1 Introduction

In a volatile, uncertain, complex, and ambiguous (VUCA) context, such as the one in which we live, management and organizations are confronted with the challenge of how to perform better. For instance, Softbank could sell its ARM shares to NVIDIA or not depending on the authorities of different countries and regions; Alibaba’s share values might halve while its business revenues and margins continue growing; reducing chip production creates a shortage of supply that affects the video game console, PC, and automobile industries. All these examples show that today’s political, legal, societal, and business environments are full of uncertainty and interconnectivity. The quote “uncertainty is the only certainty there is,” written by mathematician John Allen Paulos (2003) – who, in the words of his father, never played the market and knew little about probability – has been echoed around the world in different contexts.

Due to the ongoing effects of COVID-19, society at all levels is navigating uncertain waters, intending to survive and keep healthy, all the while setting its mind to work in a certain direction. “And knowing how to live with insecurity is the only security” continues Paulos (2003), strategically. The management world is no exception. Long before COVID-19, Spender (2014) already specifies that, contrary to legal definitions, firms and their managers need to deal with buzzing, dynamic activities, ambiguously defined with imprecision and driven by knowledge absences; this vagueness is due partly to an ambiguous past and present and partly to uncertain future possibilities. Similarly, the fallacy of strategic planning and forecasting, ascribable to highly volatile and uncertain environments, leads Teece (2020) to insist on the dynamic capability in VUCA contexts by means of actions – sense, organize, capture, and renew – rather than by forecasting and predicting based on existing strategic patterns.

Highly dynamic business environments constitute a new context that is more VUCA than ever. Dynamism is induced not only by technology, competitive emerging markets, and crises but also by the cross-level, multiple-source factors of these three elements (Zhang-Zhang, Rohlfer and Varma, 2022). The accelerated pace of technological innovation, comprising digitalization, artificial intelligence, big data, and robotics, is transforming traditional sectors like banking and retailing, but rising multinationals from emerging markets are challenging traditional multinationals from advanced economies, too. Management and organizations are at the crossroads of a paradigm shift; COVID-19, as an opportunity and a threat at the same time, may provide time for reflection on business management and theories. In view of the recent call for “humanizing strategy” (Nonaka and Takeuchi, 2021), COVID-19 dramatizes the constraints between strategic planning and human creativity (Zhang-Zhang and Varma, 2020). Reconciliation is needed
and is feasible if we place people at the center of the innovation system. While some industries may suffer more than others from the pandemic’s impact, being innovative and creating new knowledge seems the only viable option when such an uncontrollable event occurs.

Knowledge and Innovation

Drucker (1993) reckons that knowledge may be the only meaningful resource. Being innovative to create new knowledge seems the ultimate source, or resource, for strategic management to solve the issue of “knowledge absences.” Though knowledge per se has existed as long as the history of humanity (Nonaka and Takeuchi, 1995) and innovation has been developed as an independent research field since the 1950s (Fagerberg, Fosaas, and Sapprasert, 2012), Nonaka and his colleagues have irreversibly changed the course of knowledge management (KM) in contemporary organizational theories (Spender, 2013).

There are various thoughts and areas of investigation regarding KM, and knowledge has been fragmentally treated as a philosophical or epistemological matter, as capital, as information, or as an intangible resource at the core of the social organization (Spender, 2013). Using examples ranging from the eighth-century Abbasid project to collect and translate knowledge from around the world into Arabic, to the Penrosian tradition in modern theory, Spender (2013) narrates the shift of KM from its deep-rooted and broad scope to a narrowly framed issue “in terms of the private sector economic and organizational impact of knowledge (or knowing) and its management,” segmented according to different disciplines with different axioms (p. 27). Spender ingeniously analyzes the uncertain condition of KM and innovation, considered as production of additional resources “to be administrated and managed as they ‘bulk-up’ the firm’s bundle” (p. 30). He also underlines Nonaka’s contribution to the field of KM across different dimensions, albeit acknowledging the success of the KM branch in IT systems, as well as other intellectual alternatives like communities of practice and dynamic capabilities.

