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Success to Corporate Genome

— Innovating Corporate Culture Around Trust and Creativity —

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Corporate culture is the unique atmosphere or flavor radiated by a company as a whole. It also concerns other aspects such as the company's values and the norms of its behavior, which is difficult to grasp in the abstract. However, this elusive element of corporate culture is an important factor that can help or hinder a company as it innovates, and can be the foundation for its vitality and creativity. The essence for success and survival in the 21st century requires that companies quickly focus on their approach in innovating their corporate culture and start managing the mental side of the company, which revolves around trust and creation.

While it is difficult to explain corporate culture comprehensively, we formulated two axes based on an opinion and behavior database we have accumulated from surveys conducted over the past decade on some 50,000 employees of 120 Japanese companies, and which show a strong correlation between business performance and business growth. We have labeled this correlation the "corporate genome." The findings of a subsequent corporate genome analysis that NRI conducted this June involving about 50 companies found no fault lines between the upper and lower strata in vitalized companies, and revealed that employees could choose their own challenges and work strategically. Such employees act with a combination of logic and passion, valuing principles and dreams for the future, in a corporate culture that includes effective internal communication and which respects debate and stimulates challenges.

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I The Significance of Corporate Culture in the Process of Company Innovation

1 What is Lacking in Corporate Innovation in Japan?

As structural change moves forward in Japan's economy, Japanese companies are trying to make drastic innovations. In the first place, mergers and business reorganizations that span multiple companies are beginning to take place. While such business strategies are common in the US, there is little experience for such dramatic changes in Japan. For example, restructuring a newly merged subsidiary that has failed in its business operations can be difficult, and the parent company can be adversely affected. In the US, the emphasis is put on how to unify companies with different cultures in order to achieve satisfactory results promptly. Accordingly, very serious consideration is given to the unification of corporate cultures, and companies give great attention to caring for and innovating staff perceptions as one of the risk areas in a merger.

Second, many companies are trying to innovate themselves in various ways. However, most of the management innovation methods introduced by Japanese companies so far have originated in the West. Such Western methods—which base the pursuit of company policies on corporate acquisitions and fluidity in the labor market—are very difficult to introduce into Japan in practical terms.

For example, organizational structures and personnel systems in Japanese companies do not have a clear definition of rights and responsibilities, as is the case in Western companies. As a result, the introduction of Western-style methods often causes friction. Moreover, the Japanese labor market has little flexibility, so restructuring is still regarded as leading to layoffs.

Such methods of company innovation, particularly those originating in the West, are certainly effective in themselves, but in actual practice require careful consideration of the corporate culture of the company to which they are applied.

2 Corporate Culture Influences the Success or Failure of Corporate Innovations

As Japanese companies strive to improve their business performance amid the prolonged recession, the greatest urgency is the need to adapt to the changes in their business environments and further innovate their corporate structures. Moves in this direction—such as manufacturers adopting a service sector, information technology (IT) companies becoming solution providers, and service companies working to build user loyalty—all necessitate radical changes in company size, levels of organization, flows of information, staff behavior and other core corporate aspects.

These innovations are directly linked to the work done by each and every employee. They aim to change mindsets that are deeply rooted in the psyche of the workers, such as basic perceptions and task procedures. Obviously, the method for adapting these innovative moves to the corporate culture of the subject company is an extremely important issue.

Of the characteristics seen in companies that have succeeded in innovation, the most important factor is that the aims and intentions of innovation are specified, and that innovation is fully disseminated and carried out through the entire company. It is vital to have a system in which the ideas and thoughts of top management regarding innovation are communicated clearly and directly throughout the company.

At the same time, it is important to nurture the mental elements of innovation in the right atmosphere. A firm commitment to press on must be shared at the top management level, and the various levels of middle management must approve of the break with the past. Superiors must encourage the efforts and successes of their subordinates, giving the feeling that the company is resolute and that there will be rewards for their efforts.

Factors seen in failed examples are exactly the reverse of those seen in successful cases—namely, cold innovation, with no consideration for the mental aspects. They are aimed solely at efficiency gains and cost reductions, overlook middle management, and fail to clearly define the thoughts of top management. Such approaches leave major fault lines between top and middle management and the workplace.

In the end, innovation and business are actions taken by people (company workers) towards other people (the market), so the basic requirement is to maximize the potential and values of the people involved. Corporate culture can function as a positive factor to draw out the best of such potential and values, or it can act as a negative factor. That realization makes the influence of corporate culture innovation even more significant.

One typical example can be seen in the merits and demerits of BPR (business process reengineering), which gained popularity in the US in the early 1990s. US companies that implemented BPR in a negative way triggered the departure of many middle managers. This loss of such core personnel depressed the morale of these organizations without improving their business performance, and brought home the importance of people. This unhappy experience led to a new advocacy of the importance of teamwork, which was finally manifested in the concept of "learning organizations" in the mid 90s.

Personnel systems that stressed motivating people through the affiliation motive and a focus on competency (characteristics common to the actions of high-performing workers) are now taking root. Table 1 takes factors such as the affiliation motive and behavioral science as the core criteria in summarizing the management methods used in US companies today.

