

OHMAE KENICHI (1943–)

Ohmae Kenichi is one of Japan's most prominent business writers and consultants, known in Japan as 'Mr Strategy'. He first came to the attention of the West with his book *The Mind of the Strategist* in 1982. His work was at first seen as a description of how Japanese firms do strategy, but his ideas have since had a growing acceptance among Western firms as well. His later work on globalisation has set many of the parameters of the current debate. In the 1980s, Ohmae was seen as the apostle of an approach to management which was regarded by many as the best in the world, the Japanese system with its emphases on knowledge, innovation, quality and marketing. Today, he is seen as more of a world figure, forecasting the rise and triumph of a technology-enabled globalisation.

Ohmae was born on 21 February 1943 in the city of Kita-Kyushu in southern Japan. He attended Waseda University, taking an undergraduate degree in chemistry in 1966 and an MA in nuclear physics in 1968. He then went to the USA, where he took a PhD in nuclear engineering at the Massachusetts Institute of Technology. He had also studied music in Japan, and was for a time a flautist with a symphony orchestra. From 1970–2 he worked with Hitachi Nuclear Power as an engineer on the company's fast breeder reactor programme. He then joined the US consulting firm McKinsey & Co., and in 1979 was appointed general manager of the company's Tokyo office; in 1989 he was named chairman and general manager of McKinsey Japan. He has held many other posts, including that of advisor to several Japanese prime ministers, and in 1993 established the Heisei Policy Research Institute for studies in policy planning. He has also been active in politics, founding his own political party in 1992 with the aim of reforming Japanese political life, and has stood as a candidate for Mayor of Tokyo and for a seat in the House of Representatives—unsuccessfully in both cases. He is a prolific writer and columnist, and his work has appeared in newspapers and journals in Japan, the USA and Europe. He lives in Yokohama.

Ohmae's interest in strategy began with his early years at McKinsey, and he had already published on the subject in Japan before *The Mind of the Strategist* brought him to the attention of the outside world. Ohmae was stimulated to write the book, he tells us, by the frequent enquiries he received from Western managers and consultants as to the secret of Japanese business success. Most of his Western contacts, he said, believed that there had to be more to the Japanese recipe for success than 'consensus decision making, company songs and quality circles'.¹ Ohmae agrees, and says that the principal ingredient in the Japanese success story from the 1950s through to the 1980s was the ability of Japanese senior managers to think strategically. Unlike their Western counterparts, Japanese firms do not tend to have separate strategy departments or formal strategy making processes. Instead, there is often one person (or sometimes a group) who has a brilliant, part-intuitive grasp of strategy and who is constantly engaged in the process of strategy making.

Like Henry **Mintzberg**, Ohmae does not see strategy as a set of formal steps and processes, and tends to view strategy as art rather than science:

successful business strategies result not from rigorous analysis but from a particular state of mind. In what I call the mind of the strategist, insight and a consequent drive for achievement, often amounting to a sense of mission, fuel a thought process which is basically creative and intuitive rather than rational. Strategists do not reject analysis. Indeed they can hardly do without it. But they use it only to stimulate the creative process, to test the ideas that emerge, to work out their strategic implications, or to ensure successful execution of high-potential ‘wild’ ideas that might otherwise never be implemented properly. Great strategies, like great works of art or great scientific discoveries, call for technical mastery in the working out but originate in insights that are beyond the reach of conscious analysis.²

During the rise of corporate Japan the role of brilliant intuitive strategist was often fulfilled by the founder or CEO. But by the 1970s most big Japanese corporations were well established and firmly institutionalised, with strong hierarchies and systems of promotion by seniority. How then did strategy manage to flourish? Ohmae says that, as Japanese companies mature, the creation of strategy becomes the province of talented creative groups of younger managers—he calls them *samurai*—who, though not hierarchically senior, are given the freedom to create and to almost literally dream the company’s future. In this way, there is a constant process of renewal of ideas and values coming from below.

This theme of renewal is often found in Ohmae’s work, and was at the centre of his political activities as well. The first stage in renewal is to determine the critical factors that require analysis. Here, he says, many companies go wrong by identifying the wrong critical factors. For example, in a company where overtime work is rising and is increasing the wage bill, it is possible to view the problem in several ways. Are workers working hard enough during their regular hours? Are they taking excessively long breaks, or spending time on private matters during regular hours? It takes an extra creative leap, says Ohmae, to go beyond these ideas, which look only at the symptoms of the problem, and look instead at the cause: is the company’s workforce large enough for the tasks in front of it? Another important pre-requisite is to have identified the key factors for success (KFS) in a given industry. These will vary, and are not always immediately obvious. In the steel industry, for example, the key factor for success may be the ability to produce high quality steel at a low cost; in breweries, the key factor may be in distribution, reaching the maximum number of high volume customers.

Like Michael **Porter**, Ohmae offers four generic strategic routes which any company can follow. One option that he rules out is head-to-head competition, in the same market with the same products: this can only end in a price war, which is damaging to everyone. His four recommendations are:

- 1 Compete in the same market but concentrate on strengthening KFS so as to create differential advantage.
- 2 Emphasise products and services for which there is no direct competition so as to

create relative superiority in the market.