Regardless of whether the rise of KM was due to rapid improvements in the cost-effectiveness of computers or to academic interest in how knowledge has an impact on innovation in a globalized world characterized by high-speed technological development (Prusak, 2000; Teece, 2008), the IT system view of KM is only one of the perspectives, even though it has attracted a great deal of investment and attention (Spender, 2013). Above all, to make knowledge or know-how workable and contribute to economic value-adding, people are the source of creative ideas and are generators and convertors of knowledge
innovation and learning processes. Zhang, Zhou, and McKenzie (2013) adopt the term “knowledge worker” from Nonaka (1995), while Spender (2014: viii) notes that the individual is at the core of the model for “having powers of imagination and judgment along with powers of logic.” In this Element we also follow this approach by placing people at the center of our model (i.e., a people centric innovation ecosystem). Without the creativity and innovation arising from the minds and hearts of individuals, all logic will collapse without meaning in management, just like nice words that stay on paper but are never put into action and turned into reality. While the work of Nonaka and his colleagues on KM is bold and multifaceted, we are especially interested in the humanistic dimension of knowledge creation, which Zhang, Zhou, and McKenzie (2013) refer to as people centric innovation.

People Centric Innovation and Strategically Managing People

We agree with Spender (2014) that, instead of knowledge management being a diversion from strategy, strategic work indeed could be viewed as dealing with “knowledge absences.” Hence, a strategy needs to help an organization acquire the competencies and capabilities needed to achieve its goals. Individuals working with knowledge, called knowledge workers (Nonaka, 1995), are at the center of strategic interest to be explored and managed.

At the same time, innovation as knowledge creation emerged and evolved in different phases in modern theory to confront different challenges that organizations faced (Fagerberg et al., 2012). Before 1970, innovation studies were still in their infancy, confining themselves to the fields of economics and sociology; until the late 1980s, innovation attracted the interest of a large number of researchers and it became a global phenomenon of a multi- and interdisciplinary nature, tracing different trajectories; later, it entered its maturity phase, marked by the creation of professional associations and journals focusing on developing this field of inquiry. Organizational innovation gained more research attention after 1990, along with other clusters of innovation studies, namely economics of research and development (R&D) and innovation systems (Fagerberg et al., 2012).

Research diversity in the field of innovation is undoubtedly beneficial for knowledge creation in the scholarly community (March, 2004). However, although the field is relatively mature, no clear, integrated framework has been formulated yet (Mayer, 1999; Zhang, Zhou, and McKenzie, 2013). This provides an opportunity to approach knowledge and innovation from a humanistic perspective to strategically manage people so as to achieve performance-oriented goals (Zhang, Zhou, and McKenzie, 2013). Innovation
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is highly risky because no positive results can be guaranteed, since managing and strategic work “is highly specific and contextualized, not at all general” (Spender, 2014: viii). Thus, regarding an organization as a platform and context for individuals to create knowledge and disseminate it (Nonaka, 1994) is a meaningful foundation to achieve innovation performance. Simply put, if people and their creativities are not in place, huge investments in IT systems and economies of R&D are of no use for transforming outcomes into commercializable innovative products and fostering their market adoption. The people centric innovative capability is valuable, rare, and difficult to imitate and, if firms can find ways to manage, explore, and exploit it, competitive advantages can then be gained and sustained. In other words, high-performing organizational innovation capabilities depend on processes, structure, motivation, and organizational alignment (Grant, 2013), along with human creativity.

This Element attempts to propose a people centric innovative ecosystem that interrelates people, connecting knowledge generation and management systems across different levels (i.e., individual, organizational, industrial, national, and global) in order to achieve sustainability. We utilize the context of Japanese management and practices for this purpose because Japan was the first Eastern country that challenged the Western economy in the 1970s, and it is still the only advanced Eastern economy in the top positions of global Gross Domestic Product (GDP) ranking. Growing from an emerging economy in the 1950s, the stably developed Japanese organizations are deserving of attention with regard to their achievements and challenges in the current VUCA contexts and digitalization world; not to mention that many Japanese firms have managed to survive and sustain their business through major crises of all kinds over several centuries, and some for more than 1,000 years (Dooley and Ueno, 2020).

