

Readjusting Organizations and Individuals

The advent of the COVID-19 pandemic has seen a greater number of workers beginning to use new work styles that employ ICT, such as telework. However, this change is not limited to a reconsideration of work styles; ICT is also spurring significant changes in the ways that organizations communicate. How will changes in communication driven by ICT transform organizations and individuals? And what will organizations look like in the future? In this issue, we ask five experts to discuss their visions of the future transformations of organizations and individuals with a focus on the “post-corona” era.

About this Issue

Readjusting Organizations and Individuals

– Rapid Provision of Optimal Solutions to Customers

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Keywords...Essence of the problem, readjustment of existing systems, role of organizations, rapid provision of optimal solutions, task-based, rapid communication, scale of decision-making, specialties

Expert Opinions

Readjustment of Organizations and Individuals

How will changes in communication driven by ICT transform organizations and individuals?
What will organizations look like in the future?

Market transactions or hierarchical organizations?

Thomas Y. Lee

Associate Adjunct Professor and Research Scientist, Haas School of Business, University of California, Berkeley

Keywords...Transparency of decision-making and implementation within companies, changes in the role of the CIO, transparency in market transactions, resolution of problems of incomplete information, creation of an internal corporate culture, building of trust within and outside companies

Efficiency or effect? – Judgment using “sense”

Ken Kusunoki

Professor, Graduate School of International Corporate Strategy, Hitotsubashi University

Keywords...Human nature and convention, “efficiency” vs. “effect,” sense and skill

It will be the role of organizations to provide support for individuals seeking to reach a goal

Kentaro Kawabe

President and Representative Director, Z Holdings Corporation

Keywords...Individual empowerment, individual transformation, platforms, project-driven alignment and realignment, individuals seeking to reach a goal, equal relationships

How do we create intimacy?

Yuka Tanimoto

Managing Editor, Web Editing Department, Forbes JAPAN

Keywords...Communication that makes it easy to generate innovation, intimacy, safe and secure environments, ticket to the world, leaders who are producers

The university will be reborn as a “management body” that drives social change

Makoto Gonokami

President, The University of Tokyo

Keywords...Knowledge-intensive, creating value for intangible knowledge, large-scale “University Corporate Collaboration”, large-scale contracts formulated by top-level colleagues

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The spread of COVID-19 has forced Japanese companies to make unprecedented changes. There is vigorous discussion of how to advance the use of telework, but this is not the essence of the problem. It will be important to readjust existing systems to new circumstances. For example, if we were to launch a company under the current circumstances, what type of organization should we create? Are organizations inherently necessary? What was our purpose in creating organizations up to the present?

In fact, companies that have grown to a certain scale or beyond possess very few shared goals across the entire company. Growth is the shared goal; other than this, goals and targets vary from department to department. Thomas Y. Lee,

an Associate Adjunct Professor at the University of California, Berkeley, regards the reason for the existence of industrial organizations as the reduction of transaction costs with external entities. Advances in ICT have made it possible to share information and exchange ideas quickly and at low cost, and it also increases the transparency of the market. Professor Lee points out that these changes are also bringing changes in the form of collaboration both within companies themselves and with other entities. Ultimately, companies are focused on providing optimal solutions to their customers' needs as quickly as possible, and their organizations will also change to match this goal.

The role of a company is to rapidly provide its customers with optimal solutions

The existence of business chat tools such as Slack and Teams clearly symbolizes this way of thinking. Using chat tools, everything proceeds on a task-related basis. When an issue that requires discussion is raised by a customer, a channel for the relevant topic is created in the chat and at first several members of the company team begin to exchange ideas. Eventually, other interested team members begin to participate, and the discussion becomes more vigorous. The important thing when using chat is to take in people's opinions, think about them, and continue to generate meaningful opinions. This bears no relation to one's job position. Even a person with no official position who is considered competent will be recognized as a "favorite" if they offer their opinions on a range of topics. By contrast, a person who has a job position but is unable to offer significant opinions reveals their lack of ability. Yuka Tanimoto, Managing Editor of Forbes JAPAN's Web Editing Department, indicates that ICT can offer a tool for Japanese people to project themselves in the world. From the perspective of rapidly providing optimal solutions to customers' needs, there is nothing that reflects a person's actual ability like a chat tool.

