

BUSINESS INSIGHT 1996 Summer

Insights of top management

Masao Maekawa

(Mayekawa Mfg. Co., Ltd Representative Director and Chairman)

### **Independent Unit Management and Corporation as “Ba” (the site) that Let Us Live”**



Masao Maekawa

6<sup>th</sup> of November, 1932: Born

March 1955: Graduated from Science and Engineering Faculty, Waseda University

April 1955: Joined Mayekawa Mfg. Co., Ltd

March 1959: Appointed to Director

March 1959: Appointed to Senior Executive Director

March 1971: Appointed to President and Representative Director

March 1996: Appointed to Chairman and Representative Director

In this interview we asked President Masao Maekawa of Mayekawa Mfg. Co., Ltd. who has been organizing the company based on a bold company split-up about his unique thoughts on management and organization. His principles backed up by profound insights mainly consist of the following three.

The first one is the unique view of organization and management. Traditional management has an image that it suppresses employees and makes them feel uncomfortable. The company has been trying going beyond such organization and management as simply making the employees work toward goals. Mayekawa Mfg. Co., Ltd. is well-known for its unique way of company split-up called an Independent Unit (or “*Doppo*”). One of the main topics in this interview is how their company split-up differently from the normal way.

The second one is his thoughts about growth and education of human resources (or should be stated as growth and education of human). At Mayekawa Mfg. Co., Ltd., a letter from the president is sent to employees one day before their 40th birthday. What kind of assignment should people have for their development in their 20s, 30s and 40s? It has been studied in life-span developmental psychology and career development. But

President Maekawa has his own principles on the topic based on his experiences through management. Therefore, many opinions about education come out from his principles. The second main topic in this interview is to ask about it.

The third one is his management philosophy as a manager. How does he think about management? As the backbone (or foundation) of his philosophy, he thinks that management is a living creature. The reason why Mayekawa Mfg. Co., Ltd. still has the centripetal force while having more than 100 Independent Units, according to President Maekawa, is that "It is important not to let them die and to see that each company is living". Why does he always think of the company as a living creature, not a machine? Or what is the reason for him to see the company as "*Ba*"(the site)? We would like to close in on his philosophy of management that made him think that the company is a "place where people meet each other, live together and learn together".

Of course, these three main topics are related to each other so they will overlap in this interview.

### **The Original Idea of Independent Units**

**Editor:** First of all, can you please tell us about the concrete image of your unique idea, Independent Unit? Why did you spin off the company into more than 100 Independent Units and run them? If necessary, please tell us the uniqueness of the product markets and also your biological view of organization?

**Mr. Maekawa:** I am not doing anything special. If I look back, I think one of our industries, industrial refrigeration compressors, hit its peak of expanding the market all over the world 20 years ago. After that, the market size has been reducing. This trend is seen not only in Japan but also in America and Europe. We had an environmental reason. Around that time, I started thinking vaguely that the era of "creating productions selfishly and selling them" was over.

Also around that time, I read a book called "The World of Living Creatures" written by Kinji Imanishi. This book was very interesting. In the book, there was an idea called compartmentalization. The concept of corporations, creating products selfishly and selling them, was a big antithesis to me. Then I thought in the company there must have been some places to be compartmentalized. I did not even think such thing, so I thought I should take some time to think about it.

First of all, I thought about the following. What kind of world does each group live in? What kind of history and features does each world have? What can we do to each world? These groups of "we" are special groups, so each group can only deal with one market. So I thought that this way of thinking would lead to compartmentalization after all.

This was the beginning of "Independent Unit". Each Unit should have a link to its market and keep existing in its market. To exist means that the Unit gives and takes information or things in its market. To exist does not mean that only Units unilaterally

do some kind of corporation activities. We started Independent Units based on that thought, including giving and taking information or things in its market.

### **Two Things that I realized – No Competitors, No Rules**

**Mr. Maekawa:** Gradually, through the Independent Units, I started realizing that the markets were related to each other but each market was unique and has its own world with its own characteristics. This is a common sense but this was one thing that I realized. If the markets were such world, there was only one thing that we should do. Therefore, theoretically there were no competitions.

There was one more thing that I realized. That is, the common rules and regulations throughout the entire company would not function if each Unit had to do their special activities in each special market. Rules and regulations are usually made based on the previous failures and to prevent more failures. It is just like a summary of the past. However, the things happening now have not previously happened. Such things are happening every day. If we try to use the past cases to deal with the current phenomena, it means we are not seeing the current phenomena precisely. In other words, we are seeing the current phenomena while being stuck in the past. So as we proceeded to make the Unit independent, the rules and regulations gradually disappeared. Now Mayekawa Mfg. Co., Ltd. does not have much regulations and rules. That was how this company became what it is now.

### **The Headquarters Has No Roles Other Than Cheering As a Venture Capital**

**Editor:** You often say that “there is a whole in a mini company”. How can we understand “a whole” in this case? And if each Independent Unit is its own whole, what is the Headquarters? What is the role of the Headquarters?

**Mr. Maekawa:** As the number of Independent Units gradually increases like this, at the beginning these Units make a loss until they are deeply involved in the market. While making loss, we do not make Units independent. However, when the teamwork gets better in the Unit and the products they make meet the demand from their market, the Units will be relied on by the market and the management becomes stable. From there, we get a new Independent Unit started. If we deal with the needs that come out from the markets as Independent Units, we can gain more employees and accomplish goals stably, and the profit increases.

If we keep doing this, at a certain point, a new Independent Unit is created. And after a while, there will be needs that we are not specialized in. To deal with such new needs, about two years before making another Independent Unit, all the Units already figure out that “That market has such and such needs so we can send a group with these members and make this person the leader of the group and they will become

independent in the market”. Then, it becomes like “There are this market and that market related to this market”. So the roles of the Headquarters are only to be a venture capital for venture businesses and something like a cheer leader in order to cheer the withdrawing groups.

So if some big needs come up very close to the markets, a few Units get together and deal with the needs by gathering their knowledge, technologies and human resources. The Headquarters does not say anything about it. But when special technologies and information of the Headquarters in Tokyo are needed, the Headquarters joins the Independent Units. That is what the Headquarters does, so at the moment we do not really need the Headquarters.

