The Lost Years? Or Finding Japan?

by Henry Mintzberg

I came to Japan in February, for the first time in a number of years, to visit a country I enjoy but also to find out about those “lost years”—ten, and now twenty. What lost? Why lost?

Where Are These Lost Years? If, as a returning visitor to Japan, you expect to see some evident manifestation of these lost years, you may be surprised. During two weeks in Tokyo, Kamakura, Kyoto, and the Oki Islands, what I saw was a clean, stable, wealthy country. The cars are recent, the stores are lovely, the restaurants remain wonderful, the people are as pleasant and accommodating as ever. Most strikingly, coming from what North America has become, everything works in Japan—everything I encountered just works marvellously well. No evident lost years here.

So where are those lost years? They are certainly evident in the economists’ statistics, and in the minds of people in business and the press who like to keep score. Especially compared with China, Japan is no longer winning; it has long ceased to be the darling of Wall Street. So what? Is this the only game in the world?

Have a look at what economists don’t measure, as well as other measures that many economists ignore. As an example of the former, consider culture. Japan seems to have been remarkable in retaining its culture, during its years of great economic growth as well as these lost years. Compare this with China now. As for the statistics ignored, consider the ones on longevity: the Japanese remain among the longest-living people in the world. These are gained years, not lost ones. Something must be right.

Shareholder "Value"? What strikes me as worrisome is the solution most aggressively promoted for recouping these lost years: a mercenary model of capitalism that is so popular in the United States as well as with many economists around the world. It goes by the name of "Shareholder Value," although this has nothing to do with any real values: it is a fancy term for driving up the price of a company's shares as quickly as possible. Nothing else counts. Not the employees who have devoted their lives to the company, not the suppliers who care about quality, not the surrounding communities that sustain the company, certainly not the country that chartered it in the first place, nor the company itself, which can be conveniently dismembered for quick cash.

Shareholder Value calls on the company to concentrate on leadership and ignore what can be called *communityship*—the engagement of its people in cooperative endeavor. Everything depends on the heroic leader, who is paid obscenely to drive everyone else in the relentless pursuit of ever higher share prices. The key is to get productive, like America, by firing thousands of workers whenever the share price is threatened. This is called "downsizing", a euphemism for 21st century bloodletting: the cure for every corporate ill.

Keeping Score in America Does Shareholder Value work? First, consider the America economy. While that famous 1% gets staggeringly richer, incomes for the rest of the society stagnate, and so does the economy.

Let's take a look at that famous American productivity. If you wish to make a manufacturing company really productive, fire everyone in the factory and ship customer orders from stock. Economic statistics record this as terribly productive—until, of course, the company runs out of stock. The American economy has been running out of stock. No longer can it build its economic development on the backs of its workers and its suppliers. The short-term is running out for Shareholder Value.

Next, consider the American society, for example the rates of incarceration and obesity, the use of illicit drugs, and health care spending (for mediocre results). These are among the highest in the world, while the legal corruption of American politics (legitimate bribery, unregulated donations, etc.) is out of control. Even university attendance and social mobility, long American's greater claims to fame, now lag behind many other developed countries.

Is there a link between all this and the embracing of Shareholder Value in the United States? Very much so. The fall of the communist regimes in Eastern Europe in 1989 has been understood in America as the "triumph of capitalism." Not at all. It was the triumph of balance. While those regimes were utterly out of balance, on the side of their public sectors, the United States, and most other developed countries, balanced their public, private, and what can be called plural ("civil society") sectors. But with this false belief in the triumph of capitalism, the United States has been going steadily out of balance ever since, on the side of its private sector, as economic forces have been trumping social and political ones. Shareholder Value is the most evident driver of this imbalance, and its effects on American society are proving devastating. Too many other countries are now mindlessly following suit. Will Japan?

Living Lost Days in America On my way back to Montreal from Japan, I stopped in San Francisco: from dignity and decency to business as usual. The hotel where I was booked—an ordinary place, in a tiny room—cost me over $300. ("There's a convention in town", I was told, without any need to add "Like everywhere else in this country, we exploit our customers, always charging what the market will bear.") The toilet seat would not stay up. (In Kyoto, we paid the same for a wonderful, if lower end, Ryokan—and the toilet seat worked perfectly well, indeed was gloriously heated.)

I ate dinner in a restaurant that served the worst food I had seen in two weeks; the bill came with a note that the "suggested gratuity" be 18 or 20%. (In Japan, the restaurant, not the customer, pays the staff.) When I checked back in at the airport, I was told that I had to pay $25 for one checked bag. (When bad weather forced our flight to the Oki Islands back to Osaka, the rebooking service from Japan Airlines was remarkable. In fact, at the airport for our departure in Oki Islands a few days later, there was a personal note from the Japan Airlines person in Osaka apologizing for taking so long to rewrite our ticket—even though that was our fault. We did not lose a day in what happened so much as gained a lovely experience!)

In a United States that has becomes a land of exploitation, with so much social deterioration, they don't talk about lost years. They just live them, every day.

Shareholder Value in Japan On my way to Japan, I read several articles I had collected about Japanese companies. One, from 2008, compared Sony with Cannon, the former having bought into the Shareholder Value model, the latter not. (Check out their performance since then.)

A number of other articles discussed Toyota, the most famous of the Japanese companies, and how it lost its way, ending up with a sequence of humiliating recalls. A 2010 article in *Business Week* quoted a previous chief executive of its American arm about how Toyota had been "hijacked….by…..financially oriented pirates." As the article put it, Toyota "got carried away chasing high-speed growth, market share, and productivity gains year in and year out. All that slowly dulled the commitment to quality embedded in Toyota's corporate culture." CEO Katsuki Watanabe, an economist, seemed fixated on keeping score, especially in his drive to pass General Motors as rthe biggest company in the industry. Mimicking the American approach to Shareholder Value, the company drove its workers and suppliers relentlessly to make his numbers.

The great companies of Japan became great, not by keeping score, but by providing excellent products and rendering appreciated services. And that, in a word, came from communityship. The chief executives of these companies were themselves personally involved, and so helped to build the companies as communities of engaged human beings, not collections of disconnected human resources. They did not lose sight of qualities by obsessing about quantities.

Why in the world would Japan want to adopt a failing model of development, especially one so antithetical to its own culture? Indeed, why would it want to adopt anyone else's model, when its greatest success came from copying no-one, but instead being true to itself?

Finding Japan Maybe what Japan has lost, at least in the attitudes of too many of its elites, is sight of itself—the country, the culture, the reasons why it works so well.

The greed embodied in Shareholder Value is sweeping much of the world today. It is serving few people, at the expense of many, and more dangerously, at the expense of democracy and of our planet itself. Japan is one place that has managed to resist some of that sweep. So far, at least.

What I could see in this brief trip to Japan, compared with a number of earlier ones, is a country that has maintained its prosperity, its culture, and the dignity and decency that it was able to build up after the war. The pressures to forfeit much of this to improve the score—a narrow score in a game that is tilting our world dangerously out of balance—make no sense at all.

Should Japan be able to retain its good senses, it could emerge as a model for a troubled world. Instead of looking out, to win, it could look in, at its own strengths. Not to close itself off, as it did in earlier times, but to build from the inside out, by finding in its soul what it never lost at all.

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