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**Impact of Culture on Strategic Management in Japan**

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## Impact of Culture on Strategic Management in Japan



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### Abstract

**Purpose:** The study sought to analyze the impact of culture on strategic management in Japan

**Methodology:** The research was conducted entirely on desktop review method. Secondary data, or data that doesn't require actual observation in the field, are the focus of desk research. Because it requires little more than an executive's time, telephone rates, and directories, desk research is generally seen as a low-cost strategy in comparison to field research. As a result, the research used data that had already been collected and reported. This secondary data was readily available via the internet's digital library and scholarly articles.

**Findings:** The results show that culture has a significant impact on strategic management. It can influence the types of information managers rely on when making decisions, the way managers interact with their employees, and the strategies they ultimately choose to pursue. Thus, it is important for managers to be aware of the cultural context in which they are operating and to consider how their decisions and strategies may be affected by the prevailing culture.

**Unique Contribution to Theory, Practice and Policy:** Future research in the field of strategic management may be grounded in the configurational theory and the institutional theory. Policymakers, researchers, and academics from all across the world will all stand to gain from this study's findings. Executives in charge of national strategic management initiatives will also use the study's findings to boost cultural performance across the board. The research suggests that the cultural sector should implement strategic management policies to boost the effectiveness of their primary operations and activities.

**Keywords:** *Impact, Culture, Strategic Management, Japan*

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## INTRODUCTION

Culture is the sum total of beliefs, values and practices that characterize a particular society or organization. Culture influences how people interpret situations and make decisions. It also shapes the way people interact with each other and respond to external stimuli. Thus, culture can have a profound effect on business strategy, influencing how managers make decisions, how they interact with their employees, and the strategies they ultimately choose to pursue (Handley, 2015). In terms of decision-making, culture may influence the type of information managers rely on when making decisions. For example, some cultures may emphasize the importance of tradition or the wisdom of experience, while others may value more data-driven approaches. Additionally, different cultures may value different types of information. For instance, some cultures may favor qualitative information, whereas others may favor quantitative data. Culture can also influence the types of questions managers ask during the decision-making process (Hadid, 2021) For instance, some cultures may prioritize asking questions to understand the problem fully, while others may focus more on finding solutions. Culture can also influence the way managers interact with their employees. Managers from different cultural backgrounds may have different expectations of how employees should behave and act. For example, some cultures may emphasize the importance of respect and loyalty, while others may value more creative and independent approaches.

Additionally, different cultures may value different types of leadership styles. For instance, some cultures may emphasize the importance of democratic leadership styles, while others may favor more authoritarian approaches. Confucianism is an influential philosophy that has shaped the Japanese culture for centuries (De Oliveira, 2023). The teachings of Confucius emphasize the importance of respect for authority, duty and responsibility, family values, and education. These values have a direct impact on strategic management in Japan, as they emphasize the importance of hierarchy and long-term planning. In Japan, respect for authority is highly important (Storey, 2013). This means that employees are expected to show respect to their superiors, and that decisions are usually made from the top down. This hierarchical structure makes it difficult for employees to challenge decisions or suggest new ideas, which can lead to a lack of innovation and creativity in the workplace. In addition, Confucianism emphasizes the importance of duty and responsibility (Yonezawa, 2017). Employees in Japan are expected to take responsibility for their actions and to work hard to achieve their goals. This means that employees are less likely to take risks or try new things, which can lead to a conservative approach to business.