What I am trying to say here is not that companies should introduce chat tools. It is that they should use all the tools that they are able to use. If most of a company's employees were unable to read, the company would have no choice but to exchange opinions face-to-face. However, in Japanese society everyone is able to read, and most of them can use not only computers and smartphones but also presentation tools and chat tools. I am merely saying that a company should choose the tools that suit its TPO, and there is no necessity to choose between online and offline.

The problem with Japanese companies is that communication takes time, and the scale of decision-making is small. However, neighboring Japan we have China, a nation with ten times

Japan's population, and one in which the populace is more aspirational than the Japanese. The only way to compete with such a nation is to speed up communication and increase the scale of decision-making.

The specialties of both managers and employees will come under scrutiny

Change in the mindsets of managers and employees will also be required. Up to the present, executives have been able to confirm their identity by sitting in a large executive office, while employees, by commuting to work every day, were able to secure a position and receive a salary. However, in the future, the competitive environment for companies will intensify, and the form of employment will change drastically. There is no doubt that we will shift away from the lifetime employment system towards the effective use of external resources such as individuals working side or second jobs. When this happens, the specialties of managers and employees, e.g. "Who am I and what am I good at?" will be closely scrutinized. What will be necessary to confirming the significance of one's existence will be neither sitting in the executive office nor commuting to work, but rather how you contribute to the team based on your specialties.

What is the nature of these specialties? Ken Kusunoki, a Professor in Hitotsubashi University's Graduate School of International Corporate Strategy, explains the importance of "sense" and "skill." Specific skills are essential for the performance of work in different fields, while sense is necessary to making comprehensive judgments of things and situations. Possessing a good balance of sense and skills could be called a specialty.

Changing the direction for management structure

In Japan also, a movement towards the fundamental reexamination of the best direction for organizational structure has finally commenced. Under President Makoto Gonokami, The University of Tokyo has formulated a policy under which it will formulate its own strategies and act at its own initiative. Dr. Gonokami tells us that the university will be reborn as a "management body" that will grow by extracting value from intangible knowledge and attracting investment. The ability to formulate large-scale contracts based on mutual discussions between the top management of the university and the top management of companies in a new process of "University Corporate Collaboration" can be said to represent a breakthrough towards the realization of an organizational form that is able to rapidly implement large-scale decision-making.

Kentaro Kawabe, the President and Representative Director of Z Holdings Corporation, predicts that ICT will change the power balance between organizations and individuals, and that the relationship will become more equal. Individuals empowered by ICT will align and realign for different missions, but there will be numerous missions that are impossible to realize based solely on a collaboration between individuals. Mr. Kawabe's thinking is that organizations will be necessary as platforms to support individuals of this type. This would resemble the relationship between YouTube and a YouTuber, or a crowdfunding service and the initiator of a project seeking funding.

Changes in the nature of decision-making against the background of progress in ICT will bring changes to individual awareness, and organizations will come to have the function of empowering individuals rather than representing an aggregation of individuals. In the "era of readjustment," both companies and workers will come under severe scrutiny by the market with regard to both their roles and their functions.

Mr. Kanemaru is NIRA's Chairman and the Chairman and President and Group CEO of Future Corporation. He has also served in a variety of public capacities, including as a member of the Cabinet Secretariat's Growth Strategy Council.

Expert Opinions

Market Transactions or Hierarchical Organizations?



Thomas Y. Lee

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Recent advances in information and communication technology (ICT) are changing relationships both within and outside organizations, and having a significant influence on the dynamics and relationships of companies. These changes can be considered separately within companies and between companies.