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Table 1. Management Methods from the US

Classification	Methods	Content	Advantages for innovating corporate culture
Information transmission	Attitude surveys	Survey conducted on employee attitudes towards items of manager's interest	Closure and correction of perception gaps between management and employees
	360˚ feedback	Feedback to individuals from superiors, subordinates, colleagues, clients and others	Selective promotion of qualified managers
	Open book management	A method to give employees a sense of ownership by disclosing company and business financial information	Nurture employee commitment to the work and the workplace
Teamwork	Self-directed work teams	Workers manage their own teams	Nurture employee responsibility to the workplace
	Cross-functional teams	Teams are assembled with workers from various departments to tackle specific tasks	Reinforce seamless cooperative systems and build solidarity
	Cross training	A training method that enables workers to gain experience in various departments as a means of acquiring multi-sided perspectives	Nurture multi-sided perception to eliminate organizational "nodes"
	Knowledge management	Pooling of information and knowledge to build a creative culture	Nurture learning organizations and a corporate culture in which people teach each other
Motivation	Coaching	Methods that managers should employ to raise the ability of their subordinates	Strengthen leadership and educate subordinates
	Performance management	Management methods based on behavioral science to increase motivation	Maintain and build motivation for individuals and teams

Source: Nomura Research Institute.

3 What is Corporate Culture?

Essentially, what is corporate culture? It is a company's values (defined as thoughts and patterns of action shared by the workforce) that have been created over the course of a company's history. It is not written down, but can be described as the norm of behavior that runs through the company.

Specifically, it is often described as the "flavor" radiated by the company as a whole. Workers within the company might have perceptions such as "our company is run from the top down" or "our company is paternalistic." Others doing business with the company might say that "the company welcomes and listens to customers needs" or "they have a new and fresh atmosphere when you go there."

Therefore, when various methods are employed by a company to innovate its own corporate culture, or to work together with outside companies, there is little chance of the innovation or cooperation succeeding if the methods used do not suit the corporate culture of the company or companies concerned.

Conversely, if the innovation methods suit the company's corporate culture, the results can be extraordinarily good. The QC (quality control) methods, which were born in the US and spread widely in Japan, represent a prime example. Major factors in Japan's success include its uniform labor market, the emphasis placed on uniform advancement in its personnel systems, and its group-oriented values.

4 Can Corporate Culture be Changed?

According to some research, the biggest factors in changing corporate culture are a change in the CEO, or the replacement of the entire top management level, followed by an increasing sense of crisis due to environmental changes, then organizational changes and the ceding of authority.

Corporate culture is supported by traditions that have been developed since the company's foundation, and have grown in succession. Hence, some maintain that making fundamental changes just by adopting some policies may be difficult. Attempts to change corporate culture by force or excessive pressure may push a company into a period of chaos leading to an impasse.

One pitfall is seen in the contradictions involving relationships of trust. For example, upon a renewal of management, slogans emphasizing speed and efficiency are announced in addition to the revisions in policies and strategies. Employees loose a sense of direction in their performance and their confidence in management is weakened in the face such inconsistencies. Thus, their enthusiasm for reaching performance targets tends to dwindle. Seeing the state of their workforce, the new managers often misunderstand that the policy is not being well implemented and impose even stricter controls. As a result, the workforce turns its full attention to what management is doing. And as internal groupings try to survive the fierce internal struggles, the relationships of trust break down between the key employees—whose very cooperation is of vital importance.

Such failures originate in the following errors of judgment by the new management:

(1) Failing to raise the worker's innovation awareness with an acknowledgement of established behavior.
(2) Misjudging the timing for the start of action.
(3) Pressing ahead alone with the development of innovations without involving key people in middle management.
(4) Failing to praise and encourage the workers in their first small successes.

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To innovate corporate culture, top management must devise measures to understand the process, construct the scenario, involve the workforce and prepare adequate systems.

II Innovation in Corporate Culture Begins by Taking an Objective Look at the Culture

It is difficult to explain the corporate culture comprehensively. NRI has accumulated a database of findings from opinion and behavior questionnaires and surveys conducted over the past ten years in 120 companies and involving some 50,000 workers. The multi-variate analyses we have conducted on this database indicate a high mutual correlation between a business performance axis and a business growth axis. To distinguish the definition of these two axes from general corporate culture, we call this correlation the corporate genome.

We have devised a "vitality index" to quantify corporate culture. Vitality is defined relative to two axes—strategic vitality and organizational vitality.

Just as the human genes influence the characteristics and physical conditions of human beings, corporate genes also work as an important factor in creating corporate value. If a disease gene is human beings is identified and diagnosed, it is then possible to start working on its alteration—effectively making it possible to prescribe prompt and efficacious treatment without deciphering the entire genome. Similarly in terms of a corporation, identifying and isolating a gene within the corporate genome that saps business performance essentially opens the door to solving the problem by analyzing that component in terms of 15 attributes.