### **Investment to Independent Units and Appointment to the President**

**Editor:** Who invests in those Units when they become independent and how? And can you tell us how you appoint the president of an Independent Unit?

**Mr. Maekawa:** About an appointment of a president of an Independent Unit. It is easy for everyone to know who takes leadership among people who started working on it. That person becomes the president of the Unit. When it becomes independent, we backup the Unit with technologies and human resources of the entire company for a few years. During that few years, the necessary technologies can be built up. This is how we create Independent Units. So we do not need much additional equipment and investments. When the Independent Units have the abilities to integrate information of technologies and to get out the real market needs, the very important part is to form the Unit in terms of “production of knowledge”. Therefore, we do not need much investment, and even when the Headquarters has the capital to invest, it is not a big issue.

**Editor:** Are there times when those who are dealing with the foundation of a new Independent Unit actually invest in their Unit?

**Mr. Maekawa:** No. Only the Headquarters invests.

### **Block Research Institute and Mayekawa Research Institute**

**Editor:** In relation to knowledge and the Headquarters, you have “Block Research Institute” and “Mayekawa Research Institute” in your mind. You have an assertion, which is “The Headquarters as the parent body of usual management and control should be dissolved. The role of the Headquarters is to support the voluntary activities of the Independent Units.” Can you tell us a little bit more about functions of the Headquarters? First of all, please tell us how the ideas of “Block Research Institute” and “Mayekawa Research Institute” came into being.

**Mr. Maekawa:** We have about 100 Independent Units. These Units have about 10 groups of corporations in different fields and areas. We have an organization called *Soken* (research institute) in each group. For example, we have eight Units in the Tohoku region and each Unit looks at its own market such as Morioka, Sendai or Hirosaki. However, they have the entire Tohoku region as a market too. It is not completed by the Units in Hirosaki or Sendai. Therefore, in terms of the markets of the entire Tohoku region, for example, a place that is in charge of the energy related development and engineering of the entire Tohoku block is called “*Block-Soken* (Block Research Institute)”.

Therefore, by cooperation of each regional Unit and *Tohoku-Soken* (Tohoku Research Institute), they can start seeing a new market. I think the market may be constructed by layers. The Independent Unit works in the smallest layer like a local place, and Tohoku Research Institute takes a responsibility in bigger layers like a region. Then, it normally goes beyond the regional level and we start looking at the national energy issue. *Maekawa-Soken* (Maekawa Research Institute) located at the Headquarters takes a responsibility of the national issue. Then, an Independent Unit, Tohoku Research Institute, and Maekawa Research Institute get together and create a new energy project.

**Editor:** How should we understand the reason why you use “*Soken* (Research Institute)” as its name?

**Mr. Maekawa:** This is a group of integrating their knowledge. The research institutes also have their job sites, but the research institutes are in charge of a “production of knowledge” not of actual producing actual products. I am not sure the name, Research Institute, is good, but we used Block Research Institute as its name because it is the place to integrate the entire Tohoku region.

### **Do not Pursue the Expansion in the Quantity But Live in Many Sites**

**Editor:** When the companies in Japan expanded their scales in the economic bubble, you clearly said “I have never thought of the expansion of scale”. You said also that you would live in 100 places rather than expanding the company in one market. What do you mean by that?

**Mr. Maekawa:** Basically one Independent Unit digs deeply in one market. That helps our employees to grow as humans. And it is very intelligent, creative and interesting world. This should be interesting. So if what people do is very interesting, they start realizing the new aspects of themselves. In other words, they start creating new production in their market through the process. This part is very intelligent and interesting. The living creatures create something and live, and they know that they are creating something.

One Independent Unit can only do so much, so some of the other Units participate. Sometimes a research institute participates or sometimes the entire Maekawa groups

participate. We are not after the quantity but interest. Maybe I could say that we are after the quality. As a result, we will have the quantity and profit. So these are the consequences of what we did. We have never aimed at the expansion of scale in quantity.

### **Differentiation and Integration of Information**

**Editor:** There is a keyword in organization theory, “differentiation and integration”. For example, a company is differentiated into 50 divisions, and it is necessary to think how to integrate them considering the level of differentiation as long as these divisions are run under the same company. The bigger the level of differentiation, the more suitable integration mechanism should be needed.

On the other hand, the development of humans is “differentiation and integration”. While having many different experiences, these experiences are integrated within the individual. This is growth. In the phenomenon, “to live”, that you focus on, the cells divide themselves but they do not stay discrete. They also get integrated. I think this leads to the theme, “a part and the whole”. Can you tell us how we should think about an individual and an organization in terms of Independent Units, the part and the whole or differentiation and integration?

**Mr. Maekawa:** Extremely speaking, those companies that are after the quantity “create and sell as many as they can” based on their own rules and regulations. In these organizations, the way they collect information is “hierarchical”. Information becomes powerful when it is collected. In general, there is a thought that the more information there is, the more powerful it gets. I think it has something similar to multimedia in the recent news. However, there is another thought. That is information is not “hierarchical” but layered. There is a view that there are different layers but they interact each other and create another world.

I take the latter thought. We can voluntarily and creatively see and judge what we should do at each layer. That makes work very interesting. In the former case of differentiation and integration, I think these companies force the way they produce their products, the organization (regulations) or rules on their employees based on information hierarchy. However, I think that such industries are over. The view of the latter is based on the living creature as its model. If we look at the world of living creatures, in their community information is not “hierarchical”. It is “layered”. There is no way that the information of the stripes is hierarchical. It is definitely layered. Information in nature is layered.

Then, don't you wonder why we have collected hierarchical information? In terms of the question, I think “living things” and “to live” are different. If we gather information focusing on “living things”, the information is hierarchical. However, if we look at living creatures in a viewpoint of “to live”, the information is layered. I think the meanings are totally different between layered information and hierarchical information in differentiation and integration, even though they look alike.

### Incentives of Independent Unit Management – An Organization that Focuses on “To Live”

**Editor:** So people of the Independent Units show interest as energy to work, and they get together with the other Independent Units or research institutions to create new knowledge or to develop something. What is an incentive to keep providing the energy and intellectual interest?

