

# CIB on wings



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Initiatives of Change  
Caux Initiatives for Business

# Editorial

Dear Readers,

In continuation to what we have been sharing in the previous two issues, CIB is pleased to share with you the aspect of “Collective Wisdom” in a company and how Konosuke Matsushita, the founder of Matsushita Electric, which later came to be known as National Electric Company and today as Panasonic Corporation, encouraged it. It is our sincere hope that these extracts inspire you.

In addition, we are happy to continue to provide a brief peek into the mind-churning that takes place in the CIB Planning Factory where professionals come from afar to prepare for the events that CIB is planning.

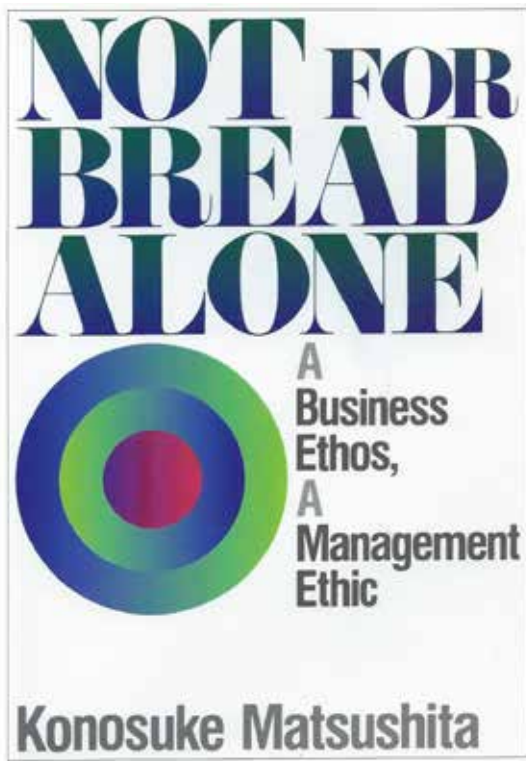
Happy Reading!

*Editor*



# Secrets to Sustainability

## Examples from Konosuke Matsushita



*Konosuke Matsushita was the founder and Chairman of one of the biggest and most respected firms in the world—formerly Matsushita Electric Industrial Co. Ltd, and National which was later rechristened, Panasonic Corporation. His philosophy of business is idealistic, and it is inspired by an almost religious sense of mission. It centers on people, on his earthy, realistic understanding of human nature. This combination gives his comments on business a vital immediacy.*

***Not for Bread Alone** offers the serious businessman valuable hints, some of them so common-sensical as to be unorthodox, on conducting himself and guiding his company to prosperity, as well as maintaining personal balance and integrity in the process. Below are his thoughts on human resources in business.*

