

# Management Guidelines for the New Millennium Company

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## I. Research Background and Objectives

In the past, the concept of globalization was thought to be relevant only to those companies expanding overseas. However, due to the arrival of the mega-competition era, companies can no longer survive with a myopic view of the market. The management environment that surrounds the company has globalized, and the company's survival depends on how well management adapts to this change.

The wave of globalization is apparent. International standardization of technology and accounting standards are just a few of the examples. During the last several years, it has been argued that Japanese companies should eagerly attempt to adapt to the global management standard by emphasizing a better return on assets, shareholders and stakeholders values, social contributions, and human resource management based on performance. In fact, these factors are considered to be prerequisites for effective global expansion.

The topic of globalization is an issue that Japanese companies can not avoid. However, what is truly necessary is an objective discussion of whether there is only one kind of global standard in existence and whether Japanese companies should try to adapt it. It is commonly understood that a competitive advantage is established by treating the world market as one and by maximizing the mutual relationships with stakeholders all around the world. However, it can not be simply said that

the so-called Anglo Saxon global management style is the best practice, and that the Japanese companies should blindly follow them. Therefore, it is necessary to conduct an objective comparison of the Japanese management style against those out side of Japan, and figure out what should be changed and what should not be.

From the point of view described above, we attempt to unravel the management guidelines for companies growing beyond the millennium by analyzing the management style of companies in Japan, Europe, and the United States.

## **II. Analysis of Global Management for Japanese, European and U.S. Companies**

The purpose of this research project is to establish a set of management guidelines based on the survey. The survey asked companies in Japan, Europe, and the U.S. about their management strategies. The survey methodology is described below.

### **① Survey Methodology**

Distribution of survey: Japan, 1998/9/4~10/8. Europe and U.S, 1998/10/20~12/7.

Cooperation were obtained from the following organizations for the overseas survey.

U.S.A.: The Conference Board / JMAC America Inc.

Europe: University of Bath / Cranfield University

### **② Survey Target**

Japan Executives of significant/public manufacturing companies.

Responses: 253 (Distributed to 1,800, response rate 14.1%)

U.S.A Executives of significant manufacturing companies

Responses: 80 (Distributed to 2,000, response rate 4.0%)

Europe Executives of significant manufacturing companies

Responses: 71 (Distributed to 2,000, response rate 3.6%)

③ Breakdown by Type of Operation

Japan : Raw materials 26% Processing 49% Other 25%

U.S.A. : Raw materials 18% Processing 32% Other 50%

Europe : Raw materials 29% Processing 26% Other 45%

The reason for a relatively large % in “Other” for U.S.A. and Europe is due to a large number of holding companies.

④ Number of Employees (at the consolidated level)

Japan : “More than 3,000 employees” 48.1%, of which 25.0% was “more than 10,000”.

U.S.A. : “More than 3,000 employees” 31.9%, of which 52.5% was “more than 300 but less than 3,000”.

Europe : “More than 3,000 employees” 45.2%, of which 29.0% was “more than 10,000”.

Responses to the questionnaire, this chapter will explain differences and similarities between management strategies of companies from Japan, Europe and the U.S.

## 1. Global Strategies of Companies from Japan, Europe and the U.S.

Throughout the 1980's, Japan led the world economy. However, they have lost their momentum since the burst of the bubble economy in the early 1990's. They showed some sign of recovery in 1996, but it failed to be anything permanent and the economy continues its downfall to this date. In contrast, the U.S. and Europe have regained their strength in the world economy since the mid 1990's leaving Japan far behind. Under these circumstances, an important issue arises. That is to understand what kinds of global strategies companies in Japan, Europe and the U.S. are currently executing in light of the current competitive environment.

### **(1) Global Scale Operation**

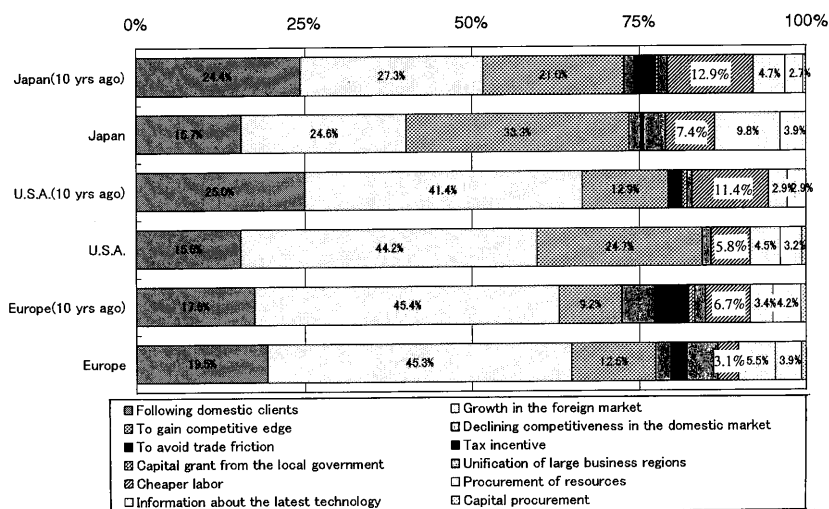
Figure II-1 indicates reasons for global expansion (present time and 10 years ago) for companies from Japan, Europe, and the U.S.

It is apparent that many Japanese companies recognize the significance of overseas expansion under the rapidly globalizing competitive environment. For example, Japanese companies' main reason for global expansion has shifted from "following expansion of customers" 10 years ago to "establishing presence in the foreign market because it is important in order to maintain competitive advantage" at present time. As Figure II-2 below shows, this is consistent with the tendency for more companies around the world in general to interpret the "world market separately by regions", rather than "placing emphasis on the domestic market first".