**Mr. Maekawa:** The real attitude of an organization should focus on “to live”. Most of the organizations except corporations have a structure centered on “to live”, from earthworms to zebras. During the last several decades the human corporate activities did not have the concept of “to live”. This period is rather special. Probably the human activities in industries were in the economic bubble. But sooner or later, this trend will be gone. If we look at the few billion year long history of other living creatures, it is obvious. Therefore, the creative activities focusing on “to live” are different from the system of mass production. I think that it would be the best situation in which we can work in creative activities in terms of something we find interesting.

**Editor:** In a sense, the interest is spontaneous energy which is not something you are given from your boss. Is this what you mean?

**Mr. Maekawa:** It is an instinct to live that living creatures have. To live is a series of creative activities. This is the most interesting phenomenon in terms of “to live”.

**Editor:** If each person works following their intellectual interest, for example in a research laboratory, people will criticize them saying, “They are researching to research.” In order to keep the intellectual interest at work, it is necessary to make profit to a certain extent. Usually people at the senior level of a company control such activity by distribution of the budget. How do you control such activity in Mayekawa Mfg. Co., Ltd.?

**Mr. Maekawa:** Previously I mentioned that we do not have regulations and rules. The best example is that we do not have any regulations or rules about inventing new products and budget. However, big changes in society are our criteria of distribution of budget. There is no one in the company who stops what the employees are doing even though they have been doing the same thing for five years or eight years or how many times they have failed. The employees have a kind of an agreement that “that task should be done by someone”. I think this is not the decision of “all” but as a “whole”. That is why we do not ask how much it would cost or tell them to quit, when it would be done.

## The Change of Information-Flow Characteristics Rather Than Normal Profit Planning

**Editor:** Does each Independent Unit have its own profit planning? Or are the Headquarters or Research Institute in charge of the long term management plan? And I am interested in whether or not you even have a budget. Profit planning and budget are something that regular companies normally have. But what happens to these in the Independent Unit management of Mayekawa Mfg. Co., Ltd.? Can you frankly tell us about them?

**Mr. Maekawa:** I think I would better say that we do not have them. So probably you wonder how we run the corporations without them.

Almost every year, each Independent Unit and local research institute submit their budgets. We sum them up and distribute the budget. This is our plan, if you ask me about our plan.

We know that it is very creatively interesting to change information-flow characteristics. So by changing the characteristics of information, our work becomes creatively interesting. As a result, the quantity also increases. Thus, the quantity in our plan is a little higher. And then, there will be arguments about how we could change the internal information-flow characteristics to accomplish the plan. The arguments are more important than the plans themselves. So it does not matter if the plan is not accomplished.

But the combining information is difficult. Markets are bigger now. Our markets expand about 30% every year. The reason is because the systems that made in the past became obsolete in the last few years. All the systems must be changed. The markets were lost all at once, and at the same time other markets were created at once. A huge amount of intellectual tasks are needed in such situations. At this moment, we are working on the intellectual tasks.

Therefore, we do not have a long-term plan. We do not have a plan such as we will do this much next year or we have to do this much next year. But we can recognize really quickly that this Independent Unit has changed its information-flow characteristics since last year. We evaluate this very strictly.

## The Inartificial Characteristics Change

**Editor:** Can you explain the meanings of "to change the information-flow characteristics" a little bit more in detail?

**Mr. Maekawa:** Actually even we do not know what it is. The Independent Units gradually grow while they work in one place. But it is a small area, so we have to flash a searchlight. For example, in that area, there were eight Independent Units. We would



found a block research institute there. The block research institute creates new products in the regional market. If this happened, the block research institute and the Independent Units could progress well cooperating with each other. However, the Independent Units often start having an ego.

Especially, when the Independent Units recruit their employees and make a profit, it is natural for the Units to start having an ego. When this happens, the information of the whole region does not circulate through the Unit. If there are not information-flow characteristics changes in the Independent Units and the block research institutes in order to combine the information well, it does not bring out the strength of the combination. The same thing happens in some block research institutes. The light would be flashed on the areas the block research institutes could not cover. In such cases, the block research institutes and the research institutes of the Headquarters get together and the block research institutes learn comprehensive technologies, engineering and get a consultation from the Headquarters. While doing so, we can go deeper in the markets. Along with this process, compartmentalization rapidly progresses.

However, the Independent Units, block research institutes and Mayekawa research institutes are basically difficult organizations to combine their information. Thus, if the information-flow characteristics do not change, information is not actually combined.

We cannot change the information-flow characteristics artificially. We can artificially create rules and regulations but cannot change the characteristics artificially. It does not matter how strong your incentive is, you cannot do it. This change would involve the change of the characteristics from a reptile to a mammal. The change of the information-flow characteristics can be seen only in the organization. We have had discussions on how this happens in our company but we do not have a clear answer for it. We are sure that this and the issue of place are related to each other.

### **The Field – A Site Where Living Creatures Live**

**Editor:** It seems to me that you are trying to make all the job fields Independent Units. What is the actual field to you? These Independent Units have their own job fields, but what is your field as the top of the Headquarters?

**Mr. Maekawa:** Our companies are a group of venture businesses. Every year, some new corporations are founded in our company. These are venture businesses in new fields and work innovatively and creatively while combining information that some corporations among 100 corporations already have. If a site where the living creatures live is a job field, we gain diverse information from the job field, and create new information and return it back to the field. This is one cycle. I myself deal with productions, development and overseas things. No one comes to me and ask about the fields that I am not specialized in, for example, accounting and so on. Our employees know that I cannot give them any advice so accountants never come to me but to someone else who knows better about accounting. Those who come to me and ask for

advice are those who work at production, development and overseas divisions. In terms of these job fields, I can tell who wants to create what kind of world with what kind of career if these people are over 40 years old. There is an unwritten rule that we do not go and ask someone who are working in a different division than ours.

### **Let the Independent Units have all the management functions – An Encouragement of Ability to Live Alone**

**Editor:** It looks more efficient to manage human resources and accounting in one place if there are many Independent Units. Do you let your Independent Units have their own management functions?