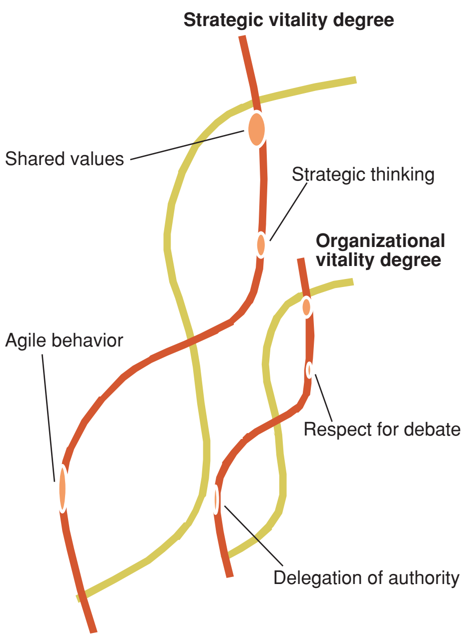
The degree of strategic vitality is expressed as an index linked to the company's business performance and represents the company's will to adapt to its environment. The degree of organizational vitality is an index that indicates the self-reliance of employees and the effectiveness of communication within the company. It has been used in the past to assess the morale of company employees. The degree of strategic vitality on the vertical axis includes ten items, while organizational vitality on the horizontal axis comprises five items (see Table 2).

The composition of these items is revised in accordance with the changing environment. The 2001 edition

Table 2. Definitions of Vitality Index Items

Items under strategic vitality (vertical axis)	
(1) Strategic thinking:	The extent to which debate and theoretical analyses are used in problem solving, and the attitude towards linking current operations to the next stage.
(2) Shared values:	The degree to which concepts have permeated through the organization, and the sharing of dreams and ideals among the workforce.
(3) Accepting challenges:	The extent of activities aimed at innovation and improvement in response to environmental changes and new things.
(4) Information sharing:	The degree of sharing wisdom and skills and utilizing findings, knowledge and expertise.
(5) Agility:	The speed of decision-making and the agility to adapt behavior in response to environmental changes.
(6) Customer orientation:	The desire to achieve customer satisfaction and the extent to which behavior is based on the viewpoints of customers and counterparts.
(7) Task accomplishment:	Success in accomplishing tasks and actions in practice.
(8) Clarity:	The clarity of the authority and responsibilities of managers and of the organizational structure and evaluation criteria.
(9) Meritocracy:	The degree to which actual ability is evaluated, without regard to academic background, company career, and seniority.
(10) Training and development:	The systematization of human resource training and development in linkage to practical tasks.
Items under organizational vitality (horizontal axis)	
(1) Delegation of authority:	The degree to which authority is delegated between supervisors and responsible staff members.
(2) Respect for debate:	The ease with which contrary opinions can be voiced and the respect for debate.
(3) Long-termism:	The extent of emphasis on a long-term vision over short-term results.
(4) Respect for individuals:	The tolerance of independent, active and challenging behavior by each individual.
(5) Tolerance for failure:	An atmosphere that permits taking risks in accepting challenges and that tolerates failure.

Source: Nomura Research Institute.



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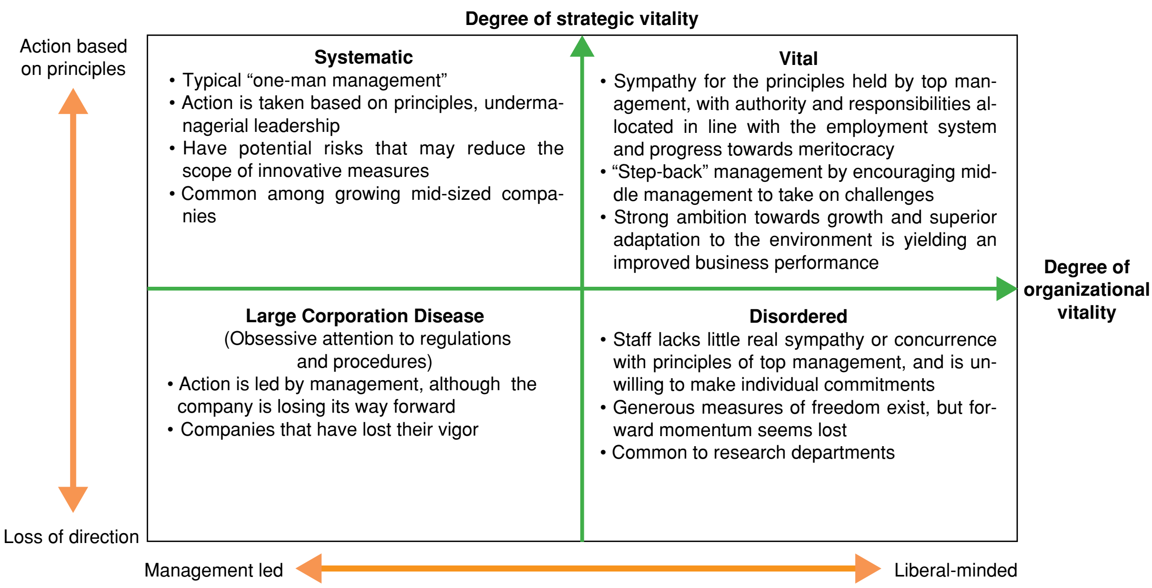
added new items to the strategic vitality index, such as "information sharing" to ascertain the fluidity of information and knowledge, "agility" to measure the speed of the organization's decision-making and behavioral adaptation, and "customer orientation" to gauge how well the company reflects the viewpoints of its customers.

The daily activities of company employees are characterized according to the strength of each item. The total values are used to determine the company's strategic and organizational vitality. Based on these two axes, we can classify company cultures into four types according to a combination of strategic and organizational vitality (see Figure 1).