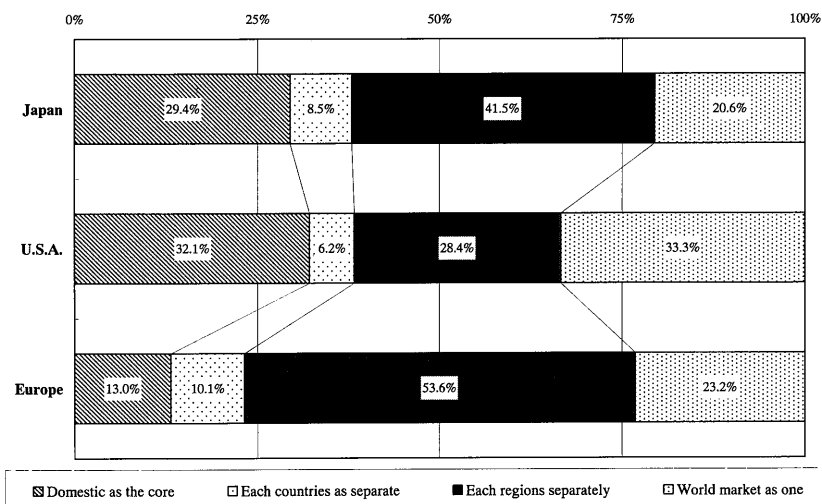
It can be said that European and the U.S. companies have been more conscientious of the importance of foreign markets than the Japanese have been. For example, a majority of the European and the U.S. companies has mentioned "potential growth of the foreign market" as the main reason for global expansion. In regards to the interpretation of the world market, those that answered "the world market as one" and "world market separately by regions" represent the majority.

As far as interpreting the world market globally, there is a commonality between European and the U.S. companies. However, there is a slight difference when it comes to their views on competition. While the U.S. companies recognize the importance of foreign market "in order to maintain competitive advantage" much greater than they did 10 years ago, very little change is observed for the European companies over the same period. For them, it is meaningless to consider the market separately as domestic and foreign because of the vague distinction between the two. Capacity of domestic markets for European companies are much more limited, compared to that of the U.S., therefore foreign markets have to be

**Figure II-1 : Reasons for Global Expansion**



**Figure II-2 : Perception of the World Market**



taken into account from the beginning in order to survive in the European market. As a matter of fact, European companies have historically been operating internationally at a relatively early stage. In this sense, they may be the most advanced region in terms of globalization.

## **(2) Strategy and Strength**

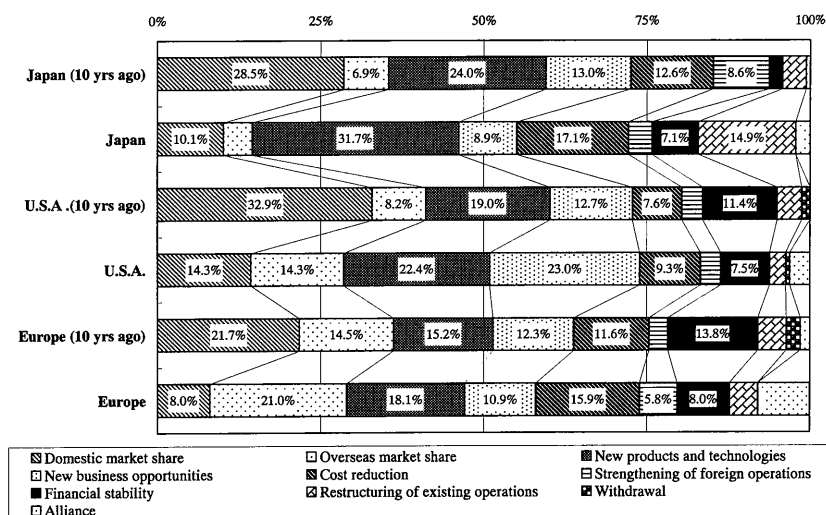
Globalization of operation has its effects on the strategy and the strength of a company. Compared to the strategies of 10 years ago to that of the present time, Japanese companies are increasingly shifting to strategies based on global operation and away from domestic market share. (Figure II-3). At the same time, they are placing much more emphasis on the “development of new product and technology” and “cost reduction”.

Similarly, the European and the U.S. companies indicate a shift from placing emphasis on their “domestic market share” to “overseas market share”. This is more apparent for the European companies. Strengthening of the “development of new product and technology” is also noticeable for both. On the other hand, it is interesting to find that the U.S. companies place relatively more emphasis on the “development of new business domain”.

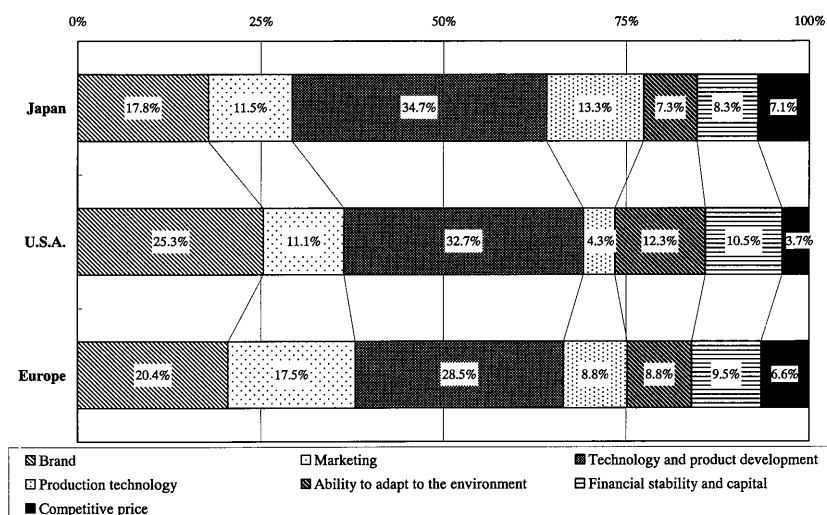
Figure II-4 shows what companies see as their strengths. Some differences can be observed between the three regions. However, due to the fact that the survey was restricted to manufacturing companies, it is not surprising to see “development of product and technology” as the main strength for all three regions.