**Mr. Maekawa:** Each Unit has everything including accounting, and the Units manage everything on their own. If we have some small Units with 4 – 5 employees but they manage accounting and everything else on their own. We have 2500 – 2600 employees including overseas, but we do not have a human resource department as a whole, so each corporation has their own human recourse division.

This is very wasteful. We have had many discussions about it in our company. However, a living creature should have a heart, head and limbs and then it can be one independent living creature; otherwise, it would not be able to live alone. I think it is not good for those living creatures who can live alone to make a pack. It is important to live completely alone.

**Editor:** That is what you mean by “there is a whole in a mini company”, isn’t it?

**Mr. Maekawa:** In each Unit, we do not make groups. We do not make any groups such as divisions or departments even when there are 10, 20 or 30 employees. The way we work is that everyone in one corporation decides what they need to do and plans out how they should deal with their tasks.

### **Freshmen Who Get to Know How to Participate to “Ba” (the site)**

**Mr. Maekawa:** Apparently this topic I am going to talk about now gives freshmen a hard time. At Mayekawa Mfg. Co., Ltd. freshmen choose which Independent Unit they want to work at. But when they go to the Unit they chose, no one tells them what to do. There are chairs for the freshmen so they are told to sit down but no one tells them what to do. Apparently these freshmen look too confused for the first few months so those senior employees cannot just look at the freshmen because they feel so sorry for the freshmen. At school they are told what to do by being given exams. In our companies, the freshmen come in and are told “you can do anything” but never told “Do something”.

So they learn how to participate. If the freshmen try to participate in a wrong approach for “Ba” (the site), the freshmen would sense that everyone else is thinking that those freshmen do not know anything. So the freshmen study how they should participate while the others are doing something. I think that the freshmen spend their 20s just learning it. I am sure that if they can know about humans, society and what they should do during their 20s, they will become great philosophers. I think if they can do it in their 20s, it is enough.

Like this, each Independent Unit is managing everything on their own. If they cannot do that, when they want to cooperate, they will not know how they should cooperate. The freshmen should learn, for example, what it is other Units expect from me among these five corporations and how my work will be evaluated. In other words, they should learn how they participate and how they can contribute well. It is important to know how they can participate as a Unit as well as an individual.

For this, even if this is wasteful, we should let Independent Units have all the functions. We give them the functions knowing that it is wasteful.

### Difference in Quality Rather Than Competition in Quantity in Independent Units

**Editor:** It looks to me that participation is the key. Are there any incentives for contribution in profit or competition among the Independent Units? Without such incentives, do the employees totally understand the management philosophy that you just mentioned and work in a view point of creativity of humanity? When I think about the division system, I have some images such as that the divisions fiercely compete with each other, and there are some cases that the divisions in the same company are competing. Also I think that there is a tendency to have an incentive system, such as that the reason why people in the divisions try to keep up the good work is because they will get an A-class evaluation and they can get a return that meets their accomplishment from the Headquarters, over other employees. What happens to incentives at Mayekawa Mfg. Co., Ltd?

**Mr. Maekawa:** As I mentioned a little bit previously, if the goals of a company are things including the profit of sales, it mainly cares about equipment, materials, the amount of budget, or the amount of the sales. If so, things become their priority and people become the second. This means that the company manages its production based on information, so-called “data”, that is distant from the information people have. This creates the society that is distant from people.

When this happens, productive technologies, development technologies, and manufacturing technologies of company A and company B will become something that has nothing to do with people. This is the reason why they try to steal from and take advantage of each other. And this causes the fierce competition. It looks to me that the aim of those companies who are oriented by things must be competition.

In the case of Mayekawa Mfg. Co., Ltd., things are the result. We are aiming at the quality. If we aim at the quality, what we can do to the market is only one. When we compartmentalize, each product business has different quality. At this stage, we are having a distance from the competitive society. Before competition, we give what we have to other people as much as we can and we learn from other people as much as we can and by combining those we create new things. This is the basic thought toward information in our company. Therefore, each Independent Unit must be capable of living alone in order to see from the entire company and make a decision. By doing so, as a result, the recent sales and profit has gone up.

In terms of return, if the yearly bonus is five months salary, we would add one more month salary on top of that if the employees achieve certain criterion. We do this under agreement of all the Units. This must be a return if I look at it as a return. Other than that, I do not think we give away cash as incentive for an Independent Unit or an individual.

**Editor:** What kind of a pay system do you have?

**Mr. Maekawa:** This is our weakness. I think it is a seniority-based pay system.

### **Information Flow in Relation to Planning**

**Editor:** Let me think about a concrete example of drawing up a plan in relation to that there are two kinds of information, hierarchal and layered. There is normally a up-to-down system in which a management planning division draws up a yearly or middle management plan and sales evaluation, pass them down to the employees and tell them to achieve their quota. On the other hand, I think there is a down-to-up system. In other words, there is a plan as a result of summing up the previous goals. In relation to planning, how does information flow?

**Mr. Maekawa:** When combining information, for example, when five people work on a project, they gather information based on their specialties. The way they combine information is completely top-down. All five members look at the information they gathered and combine the top-down information. There is a difference between one gathering information and looking at it bottom-up in his own field and everyone looking at it top-down. Our employees have to be at this level; otherwise, they cannot proceed. Those who just rely on their own information without knowing other information cannot combine information.

### **Assignment at Each Life Stage of Life Development**

**Editor:** You have mentioned the assignment of 20s and the negative point of the education during the school life. People have developmental assignments throughout

life. There are many books of life span developmental psychology but you have life span developmental assignments based on your experiences.

In their 20s, people should do anything they like and experience as much as they can. In their 30s, they should have their own ambition on the extension of the 20s. In their 40s, they should study their world deeply. In their 50s, this is really good, do whatever they like. In their 60s, they should try to complete their world. It may be normal for the top to consider human growth or education to be important. However, I think there are few top who can specify the assignments at each generation. Can you please tell us why you came up with such idea?

### **Three Stages Through 20s, 30s and 40s.**

**Mr. Maekawa:** Our company is 71 years old this year (at the time of this interview). People who have been with the company the longest are 84 – 85 years old. We have people who have worked at the company for 45 years. While looking at those people, there are some raw models for other staffs. Then, I studied what they did in their 20s, 30s, and 40s and found a pattern. This may be a cultural pattern or a pattern of humankind. I do not know what it is. But it looks like this pattern has been normal in the Japanese industries.