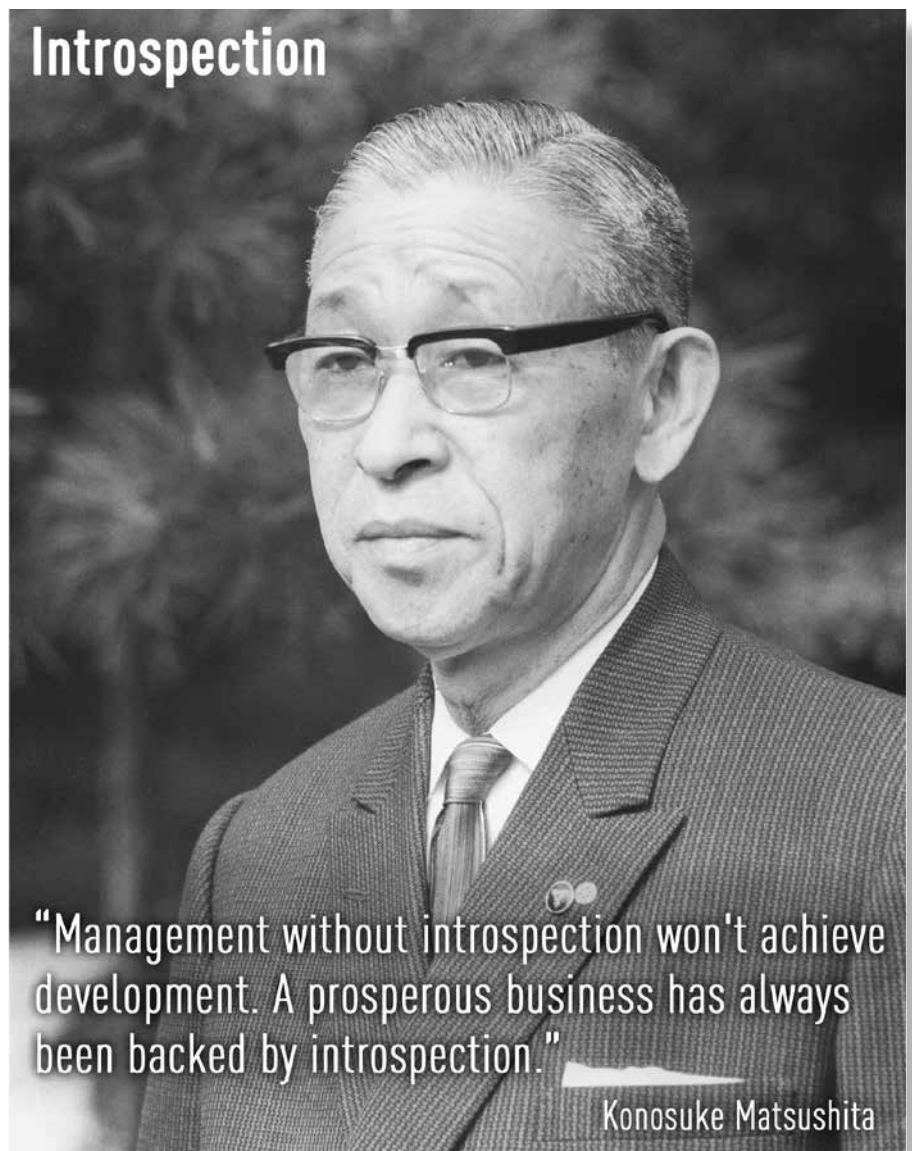
## Collective Wisdom

### *Tail Trails the Head*

Employee training is the fad of the day. Corporations large and small, even retail stores, all seem bent on educating their workers. They hold special in-house study sessions and training programs, and send their employees to seminars and classes organized by outside agencies. All large companies have independent facilities for employee training, invariably furnished with the most up-to-date audio-visual equipment.

There is nothing wrong with management enthusiasm for developing the potential of its employees; it is highly commendable. After all, it is the caliber of your work force that makes the difference in your business. Well-thought-out programs and well-equipped training centers are certainly worth the time and money. But we must also remember that programs and facilities provide no more than an institutional framework. They are impersonal, neutral “things” that cannot feel, sympathize, or reason. If, as it appears, the framework is here to stay for a while, someone must humanize it-but who? And how?

In a shop, I believe it is the proprietor who must inject the human quality into personnel education. In the case of a company, it should be the president. Through his or her dedication to work and unfailing loyalty to the firm, the top person must set the example. Of course no one is perfect, and no proprietor or manager can be expected to be impeccable in everything he does. That is asking too much of an ordinary businessman. And, in fact, who would



want to work for a paragon of perfection? With such a presence always hovering over the firm, you could never relax. Every manager, if he is human, has his shortcomings. His very fallibility gives him valuable common ground with those working for him. They know he will make mistakes, too, but the one area where he cannot fail, where he must be exemplary, is his commitment to his work.

No matter how knowledgeable or talented a manager is, he will not make a good leader if he appears to be even slightly ambivalent toward his work. His subordinates will be able to look to him for a model worker or a committed leader. As an old saying goes, “The tail trails the head.” If the head moves fast, the tail will keep up the same pace. If the head is sluggish, the tail will droop. From a hard-working proprietor, employees can learn the virtue of diligence. In this case, as in others, the direct object lesson is far more effective than any formal training program.

The proprietor or manager must also be willing to listen to what his subordinates have to say about management and day-to-day operations. That attitude is a necessary part of successful management based on the collective wisdom of the firm, and it is also important in motivating employees and helping them grow. If top management has no ear for the opinions of its workers, bottom-up communication will soon dry up, leaving a dangerous void. Workers will feel it is a waste of time to offer their suggestions for product and operational improvements. Insofar as management responsive to the voices from below gives confidence to employees, such a communication gap seriously undermines any efforts at personnel education.

The tail trails the head, but the head must help the tail grow by setting a good example and by listening to the tail’s side.

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### ***Bottom-up Communication***

“Harmony” is often thought to epitomize the pattern of human relations in Japanese organizations. I consider harmony important in a business enterprise only insofar as it provides an atmosphere conducive to a fruitful exchange of ideas and observations, which is the necessary

basis for participatory management. Without harmonious relationships among employees, and between labor and management, it would be impossible to build up a fund of collective wisdom and put it to effective use.