Business environment is increasingly becoming more competitive. In order to establish competitive advantage under these circumstances, companies from Europe and the U.S. have executed their strategies effectively. They have not only relied on high quality of product and technology, but also have focused on marketing strategies, which maximizes brand equity and the ability to adapt to the diversified business

**Figure II-3 : Management Strategies**



**Figure II-4 : Core Competence**



environment.

In general, Japanese companies have been known to accumulate experiences and knowledge internally and to effectively apply them to their production technology. In contrast, European and U.S. companies value brand equity and marketing, and they are applied at the organisational level, instead of at the product level. U.S. companies' emphasis on "ability to adapt at the organizational level" is an indication of their effort to enhance competitiveness as an organisation as a whole and not just at the level of each operating divisions.

## **2. Relationships with Stakeholders**

This section will discuss about relationships with various stakeholders of a company.

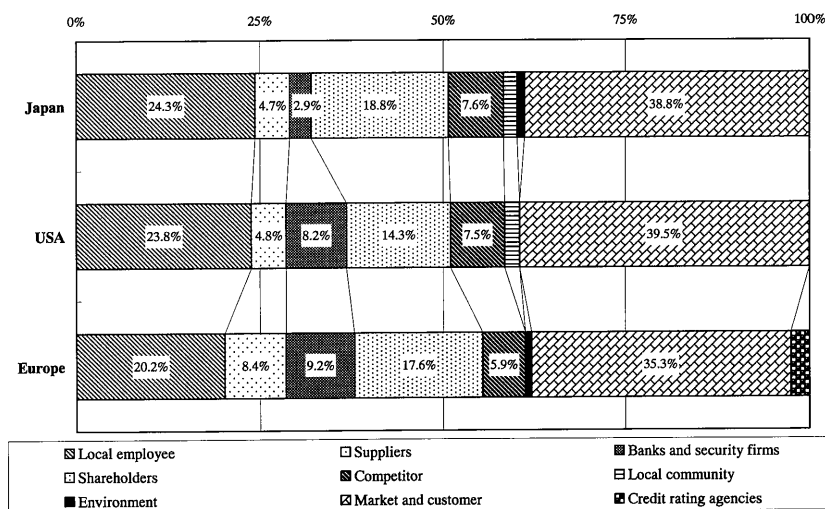
### **(1) Most Valued Stakeholders**

All three regions value "customers" the most, followed by "employees" (Figure II-5). It is also interesting to note that out of the three regions, Japan values shareholders the most. This may be the result of recent increasing concerns about corporate governance in Japan, and managers of Japanese companies are becoming more sensitive to the shareholders' needs.

Despite the fact that the compositions of shareholders differ between the three regions, the generalizations such as "Japanese companies value employees and neglect shareholders, and the European and U.S. companies do the opposite", may need to be reconsidered.

On the other hand, it is surprising to find the natural environment as not being highly regarded as an important stakeholder. Environmental activities are considered to be an integral part of global strategy, and it is also a fact that globally advanced companies eagerly participate in social and environmental activities. It may be that companies first focus on

**Figure II-5 : Most Valued Stakeholders**



immediate stakeholders that directly affect their bottom lines, and as an extension of those efforts social and environmental issues are considered.

Another observation is that European companies value suppliers and vendors much more than Japanese companies.

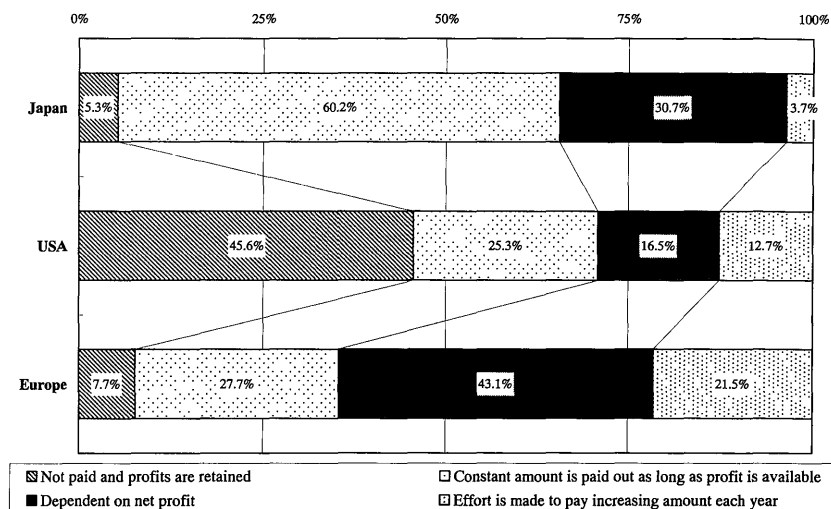
## (2) Answering to the Shareholders

Despite the fact that Japanese companies value their shareholders much more in recent times, still there are apparent differences in regards to dividend policies between the three regions as indicated in Figure II-6.

Most of the U.S. companies surveyed place priority on “retaining profit”. This is consistent with the fact that they attempt to maximize investment by constantly re-examining their organisational structure to achieve optimal effect, even through a period of booming economy such as right now.

In regards to preparation for falling stock prices, U.S. companies attempt to deal with the situation by re-examination of “stock price and

**Figure II-6 : Dividend Policy**



strategy”.

European companies deal with the situation by re-examining their management strategies only, and not by any particular stock price plans. They have the tendency to interpret shareholders as part of the society, rather than as owners of the firm. For this reason, they are not as shareholders oriented as the U.S. companies are. For European companies, it is considered most logical to pay dividend depending on the profitability for each period as a way of giving back to the society.

