial techniques is incredibly important for identifying the future pathway for resilient business performances. Kaizen leads to lean practice of continuous improvements, initially seen in the manufacturing experience of Toyota Production System (TPS), which brings marginal gains both in effectiveness and efficiency, achieved through flexible and resilient purpose implementation. 5S Japanese sustainability technique implies to introducing an excellent organization and standardization of the types of products or services which are affected, whereas amoeba management is focused on sustainable growth and functions on a higher degree at managers that possess work passion, desire for results, as well as determining adequate pricing system between amoeba’s small units.

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