In their 20s: “do everything you find interesting” and “do not do what you thought about”. Of course, they fail many times. But that is the most important thing in their 20s. In their 30s, let's make their own direction based on their failures. After their 40s, they try to complete it. Therefore, there are only 3 stages; 20s, 30s and 40s, I think.

There is no retirement age at Mayekawa Mfg. Co., Ltd.. Because of the retirement system, when they become retirement age, we give them retirement allowance but they do not quit. It seems that 60s is the prime of life. What I mean by the prime of life is that they can deepen their world, and create new things while interacting with the worlds of the others. I think those in their 60s can do such things. If so, it is so wasteful if they quit at the retirement age.

### **After their 60s – Our elders are energetic!**

**Mr. Maekawa:** I cannot believe that after 20 or 30 years of working, people become useless. After 10 years, people gain an ability of independent creativity. After 20 years, they gain more. After 30 years, they gain more. This is the way living creatures develop. I think that human society has created weird organizations. My thought is that originally in their 60s, 70s and 80s they were supposed to deepen their own world more.

Some people in the world of artists expand their area of the art in their 80s. There are some people like that in the world of “Rakugo” (Japanese comic storytelling). Also there

is a conductor in the western music world. Once people have their own world, it is very creative and interesting for people to deepen the world. I think this actually maintains the vitality and opens up a new world. However, in this case, it is the artist's individual world. But a company wants to do the same thing as a group.

In the agricultural world, there was an ideal place called the earthly paradise. In the world of arts, there were people like Kokontei Shinsho (Japanese famous Rakugo teller) and Furtwängler who kept pursuing their ways until they died. I think we can do such things in the industrial world too. If we cannot do that, the society from now on will be worthless for humankind, I think. So if we want to do such thing, people should also do something useless for 20 years between their 20s and 30s. But they can create something new and big in the real world after their 40s. I think that it is best for people to think that they are happy when they die. We often say, "our elders are energetic!".

### **40 Years Old as Middle Age, an Important Turning Point of Life**

**Editor:** We often have discussions with people from big companies about how they could train people who can start up a business on their own. One topic was why people stopped functioning to develop ideas after working at the same company for 20 years. I have read your words, and I think they are very good. The words are "Something that gives life force to individuals is a pack". If an individual belongs to it, he becomes more energetic. I think we could say a pack is an organization. It is normal for people to become more energetic or have more life force in an organization or group than being alone.

However, people become unenergetic by the time they are appointed to a management position after having worked for 10 years or 20 years. What happens here? Is it because the organization has become a pack that sucks up the energy of individuals?

You somehow choose the age of 40, and send a letter to those who become 40 years old telling them to do something different and search themselves. What do you write in the letter?

**Mr. Maekawa:** As I mentioned now, there are many model cases of the way we work and how individuals act are things that everyone knows about in our company. I talk about them and tell the employees to organize their own way good for themselves to live and work. Each has own personality so each has a different way of life, but they should see it around the age of 40.

**Editor:** In the previous story, you told us, for example, in a sense of the completely living alone, the meanings of the words such as independent individuals or ability to live alone are what you have just told me. But why is the timing of sending them the letter when they become 40? Can you please tell us the experiences or observations behind this story?

**Mr. Maekawa:** As I mentioned previously, there is a way to spend the time in the 20s when they are in their 20s, and there is a way to spend the time in the 30s when they are in their 30s. Including these ways to spend time in their 20s and 30s, they have to decide how they want to spend their 40s. This is actually what I tell the people in their 20s. That is because I also did the same thing when I joined the company in my 20s. But I did it following unwritten rules, so I was not very aware of it.

### **The Industrial Era with a Sizable Intelligence and “Ba” (the Site) of Education**

**Editor:** There are two ways in education; one is “to pull out” and another is “to put into a mold”. Education has a positive aspect such as pulling someone’s ability out, but in the current education there is a strong tendency to put all the students into a mold. And ironically, there is a greater possibility that top well-established corporations put their employees into a mold.

You have told us your thoughts on education such as curiosity in work and that there is a load of intellectual tasks in the Independent Units. I heard that you support education in which your employees do not learn on their own but can learn from each other and find themselves, such as what they want to do with themselves. It is probably seen in *Wakeijyuku*, an old Japanese educational system. Can you please tell us your educational philosophy?

**Mr. Maekawa:** I would like to talk about my experiences in the industry in order to think about education. I mentioned previously that it will be the era of “quality” shifted from the era of “quantity”. Those clients to whom we sold our production plants have experienced the price decrease and the situation when they cannot sell as much. Almost everyone has such problems. To them they are very obscure worries but to me they are very clear worries. But they have some kind of worries that cannot be expressed. However, each plant has its own image of a solution for the worries. Probably if they try to express the image of the solution in words, only 10% of them could express the solution in words. The 90% of them can only imagine or have some kind of inspiration for the solution but cannot express it in words.

They have to put their solution inside their head into words, discuss it and make the solution work. This is the actual intellectual task. Probably, the industries in the 21<sup>st</sup> century will require a sizable portion of intelligent tasks like this. We will need 90% of our work in this. 10% of work will be a purely technological aspect. If this is the case, it will be important to express the obscure images each has into words and take them into a system.

This area cannot be reached by the previous educational system. Those people educated by the previous educational system cannot understand what others say. They do not know what impact they have received from their company. Therefore, if they do not know the fact, they are useless. That is why we are telling our employees, “In your 20s, you just do what you are doing. Firstly, gain the intellectual part. It is not necessary to

do other things. Even when you try to do other things, you cannot do much. So think intellectually what kind of “Ba” (site) you are in, and how you should understand “Ba” (the site).”

So only those industries that largely have the intellectual parts will survive in the developed countries. If so, it is very difficult to see what kind of education creates what kind of situation.

I often think about the education at home. Each family has its own style. Their style is not something written or something a father always tells. It is something you sense. An impact gets into the style from outside. And the family deals with the impact following the style. This is actually what happens in a family. Through it, each family member is grown. It is not done by reading or writing. I think all the living creatures are educated in this manner.