While the "Vital" type, in which a high degree is recorded for both strategic and organizational vitality, qualify as companies with considerable empathy between the company and individuals, very few companies can be classified in this group. The "Systematic" type can be classified as companies with a "top-down" style, and which are strictly controlled under management leadership. Qualified mid-range companies and owner-manager companies often fall into this category.

On the contrary, the "Disordered" type has a relatively low level of strategic vitality. While individuals in such companies have a high level of freedom, the company's direction is often poorly defined. R&D, venture and con-

Figure 1. Corporate Genome Analysis Framework



Note: Derived from NRI survey database of 50,000 people in 120 companies; results based on standard deviation data.
Source: Nomura Research Institute.

Table 3. Supplementary Analytical Viewpoints for Corporate Genome Analysis

Leadership gap items	
(1) Consideration:	Respect the feelings and ideas of subordinates and maintain positive human relationships in the workplace.
(2) Presentation of targets:	Understand the company policies and present its vision and targets clearly.
(3) Influence:	Work through internal and external networks to solve problems.
(4) Education:	Perform a model role to train and give lessons in behavior rules to subordinates.
(5) Pressure to achieve:	Demand completion of work and nurture a seriousness to challenge complex tasks.
Personal vitality items	
(1) Commitment:	An awareness of loyalty to the company, workplace and tasks and an attitude of self-sacrifice.
(2) Motivation:	Sense of satisfaction derived from superiors, duties and tasks.
(3) Self-management:	Maintaining autonomy in objective understanding and hindsight concerning the progress of work, etc.
(4) Networking:	Level of independent information gathering and networking inside and outside the company.
(5) Recognition:	Receipt of rewards from the company commensurate with work, and of understanding from colleagues.
(6) Stress:	Tension and burden perceived by employees due to the content or tedium of their tasks.

Source: Nomura Research Institute.

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sulting companies, which are driven largely by individual creative efforts, commonly fall into this category. The worst is the type afflicted with "Large Corporation Disease," which display low achievements in both strategic and organizational vitality. Such companies seem to be obsessively concerned with regulations that are not based on reasoned principles, and are often characterized as heavily reliant on procedure.

In addition to these two axes, NRI uses two supplementary analytical foci in actual consulting work (see Table 3). The first involves an analysis of "leadership gaps," which uses five items to evaluate the management style of how feedback is provided to subordinates within the daily PDCA (plan, do, check and action) management cycle. This analysis can capture the gaps in leadership values between self-evaluation and evaluations from subordinates.

Second, as the fluidity of human resources increases and the number of career staff with professional expertise exceeds the levels of the past, corporate culture can no longer be fully explained as a relational framework between the company (strategy) and its organization (atmosphere). Starting with this year, therefore, we have added six new items to the analysis in which we examine individual vitality as ways of motivating each worker.

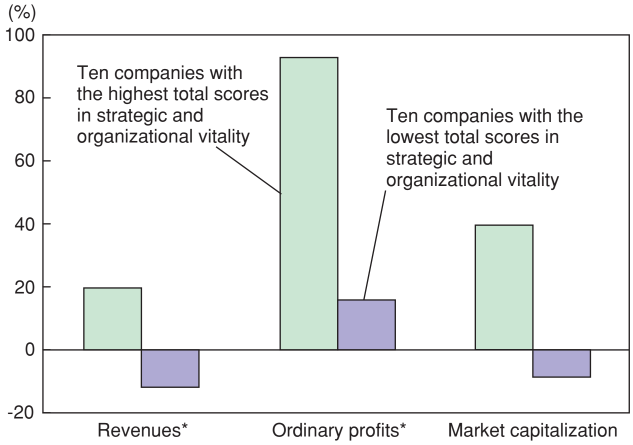
III Characteristics of Corporate Cultures Seen in the Latest Corporate Genome Analysis Results

1 General Trends in Corporate Cultures

This chapter uses the analytical framework for the corporate genome analysis surveys discussed above to introduce the results of such a diagnosis conducted in June 2001. The survey focused on 7,343 people from 51 companies listed on the First Section of the Tokyo Stock Exchange, each of which had over 1,000 employees, revenues exceeding ¥100 billion and ordinary profits topping ¥1 billion. In order to reflect the representative corporate culture in each company, people working in core job types were selected. The subjects were in organized groups with consistent command systems and composed of 50 to 300 employees at multiple levels, from department heads to general workers.

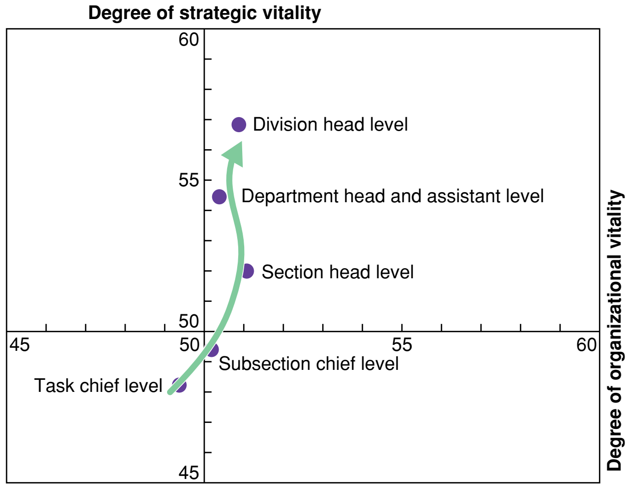
When we compared business performance over the past five years for the ten companies with the highest total vitality scores and those with the lowest, we find a meaningful difference in revenues and ordinary profits (see Figure 2). This suggests that companies with high vitality scores tend to increase corporate value, indicating that nurturing a good corporate culture is linked to improved business performance.

