



**Tadahiro Yoshida**  
Director

**Dr. Ikujiro Nonaka**  
Professor Emeritus, Hitotsubashi University

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**Professor Emeritus,  
Hitotsubashi University**

Dr. Nonaka is an authority on "Knowledge Creation Theory," having disseminated it widely around the world and given many overseas lectures. In 2002, the Japanese government awarded Dr. Nonaka with the Medal with Purple Ribbon, which is given to those who have made important contributions to academic research or in fields such as the arts and culture. The same year, he became the first Asian scholar elected to the Fellows Group of the Academy of Management, the most authoritative management association in the United States. In 2007, Dr. Nonaka was named Eminent Scholar in International Management by the Academy of Management. In 2008, he was the only individual from Asia named in the May 5 issue of the Wall Street Journal's "Twenty Most Influential Business Thinkers" ranking. In the autumn of 2010, Dr. Nonaka was awarded the Order of the Sacred Treasure. In June 2012, he was named Eminent Scholar by the Academy of International Business (AIB), an American association. In November 2013, he was awarded the Lifetime Achievement Award by Thinkers50, which selects the most influential thinkers on management. In December 2015, Dr. Nonaka was selected as a member of The Japan Academy. Most recently, in November 2017, he received the Lifetime Achievement Award from the Haas School of Business, University of California Berkeley.

## Tadahiro Yoshida

**Director, YKK Corporation  
Director, YKK AP Inc.**

Born in 1947 in Toyama Prefecture, Japan, Yoshida graduated from the Keio University Faculty of Law. In 1972, after graduating from the Kellogg School of Management at Northwestern University in the United States, he joined YKK Corporation (formerly known as Yoshida Kogyo K.K.). In 1990, Mr. Yoshida became president of YKK AP Inc. In 1993, he became president of YKK Corporation. In 2011, Mr. Yoshida became chairman and CEO of YKK Corporation and YKK AP Inc. Since 2018, he has been a director of YKK Corporation and YKK AP Inc.

# The Strength of a Philosophy Born of Actual Practice —The "Cycle of Goodness" and "Forest Management" as Seen by Professor Nonaka—

Dr. Ikujiro Nonaka, who is a Professor Emeritus of Hitotsubashi University, was named as one of the Wall Street Journal's "Twenty Most Influential Business Thinkers" as a global authority on the theory of management. We asked Dr. Nonaka, who advocated a new concept, "Knowledge Maneuverability," in 2017, to analyze YKK's corporate philosophy "Cycle of Goodness" and its concept of "Forest Management."

## Distributed Leadership in an Organization Brings About "Knowledge Maneuverability"

**Yoshida:** Thank you very much for your precious time today.

**Dr. Nonaka:** My pleasure... it's been a long time since I saw you last.

**Yoshida:** The "Knowledge Creation Theory" that you advocate has drawn attention for many years around the world as a way to bring about innovation on an organizational basis. The theory is supported not only among academics but also by corporate managers and even young businesspeople. What's more, most recently, in November 2017, you received the "Lifetime Achievement Award" from the Haas School of Business, University of California Berkeley. I understand that it was the first time that this award was presented to a scholar. As described, you are continuing to have a great impact on society. In May 2017, "*Chiteki Kidoryoku no Honshitsu* (The essence of "Knowledge Maneuverability"; Chuokoron-Shinsha, publisher)—your first single-authored book in 22 years—was published. Today, I'd like to spend some time hearing your thoughts, including the new "Knowledge Maneuverability" concept that you presented in your latest book. Could you start by explaining "Knowledge Maneuverability" to us?

**Dr. Nonaka:** Certainly. "Knowledge Maneuverability" refers to organizational capability to create pragmatic knowledge quickly and dialectically. This ability involves not only leaders but also each member of an organization to sense changes in their environment, such as a shift in real market or in technology, and the internal dynamics of the organization. Timely and appropriate assessments are made as to whether the organization and its structural units are continually moving in the

right direction toward the organization's visions and goals, and action is taken while dynamically changing strategies and tactics. When all is said and done, major benefits cannot be derived unless the whole organization is synchronized in action. If not, you even lose speed and competitive strength on the ground at the working level.

**Yoshida:** You also said that organization must have distributed leadership.

**Dr. Nonaka:** That's right. Members of an organization need to be sharing a belief or ideology and be acting on the basis of an unwavering set of values and principles. Also, since the top leaders of the organization have faith in those on the ground, they can respond immediately to any kind of changes in the market and technology. What's more, the person who knows the best about a particular circumstance or problem serves as the leader in the instance. This kind of organization embodies distributed leadership. You could call it "Participative Management," in which every employee is a leader. YKK's "Forest Management" is just like that.

## "Forest Management"—an Embodiment of "Participative Management"

**Yoshida:** What I find interesting is what you just told us. It is amazingly similar to the belief held by YKK founder Tadao Yoshida. Our founder always said that "Participative Management" is the essence of the "Forest Management" he advocated. A forest is made up of all kinds of trees, from large trees with a lot of rings and experience to saplings. Some are tall. Some are short. In "Forest Management," people with their respective individual characteristics work well using the capabilities in which they excel. They are not controlled by anyone but rather

move forward together. Everyone is a worker, but everyone is also a business leader. That's the concept of "Forest Management." It was our founder's hope that no matter how big the company became, we would never forget the "Forest Spirit" and the energy it contains, and that we would be a company in which everyone is free to say what they think. This way of thinking will not change. YKK has been and will continue to aim to be an organization that is like a forest.