Therefore, how can we create a company with such a site? In a family, there are no rules or regulations. There are no penalties or incentives. Do you think education with penalties and incentives will be the one we want in the 21<sup>st</sup> century onward?

Therefore, education in the 21<sup>st</sup> century will not require getting students into a class and give them a lecture. If there was no site called home, it would not matter what you do, it would not be education at home. Corporations must educate their own employees through a site called corporations. To do so, it is necessary to think how the industry and academic world can cooperate with each other. This will be a new educational site. Since the intellectual world changes, it is the time for the civilization to turn around completely. The school education will be turned around too. It is unclear to me as well, but I think it will be a turning point.

### New Connection between Universities and Industries – Linkage of “Ba” (the Sites) Including Home

**Editor:** Do you have some suggestions to the educational system? For example, the university education you received would have been better if it was like this. Or in terms of Japanese education system such as this part of junior high and high school should be changed. Or the university education lacks this.

**Mr. Maekawa:** I entered the Department of Industry Management of Science and Engineering Faculty, Waseda University. I thought that this was not academic after the first week. Since then I had lost motivation so I skied all the time instead. I skied for 100 days per year. I was busy with skiing so did not have time for school. I did not learn much at Department of Industry Management, Waseda University. Rather, I learned more from tours with my ski friends in the mountains. In fact, I used to do many things that could have caused us trouble. We got into places where we could have been lost. In such places, I learned how I should have made decisions, how a team should have worked, what the team members including myself should have seen in such environment. I learned a lot from these experiences.



So I think the university education has lost its meaning since I was at university. It may be a good idea to find its meanings through the linkage with the industrial world.

I am working with some universities now. Through this, our members realize a lot of things. This increases our level. The university students are also interested in knowing how the employees of a company get a hint and what they find interesting. For example, if it takes five years to invent a product, it takes 10 years to commercialize it. I ask them to work together as a venture then. Also ask their teacher as well to join the development and commercialization. So I think university will follow such education system from now on.

Our young employees could get a post graduate degree at the age of 35 for example. If they have intellectual interest, that is ok. But all the kids sit university entrance exams at the age of 18 and enter university. This separates them from corporations. Before the World War II, the work, home and school were linked together. I saw my father going to work and also I went to his work as a kid. However, the work, education and school are completely separated now and have nothing to do with each other. I think if the relationship is not fixed, the industrial world will have problems in the 21<sup>st</sup> century.

### **“Ba” (A Site) and “Basho” (A Place) as a Way of Thinking, Human Development, and Survival of Corporations**

**Editor:** You have characterized education as “Ba” (a site) in the previous story of education at home. Home is a site called home, and Wakeijuku where you are Chairman of the Board is also a site. In a sense of how universities should be in the future, this is an old word, but if cooperation between industry and the academic world is re-created well, this will be another site. How do we see a company in a sense of an educational site? If we see a company as a site where we live in a group, an Independent Unit is also a site for continuous human growth. I think that there is some kind of suggestion in those words, the “ability to live alone” of the Independent Units in their markets and the “ability to create alone” that expert employees have in a site called an Independent Unit. Is it right?

**Mr. Maekawa:** We think that we “live by ourselves”. Yes, I admit that we think in that way. However, at the same time, we think very strongly that “something lets us live” in a big picture. We realize something by ourselves and something that has been there makes us realize something. In the latter case, we are pulled to that direction while it is not our intention. Especially when I create venture business type corporations, I strongly sense such sensation. When I think about the reason, it seems like it has something to relate with the site. In the case of home, every time such an incidence happens the family deals with it at a time following the style of the family. If the family is the site, there is a linkage. I think it is “Basho” (the place) that creates “Ba” (the site).

Therefore, there is a site in a place. In there, everything is going on including corporation activities. So if we do something it does not suit the site, it will never work. So we are trying to redesign the “site where the corporation is let live”. I think if that

works well, venture businesses quickly become stable and well-established and new technologies will be invented.

Apparently there is not such way of thinking as a “Basho” in Chinese. This is a Japanese word. “Basho” was introduced by Nishida philosophy. The difference between “Basho” (a place) and an environment is that an environment separates self and the world outside. But a place includes yourself. In a meaning of “Basho” (a place), you as a member of a family see the family. It is not other family members who see you. It is said that a place has such meaning. How to deal with a site that is in a place that includes the world outside and yourself is important. By it, humans are improved, technologies are improved, and corporations will survive, I think.

### **No Need to Have Human Resource Specialists**

**Editor:** It seems like it has something to do with compartmentalization at the individual level and the organization level. This may be an ultimate question in relation to human training. I think you have already started to train your successor. Can you tell us about it?

**Mr. Maekawa:** Our presidents of the Independent Units are about 34-35 years old. After they finish, they go to a Block Research Institute. Then they go to Mayekawa Research Institute where they supervise the entire corporations. Everyone knows who is going to be a president of an Independent Unit as they know when a new Independent Unit is founded. Therefore, we do not need general affairs division. They all know about it. So in terms of successors, in each Independent Unit and each research institute, successors will show up naturally without doing anything particular.

**Editor:** So does it mean there are no worries about training successors? This may be a bit off the topic, but there are many people who are disappointed in themselves when they ask themselves what kind of intellectual skills they have acquired for 20 years of work. Specialists relatively do not have that kind of experience, but what is the training of a specialist or generalist like in your company? Probably separation of employees into generalists and specialists is a problem, but can you please tell us what you think?

**Mr. Maekawa:** We invent various machines such as compressors, robots and energy saving devices. After the invention, it takes longer for the machines to be completely accepted by the society and function as a production system than it takes to invent them. When I think about what we do during that time, we are doing something we could not do if we were only technicians. So this is what we think. Technicians created products in old days. Now they create materials. Then what is a product? It is a “system that fits “Ba” (the site)”. To invent the system, it takes a lot longer than developing materials. Here, there are many non-technicians. So it is already hard to draw a clear line between technicians and non-technicians.

**Editor:** This is probably a stupid question but are there any specialists in human resources or accounting in your company?