- 3 Look to change the rules of the game, putting your competitors at a disadvantage and competing on the basis of 'aggressive initiatives'.
- 4 Innovate and create new products and services which your competitors cannot match, and compete on the basis of 'strategic degrees of freedom'.

This is in fact quite a tough approach to strategy, much more so than Porter's relatively simple fourfold typology which requires just two basic decisions. The Ohmae model cannot really be approached unless the manager or team has sufficient vision and courage to consider all four options, and the risks they may involve. It is for this reason that Ohmae stresses over and over again the idea of the mind of the strategist. Those who are practised in strategic thinking will be able to master these concepts and view the alternatives clearly and in a creative manner. Above all, they are able to avoid the obvious traps:

Strategic thinking in business must break out of the limited scope of vision that entraps deer on the highway. It must be backed by the daily use of imagination and by constant training in logical thought processes. Success must be summoned: it will not come unbidden or unplanned... To become an effective strategist requires constant practice in strategic thinking. It is a daily discipline, not a resource that can be left dormant in normal times and then tapped at will in an emergency.³

All strategic thinking, says Ohmae, operates under three constraints. He names these—with a McKinsey consultant's typical love of alliteration—reality, ripeness and resources. *Reality* refers to the need to focus on concepts that are actually relevant to the company's needs; innovating new products that will hurt the company's existing markets without providing a corresponding new market are an example of the need for realism. *Ripeness*, or timeliness, refers to whether the strategy is right for the time. Many strategic options are chosen prematurely; he cites the introduction of dishwashers to Japan in the 1970s, at a time when most kitchens were still too small to accommodate them. Finally, *resources* reflects whether the company's resources are adequate to implementing the strategy. This, says Ohmae, is an aspect that many strategists often overlook, and is a reason why so many diversifications fail: the distiller Suntory, for example, developed a successful product in Kirin beer but lacked the experience and resources to distribute beer effectively and had corresponding difficulties in the market. Recognising these constraints and managing them is a key attribute of successful strategic thinkers.

In the later 1980s Ohmae turned his attention to the onset of globalisation. *Triad Power*, published in 1985, noted the increasing concentration of economic power in three areas: Western Europe, the USA and Japan. Ohmae noted too how these three regions were becoming increasingly economically interdependent. Often taken as a prediction of the future, in fact *Triad Power* was a description of what was going on at the time in the mid-1980s. Ohmae believed that the economic power of the triad members would allow them to defend their economic supremacy against the rest of the world for the foreseeable future; in this he may have been premature, failing to foresee the rise of China in particular as a coming economic superpower. *Triad Power* caused a minor sensation

among left-wing politicians and groups around the world, who were arguing against precisely this concentration of economic power.

More recently, *The Borderless World* (1990) has stressed the theme of interdependence and noted how virtually every company today is competing in a global market, whether it knows it or not; even if its primary market is local and domestic, it is vulnerable to foreign competition. Ohmae argued that international trade was breaking down not only economic barriers but also political ones, and that nation-states were fast becoming irrelevant. Globalisation was not only an economic force, but also a technological and cultural one, and he believed that the emergence of global communications networks such as the Internet would create new economic, political and cultural realities. He urged companies to begin planning for the new economy and to help bring it to pass. Again, there is the theme of renewal: Ohmae believed that the old world order was stagnant and out of date and a new one was waiting to be ushered in.

The dotcom collapse of 2001 and the ensuing wave of scepticism about the new economy has made many see Ohmae's ideas as ahead of their time, at the very least. More seriously, the work of **Hofstede** and his successors on cross-cultural management has shown how enduring and resilient the barriers of culture, in particular, can be. The nation-state, too, is not going to go down before the forces of globalisation without a struggle. It is far too soon to say whether Ohmae's vision will, or will not, come to pass. But his ideas on globalisation, and on strategy, are too powerful to be ignored.

See also: **Chandler, Fukuzawa, Hofstede, Machiavelli, Mintzberg, Nonaka, Porter**

Major works

The Mind of the Strategist, New York: McGraw-Hill, 1982.

Triad Power: The Coming Shape of Global Competition, New York: The Free Press, 1985.

The Borderless World: Power and Strategy in the Interlinked Economy, New York: Collins, 1990.

Further reading

Ohmae's approach to strategy should be compared to Nonaka on knowledge management: there are many points of common ground. Porter's approach to strategy is in contrast to that of the West, while Mintzberg manages to partake of both yet agree with neither.

Mintzberg, H., *The Rise and Fall of Strategic Planning*, New York: The Free Press, 1993.

Nonaka, I. and Takeuchi, H., *The Knowledge-Creating Company*, New York: Oxford University Press, 1995.

Porter, M., *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: The Free Press, 1980.

Notes

- 1 K.Ohmae, *The Mind of the Strategist*, New York: McGraw-Hill, 1982, p. 1.
- 2 *Ibid.*, p. 4
- 3 *Ibid.*, p. 78.