On the other hand, most of the Japanese companies surveyed value “stable pay-out” of dividend. This is the result of their practice of paying relatively low amount of dividend even during the good times, but instead not lowering the amount during the bad times. In regards to preparation for falling stock prices, like the European companies, they deal with the situation by re-examining their management strategies only, and not by any particular stock price plans.

Amidst the wave of globalization of business standards, Japanese

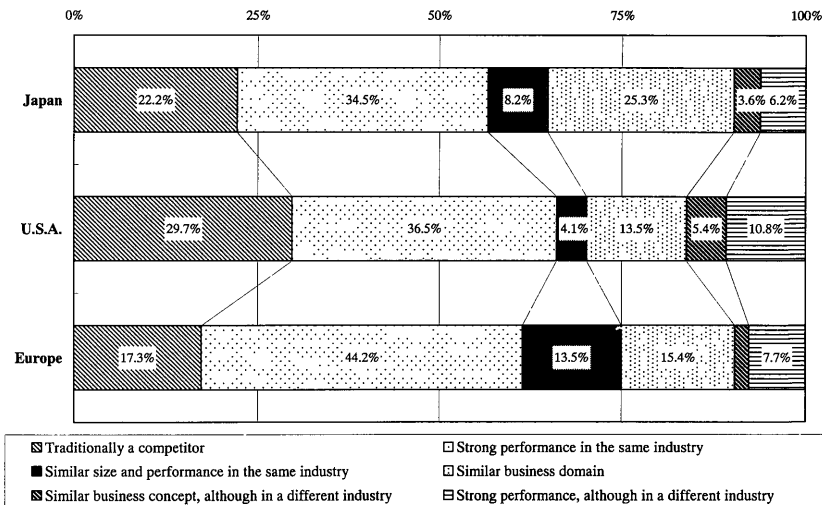
companies will be forced to reconsider their traditional way of answering to the shareholders. Japanese policy of dividend contains possibilities of negative influences to the shareholders and the company itself. During the bad times they are pressured to come up with the capital to continue to pay out dividends, and sometimes are forced to do so by disposal of assets or retained earnings. Such acts could weaken the financial stability of a company.

### (3) Establishing Level of Competition

Comparison of whether companies set benchmark levels or not reveals that the majority of U.S. companies do, while the majority of Japanese companies do not, and about half of Europeans companies do (Figure II-7).

The above may be the result of many Japanese companies having a number of operating divisions, and the most profitable operations change

**Figure II-7 : Reasons for Benchmarking**



from time to time. Therefore, it is not easy to find another company, which has a similar mix of operations, to measure themselves against. On the other hand, European and U.S. companies, who specialize in certain industry, may have an easier time finding a company that is suitable for benchmarking.

Across all three regions, most companies chose benchmarking standard against “a well performing company in the same industry”. Many Japanese companies chose their benchmarking standard from a group of companies with “a similar business domain”. This would be the expected choice for the Japanese, who are known to maintain harmonious competition with others in the industry.

In regards to benchmarking within a particular category, such as production and quality control, more of the European and U.S. companies choose their benchmarking standards from a wider range of companies, regardless of industries or nationalities. Whereas Japanese companies tend to choose a level “achieved by their competitors”. For example, when setting standards for “quality for new product” and “environmental standards for production process”, most of the U.S companies choose the “most strict standard”, followed by European and then by Japanese companies.

Although in the era of global competition, most of the Japanese companies are still competing with a standard established by their domestic competitors. Such attitude is reflected in the way they set their benchmarking standards.

### **3. Comparison of Organizational Management Structure**

This section will analyse the differences related to the resource utilization and management styles between the three regions.

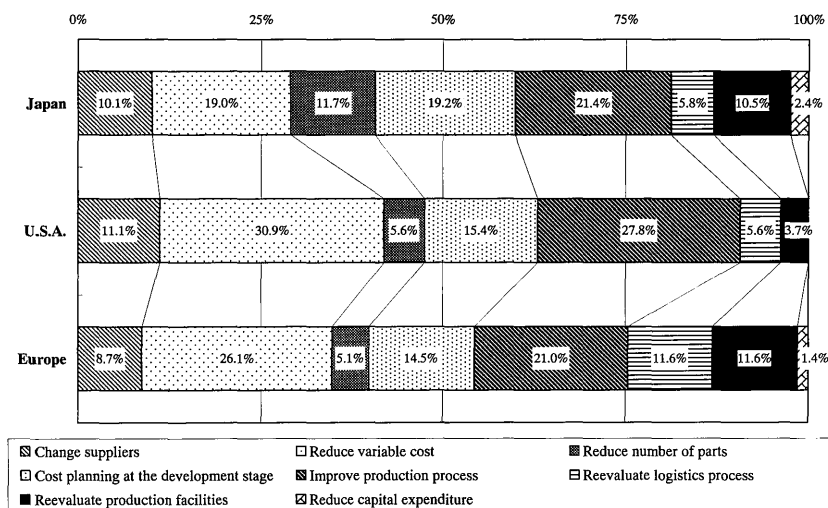
#### **(1) Management of Resources**

We will first start with the methods of cost reduction. Japanese companies tend to implement cost reduction plans at the production level, such as “improvement of the production process”, and “reviewing direct cost” (Figure II-8). While the European companies similarly focus on “improvement of the production process”, they also place significance on reviewing their “indirect cost”, “logistics process”, and “production locations”

In global competition, companies must act upon ideas and decisions fast. For example, the speed in which they develop a new product becomes a crucial factor in determining a company’s competitiveness. In this regard European companies, who focus on the improvement of the whole process including logistics and production, will be able to implement new product plans more efficiently than Japanese companies, who tend to focus only on the production process.