Considering the situation within companies first, the application of ICT to a variety of situations has increased the transparency of decision-making, and it has also made it easier to monitor work procedures. In addition, it is affecting the relationship between functional units such as departments in company organizations. The role of the CIO (Chief Information Officer), which was previously to focus on back-office operational efficiency, is now changing to include strategic issues. In many cases, CIO functions have merged with the CFO (Chief Financial Officer) in order to facilitate

greater agility in responding to market changes.

On the other hand, it is not clear that telework, which has rapidly expanded as a result of the COVID-19 pandemic, will be sustainable over the long term, despite the fact that we have clearly made some early gains. Perhaps the productivity ascribed to ICT-enabled remote work will ultimately echo the Hawthorne effect, which is a psychological phenomenon observed during in situ experiments whereby changes in workers' behavior are ultimately due to their awareness that they are under greater scrutiny, rather than a systemic change. Productivity gains attributable to the Hawthorne Effect generally diminish over time. In the case of COVID-19 remote work, we may eventually discover that workers have been particularly conscientious about ensuring that they do not decrease their productivity, and have expended extra energy to scrutinize their own productivity in ways that are not sustainable over the long-term. To turn a long-term challenge into success for remote work, one that firms are only beginning to encounter, depends on maintaining and even evolving their corporate culture in a time when employees are physically distant and unable to rely upon informal and non-verbal physical cues to shape and reinforce cultural norms of behavior and practice.

ICT is also having a major impact on the relationships between companies. The theory of industrial organizations explains the formation of hierarchical, vertically-integrated firms and industries as a means for minimizing the cost of procurement of goods and services through market transactions. ICT allows greater transparency in market transactions, resolving problems of incomplete information. As a result, market transaction costs are being significantly reduced, and there is an increasing trend towards choosing market transactions. The rise of platform-based business models such as Amazon's marketplace or Uber's service exemplify this. By contrast, Rolls Royce Ltd., which manufactures aircraft engines, is generating revenue by analyzing data from sensors fitted in their engines, allowing the company to continuously provide services such as maintenance and support for efficient operation. The former is a trend towards market-based industry structure and relationships between firms, while the latter suggests consolidation in industry structure and hierarchical relationships between firms. Malone and Yates described these ICT influences using the language of economics more than thirty-five years ago. Today, we do not necessarily know whether the progress of ICT will see companies advancing towards procurement through greater coordination in the market or the creation of larger hierarchical organizations, but the key will be to build and foster trust using ICT.

ICT will not produce anything or offer the correct answers by itself, but it is an enabler that can provide a tool for building trust. Managers are now focusing their efforts on how to introduce ICT and create an internal corporate culture and build trust within and outside their companies.

Professor Lee conducts research on the use of ICT to support innovation and new product development. He specializes in text and sequence mining techniques; his recent work focuses on mining semi-structured and unstructured user-generated data to support innovation, problem-solving, and design. Professor Lee holds a Ph.D. from MIT's Engineering Systems Division. He took his present position after holding an Assistant Professorship at the Wharton School of the University of Pennsylvania. He has also served as a visiting scientist at the National Institute of Standards and Technology and as a research engineer at the MITRE Corporation.

Expert Opinions

How Do We Create Intimacy?



Yuka Tanimoto

Managing Editor, Web Editing
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Interviewing managers throughout the world, what I have come to realize is that Japanese companies do not engage in the type of communication that generates innovation. This is the reason that it has not been possible to spark innovation. Today, we have available ICT tools such as LINE, Facebook and Slack, making it possible to create the ground for communication that generates innovation. The success or failure of this initiative will determine whether a company becomes an entity that generates innovation.