Japan and the Rising Asian Emerging Economies

Since World War II, the business world has witnessed the rise of Japan from ashes to the role of the first advanced economy in the East. This occurred in the 1970s, but especially in the 1980s and 1990s, a time that global business called the era of Japanese Challenge, following the era of European Expansion and American Dominance (Grant, 2016). As globalization brings accelerated interconnection and interdependence among countries, firms, and individuals (Guillén, 2001), emerging economies and enterprises increase their power and can influence and counterbalance the existing Western multinationals. Asian emerging economies play a critical role in this process, taking the lead in GDP growth, Foreign Direct Investment (FDI) inflow and outflow, and other rankings, like the upgrading of innovative capabilities (Romei and Reed, 2019).
China and India, along with Japan and Korea, rank in the top ten list of the World Intellectual Property Organization (WIPO) in terms of intellectual property (IP) activity and total IP filing (WIPO, 2021).

Asian emerging markets outperform other emerging countries in Africa, Latin America, and Eastern Europe. Japan, the first Asian country to become an advanced economy and still the first in terms of GDP per capita in Asia, might serve as a role model for benchmarking. Though unquestionably recognized as an advanced economy and often classified as part of the Western multinational or economic system by management scholars and economists, Japan struggled during the early decades of its development in pursuit of innovation and new knowledge creation. By scrutinizing the evolution of Japanese management style and practices, the Asian Emerging Economies (AEE) and their companies may be able to improve their management thinking and learning.

Within the context of Asia’s rising economic power, our focus here is principally on the firm level, interacting with other levels to better understand the Japanese way of management, which leads to sustainable competitive performance. The structure and the rationale of the Element are as follows. We first review the existing scholarly understanding of Japanese management and practices from quality academic publications in English (Section 2). We then explore the insights of Japanese scholars and practitioners to provide a comprehensive picture of Japanese management (Section 3). The typical features of the Japanese management style comprise on-the-job training, lifetime employment, a seniority-based work system, and company-based trade unions. Nonetheless, we go further and analyze the underlying environmental contexts over time, distinguished enterprise types, and management practices that, by intertwining Japanese and Western (mainly American) management, lead to the coexistence of paradoxical effects and convergence/divergence paths. In Section 4, we provide further qualitative data, via interviews and dynamic groups with Japanese middle-level managers and young professionals, to delve deeper into the issue. The complexity of managing a crisis such as the Fukushima nuclear accident is also critically analyzed. In addition, we describe cases from the Japanese video game industry to offer insights into interconnectivity among people, firms, and industries. Finally, we propose a people centric innovation ecosystem, outlining the innovation ecosystem trends, people centric Japanese management, and practices in Section 5, followed by discussions and conclusions in Section 6. We believe that this theorization is relevant for enterprises in Asian emerging markets, especially for Chinese management, Asian Tigers, and those from the ASEAN-5 countries (i.e., Indonesia, Thailand, Malaysia, the Philippines, and Vietnam) (Cavusgil, Ghauri, and Akcal, 2013), which, in spite of their differences, have certain cultural similarities.
2 Literature Review: What Is Understood as Japanese Management?

Since our interest is to analyze the people centric innovative ecosystem based on the Japanese management context, we would first like to explore what Japanese management and practices are. How do Japanese enterprises grow to be resilient in the global business scenario and come to be regarded as challengers by their Western counterparts? What has brought them to the center of this global stage? What have Westerners learned from Japan and how have they incorporated Japanese management and practices into their mainstream paradigm and renewed themselves?

There have been numerous scholarly publications, both books and journal articles, on this topic. To understand their magnitude, we did a search for “Japanese Management” in Google Scholar on February 8, 2021 and found about 3,780,000 results. An alternative search for “Japan*” and “manag*” in the Web of Science (WoS) database was carried out in 2020 and updated on February 8, 2021, yielding 73,287 results. Due to the large amount of output and the fact that a search test with “Japan* manag*” gave the same number of results, we narrowed our search field down to the titles in the WoS Core Collection, including only management and business as categories, articles as type of document, and English as language, and repeated the process on November 6, 2021. Consequently, the final results provided a more accurate view, focusing on Japanese management discussions among Western business and management scholars, with 181 articles covering the period from 1961 to 2021 (see Figure 1). Based on this, we expanded the relevant scholarly works, using the snowball method starting from the identified publications. This section relies on the preceding semisystematic literature review to investigate the understanding of Japanese management in the major high-quality, English-language academic journals from a Western viewpoint, regardless of whether the authors are from Japan or not.