In regards to the methodologies of speeding up the R&D process

**Figure II-8 : Methods of Cost Reduction**

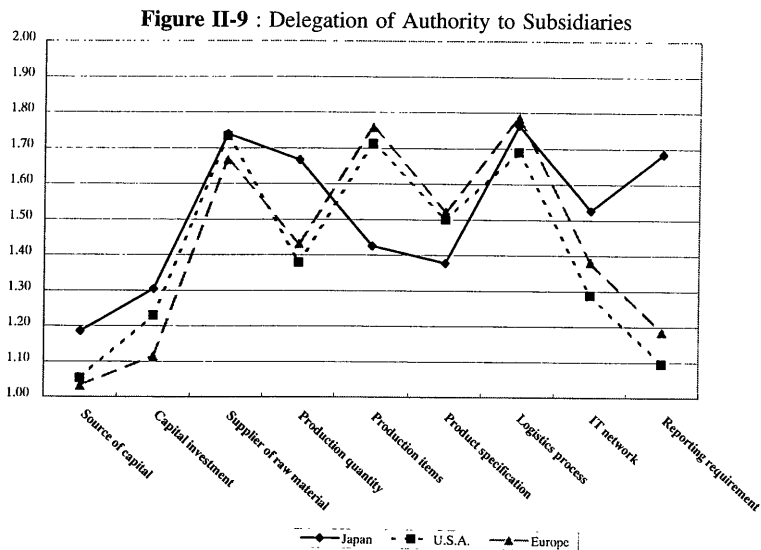


some differences can be observed. Japanese companies tend to rely on utilizing their internal resources, such as placing R&D under the “direct control of HQ”, and “project teams”. For U.S. companies, in addition to the internal resources available, they also utilize external resources such as “acquisition of outside operations”. Meanwhile, the Europeans place emphasis on “utilization of resources from their subsidiaries”.

In short, the Japanese companies have established their competitive edge by maximising the benefit of their internal resources, while the European and the U.S. have done so by achieving the collaboration of their internal and external resources.

## (2) Management of Subsidiaries

Management philosophies about utilization of internal resources are reflected in how companies manage their subsidiaries (Figure II-9). For all three regions the headquarters handle those decisions, which directly

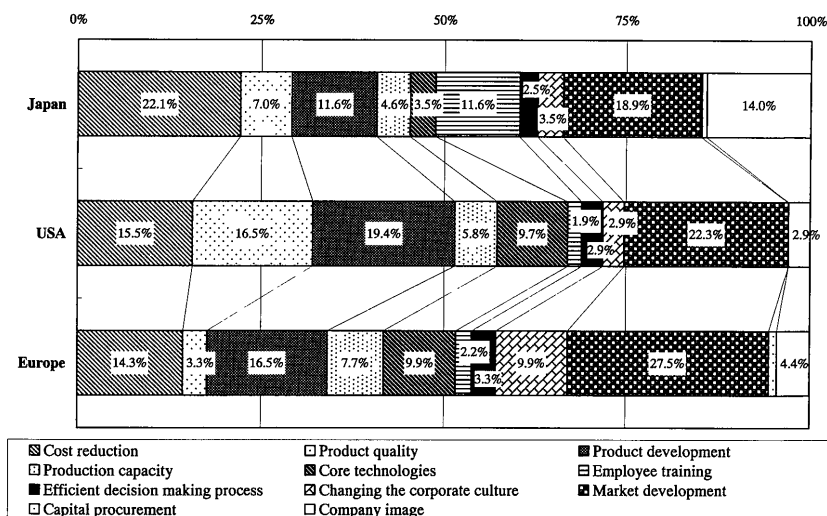


influence management of the organization, such as “capital procurement”, purchase of “heavy fixed assets”, and “information systems”. However, while Japanese companies delegate the decision-making authorities for “production quantity” to the subsidiaries, European and U.S. maintain authorities at their headquarters.

On the other hand, for “production items” European and U.S. companies delegate authorities to their subsidiaries, On the other hand, despite the fact that local subsidiaries have the best knowledge of the local market’s needs, the majority of Japanese companies maintains authority at the headquarters. This is another indication that Japanese companies’ globalization is centred around their domestic operation.

Although there are some differences regarding the degree of delegation for the decision-making authorities over different issues, majorities of all three regions agree that there are significant contributions from their subsidiaries. Once again however, differences exist as far as the

**Figure II-10 : Contribution by Subsidiaries**



nature of the contribution is concerned (Figure II-10).

From Figure II-10, it can be observed that Japanese companies see their subsidiaries as making contributions to the organization in the area of “cost reduction”. On the other hand, less contribution is expected in the form of “speeding up decision-making process” and “changing the corporate culture”, both of which would influence the corporate strategy for the whole organization. It can be concluded that although Japanese companies may benefit quantitatively from their subsidiaries through such form of contribution as “cost reduction”, they still do not benefit in a way that would influence their corporate strategy at the top level.

In contrast, as a result of seeking diversification in the global market, European and U.S. companies have delegated much freedom to their subsidiaries over such issues as deciding which product lines to produce. This is also evident in the fact that they value their subsidiaries for their contributions in the areas of “market development” and “improvement in product development”. Japanese companies, for the most part, have overlooked the importance of subsidiaries as valuable information source for the local market needs, and thus very little participation is seen by their subsidiaries during the product development stages.

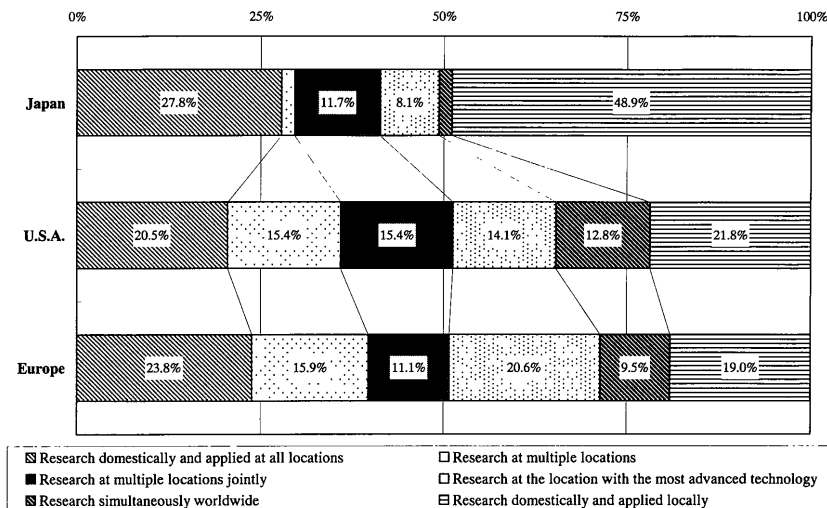
### **(3) Management of R&D**

This section will discuss how the management structures for the R&D differ between the three regions.