I believe that the key to creating this ground is intimacy. An atmosphere in which there are hierarchical relationships in meetings and it is difficult to freely offer opinions is not one that will produce diverse ideas. ICT tools will make it possible to adroitly break away from this type of company culture. Hitting the “Like” button in relation to your superior’s opinion without trepidation, sending back a stamp for a more junior employee’s idea; this is an environment that encompasses intimacy. Truly creative companies that generate ideas set out intentionally to create a safe and secure zone in which employees are able to say anything, and create numerous spaces and opportunities for intimacy in their organizations. It is the role of top management to change their organizations in this direction.

ICT tools are also a “ticket to the world.” Today, the CEOs of Japanese companies are almost never seen at international conferences. If one of the reasons for this low international presence is a feeling of being daunted by languages and communication, strategies such as the use of VR or avatars may be able to resolve the issue. Japan has considerable cultural affinity with avatars and the like, and it would be possible in this way for Japanese individuals to naturally project themselves and communicate. In the future, if top corporate managers mutually created avatars of themselves and were able to use services that made it possible to conduct business meetings while lying on a beach sipping a cocktail, Japanese managers should be able to realize good communication in the situation. Avatars and other ICT tools are powerful tools that can be used in business.

The style of leadership will also change. What we require today is not traditional top-down management by a charismatic manager, but leadership by managers who are also producers, able to elicit each individuals’ strengths and individual characteristics. If managers are daring enough to allow aspects of things to “not yet be decided,” and allow their human resources to run with them, things of a scale different to that previously available will become possible. Companies that have leaders able to make this type of professional-to-professional synergy function through teamwork are vigorous today. Possessing a company philosophy and a message to society as a framework, and advancing a diverse range of projects in any possible direction within this framework: This is the vision of the corporation of the future.

Ms. Tanimoto is an “interview professional,” and has conducted interviews with more than 3000 VIPs throughout the world, including former British Prime Minister Tony Blair and Steve Wozniak, the co-founder of Apple. She has developed numerous theories of leadership based on the knowledge she has gained, as shared in works including “Sekai no toppu ri-da ni manabu – Ichiryu no ‘hen’ ai” ryoku (“Learning from the World’s Top Leaders – The Power of Partiality at the Top Level”). Following a period as a newscaster for Bloomberg TV, she took an MBA in the US. Ms. Tanimoto then joined Nikkei CNBC as a newscaster, and became the network’s first female commentator. She joined Forbes JAPAN in 2016, taking her current position in 2020.

Efficiency or Effect? – Judgment Using “Sense”



Ken Kusunoki

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The advent of the COVID-19 pandemic has rendered the outlook for our society and economy uncertain. In such a situation, it is “human nature” that we rely on when thinking about things and making decisions. Remote work, work performed at home or another location without the need to visit the office, accords well with human nature in that we find commuting every day a nuisance, and as such I believe that it will continue to become entrenched even when the COVID crisis is over. Gathering together in offices to work was, so to speak, a mere convention. The turmoil of the pandemic has provided the opportunity to break through the convention that work is something that we gather together to perform in offices, and allowed human nature to become more apparent.

If there is the option of going online for the operation and management of organizations and our work style, then it is necessary to also think about the use of offline resources to allow people to come together and meet face-to-face. There is also a classic example of the issue of “efficiency” versus “effect.” The use of online resources is clearly very efficient. They are suited to administrative meetings and formal meetings conducted to seek approval from everyone present, such as board or faculty meetings. However, effect is an entirely different issue to efficiency. If positive effects are sought – expecting a diverse range of ideas to be hammered out during a meeting, getting everyone on the same page and motivating them when starting something, effectively communicating your intentions in relation to important matters – offline resources, such as meeting people face-to-face or gathering everyone together in a conference room, are well-suited.

“Sense” is what allows us to judge whether the aim is efficiency or effect. Sense is necessary for comprehensively judging perspectives on things and situations, and is indispensable to the formulation of management strategies. Sense is not innate, but is an ability that can be acquired through one’s own efforts. Excellent managers hone their sense. “Skills” are indispensable to performing procedures in different fields. However, when a new movement is begun, we tend to focus exclusively on the acquisition of skills, and forget the original purpose. We see many cases in which as we identify the means to be employed, they become the purpose, and do not produce outcomes. A classic example is possessing the skills to make a presentation, but one’s content being of no interest.