While harmony can encourage the exchange of information and ideas, the reverse is also true. One way a company can achieve harmony is to insure a steady flow of communication from the top downwards, and vice-versa. If the thinking of the president is not conveyed to his employees, his company will not operate smoothly or efficiently, and if the aspirations and ideas of the employees are not conveyed to the top management, the company will be in even more trouble.

A person responsible for the work of many others, such as a section chief, must make sure that his staff know exactly what he is thinking. If they find some of his ideas or operating methods unacceptable, the section chief should discuss those points thoroughly with them. If the same care is taken to ensure smooth communication between the president and senior executives, between top and middle management, and between middle-echelon managers and the rank-and-file, then the



company is assured of positive participation, and the collective wisdom of everyone can be fully reflected in management. Further, managers who fail to stress their thinking to the employees do so at the risk of frequent deviations from the company's basic policy line.

Far more important, however, is bottom-up communication. This is the flow of ideas and suggestions from the rank-and-file employees all the way up to the president. It is a working premise of a well-run company, and it depends heavily on middle-echelon managers. They are the ones who must encourage the staff to speak out. They are in the best position to create that all-important atmosphere in which the free exchange of opinion is taken for granted.

This kind of communication requires tremendous effort and constant attention on the part of everyone concerned. But once unimpeded, two-way communication is established and is being maintained, you will have a company managed on the basis of collective wisdom. You will have better products, better sales, and, above all, a growing enterprise with high morale among its members.

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### ***Bureaucratism Blocks Communication***

As a company grows larger, its organization tends to grow inflexible and bureaucratic. In some extreme cases, the corporate hierarchy becomes so rigid that an employee loses direct access to anyone above him except his immediate supervisor. One may be free to approach the section chief, for example, but not the department manager. The section chief, in turn, can perhaps go straight to the department manager but is not supposed to bypass him to reach one of the directors, much less the

president. Even department chiefs cannot usually go straight to the CEO.

This level of bureaucratism only prevents employees from giving free expression to their ideas, and eventually it will frustrate the company's development. Everyone, especially the officers, must always be on the alert to make sure this does not happen in their company.

The ideal business environment is one where even a freshman employee feels free to talk directly to the president if he wishes. It is the responsibility of management to create and maintain an atmosphere that encourages communication across vertical lines. The section chief, for example, can tell his employees, 'It's fine with me if you wish to speak to the department manager, but give me a report later:' or something similar. If an employee should bypass his immediate supervisor, this does not imply disregarding the latter's authority. When people begin to feel defensive about their own authority, the organization is already being plagued by bureaucratism.

Although the opinions or suggestions of our subordinates may not always be relevant, they may contain ideas that we never even thought of. The manager needs the ability to distinguish and apply constructive suggestions. If we are convinced that only our own ideas are valuable,





we are bound by our own limitations and unable to break out in new directions. On the other hand, if we gather the wisdom of all our employees to create something new, the company will develop rapidly. To use that collective wisdom is another function of managers.

Finally, we must not give all our attention only to those suggestions that are unquestionably good, and simply toss out the others. We must hear out even those ideas that seem dubious and encourage our employees to keep thinking by asking them to try out any proposals they have. If employees believe that their supervisors are genuinely interested in their suggestions and ideas, and feel free to express themselves, their creativity will have a channel within the company, which can only benefit everyone concerned.



*Vintage Panasonic Transistor Radio*

### ***Delegate Responsibility***

A basic rule to follow when assigning work is to give it to someone who wants it. In most cases, this has proven to be a reliable way to make sure the job is done well. It is not necessarily reliable, however, if ulterior motives are involved, and so you must be careful to give the job to someone who likes that kind of work and really wants to do it. It is true that, “What one likes, one will do well.”

On the other hand, the execution of a job can be hampered by the inexperience or weak points of the person concerned. The manager should help that person overcome any such failings, but if there is no

improvement within reasonable time, he should replace the employee. The attitude of the manager should be, “Leave it up to him, but do not abandon him to it.” In other words, delegate responsibility for an assignment but do not leave the employee entirely on his own.

Final responsibility always rests with top management. Aware of this, the skillful manager will show concern for his employees’ progress in the work assigned them. Although the actual work is out of his hands, it should never be out of his mind. That is why the manager should ask for regular progress reports, and if any problem arises, offer advice and instructions. This, I believe, is the principal role of a manager.