Almost half of the Japanese companies surveyed have their R&D function based in Japan (Figure II-11). This is common for many of the larger companies considered to be “global”. As a matter of fact, it is rare for Japanese companies to employ foreign personnel in their R&D division.

However, in recent times Japanese companies have seen a gradual globalization of their R&D function. About one third of the companies

**Figure II-11 : Structure of Global R&D**



conduct the initial basic part of the R&D process in Japan, and the later stages of R&D for application is conducted at various foreign local markets.

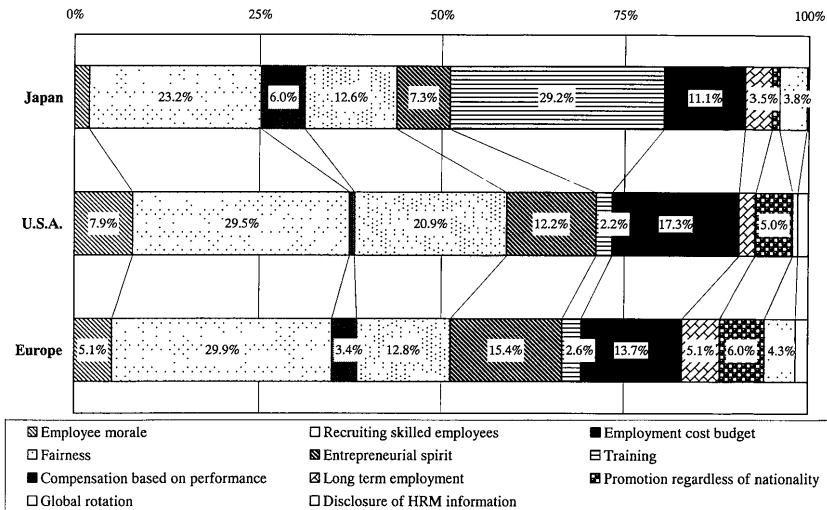
Meanwhile, segregation between basic R&D and application R&D is a standard principle for most European and U.S. companies. Structures vary from “domestic type”, “hand-over type” to “reciprocal type”. For some of their more global companies, it is very common to find personnel of various nationalities working at R&D facilities in all locations around the world.

#### (4) Management of Human Capital

An issue of how to effectively manage human capital, while the organisation is rapidly globalizing, is an important and a difficult one.

The human capital management principle of European and U.S. companies emphasize on a system that gives fair opportunities to demonstrate skills possessed by each employees. According to the Figure

**Figure II-12 : HRM for the White Collar Workers**



below, they value “hiring of skilled personnel” followed by “equal opportunity” and “compensation based on performance”.

In contrast, Japanese companies value “training” the most. Although training can add value to the performances of the employees, it can also sacrifice originality by conforming the employees into a certain type preferred by the company. Lifetime employment and other Japanese ways of human resource principles have fostered such custom. In order to keep up with the globalization of human capital principles, Japanese companies need to steer away from the traditional way of controlling their employees, and attempt to encourage creativity within the organization. In other words, that is to establish a human resource system with a capacity to adequately evaluate various ranges of skills.

### (5) Management of a Global Company

Obviously, discrepancies occur when comparing strategies, relationships with stakeholders, and styles of organizational management between

Japan, Europe, and the United States due to different historical and cultural backgrounds. It is also invalid to interpret the Japanese style singularly and the European and the U.S. bilaterally. However, in regards to global expansion, it can be argued that in general the Europeans and the U.S. place themselves at a superior position, as they had adapted the concept of globalization at an earlier stage and led the market evolution through the 20th century. These European and the U.S. companies are conscientious of the global management style because they not only interpret the market globally, but they also seek management resources at a global level to establish competitive advantage.

Despite the European and the U.S. companies' indications about global management consciousness, data show that for Japanese companies, whose level of global consciousness are high, their financial performances are not necessarily superior. This is a sign that most Japanese companies are in the process of globalization and some costs are being borne until this process is completed. On the other hand, companies with high global consciousness have a wider interpretation of the operation and utilize their human, product, and capital resources globally in order to set long term strategic goals. In this sense they prove to be superior.

In fact, a comparative analysis of ROA shows that those companies with higher scores are more likely to be successful in the global market. These companies have strengthened themselves by establishing a strategy based on a rapidly growing market and by generating a long term business cycle around it. In terms of the stakeholders relationship, they attempt to respond to the needs of the stakeholders with a global viewpoint by setting high expectations upon themselves. A similar attitude is apparent in regards to organizational management as they attempt to build a style encompassing the entire business process.

In addition, it is apparent that those companies eagerly attempting to globalize are more likely to be keen on social and environmental activities.

Highly global conscious companies have a positive attitude towards social contribution and environmental protection, not to mention maximization of added values for shareholders, customers and employees. They are aware that participating in social and environmental activities hold value not only because it is a maximizing factor for the company value, but more so because non-participation has a detrimental effect to the company's future.