In the future of work, it will be necessary to utilize online and offline resources effectively. Which one to use when? Here also, insights into human nature will provide the standard.

Professor Kusunoki is highly regarded for his management theories, which he formulates based on vibrant thinking. His book *Stourii toshite no kyousou senryaku* (“Competitive Strategy as a Narrative Story”), published in 2010 by Toyo Keizai Inc., has become a bestseller, having sold more than 250,000 copies. He has given extensive consideration to the best ways of working in a mature society, and adopts a variety of approaches in addition to corporate strategy, including the image of leaders, the work skills of young people, and work styles. Professor Kusunoki specializes in the theory of corporate strategy and innovation. He completed the Master’s program at Hitotsubashi University’s Graduate School of Commerce. Following terms as an assistant professor in the same university’s Faculty of Commerce and Management and Institute of Innovation Research, he took his current position in 2010. In addition to being a member of government councils and the director of an academic society, he has also served as a management advisor to private companies.

Expert Opinions

The University Will Be Reborn as a “Management Body” That Drives Social Change



Makoto Gonokami

President, The University of Tokyo

With the development of ICT, digital transformation (DX) has proceeded at a rapid pace, and the global industrial structure has been displaying a shift from capital-intensive to knowledge-intensive for the past 20 to 30 years. However, from its thinking in the area of corporate management to its legal system, Japan has not yet escaped a “manufacturing” base. The role of driving Japan’s society, which is lagging behind, to the transformation into a knowledge-intensive society, should be fulfilled by academia, which conducts its activities on a “knowledge” base.

In order for the university to drive social change, it must be transformed into a “management body” that formulates its own strategies and acts on them, rather than operating passively on the basis of government policy and government funds. This change will necessitate upfront investment funds, and in order for universities to obtain them, it will be essential to create value from intangible knowledge. This will also be essential from the perspective of the transformation to a knowledge-intensive society. Up to the present, The University of Tokyo has been actively engaged in the fostering of ventures, and venture companies have gathered around us, to the point that the area around us is sometimes referred to as “Hongo Valley.” However, the scale is still small from an international perspective, and the numbers being established in research areas that Japan is strong in, such as condensed matter physics, materials and chemistry, is still small. My desire is to actively call for overseas venture capital to help ensure that commercial viability can be achieved.

Additionally, in October we will issue long-term university bonds in order to procure funds from the market. By procuring corporate finance-style funding for the university as a whole, we will be able to focus our investment on projects that should create value over the long-term, and realize public good in a new form, regardless of our immediate situation or the success or failure of individual businesses.

Furthermore, we are aiming to realize, in collaboration with companies, large-scale “University Corporate Collaboration” extending from the setting of agenda to commercialization, to provide a conduit for investment by private companies in the university. In many cases, previous collaborations between industry and academia have sought only to solve on-site problems and most were of a scale of only several million yen. The value of the knowledge possessed by the university was also underestimated. From now on, our top-level management and the top-level management of companies will talk together in order to secure large-scale contracts based on cooperation between our organizations. One project that I would particularly like to bring to your attention is the formation of an alliance with Taiwan’s TSMC, creating a mechanism for providing the Japanese industrial world with access to the company’s manufacturing processes. The University of Tokyo will fulfill a gateway function. The utilization of TSMC’s cutting-edge semiconductor processes, to which it is difficult for individual companies to gain access, will make it possible to manufacture prototype next-generation semiconductors.

It is a timely thing to establish the goal of becoming a university that drives social change at such a time as today, when we must respond to global issues, and activities that optimize overall value globally are demanded. We will also thoroughly mobilize the knowledge in the humanities and share the university’s experience with companies in order to realize a better future society.