Figure 2. Relationship Between Vitality Scores and Business Performance (Growth rates over the past five years)



Note: * indicates a meaningful difference in testing results of $p<0.05$.
Source: Nomura Research Institute.

Figure 3. Level-Related Trends



Note: Values on the horizontal and vertical axes reflect standard deviations (hereinafter the same).
Source: Nomura Research Institute.

In classifying the survey results by worker level, age, length of service, and job type, it was understood that strategic vitality increased as the worker level rose, and that a perception gap between the upper and lower levels did exist (see Figure 3).

Even when the upper levels believe they have communicated with the lower levels, it is remarkably difficult to convey their actual meanings and intentions. Consequently, it is important to include an awareness of communication difficulties in the practice of management.

When analyzing subjects by age, one sees that strategic vitality declines after its peak on entering the company, bottoming out at age 26 to 35 (see Figure 4). It is assumed that the recent flattening of organizational structures requires even younger group members to function as team leaders, and the beginning of promotions to management posts influences the age-related trend.

In examining subjects by length of service, one sees that workers are vital until the fourth year following a

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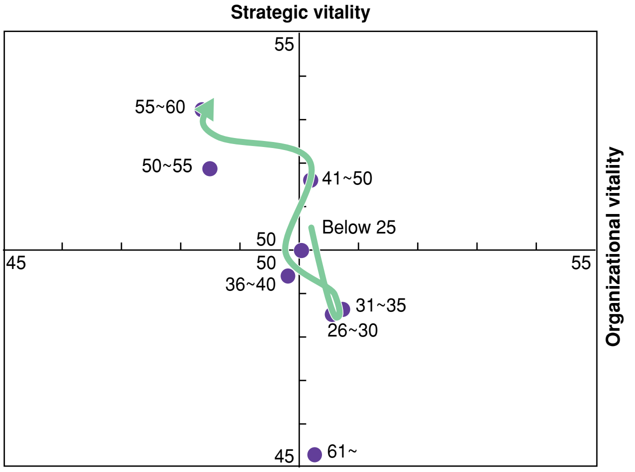
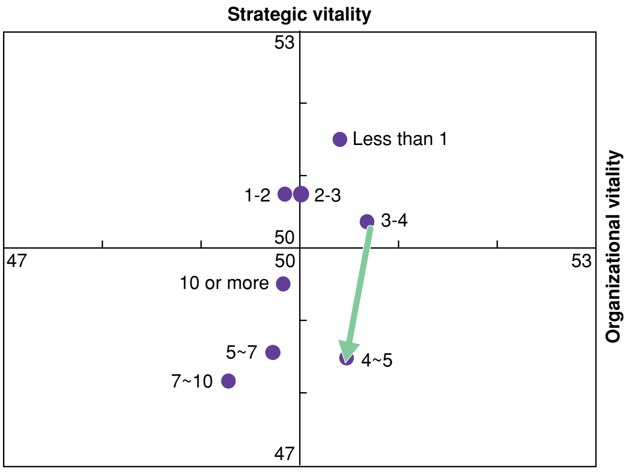
Figure 4. Age-Related Trends



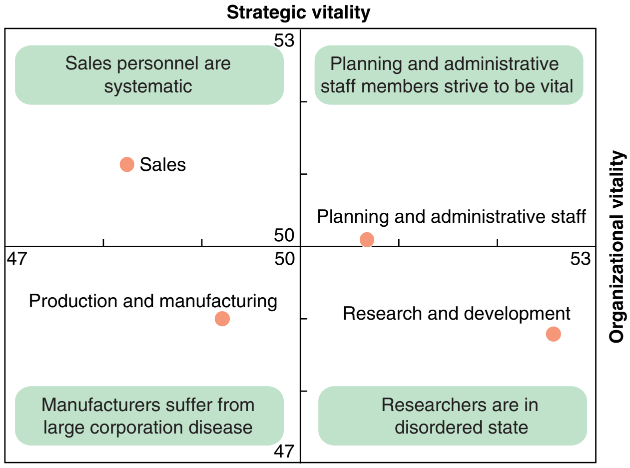
Note: Figures represent ages.
Source: Nomura Research Institute.

Figure 5. Trends by Length of Service



Note: Figures represent years.
Source: Nomura Research Institute.

Figure 6. Trends by Job Type



Source: Nomura Research Institute.

new assignment, after which their strategic vitality declines sharply (see Figure 5). This phenomenon explains the need for rotation and the desirability to reshuffle personnel every three or four years, which is a common theory in practice.

Looking at subjects by job type, we see that planning and administrative staff fall into the vital type while, researchers fall into the disordered type, sales staff into the systematic type and manufacturing workers into the type afflicted with large corporation disease (see Figure 6). This means that different subcultures exist within different job types.