What Is Japanese Management?

Drucker (1971) clearly states that Japanese managers do business in a distinct fashion from US and European managers, employing different principles, approaches, and policies to tackle problems. The combination of these features was certainly a major factor in the rise of Japanese economy and business. In Westney’s (2020) relatively recent overview of Japan’s influence on management theory, four management fields are identified that have enjoyed a large contribution from Japanese management: organization behavior/organization studies, production and operations management, strategy, and international
business (IB). Keeping in mind the discretion of each scholar in categorization, we can generally agree that Japanese management has played a strong role in the area of production and operations (e.g., just-in-time, total quality management and kaizen), as well as in managing people (namely human resources or talents), labor-related issues (e.g., lifetime employment, seniority-based reward, and promotion), and organization behavior/organization studies. These aspects are commonly regarded as the typical Japanese style of management and have contributed to both theoretical development and business practices, extending further to the fields of strategy and international business. The contribution to the field of international business has been especially evident, as the variation of the Eastern style of management has been brought into the thinking of predominant Western management thanks to empirical data on Japanese overseas operations and comparative studies between Japanese firms and those of the West, like America and Britain, in addition to the later-rising emerging markets (e.g., Korean, Chinese, and Indian). The contribution to the field of strategy has been more profound, exemplified by the foundation of knowledge schools based on Japanese studies.

The early interest of Westerners in Japanese management was connected to Japanese productivity growth and its relation to the management of employees (Westney, 2020). Duphy (1987) recognizes Veblen (1915) as the earliest Western commentator that saw Japanese enterprises as different and set up the ensuing debate about Japanese organizational life. Informed by the practices of Japanese managers, Mroczkowski and Hanaoka (1989) present the continuous evolutions and crises of Japanese management, consisting in adjustments to new economic, social, and competitive priorities, from the rigid status promotion in the era prior to World War II, to the labor shortages of the 1950s and 1960s and the
peak development of what the world regards as Japanese management in the 1970s. Following this evolutionary logic, we present our review in the same way.

When Arnold (1961) assesses Koichi Inoue’s management appraisal system, with its typical Japanese manner of operation, it covers a wide range of management fields. Several peculiarly Japanese traits are highlighted: personnel management centers on future business perspectives rather than on maintaining company competitiveness; high employee performance without waste is pursued; while production is emphasized with an imbalanced attention to control, budgeting, and accounting utilization in comparison to American management. On the other hand, neglected areas in Japanese management are sales and finance. Inoue’s management philosophy is indeed viewed as “90 percent personnel management,” namely the management of managers and employees, and as seeking systems particular to the individual company.

Early Japanese Management Research

Arnold’s assessment (1961) explores a large portion of Japanese-style management, stressing the individual/people as the center of management. Concerning the weak area of marketing, in which Japanese firms struggled, Froomkin (1964) argues that this is due to difficulties in drawing top management’s attention and appointing a talented leader to handle these issues. For Froomkin, the decision to apply the Japanese style to American business is questionable because of contextual differences. The heavy presence of traditionalism, seniority, and permanent employment in the career development of Japanese leaders creates a strong corporate environment or culture, centralization of decision-making power, and hierarchical and formal communication styles. Such practices keep up morale, while the rapid growth of Japanese companies provides opportunities for young employees, balancing the formal and hierarchical process for career progress and aligning agency interest with job security.

Along with the preceding characteristics of Japanese management, the *ringi* decision-making system is probably considered the strongest traditional Japanese management practice (Noda and Glazer, 1968). *Ringi* is similar to the American expression “consensus decision-making,” but its underlying issue has to do with the quality of personnel/people management in the process when executives invite proposals or comments from lower-level subordinates.