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Once he delegates responsibility to someone, however, the manager does not need to interfere too much or concern himself with the small details. For the sake of the subordinate, he should leave a certain margin of tolerance. But if things start to get out of hand, the good manager is there to caution and guide. Otherwise, he is virtually abandoning those whom he himself has chosen for the task. A responsible manager would never do that.

Competent employees who are entrusted with challenging tasks will willingly submit reports or seek advice when necessary. Others will not, or only reluctantly, believing that since the work has been given to them, they should be left to do it their own way. This attitude does not contribute to the common effort, and such people should not have been selected in the first place. They should be replaced immediately.

Management depends on people, and managers must never shrug off their employees’ mistakes or simply try to bear with them. As employer and employee, we must deal earnestly and punctiliously with each other. The manager’s responsibility is to be constantly on the alert to make sure the right man is in the right place, at all times.

## *Rewards of Good Rapport*

Procuring the necessary materials for manufacturing is by no means simply a matter of routine. It often involves touchy human issues.

Suppose a manufacturer wants to lower the price of a product by 10 percent; clearly he has to reduce his manufacturing costs proportionately, which will mean streamlining the production process. He may also have to approach the people who supply his raw materials and basic parts and try to get them to reduce their prices. This step can be difficult, and so it is crucial that the manufacturer go about it the right way.



*Vintage Panasonic FM-AM Stereo Receiver*

do not want them to lose out in any way, and I ask if they can still make a reasonable profit after lowering their price. Sometimes they reassure me that they can, in which case there is no problem, but when they say it is out of the question, I have to investigate why.

In one instance I asked a supplier to explain exactly why he could not cut his prices. His reply did not satisfy me, and so I asked to see the factory. Together we looked over the premises and considered certain areas of improvement that would allow him to lower his price without undue sacrifice. I was finally able to convince him that it was possible to reduce the price and still make a profit.

We achieved a lot more than just a price reduction. Realizing that I had considered his interests as carefully as ours, even to the point of

One approach is to flatly ask for a price cut, but I personally do not think that procedure is satisfactory. I prefer to have our suppliers participate in the process. First I explain that we want to lower the price of a product by 10 percent so that more people will be able to use it, and to do that we will need their cooperation. I make a point of adding that we

making suggestions for him, our supplier was impressed and grateful. Knowing that we cared about his welfare motivated him further to initiate improvements on his own. Without being asked, he began to think up all sorts of improvements to cut costs and lower prices of other products. Full cooperation between manufacturer and supplier assures the prosperity of both parties. I have found that purchasing is indeed an art, and its performance depends on purely human skills-and concern.

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### *An Honest Hand*

A good manager should never have to resort to lies or deceit. His integrity, furthermore, will remain solid as long as he speaks the truth in every situation, even if circumstances change and he must say something quite different from what he said three months ago. Truth has a power of its own that never fails to move others, while platitudes and verbal gymnastics are irrelevant, or worse, damaging.

I am lucky that I have always been able to be truthful, and that has made it possible to do business with minimum antagonism. Situations like negotiations with the lab or union are potentially very difficult, but in our company everyone always knew when the limit had been reached. I think it was because they knew that I always tried to speak the truth and to abide by it.

There is no magic in management, no clever sleights of hand. The good manager only wants to proceed with order and justice, and to win the trust of others. He is strong only when he is supported by the twin pillars of truth and trust.

An effective manager does not need a lot of knowledge, and it does not

matter if he lacks dazzling technical skills. But one thing he must have is unqualified respect for the truth, and a commitment to management based on the truth. A man may get by on his knowledge or technical skills, but if that is all he has, he will never get far as a businessman. His career as a manager will stop moving long before he even approaches the top.

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### *Employees Need Dreams*

During my years as president of my company, I used to take any and every opportunity that arose to tell my employees about my thoughts and visions for the future. They soon learned much about what I expected of our company.

In 1956, I decided to announce to the whole company the approach we would take in our Five-Year Plan. This was unheard of and considered foolish, since it meant revealing company strategies, and thereby inviting trouble. From the management point of view, to be so open was regarded as highly improper. Fortunately for me, my employees understood my motives.

I told them that sales should increase over the next five years by so much, and actually quoted a figure. I was fully aware of the risk I took, in case this information leaked to our competitors, but I did it intentionally. First, I wanted to give my employees a chance to dream of the future and, second, I genuinely believed it was the right thing for a manager to do.