Collectivism is another important aspect of Japanese culture that has a direct impact on strategic management. Collectivism refers to a culture where the collective interests of the group are prioritized over the individual interests of the members. This means that employees in Japan are expected to work together as a team, with a focus on cooperation and harmony rather than competition and individual achievement (Pakdil, 2015). The emphasis on teamwork and cooperation in Japan means that employees are more likely to make decisions based on consensus rather than individual opinions. This can lead to slower decision-making processes and a lack of innovation, as employees may be unwilling to challenge the group consensus (Al-Sarayrah, 2016). The hierarchical structure of Japanese society is another factor that has a direct impact on strategic management. In Japan, decision-making is usually done from the top down, with the top executives

making the majority of the decisions. This means that employees are expected to show respect to their superiors and to follow orders without question. The hierarchical structure of Japanese society makes it difficult for employees to challenge decisions or suggest new ideas, as this could be seen as disrespectful. This can lead to a lack of innovation and creativity in the workplace, as employees may be unwilling to take risks or try new things.

### **Statement of the Problem**

Culture influences strategic management in Japan in a number of ways. Firstly, it shapes the way in which Japanese organizations approach decision-making and problem-solving. Japanese companies are known for their consensus-based decision-making processes, which involve gathering input from all stakeholders and building consensus before any decisions are made. Culture has a major influence on the way Japanese organizations interact with their stakeholders. Japanese companies are known for their strong relationships with customers, suppliers and other stakeholders. This is largely due to the importance placed on fostering strong relationships in Japanese culture. As such, Japanese organizations often invest significant resources into building relationships with their stakeholders, which can have a major impact on their strategic decisions. Specifically, this paper will focus on understanding how the unique cultural characteristics of Japan, such as the emphasis on long-term relationships and the strong hierarchical structure, affect the way strategic management is conducted within Japanese organizations.

In Japan, culture plays an important role in guiding the decisions and actions of companies and organizations. It shapes the strategies adopted by organizations, the way they interact with their stakeholders, and the way they approach risk and reward. This paper will discuss the impact of culture on strategic management in Japan, and why it is a problem. Although culture has a major influence on the way Japanese organizations approach strategic management, it can also be a problem in certain circumstances. Firstly, the consensus-based decision-making process can lead to slow decision-making and a lack of agility. This can be a problem in fast-moving markets where quick decisions are required. This is particularly true in industries where technology is rapidly changing, such as the tech industry. In addition, the emphasis on long-term thinking can mean that Japanese organizations are slow to respond to changes in the market and can miss out on opportunities. This can be a problem in markets where rapid change is the norm, as Japanese organizations may be too slow to react to new trends and opportunities.

### **THEORETICAL REVIEW**

This study will benefit from the configurational theory which was proposed by Michel Foucault (1966) and Institutional Theory by John Meyer and Brian Rowan (1970)

#### **Configurational Theory**

This theory examines the relationship between the organization's environment and the organization's strategy. It states that an organization's strategy is shaped by its environment, and that the environment is composed of multiple elements, including culture. This theory suggests that culture plays an important role in shaping an organization's strategy because it influences the organization's values, beliefs, and norms (Fiss,2013). These values, beliefs, and norms shape how the organization interacts with its environment, and ultimately affects its strategy. The

configurational theory suggests that the organizational culture is a key factor in determining the organization's strategy (Misangyi, 2017). It states that the culture of an organization affects how it perceives and reacts to its environment, which in turn affects its strategy. For instance, a culture that values innovation and risk-taking may be more likely to pursue a strategy of product diversification, while a culture that is risk-averse may choose a more conservative approach. Similarly, a culture that is customer-oriented may tend to focus on customer service and customer satisfaction, while a culture that is focused on the bottom line may be more likely to pursue a cost-cutting strategy.

### **Institutional Theory**

This theory suggests that culture can affect an organization's strategy by influencing its values, beliefs, and norms. For example, a culture that is focused on customer service may lead to a strategy of customer satisfaction, while a culture that is focused on cost-cutting may lead to a strategy of cost reduction (Willmott, 2015). The Institutional Theory also suggests that culture can influence the effectiveness of a strategy. It states that a strategy may be more effective if it is consistent with the culture of the organization. For example, a strategy that is inconsistent with the organizational culture may be less likely to be implemented successfully. Furthermore, a strategy that is too closely aligned with the organizational culture may be less likely to succeed in a rapidly changing environment.