Turning to the item-specific trends for each job type, we find that planning and administrative staff generally assume command positions, acting strategically and agilely on the basis of clear principles. At the same time, however, they tend to be isolated from customers, perform poorly in accepting challenges and completing new tasks, and bear a heavy responsibility for errors. Since items such as "delegation of authority" and "respect for debate" are not strong, this leads to a tendency for poor communication with top management.

Research and development staff members are in an organization that takes on strategic challenges, and can be imagined working with individual freedom, making the organization comparatively efficient in communication. In contrast, they record inferior scores in "shared values," "clarity" and "personnel education."

Sales personnel are not strategic, but clearly hold divided roles. While they share values and information with the organization, they act agilely, with an orientation towards customers. Conversely, they tend to fall into patterns showing short-term consideration, shy away from debate, perform poorly in taking on the challenges of new tasks and fail to make full use of organizational strengths.

Production and manufacturing staff perform at low speed, are isolated from customers and have little idea of meritocracy. However, this kind of organization faithfully carries out the tasks assigned to them.

2 The Characteristics of Vital Companies

We will now examine the characteristics of the 11 companies out of the 55 surveyed that were classified as vital (see Figure 7).

First, all of the strategic vitality items are above average. Particularly they show high scores in "strategic thought," "accepting challenges" and "meritocracy," all of which create a corporate culture where staff members assume a strategic framework and spontaneously take on more challenging themes, and where hard work is rewarded. Furthermore, dreams for the future that go beyond company principles and short-term tasks are valued, and logic and mood are well balanced in the culture.

Items for organizational vitality are also all positive, with high results for "long-termism," "respect for debate" and "tolerance of failure." In short, they represent corporate cultures with efficient internal communication and a vision that stimulates challenges.

Turning to leadership items, the management style adopted by superiors exerts little "pressure to achieve," but rather allows workers to approach their tasks natu-

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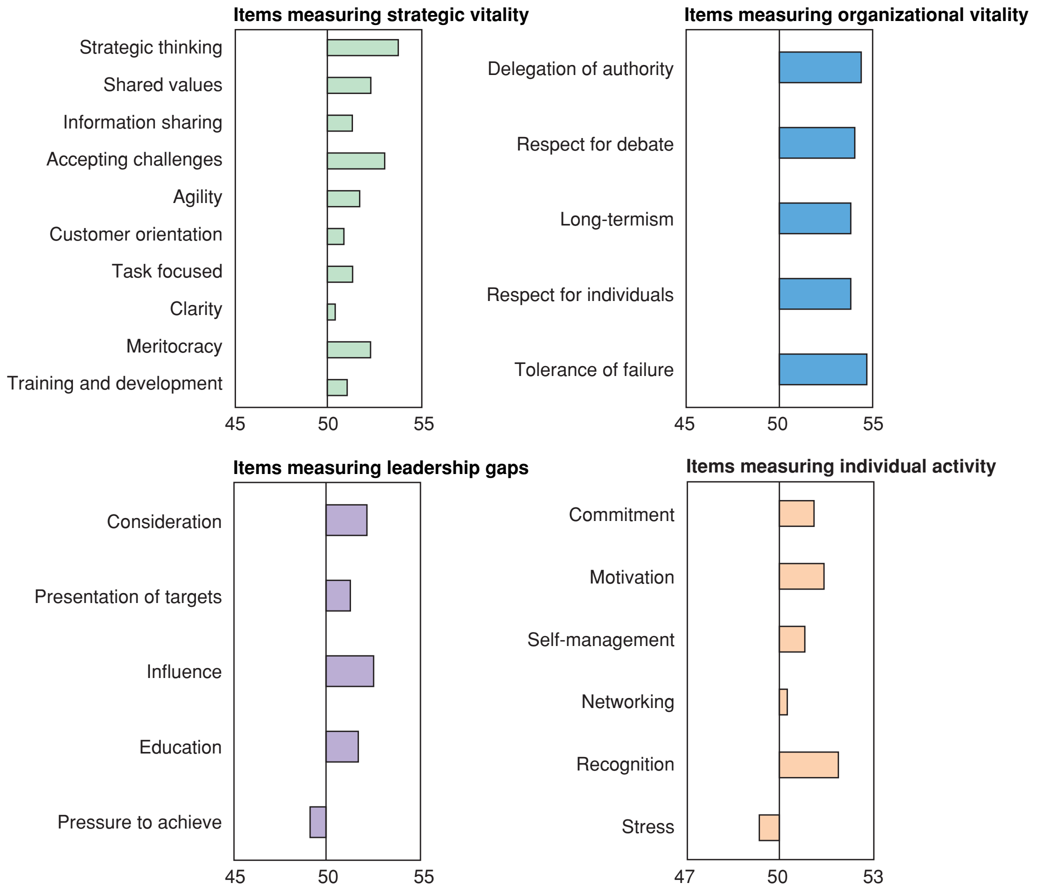
Figure 7. Characteristics of Vital Companies



Source: Nomura Research Institute.

rally and spontaneously without being pushed to do so (because the willingness to accept challenges is also high).