**Mr. Maekawa:** No, we do not have any.

**Editor:** I wonder a little how your company can function as a company. But you do not have to have specialists?

**Mr. Maekawa:** Since we do not have rules and regulations, we do not have such specialists.

### **The Reason Why the Company Does Not Dissolve without Rules and Regulations**

**Editor:** There is a worry that an organization without rules and regulations may dissolve. “The company does not dissolve even though it does not have rules and regulations. What is it to hold it still? ”. What is the trick?

**Mr. Maekawa:** One of the reasons is a basic instinct of living creatures, not to be destroyed or “I do not want to die”. In a more positive aspect, there is an instinct to do something more interesting. It is a basic instinct as well.

But if we do that with only basic instincts, it will be disastrous. So “Basho (a place)” is the key to find out the integrated reason. For example, if a father of a family does whatever he wants to do, the family will be destroyed. However, if the father suppresses his desires for the benefits of his family, he does not suffer. Probably, I think that the answers to how I can contribute to “Ba” (the site) that my family has, at what extent I can be selfish and so on will naturally come out and the family will be integrated.

**Editor:** I think “we do not need such people who are useless and not suitable to the company” applies to Mayekawa Mfg. Co., Ltd.. If you have “useless people” in your company, what will you do?

**Mr. Maekawa:** We surely have people who do not fit a site of Mayekawa. I think those who prefer a group living with uniform rules to the Mayekawa-styled group living will be useless. But in most cases, they fit the site. But often we do not have a deep discussion at recruitment and recruit freshmen. Those freshmen are surprised when they start coming to the company, but they gradually fit the company.

### **It is OK Even If I Do Not Know Some of the Independent Units Are Operating at a Loss**

**Mr. Maekawa:** And there are definitely some Independent Units operating at a loss. Probably there are some in the single digits. As an extreme example, we had an Independent Unit operating at a loss for 10 years. But at the eleventh year, it had a

surplus. When it starts running well, it creates a lot of profit, if we have invested in people, technologies and market for a long period of time. Probably having Independent Units in the single digits or a little over double digits is normal. So I do not know how many Independent Units are operating at a loss even though I am the president. However, we always have loss. An organization should be something everyone can fit in. If some people can fit in but others cannot, the organization is bad, I think. The development of the Independent Units should have been contributing to increasing the number of the sites.

**Editor:** It is ok if it makes a profit after experiencing a loss for a long period of time but what if it does not make a profit at all? Let me use your example of living creatures. When living creatures get sick, there are cases that they can heal naturally or they cannot. If they cannot heal naturally, what happens to leadership or management?

**Mr. Maekawa:** There are no cases that Independent Units never make a profit. Because I think in that way, when I am asked, “how many corporations are operating at a loss?” I have no answers for that. I think there are some who know in the company. Those who are in charge of accounting maybe know. But most of employees do not have any interest in that. Or rather than that, I can say this. There are more important things than a loss. For example, it is the cooperative work among some corporations. An Independent Unit says, “we will be in charge of this part” and work on the project for a year. But there is a possibility that a corporation cannot do some tasks even though we thought they could. We can quickly tell that “that corporation has something weird going on inside. Maybe there is a problem”, while we are working together. If we leave the corporation without doing anything to it, they will make a loss. So it is completely too late when we are panic in terms of PL( profit and loss). You can see the sign of the loss 5 years prior to it.

You can see the sign while working together with other corporations. So you go there because you found it weird. As you expected, there is a problem such as that information was stopped somehow or not well-received. The human organizations tend to become like that suddenly due to the life biorhythm. I still do not understand such occurrence. Probably only God knows what is going on. But we can see the phenomenon right away. In that case, those who talk to each other well go and support to the Independent Unit. As a result, the Independent Unit is healed completely. So we do not get panicked due to a loss we make. As long as it is healed, a loss is a healthy loss. So we do not worry about it.

**Editor:** This time, are there such cases that you decrease the professionalism or have no cash left because you have grown too much or the management has gone too well and gotten too fast?

**Mr. Maekawa:** No. There are no such cases either. Each Independent Unit borrows money from the Headquarters. The Headquarters lends them money without security. The interest rate is surely high. The Headquarters collects the loan. There are no such cases that a project does not proceed or we cannot start a project due to a lack of money.

## **The Experience in Fukagawa – Fusion of Home, Work and School**

**Editor:** This is a good opportunity so I would like to ask you about the origin of your thoughts such as why you came to think that way. And it is for us to understand your management philosophy.

For example, there are not many Japanese managers who say without hesitation that they do not know how many of their corporations are operating at a loss. But as I listened to you, since you sense the indication beforehand, as a result you do not have to worry about the loss, I think. But do you have any experiences that became the foundation of your philosophy? And do you have any experiences that made you pursue the way you run the organization now such as no titles, no retirement, no rules and no approval documents? I have read your writings and you said that you had an experience as a university student when you felt sorry for these who were managed in a plant when you saw them working on the car assembly line. Also you thought everything in USA was great and went to study at Michigan University for a year. But you realized that there were many good things in USA, but there were things very difficult to deal with such as labor workers issues. You have many experiences introduced in the writings. I would like to ask you more about those things. Or if you have some more experiences that have not been talked about, please tell us. Or can you tell us about how you felt as a son when you joined the company run by your father when the company had 150 employees.

**Mr. Maekawa:** I told you that I thought a home was linked with work and school at prewar. I often went on my father's holiday trips with his employees as a child. My father took me to see a machinery plant. But since I was a kid, I got bored quickly in 10 or 20 minutes at the machinery plant. However, I now understand the phenomenon that I saw back then were like this atmosphere and so on.

So when I joined this company, I did not think about what I was going to do at all. But it was like I joined the company because it was the small business that my father managed. I went on a company trips with my father so I did not have any worries to join the company. The atmosphere was just like the one I felt when I was a kid.

So what I think about is the world of making things in the Edo period. We are in Fukagawa and there is the world of craftsmen. So the company also has craftsmanship since it was founded. I think we have been persistently doing the same thing without changing it. I do not think there is much I started. Rather, I found a lot of things that had existed already. But these were what I found, so in fact they had been there before I found them.

