



Dr Kazuo Inamori's Management Praxis and Philosophy: A Response to the Profit-Maximisation Paradigm

By Kase, K., Choi, E., and Nonaka, I.

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Adapted from an article published by IESE Business School¹⁾'s Insight Portal²⁾, this review analyses the captioned book by Kase, Choi and Nonaka.

The book concerns Kyocera Company's Dr Kazuo Inamori and his management philosophy—IMP—based on his backbone ethical belief system in pursuit of the Common Good, seamlessly attuned to the economic rationale.

Since its inception, the students on IESE Business School's MBA Programme imbibed from its Business Policy course the credence for management that the firm existed to create value for society and help its staff realise themselves to the full development of their potential³⁾. Following Professor JA Pérez López's term⁴⁾, the motivational structure pursued was that of intrinsic and transcendental motivations.

With *Porterian* paradigm shift (even in the *structuralist* sense), the profit-maximisation consideration has become the order of the day. Extrinsic motivation stands at the forefront, although there still is a management tool such as Toyota Production System that sets store by the transcendental motivation⁵⁾.

In this research culminates our endeavour to accommodate the Valero-Lucas scheme to the currently prevailing profit-maximisation paradigm; they identify in the leadership of Kyocera Company's founder, Dr Inamori, and his IMP the relentless quest of profit consonant with entrepreneurial endeavours.

IMP is predicated on the two-tier structure: (1) hypostasis—credence and belief system, view of (after) life; and (2) substantiation—amoeba system, rules for behaviour control, financial and accounting systems.

The hypostasis was nurtured most likely by Inamori's formative year experience such as the ambience infused

with samurai stoicism, a life-threatening disease suffered, heteronomous Pure Land and Zen Buddhism, etc., relativising the material values, and convincing Inamori of the purposiveness of life (teleological view) similar to the one expressed by Socrates in "Phaedo."

Convinced that the hypostasis was valid only when implemented, Inamori designed the amoeba management system—AMS—by which the profit responsibility was pushed down to the lowest management echelon. Amoeba units, the basic components, are created when an operator proposes a profit centre and is allowed.

The amoeba's performance is measured by the value-added (VA):

$$[Sales - (costs \text{ and } expenses) / (\text{total } N^{\circ} \text{ of hours worked by the members of amoeba unit})].$$

The particularity of this measurement indicator consists in that:

- (1) The cost section includes the interests of capital cost and depreciation of machinery, but exclude labour cost corresponding to the amoeba members, which means that VA includes the labour cost. Thus, VA is the value contributed and at the disposition of the employees. The more they make an effort, the more they can show their contribution to the company, namely, to themselves. The employees learn how to realise their potential in such a process.
- (2) The indicator attests to the amoeba members' discipline since the employment of an excessive number of workers spells for the amoeba the punishment in

the form of the increase in the numerator, which will lower the per-hour value added.

The behaviour control, in contrast to those by input or output, runs parallel to the schemes invented by such religious leaders as St Ignatius of Loyola of the Society of Jesus and Master Dogen of Soto Zen School. Both of them created a two-tiered 'credence & implementation' structure. The Spanish saint saw to it that all the novices to his order undergo the stepwise progress towards the assimilation of the credence through the exercises—*Ejercicios Espirituales*; the high-born Dogen produced a remarkable religious work—*Shobo Genzo*—supported by the practice-oriented behaviour rules working into minutiae such as how to use a toothpick to wash one's teeth. Ideas without practice are nothing; learning occurs only when the bodily sensorial organs are made use of, namely, the *embodied knowledge*—such is the tenet shared among these leaders.

The financial practice at Kyocera is a stickler for the conservative use of money. No new machine is acquired unless strictly unavoidable. Borrowing is better to be shunned. ROE must be higher than 10 per cent in the face of the negligible interest rate level in Japan. Its ROS surpasses Japan's other manufacturing companies by keeping itself near 10 per cent. Until recently, its equity ratio ranges around 90–100 per cent. The cash-base-principle predominates in accounting.

Western researchers of IMP view it as excessively exigent on the (for them unhappy) employees. The employees choose whether to accept IMP, as only those assuming its values would endure it. The Kyocera's retired managers we interviewed seem to have abided by the rules of the game and survived with the persuasion of a life well spent.

Evidently, they seem to be enjoying the fruit of the employee shareholding programme started very early in the foundational stage of Kyocera, although Kyocera has always prioritised the stability and sustainability of the firm before doling out outlandishly high salaries.

NOTES

- 1) "Ranked among the world's best programs. IESE is the graduate business school of the University of Navarra and is one of the world's leading business schools, with campuses in Barcelona, Madrid, Munich, New York and São Paulo" (from IESE Business School's HP accessed 2 March 2023 - Conoce el IESE | IESE Business School)
- 2) (Kase, 2023)
- 3) (Valero y Vicente & Lucas Tomás, 2011)
- 4) (Pérez López, 1998)
- 5) (Monden, 1983)

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