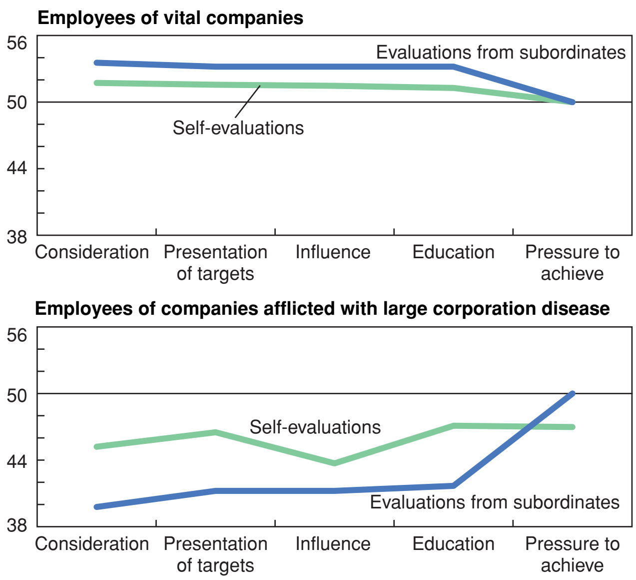
Among the personal vitality items, "self management" ranks high, and workers have a strong objective awareness of their value within and outside the company. Values such as "commitment" and "motivation" are also high, with each individual worker displaying vital attributes. As "recognition" is also highly rated, workers are fully satisfied with the understanding they receive from the people around them, and with the remuneration they receive from the company.

Viewed from these points, the vital company constantly incorporates the system to inspire challenge within the organization, enabling the company and the individuals to achieve a winning relationship.

Next, looking at the leadership gap of the employees in vital companies, the gap between self-evaluations by managers and the evaluations from their subordinates is not just small, but actually positive in all items other than "pressure to achieve" (see Figure 8).

Comparatively, in companies afflicted with large corporation disease, all items other than "pressure to succeed" are negative in self-evaluations as well as evaluations from subordinates, and the gaps between the two parties are large. In the evaluation of pressure to achieve, the tendency for subordinates to feel the pressure is stronger than what superiors think they are applying.

Figure 8. Trends in Leadership Gaps



Source: Nomura Research Institute.

Thus, in vital companies there is a small perception gap in terms of leadership, and the management style is built to encourage the spontaneous efforts of subordinates. Moreover, the strategic and organizational vitality among the different worker levels in vital companies show that each level fits the vital classification and, compared to the overall trends seen in the survey presented in Figure

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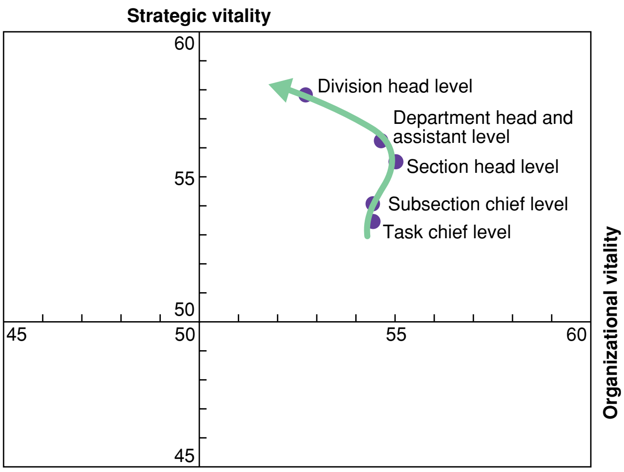
2, the gaps between worker levels in the degree of vitality are extremely small (see Figure 9). This indicates that management linkages are functioning in vital companies, and that the perceptions of strategies and targets are at remarkably similar stages. Due to frank communication, moreover, information about the company is efficiently shared.

Figure 9. Vitality Levels in Each Level of a Vital Company



Source: Nomura Research Institute.

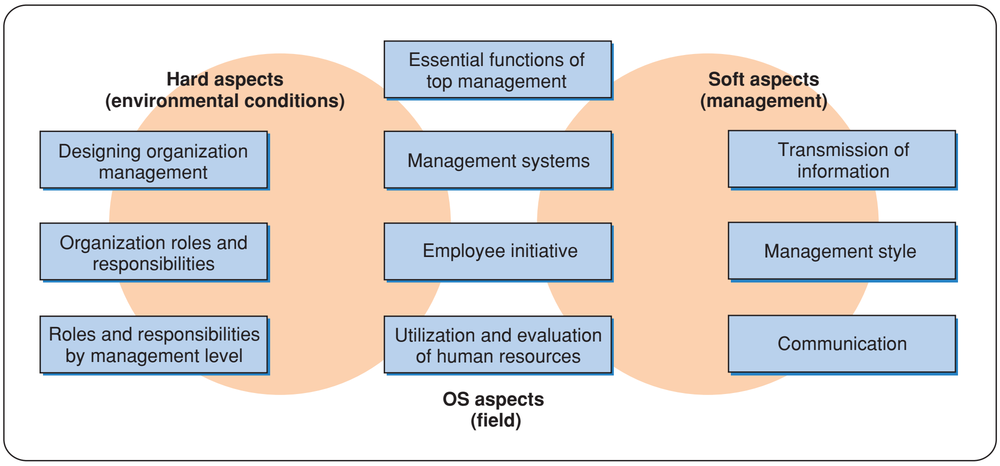
IV Transformation into a Vital Company

1 A Framework for Corporate Culture Innovation

What should a company do to pursue corporate culture innovation on the practical level? Using the NRI method, a company should first employ questionnaires and conduct a corporate genome analysis as described above to survey the actual situation. Next, it should grasp the type of corporate culture it has, and analyze its tendencies with respect to those items on which it scores high and low. Even if such analytical tools are unavailable, companies can conduct surveys of various viewpoints, such as undertaking customer satisfaction surveys and gathering employee opinions, and then collate these results.