### **III. Guidelines for the New Millennium Company**

Based on survey results obtained from executives in Europe, Japan, and the United States, management guidelines for the new millennium company were concluded to be as follows:

#### **1. Understand the Dynamics of the Stakeholders**

The expansion of business and management functions naturally increases the number of stakeholders that a company needs to deal with. Stakeholders may be defined as customers, shareholders, employees, suppliers, financial institutions, local community, environment, and competitors. The needs of the stakeholders also differ depending on the areas to which they belong. For these reasons the relationships a company must sustain with their stakeholders have become diversified. Until now, companies, especially Japanese companies, have been attempting to simplify the relationships with their stakeholders in order to make their business activity more transparent to management.

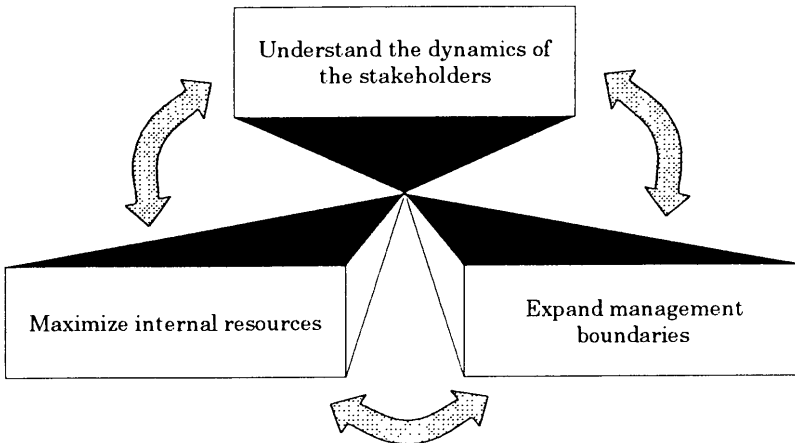
In fact, the performances of J type<sup>1)</sup> companies and some U.S. companies are higher than those of G type<sup>2)</sup> companies and other U.S.

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1) Those companies that value profit and loss related indices with a low degree of global business conscious.

2) Those companies that value balancesheet related indices with high degree of global business conscious.

**Figure III-1 Conditions for the new millennium company**



companies because the former have the luxury of targeting only certain customer needs. Regarding employees, the same phenomena can also be seen. In other words, under the Japanese style of management based on life-time employment and the seniority system, the needs and the satisfaction of employees did not vary significantly over time. Therefore Japanese companies had not been required to consider for any changes in employees' needs.

Such a myopic viewpoint towards stakeholders by the Japanese companies is also reflected in other areas of management philosophy. For example, the reason why Japanese companies have regarded corporate shareholders as the most important shareholders is that the demands of corporate shareholders are very stable and predictable, not to mention the fact that they have a powerful financial influence. In regards to competition, Japanese companies have competed against and compared themselves with other companies within the same industry and competitive fields. Furthermore, Japanese companies have disregarded the

natural environment and local community as essential stakeholders.

It is true that by limiting the range of stakeholders to be considered, a company can minimize the cost and other resources required in order to fulfill the stakeholders' needs. However, under the process of globalization, cost ignored today is only deferred until a later date, and it must eventually be dealt with. It can be argued that G type companies have chosen to face these costs now, while J type companies have chosen to defer these costs, thus creating differences in their bottom lines.

G type companies and other top-level companies around the world are faced with high expectations to fulfill stakeholder needs. For example, valuable skilled workers can not be obtained without consideration of their needs. Likewise, without answering to the demands of the shareholders, sufficient capital can not be procured in the equity market.

Having a limited scope of competition will save some cost and resources for the time being. However, in the mega-competition era market, technology and competition have become borderless. Nowadays, the business domain is prone to being affected by unexpected elements. The cost and resources needed for a wider scope of market consciousness have become necessary in order to survive and succeed in today's turbulent global market. This is demonstrated by G type companies and other top companies around the world.

The costs for social contribution and environmental activities are also unavoidable in order to compete in the global market. This is demonstrated by G and IV<sup>3)</sup> type companies, which value such stakeholders as customers, employees and shareholders.

While companies continue to diversify in the global market, they must bear some cost in order to maintain mutually beneficial relationships with various stakeholders. The methodology of where and how much to

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3) IV companies: Those companies that highly value social contribution and environmental activities.

allocate such costs differs by the size and the characteristics of the company. In order to be cost effective, companies must have a firm understanding of where the stakeholders are headed, thus enabling themselves to foresee future needs and be strategically prepared to deal with those issues. Thus, all of the above arguments demonstrate why it is important to understand the dynamics of the stakeholders.

## **2. Expand Management Boundaries**

The competitiveness of a company lies in its technology. It was the technological advantage in hardware manufacturing that supported the Japanese companies during the 1980's. The significance of technology continues to be true in the global era. The survey results indicate that the majority of companies see their technology as their main competitive edge. However, Japanese companies have slowly lost their competitive edge over time as technology evolved from hardware manufacturing technology to integration of multiple hardware technologies. Their competitive edge has disintegrated further due to the integration of hardware and software technologies.

It used to be said that the strength of the Japanese companies was in their ability to merge and consolidate a wide range of product lines and know-how into one efficient system. However, if this were true, Japanese companies would have been most efficient in integrating different technologies and would have exceeded others in the newly evolved market. Reality turned out to be otherwise.

The Japanese integrated different functions, such as production and sales, which resulted in a strengthening of support functions. However, they did not integrate different product lines or different operations, which would have created a synergy effect within the organization.

In other words, Japanese style integration relied too heavily on the success of a single product line and did not execute a strategically

effective integration of cross-organizational elements. This is obvious from the fact that Japanese management tends to build strategies per operations, and not based on the organization as a whole. The survey shows other tendencies which support this view, such as cost reduction based on product lines, centralized organizational structure for R&D, and the decision making process for product development centered around headquarters in Japan.

Until now, Japanese companies' management objectives did not encompass all the elements available. Potential contributions from resources possessed by foreign subsidiaries and synergy from partnerships between operations were often overlooked. However, in a global market, where paradigms for technology and organizational structure change rapidly, it would be impossible to enhance the company's competitive edge without expanding the scope of management boundaries.