### **Empirical Review**

Chesenge (2022) analyzed adhocracy culture, market culture, hierarchy culture, and clan culture knowledge management in the Postal Corporation of Kenya in Nakuru County. This study used a descriptive research approach to identify the key components of an effective organizational culture for knowledge management. Primary data was collected using semi-structured questionnaires. According to the data, there is a positive and statistically significant linear correlation between clan culture and adhocracy culture in Postal Corporation of Kenya, a negative and non-significant linear correlation between market culture and knowledge management, and a positive and non-significant linear correlation between hierarchy culture and knowledge management. Clan culture ( $= 0.089, p=0.002$ ) and adhocracy culture ( $= 0.575, p=0.000$ ) were also found to have a good and substantial effect on knowledge management at Postal Corporation of Kenya.

Kiango (2021) documented organizational culture's influence on commercial banks' strategic responses in Kenya. Close-ended questionnaires were used to collect the primary data. Organizational culture and strategic responses were the two main foci of the questionnaire. Drop and pick was used to distribute the questionnaires. Descriptive statistics were used in this study. The findings also showed a strong correlation between the organizational culture of Kenya's commercial banks and their strategic responses. The findings also show that the strategic responses of Kenya's commercial banks are influenced in a positive way by the organization's culture.

Fajar (2021) looked at how strategic leadership and organizational innovation affected the field. Questionnaire surveys were used to compile the data. The data usability rate was 61%. Smart-PLS was employed in the analysis, which was conducted using the PLS-SEM method. Strategic

management was found to have significant antecedents such as organizational innovation, strategic leadership, and IT competency. Additionally, the mediation role of IT competence was verified.

Raquel (2019) investigated how differences in country culture may account for the different rates of ISO 14001 adoption around the world. Design/methodology/approach. All of the data came from openly available sources, such as the International Organization for Standardization's annual ISO Survey, the World Bank's global development indicators, the GLOBE project's cultural dimensions, and The Heritage Foundation's Index of Economic Freedom. A combination of performance orientation and institutional collectivism was found to affect the spread of ISO 14001 in this study. The spread of ISO 14001 is sped up by institutional collectivism, but is slowed down by a focus on performance.

Mohammad (2019) used a balanced scorecard (BSC) as a theoretical lens and organizational performance as an intervening variable to examine the impact of a strategic management system on sustainable development. Questionnaires were utilized in the study to gather information. The Chinese energy firms in Pakistan were the target of 300 surveys. According to the results, non-monetary indicators are more ecologically responsive than financial performance measures, which were previously used.

Camilla (2018) looked at how variances in country cultures could explain variations in cross-functional integration and the operations strategy (OS) process. Validation of the constructs and testing of the hypotheses made use of perception survey data from 105 manufacturing plants across four nations. Brazil, China, Germany, and South Korea represent two Western and two Eastern countries, each with a unique history of industrialization and development. The findings implied that OS and OM processes vary among country cultures. Different levels of power distance, individuality vs. collectivism, and uncertainty avoidance lead to different outcomes in cross-functional integration and the linking of industrial strategy to corporate strategy.

Ngile (2015) investigated the impact of culture on strategic management procedures in businesses. Using a case study approach, it singled out CENTUM, a Kenyan investment firm. To ensure that the necessary information was gathered in a timely manner, a guide for conducting the interview was distributed in advance. Secondary information was gathered from the company's archives as well. The research confirmed that CENTUM's strategic management approaches are well ingrained. To ensure continued success, businesses should regularly assess the current circumstances and the context in which they operate. Short-term operational plans should be developed from long-term strategies, and individual staff should be tasked with carrying them out. It's important to keep tabs on performance and take immediate measures to improve. To back up strategy, the right resources and organizational framework need to be put in place.