Since 2015, Dr. Gonokami has served as the 30th President of the University of Tokyo. As industry and society transform to become knowledge-intensive, he has advocated new roles that universities should fulfill as bases of knowledge, and has advanced reforms on that basis. His concept of the expansion of the university’s role is wide-ranging, encompassing, for example, the creation of “smart islands” centering on the academic information network SINET, linking universities and research institutions throughout Japan. Dr. Gonokami serves in numerous public roles, including as a member of the Science Council of Japan, the Council on Investments for the Future, and the Council for Science and Technology. He took his present position following terms in positions including as an Assistant Professor in the University of Tokyo’s Faculty of Engineering, a Professor in the university’s Graduate School of Engineering, a Professor in its Graduate School of Science, its Vice-President, and Dean of its Graduate School of Science. He holds a Ph.D. from the University of Tokyo, and specializes in photon science.

Expert Opinions

It Will Be the Role of Organizations to Provide Support for Individuals Who Seek to Realize Goals



Kentaro Kawabe

President and Representative
Director, Z Holdings Corporation

What ICT brings to us is “individual empowerment.” ICT has removed the restrictions of place and time, and evolved communication into something that transcends time and space. In particular, the advent of the commercial internet, smartphones and SNS has produced a great leap forward in the empowerment of individuals. In addition, with the arrival of services such as Facebook, we have entered a phase in which empowered individuals are connected. This has produced an “individual revolution” which allows individuals to do things by themselves that they previously did in organizations. The fact that the number of people able to survive as freelancers or in the sharing economy is increasing is a manifestation of this.

This change necessarily negatively affects the *raison d'être* of the conventional organization. In the future, organizations that perform functions that can be performed by individuals who establish connections, even if they do not belong to an organization, will probably fade away.

However, this does not mean that organizations will become completely unnecessary. For one thing, organizations will be essential to creating huge platforms to allow individual empowerment. This is easy to understand if we think of the relationship between YouTube and a YouTuber who is active on the platform, or a crowdfunding service and the initiator of a project who is seeking funding through it. In our future society, individuals will align and realign in a more project-driven fashion, looking towards the realization of individual ideas, dreams and desires – following their vision of “doing something like this” – and things will be born from that. I believe that this will be facilitated by support from platforms.

Secondly, organizations will be necessary for doing big things that cannot be done solely by individuals collaborating. The future will be an era in which working people, in order to realize what they want to achieve, will decide whether they can implement the project themselves, or whether they should belong to an organization that is capable of achieving bigger things. For example, my company has established its mission as “Unleashing the infinite potential of all people, with the power of information technology.” People who want to realize a project that it would be difficult for an individual to complete and feel that they want to implement it with an organization come to us. In order to realize those projects, the organization conducts management that provides support for the individuals that seek to realize a goal who have gathered together. You could say that the relationship between organization and individuals has become more equal. I believe that in the future, this type of organizational management will be an essential condition for the growth of companies and organizations. Amid the COVID-19 pandemic, the attractiveness of organizations has been significantly affected by whether or not they are able to use technology in order to provide spaces that make it possible to work safely and efficiently. Organizations that foreground their ego as companies and demand selfless devotion are avoided. It is necessary for top management to make changes with a constant will and an ability to get things done.

Mr. Kawabe established a venture company while at university. Following this he joined Yahoo Japan Corporation in 2000 subsequent to a merger between his company PIM Corporation and Yahoo Japan Corporation. After terms as an executive producer for Yahoo! Mobile and in a supervisory position for Yahoo! News, he became the President of GYAO Corporation and worked to rebuild the company's business. In 2012 he became Yahoo Japan Corporation's COO, and from 2018 he was its President and CEO. With Yahoo Japan Corporation's transition to a holding company structure, in October 2019 Mr. Kawabe became the President and Representative Director of Z Holdings Corporation and Yahoo Japan Corporation.