As a matter of fact, many European and U.S. companies are achieving more than just the strengthening of individual operations. They are executing a strategy, which strengthens the organization as a whole by focusing on the development of new potential markets and expansion of overseas market shares. Similar observations can be made for G type companies. In regards to cost reduction, the world's leading companies are achieving results by redesigning their comprehensive business process such as logistics, instead of trying to reduce cost at various sections independently.

G type companies and the world's leading companies are also a step ahead in building an organizational network, in which resources of foreign subsidiaries are contributed and utilized by other units of the company. In contrast to most Japanese companies, the survey showed that G type companies choose the most stringent standard for their environment and quality control. Thus, these examples imply that their management boundaries are set much wider than that of the traditional Japanese

companies.

As seen above, management of a global organization requires not only maintenance of current relationships, but also reconsideration of management objectives by shifting the current paradigm of management boundaries and expanding them.

### **3. Maximize Internal Resources**

A new millennium company must understand the dynamics of various stakeholders and reinforce the relationships with them. At the same time it must expand its management boundaries and restructure the existing relationships and sometimes build new ones.

Such attitudes must be incorporated into the organization as permanent characteristics of a company. Only then does it lead to continuing success in the market. The two characteristics previously mentioned function only when they are designed to work together with the internal resources of a company. In other words, the organizational structure and the human resources must be incorporated into the process.

In the midst of the debate about global management, traditional management styles of Japanese companies are often criticized. It can not be denied that some aspects of such criticisms are true and that they have contributed to the diminishing competitiveness of Japanese companies. For example, the life-time employment system has proven to be costly. Furthermore, the promotion system which is not based on performance, and an unfair evaluation system have done little to boost the morale of the employees. Finally, operation and R&D oriented around the headquarters have also created disadvantages in creativity and speed of decision making.

On the other hand, there may have been some benefits provided by the Japanese management style, such as secure employment, internalization of knowledge and experience, and managers who are very organization oriented. However, with the management environment

changing so rapidly and the need to maximize the utilization of internal resources becoming greater than ever, the Japanese management style has been proven, for the most part, to be ineffective.

However, a reform is taking place within the human resource policy of Japanese companies and it seems to be headed in a direction consistent with the trend set by some of world's leading companies. For example, while the world's leading companies are demonstrating compensation based on performance, equal opportunity, and entrepreneurial spirit, there has been a movement to abolish the lifetime employment system and to implement a more performance-based compensation system by Japanese companies. Also, skills in specific areas are beginning to be valued, and cross hiring is becoming more common.

The roles of subsidiaries are also starting to change. Traditionally their roles mainly revolved around cost reduction and development of new markets. However G type companies and Japan's leading companies are demanding more significant contributions from their subsidiaries, such as new technology and improvement of product quality.

Greater utilization of internal resources can be realized by effective training programs. Apparently more of the world's leading companies are placing greater emphasis on the quality of training to stay ahead in global competition. Japanese companies have been known to emphasize the importance of training, and it seems they should continue to do so in the future.

The establishment of a global organizational structure, including all foreign subsidiaries, is a crucial issue in gaining a global competitive advantage. The efficient integration of management resources scattered around the world depends on how well the balance between centralization and delegation of authority can be managed. Over centralization of authority will rid subsidiaries of independence, while over delegation will take away some strength from the company as a whole organization.

European companies, for example, have a tendency to interpret each region as one market, thus it is in their best interest for the regional subsidiaries to maintain some degree of independence. The survey also showed that the performance of European subsidiaries is measured by qualitative indices. These findings may be indications of their effort to avoid rigidity that comes from too much bureaucratic control. In terms of human resources, the world's leading companies are trying to achieve standardization, not by rules and regulations, but by principles. This may also be an indication of their effort to achieve harmony between centralization and delegation of authority.

On the other hand, it is vital for a company to maximize the effectiveness of its internal resources through global operations based on maintaining mutually beneficial relationships with various stakeholders around the world. Survival in the current competitive global market depends on it.

The traditional Japanese management style places emphasis on controlling internal resources and other organizational elements. However, many companies became susceptible to the shortcomings of such management style, which is represented by lack of flexibility, intolerance to new ideas and lack of innovation within the organization. A new millennium company must overcome such shortcomings and develop and implement a system which efficiently maximizes the utilization of its internal resources.

#### **4. Collaboration of the Three Guidelines**

In our research, we have defined the management guidelines for the global era as: 1) understand the dynamics of the stakeholders; 2) expand management boundaries; and 3) maximize internal resources. These guidelines, however, are not independent of one another. Only when all three guidelines are carried out in collaboration, can a company be truly

called a new millennium company.

It was found that many companies have achieved one or two of the guidelines, but not many have yet achieved the combination of all three. This is not surprising, because when an attempt is made to collaborate these three guidelines simultaneously, a company is faced with new problems and dilemmas.

In order to overcome these problems, the existing basis for business decisions must be reviewed. In other words, a new millennium company is required to have the management skill to adapt to the constantly changing environment while sustaining reciprocal relationships with various stakeholders who possess different values. The effectiveness of these management skills will be defined by the managers on the job. And a manager of a new millennium company must be able to create a management style based on reciprocal relationships with various stakeholders who have contradicting needs.

To achieve satisfaction with these concepts while incorporating them into the existing corporate behavior, the framework of the existing behavioral pattern must be reconsidered. The new millennium company must be flexible enough to adapt to the various values held by different stakeholders while the management environment changes globally, and the ability to adapt is defined by the manager. The manager of a new millennium company must achieve simultaneous satisfaction of different stakeholder needs and create a new management style based on the relationships with them.

This summarizes our findings of the survey. This report represents only a primary stage of a more extensive research to be conducted in the future. We intend to conduct case studies and further data analysis to better determine the management standards for the strategy of a new millennium company.

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