In a group of humans there are many things hidden like those. We cannot just see them because our eyes are clouded. Those companies that have been managed for decades have good things and are well-established. But if they can take another look at that point, the development will be different. In our company we try to look at that point in a form of "redesigning "Ba" (the site)", so we hold research seminars with various other

companies.

### **Culture to Be Sensed Rather Than Written Mission Statement**

**Editor:** In your writings, discourses and articles, there are not many stories about the company basic principles or corporate slogans. What you emphasize on are, as a common view, normal phrases such as “Do not want to die” or “Want to do something interesting” rather than the principles or slogans. Even though this could be rude to ask and I would like to apologize for my lack of study ahead of time, is the reason why you do not have written management principles of Mayekawa Mfg. Co., Ltd. as a company and mission statement/basic principles because these could be rules or regulations?

**Mr. Maekawa:** Actually, we created mission statements in the past. It was about 20 years ago. But no one paid attention to them. Before I noticed, they were all gone.

**Editor:** Even though the mission statements were unsuccessful, don't you have any other company's basic principles? For example, there is a story that President Horiba of HORIBA, Ltd. made “Interesting and Fun” to be the company management principle. Don't you make “Do not want to die” to be your management principle or make “Do what you think interesting decisively” to be a slogan?

**Mr. Maekawa:** No.

**Editor:** There is an idea that it would be better if there are concepts or paradigms because it gives a direction. On the other hand, it has an aspect that it binds yourself. It would be troublesome if you lose your natural characteristics because of the slogan. A company needs the centripetal force but in the Independent Unit management, it is strange to want the centripetal force too much. It is very hard but can you tell us what you think in relation to this subtle balance as the last question of the interview? We would like to finish the interview while making your answer to be the afterglow of the interview.

**Mr. Maekawa:** In fact, we tried to figure out three or four times a long time ago based on what kind of values this company used to operate. It might be unique and different so we thought we should have it written down. But when we read what we had written down, that was different. After all, we got to realize that cultures should not have been written down. When we write down cultures, they become ideologies. Ideologies will create rules and regulations. If we do not make such things, we have cultures like mists but no writings at all. This is good enough, isn't it? It is like Japanese Shinto religion, I think.

Apparently in Shinto prayers they can say whatever they want to say. I asked a Shinto priest, “Isn't it strange?”. He said, but it has been as it is “since long time ago”. I thought that Japanese was weird people but I am also one of them. So we have something that we sense as a value in our company but there is nothing written about it.

### Do not Do What You Thought, Do What You Feel

**Mr. Maekawa:** I think, after all, that the era of ideology is over. So is the era of democracy. In that sense, we are standing on a very big intellectual turning point, I think. We cannot write down even 10% of what we feel. It is impossible to write down everything we are feeling. So why don't we do just what we are feeling? Why don't we just carry out what we are feeling? That is what I think. Even if they fail, I told them, "Think later and do not do what you think". Saying such a thing is ideology, maybe...

Anyway, if you feel, it means you find it interesting. Do what you feel and then think later. Therefore, our company does not basically believe something written originally. No one reads internal written notices.

**Editor:** Thank you very much. You have talked about very valuable stories and gave us a lot of time for that. I recalled my favorite American allegory called "A dialogue between a frog and a centipede" by listening to your story. A frog asked a centipede, "I only have 4 legs but often stumble. Why don't you stumble even though you have 100 legs? Please tell me how? This centipede was very kind and tried very hard to teach the frog how to walk without stumbling. But while he was trying hard, he became unable to walk too. This is the story. If the centipede told the frog to just feel like you would, it wouldn't have been a problem. But he tried to think too hard, and he became unable to walk.

In companies too, we should just live with others naturally in the way we have even though we have forgotten. But since we create a lot of complex rules and regulations, we gradually start being unable to move. As a manufacturer, a company has made rules because it thought it had to make a lot of products. But in a group that tries to do many experimental things, there is a possibility that moving along the rules or regulations makes the group extremely unnatural. But the era when it had to be like that was long, I presume. Maybe we have been used to the unnatural things too much.

I found Mayekawa Mfg. Co., Ltd. more interesting, as I heard more stories. I think they will do something we can learn from now on too. Thank you so much for your valuable time.

### **[From Editor]**

Mayekawa Mfg. Co., Ltd. is a very interesting company. It is impossible for us to know everything about the company within this interview, but there are many unique ways of thinking of Chairman Maekawa. The word "ability to live alone" and his view of a company through biology made me think deeply, when I heard them for the first time. Some of the readers might have known some parts of the unique ways of thinking of Mayekawa Mfg. Co., Ltd. since there are other speakers of Mayekawa Mfg. Co., Ltd. management other than Chairman Maekawa. Many stories with relatively large

amount of volume from the boss of the speakers have graced this Top Interview of “Business Insight”.

The opportunity was an open interview with Chairman Maekawa (President at that time) at a meeting at Shin Kobe Oriental Hotel (MC: Tadao Kagono, Interviewer: Toshihiro Kanai). In order to draw out some stories that had not been told in the previous interviews, we faced him after having had read the records of the previous interviews and many articles of Mayekawa Mfg. Co., Ltd. (Followings are some wirings that are noteworthy.)

Thanks to the understanding of the host of this meeting, Mr. Shinichi Sato from Fuji Xerox Learning Institute, and with Chairman Maekawa’s agreement and proofreading the manuscript, this interview was recorded.

We recommend reading the followings. “The Management that Stimulates the Non-Verbal Knowledge in the Market” (Interviewers: Mr. Ikujiro Nonaka and Mr. Kazuo Ichijo), “Business Review” (P. 71-79, Vol. 42, No. 3, 1995 February, Published by Institute of Economic Research Hitotsubashi University), “Management ‘To Live’ – Search For the Thoughts Behind the ‘Independent Units’ of Mayekawa Mfg. Co., Ltd. ” (Interview: Joji Sato), “CREO” (p.2-13, Vol. 6, No. 1, 1994 September, Published by Shinko Human Create Co., Ltd.). The former has a feature in introducing the thoughts of Chairman Maekawa through his new organization view, knowledge and creativity and the latter illuminates the entire management of Mayekawa Mfg. Co., Ltd. well.