From that day on, I have always announced all my plans quite openly. The company knew right away of my intention to institute the five-

day workweek (unthinkable in the early 'sixties), for example, and to pay European-scale wages. I have been criticized for my wide-open management strategy, and in some cases my critics were right-it was not well advised. But I believed that it was not right for management to give the employees only simple profit and loss figures; they should know the company's future policies and goals, also.

I feel the same way today. I think it is important to give all your employees the chance to dream. If a manager is stingy with the material of dreams, he is going to lose worker dedication and involvement in the company's future. To have dreams is to have a vested interest, a motivation. The man who can inspire a vision is a good manager.

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### *Participatory Management*

The quality of management is a decisive factor in any enterprise. The best kind of management, I believe, allows all employees to participate, so that each can contribute in his own capacity to the realization of a common goal. Right from the start of my business career, I have deliberately and consistently pursued a participatory style of management.

An eloquent, competent chief executive officer may be able to guide workers toward success on the merit of his charismatic leadership alone. But I will never be convinced that a single leader, no matter how capable and powerful, can manage an organization by himself better than he could by relying on the combined wisdom of everyone on the payroll. A solitary or dictatorial style of management, depending essentially on one person, cannot last. For one reason or another, eventually it is bound to falter.

Management based on the collective wisdom of all employees sounds good, but it is not easy to put into practice; it is not easy even to explain it. Over the years, as president or chairman of Matsushita Electric, I took literally every opportunity to get the idea across that I wanted our company to be managed by all workers. I had a little lecture that went something this:

Don't think I run this company. Each of you has a part to play in its management. We need the ideas, skill, and knowledge of everyone to make a reservoir of wisdom for more efficient operations, better product and service quality, and effective management. We have a good future if we can work that way.

It took many years, but gradually my concept of participatory management, or industrial democracy if you will, permeated the ranks of Matsushita workers. It is fair to say that management based on collective wisdom is the hallmark of all Matsushita enterprises today.

Concretely, how do you go about getting everyone involved? Is there some useful prescription or formula for soliciting and pooling ideas for common use? One method is to exchange views through meetings. Certainly a conference can provide an effective channel of communication, but too often the procedures tend either to become too formalized or to degenerate into a Babel of demagogic pronouncements or interminable

rambling. In Japan where decision-making by consensus is the rule, staff meetings are particularly trying; they can go on for hours without getting anywhere.

Japanese are not adept at conducting efficient meetings or engaging in productive debate. Yet



*The iconic Walkman Stereo Cassette Player*

far more important than techniques or procedures, a firm commitment to participatory management on the part of all persons concerned is what makes it work. When there is a will to bring together everyone's opinions, there is a way to do so, and that ability develops with practice.

In a large corporation employing thousands or tens of thousands, it is impossible for the president to hear out each one individually. But if the president is truly committed to the ideal of participatory management, he will always make sure that the thinking and opinions of his employees reach him through different channels of intra-company communication. He must be open enough to listen to any employee, no matter what the worker's status in the corporate hierarchy.

Most important of all, he must create and maintain an atmosphere in the workplace that encourages free exchange of views among employees, as well as between management and labor.





# CIB 2018 Events

## Preparation and Planning

The CIB planning team, that has been meeting regularly to deliberate on what is to be done in order to make the planned CIB events a success, met once again on April 24 at Mumbai. Friends travelled long distances to participate in the meeting.

A business workshop, organized for senior business leaders on June 6, 2017 was one of the matters taken up for discussion. At the event, Ms. Margaret Heffernan, an entrepreneur, mentor, Chief Executive and author would be the main speaker. Ms. Heffernan was born in Texas, raised in Holland and educated at Cambridge University. She worked in BBC Radio producing documentary films for Timewatch, Arena, Newsnight and the prize-winning documentary, 'Out of



the Doll's House'. Her book, Wilful Blindness was a finalist for the Financial Times/Goldman Sachs Best Business Book award and, in 2014, the Financial Times named it one of its "best business books of the decade." Her most recent book, Beyond Measure: The Big Impact of Small Changes was published in 2015. Her TED talks have been seen by over 6 million people. She has been invited to speak at all of the world's leading financial services businesses, the leading FTSE and S&P corporations. Sunil Mathur, MD and CEO, Seimens Ltd. India will be setting the tone. The event has been kindly sponsored by Transasia Bio-Medicals Ltd.

The CEO Conclave to be held at Panchgani in February 2018 and the Biennial International Conference that is to immediately follow were other matters that the team had in depth deliberations on.