The various items described in this article are very important in terms of their impact on management, their

Figure 10. Policy Construction with a Solutions Map



Elements of vitalization solutions

• Basic functions of management:	managing principles, strategy creation processes (decision-making process, internal information processing), and strategic elements.
• Designing organizational management:	organizing structures, commanding systems and organizing management units.
• Organization roles and responsibilities:	definition of the mission, roles and achievements of the organization, its functions and the rules for cooperation between organizations.
• Roles and responsibilities of management:	the way of fulfilling the roles and responsibilities for each management level, and carrying out business management.
• Management systems:	status of the official management cycle for setting goals, role allocation, and feedback.
• Utilization and evaluation of human resources:	systems and their management for the hiring, rewarding, promotion, evaluation, reshuffling, treatment and development of human resources.
• Transmission of information:	desirable forms of human exchanges within and beyond the company, and flows of information.
• Management style:	the exercise of management style and leadership by managers.
• Communication:	ways of vertical and lateral communications in the workplace.
• Employee initiatives:	involving employee initiatives in innovations within the workplace.

Source: Nomura Research Institute.

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Table 4. Characteristics of a Vitalized Corporate Culture

Corporate culture		Examples of workplace conversations
Innovation:	Employees constantly set high goals and innovate themselves.	"Let's aim much higher," "Let's create something better," "Let's win the top position in this field," "We have to change more."
Trust:	Employees trust each other and are instilled with dedication and passion for their work.	"I'll leave the rest to you," "Leave it to me," "Try and do the best you can," "Don't give up until the last minute," "Anyway, let's give it our best effort."
Support:	Employees are interested in the jobs around them and teach each other their wisdom and knowledge.	"Please teach me how to do this," "I can use this," "Let's do it together," "Let's think about it together," "Wouldn't it be good to do it like this?"
Rules:	Standards and rules of behavior are supported by principles, and there are staff members who serve as career mentors for employees.	"Let's do something nobody else can do," "Let's try to avoid repeating the same mistakes," "How would he tackle this?"

Source: Nomura Research Institute.

contribution to the independence of employees, and their ability to innovate employee behavior. We recommend that readers reconfirm each of the definitions, as considerable insight into corporate culture can be found within the process. A hypothesis can be generated on this basis and problems can be discovered through talks and other means. This process can lead to developing proposals concerning the innovation of corporate culture.

NRI's consulting work so far on the innovation of corporate culture has classified ten activation solutions into three groups. The hard aspects, such as management policies, systems, rules and frameworks, are closely related to the previously described items. The soft aspects constitute actual management. And the OS is classified as a system of providing a field for management, and serves to link the hard and soft aspects (see Figure 10). As there is a correlation between various policies, a comprehensive approach to the policies that are put into practice is required for corporate culture innovation.

It should be noted that these policies serve as just a guideline, and their applicability varies with the circumstances of each company. In innovating a company into a vital one, however, it is critical to generally satisfy the following four conditions (see Table 4).

(1) Employees always set themselves high targets and change naturally.
(2) Employees trust each other and are instilled with dedication and passion for their work.
(3) An atmosphere is created that encourages employees to be interested in the jobs around them and to teach each other their wisdom and knowledge.
(4) Norms and rules of behavior are supported by principles, and there are staff members who serve as career mentors for employees.

2 Trust and Creation Management

It is not easy to bring a company to such a position. However, we can state that creation management based on trust is the key to success.

People basically do not carry out something that does not suit their needs. If people do not feel the need to change, they will not change. A company is a group of people, so even if some of the people want to change a company, their efforts will grind to a halt without the support of many people. Yet in many cases, gaining the support of many people is time consuming. Thus people in authority must partly force the process forward. This is what is known as leadership from the top in the innovation era.

The problem is whether or not middle management, which is the largest group, trusts the person taking the leadership. The French Revolution was a conflict between the nobility and the common people. There were few people in the middle class, and the disparity between the wealthy and the poor was extreme, leading to a revolution that overturned both the upper and lower classes. In a company, however, the largest group—middle management—is the center of management, and if they are not involved in innovation, changes at the lower and upper management level are meaningless.

People will give only superficial obedience to a leader they distrust, and wrong information will be transmitted. Or, as a result of carrying out instructions reluctantly, morale within the company will steadily decline. Even if the introduction of a system is forced through or the system is changed, the system itself becomes the target and can easily attract non-creative and non-constructive reactions and criticism. The result is just increased stress, and the company will be left in a position where it cannot make the shift from the initial stage of innovation to the stage of real change.

Considering these problems, a leader must have the level of ability that is based on relationships of trust, and which can bring out the characteristics and strengths of various individuals—channeling such attributes towards creative work on a team basis. Organizations and systems should be seen as support for such potential.

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