Githinji (2014) investigated if the DVS had complied with the government order of strategic planning.) Researchers conducted in-depth interviews with high-ranking DVS officials headquartered in Kabete, including the Deputy Director of Veterinary Services and the leaders of various divisions, sections, and units. According to the results, DVS has begun the strategic planning process and has a working draft of a plan for 2013-2017. The vision, mission, core values, SWOT analysis, goal-setting, strategic choices, budget plans, and stakeholder analysis are all included in the draft strategic plan. According to the draft strategic plan, the National Treasury is

significantly underfunding DVS, meaning that more funding, possibly from donors, would be required to put the plan into action.

Chris (2013) examined the relationship between the amount of new services launched, the success rate of those launches, and the financial benefit NSD made to the firm's bottom line. A key informant survey was used to gather information from 105 top service providers in the UK for this study. The proposed model was put to the test by means of a regression analysis. The analysis showed that a learning culture is necessary for a greater success rate while an entrepreneurial culture is essential to drive the number of new offerings. Both of these elements of NSD performance rely heavily on NSD capabilities. How much money NSD ends up contributing can be traced back to its quantity and quality. Another factor shown to have a direct impact on a company's contribution is its strategic orientation.

## **METHODOLOGY**

The study adopted a desktop methodology. Desk research refers to secondary data or that which can be collected without fieldwork. Desk research is basically involved in collecting data from existing resources hence it is often considered a low cost technique as compared to field research, as the main cost is involved in executive's time, telephone charges and directories. Thus, the study relied on already published studies, reports and statistics. This secondary data was easily accessed through the online journals and library

## **RESULTS**

The results were grouped into various research gap categories namely as conceptual, geographical and methodological gap

### **Conceptual Gaps**

Studies by Chesenge (2022), Kiango and Fajar (2021), Raquel and Mohammad (2019), Camilla (2018), Ngile (2015), Githinji (2014), Chris (2013) had conceptual framework gap in addition, all the mentioned studies did not establish the challenges of culture on strategic managements. The studies did not outline the challenges in a clear manner. Therefore, the current study seeks to address these conceptual gaps.

### **Geographical Gap**

Studies by Chesenge (2022), Kiango and Fajar (2021), Raquel and Mohammad (2019), Camilla (2018), Ngile (2015), Githinji (2014), Chris (2013) had geographical gap because they were not conducted in Japan This implies that the results may be inapplicable in Japan since the social economic environment of Japan and other countries differ. The current study seeks to address this gap.

### **Methodological Gap**

A methodological gap presents itself in this study, Chesenge (2022) analyzed adhocracy culture, market culture, hierarchy culture, and clan culture knowledge management in the Postal Corporation of Kenya in Nakuru County. This study used a descriptive research approach to identify the key components of an effective organizational culture for knowledge management.

Primary data was collected using semi-structured questionnaires to analyze data while our study will use a desk study literature review methodology.

## **SUMMARY CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusion**

Culture has a direct impact on strategic management in Japan. The influence of Confucianism, collectivism, and hierarchical structures can all lead to a conservative approach to business, with a focus on long-term planning and a lack of innovation and creativity. This can make it difficult for companies in Japan to compete in the global market, as they may be reluctant to take risks or invest in new technologies. Therefore, it is important for companies to understand the impact of culture on their strategic management and to take steps to ensure that their strategies are in line with the culture of their country.

### **Recommendations**

The research recommended that Japan needed to encourage a more communicative and cooperative atmosphere between employers and workers. Respect for superiors and established order are highly valued in Japanese culture. Employees may feel intimidated to speak up and contribute their own ideas, which might hinder the development of novel and original perspectives during the strategic decision-making process. It's crucial to foster an atmosphere where employees feel safe and encouraged to share their thoughts and ideas openly. Utilize the benefits that the Japanese culture has to offer. Traditional company culture presents numerous obstacles, but there are also many assets that can be utilized for effective strategic management. Long-term thinking, dedication to quality, and a willingness to work together effectively are all essential qualities. Businesses should work to fully exploit these advantages while also resolving any cultural frictions that may arise.



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