**Dr. Nonaka:** There are two major characteristics of the "Forest Management" from an academic viewpoint. The first is a spiritual element. That is, everyone in the organization shares the "Cycle of Goodness," and sharing that philosophy nurtures a feeling of unity. An organization with distributed leadership always needs to be conscious of how to ensure that the whole organization has the same goal.

**Yoshida:** Admittedly, if the same goal is not shared by an organization, the direction taken by each team in the organization would waver, making it impossible to take action as an organization. What should be emphasized in making sure that everyone heads toward the same goal?

**Dr. Nonaka:** I emphasize the "cause." In other words, it's whether the organization has a "true and correct belief." The cause and belief must be something that not only employees but

also a wide range of stakeholders, including customers and society, will find appealing, and I think that is of monumental importance. In that sense, I think the "Cycle of Goodness" is a corporate philosophy with immense unifying and magnetic strength.

**Yoshida:** Thank you very much. Actually, there's a phrase that goes with "Cycle of Goodness." It's "No one prospers without rendering benefit to others." In other words, "An enterprise is an important member of society, and as such, it must coexist with other elements of society. Its value will be measured by the benefits it shares with society." This is the "Cycle of Goodness" concept that was the brainchild of our founder. He paid the most attention to this point when carrying out our business. He came up with a way for mutual prosperity.

**Dr. Nonaka:** The other characteristic is a structural element—that is, employees, shareholders and the management team come and work together in a unique way. To this day, economists and management scholars continue to debate about to whom a business organization belongs. In other words, the debate regarding structural primacy—"shareholder-centric" or "company-centric"—has still not been settled. However, I think YKK's innovative business model combines the two in a practical way. There are not many cases like this in the world.

**Yoshida:** Indeed, I don't think that YKK's system would fit very well into the framework of either argument. At YKK, the relationship between employees, shareholders and the management team is loose and flexible. On the basis of an original way of thinking that "stocks are a certificate of participation in the business," the company exists as an organization that does not discriminate between parties.

**Dr. Nonaka:** Actually, I don't think that it would fit at all. Debates of this kind seek a "either/or" answer, which reminds us of Descartes' dualistic paradigm. However, the YKK system follows a "both/and" way of thinking. Instead of opposing each other, the system brings about harmony between each element.

**Yoshida:** Ah, that's why you said that there aren't many cases like it in the world.

**Dr. Nonaka:** To put it differently, it is an innovative system. YKK has integrated elements that



normally oppose each other and brought about harmony between them.

**Yoshida:** Thank you very much for the compliment.

### The "Cycle of Goodness" as Practical Philosophy

**Dr. Nonaka:** We've talked about various things today, but the biggest quality of "Forest Management" is the internalization of its primary element—the "Cycle of Goodness." All of YKK's business structure and corporate undertakings promote the "Cycle of Goodness." It is adopted and implemented while aiming to realize major goals. Of course, it would be meaningless if it weren't internalized along with the cause for making a contribution to society. That's why it is extremely sophisticated. It's huge that each person within the organization internalizes the "Cycle of Goodness" deep within him/herself. I believe that since YKK's goal is shared by members of the organization, shareholders, employees and the management team can come and work together so well.

**Yoshida:** In terms of internalization, I think there is major significance in that the "Cycle of Goodness" was born from practice. What do you think?

**Dr. Nonaka:** I agree. The "Cycle of Goodness" is successfully internalized by everybody in the organization largely due to the fact that they were born from practice. In other words, they are not concepts that were developed from impractical theorizing. They are concepts that actually worked when developing the business in real life. That's probably why it became a philosophy and management style that are also easy for people on the front lines to understand and accept.

**Yoshida:** It's just as you say. We didn't necessarily foster our corporate philosophy at all times from a logical perspective. The "Cycle of Goodness" is a practical philosophy born from a fierce battle with quality, costs, and overseas markets. It was established while struggling with the actual practice of business—a management philosophy that resulted from learning through unceasing business activities.

**Dr. Nonaka:** In other words, everything was based on practice. Your founder was committed



to making things better and thought things through while practicing the business with his team. Because of it, his thoughts and concepts were directly linked to the business. Scholars who are preoccupied with the ideas rather than practice tend to start with a kind of question, such as "what elements of organization make a business successful in an uncertain business environment?" However, YKK focused more on "Leap before you look!" In other words, try something first. As a result, YKK enhanced the ability to adjust to problems and contradictions that arise at the front lines of their business. Through trial and error, YKK left the "either/or" paradigm, which is mentioned earlier, and adopted the more pragmatic "both/and" framework. The company learned the idea that those problems and contradictions cannot be resolved by theory or logical analysis alone.

**Yoshida:** Yes, I think it is precisely as you say.

**Dr. Nonaka:** Mr. Yoshida, I look forward to seeing this shared ideal of goodness and the prosperity of the new YKK businesses under your leadership. I think it's great that those businesses are created globally and cultivated and developed under the principle of "Participative Management."

**Yoshida:** Yes. I'll try my best. Thank you very much for your many, extremely innovative proposals. I learned much today. I would like to make use of them in our management going forward. Thank you again.