The Evolution of the 1970s and People-Related Factors

After the introductory period of the 1960s, the study of Japanese management grew steadily in the following decade, expanding its comprehension based on the foundations of production and people management, though many works
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could be classified as belonging to the IB field. Some early examples include Drucker’s research (1971) on learning from Japanese management for decision-making and other managerial issues; England and Lee’s comparison (1971) of American, Japanese, and Korean cultural impact on managerial values expressed in organizational goals; Fujita and Karger’s demonstration (1972) of R&D management in Japan; and Kelley and Reeser’s study (1973) of Japanese-American managers’ attitudes linked to their Japanese ancestry. England and Lee (1974) continue their comparative study of managerial values in Japan, the United States, India, and Australia, while Johnson and Ouchi (1974) comment on Japanese management taking root in America. Key scholarly works of the late 1970s dealt with Japanese participative management practices (Kuniya and Cooper, 1978), personnel management and employee attitudes (Pascale, 1978), and Japanese multinational operations with regard to the sources and means of control (Hayashi, 1978a).

Drucker (1971) and Johnson and Ouchi (1974) are the two top-cited scholarly pieces of the decade. Both are of a comparative nature and focus on what the West can learn from Japanese management. Drucker (1971) highlights features such as effective decisions, young professional development, and harmony between employment security and other needs, such as productivity, flexibility in labor costs, and change acceptance. Some remarks made by Drucker concern the Japanese propensity to thoroughly define the question before placing emphasis on the answer to increase effectiveness rather than efficiency in problem solving, as well as the crucial role of the “godfather” in a young professional’s career development. Moreover, the lifetime employment policy is combined with labor flexibility to balance the economic needs of employees during different phases and to achieve psychological security. In the analysis by Johnson and Ouchi (1974), the exploration of Japanese and US comparative cases raises the question of which elements are standard, universal management practices (Japanese practices already part of Western companies’ procedures), which are peculiar to Japanese management and inseparable from Japanese culture (unsuitable for adoption in the United States), and which Japanese approaches and features are exportable (Japanese management that may be transplanted to the United States). Five exportable Japanese management style traits are identified by Johnson and Ouchi: a bottom-up process of information and initiative flow (versus the Western tradition of authority and hierarchy); a top manager as facilitator for decision-making (versus leader-set objectives and orders); a middle manager as molder to coordinate, make the

1 Johnson changed his last name to Pascale, his original family name, in the mid-1970s (Westney, 2020).
complex web of a Japanese organization’s relationships work, and get things done (versus the American manager, who rarely coordinates well, lacks human skills, and is less familiar with other parts of the organization); consensus for decision-making (versus individualistic, quick decision-making equated with efficiency); and concern for the personal well-being of employees (versus the American manager’s attention to work performance).

The main commonalities among these two top-cited articles and other research of the period are implicit or explicit learning from the best practices of Japanese management, with the intent to apply them to the Western context. Scholars have largely attributed Japan’s success to people-related factors, including the nation’s highly industrious and homogeneous workforce, constructive relationships with the labor unions, an environment of not encouraging job mobility between companies, more resources spent on nonpayroll benefits per employee, and employees with a stronger perception of satisfaction (Pascale, 1978).

Similarly, other scholars, like Kuniya and Cooper (1978), point out that Japan is known for its comparatively greater potential in improving the quality of working life (not firm performance) through increased shop floor involvement in decision-making, work redesign experiments, and so on. They conclude that this potential is due to various historical and cultural factors, with greater worker participation and more work humanization projects.

The Period of Booming Research on Japanese Management

Managerial interest in Japanese management in the West, including the United States, was at its peak in the 1980s and early 1990s (Makino and Lehmberg, 2020; Westney, 2020), as confirmed by the large increase in academic publications during this period, shown in Figure 1. The understanding of what Japanese management is was consolidated and further expanded in the 1980s, when scholarly works also paid more attention to systematically reviewing and understanding Japanese management. This increased attention, however, was not without criticism, and most scholars still explicitly or implicitly compared Japanese management with American management, also extending the comparison to management in other countries, both in the West (e.g., British management) and in the East (e.g., Chinese, Singaporean, and Korean management). Internationalization context studies, analyzing either Japanese overseas subsidiaries or international businesses in Japan, also multiplied thanks to the protracted business expansion of Japanese multinationals.