

Leadership in Action: Lessons from Panasonic

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Article Information

- **Date of Receival:** [09/09/2024]
- **Date of Acceptance:** [29/10/2024]
- **JEL Classification Codes:** M10, M12, L21

Abstract

A great CEO and industrial leader, the Japanese Kōnosuke Matsushita CEO of Panasonic created a 200-year strategic plan that was carried out by his successors at Panasonic efficiently and effectively. In this article, we aim to decode how Matsushita's leadership grew the Panasonic company and present his big leadership lessons at this Japanese multinational electronics company for executives and senior executives across the globe. This article particularly addresses the current research gap on Panasonic's unexplored and mysterious leadership by recounting the experience of Matsushita's victories and failures and showing how he has controlled events and turned threats into opportunities at Panasonic. The how of decoding the DNA of leadership secrets at Panasonic company mostly comes from our consulting work and observations with its headquarters in Sydney Australia, and Torrance California.

Keywords: *Humility, Wisdom, Leadership, Leadership Development, Matsushita, Innovation, Panasonic;*

1. Introduction

Kōnosuke Matsushita would be coined as a maverick with an overzealous mindset (Itagaki, 2004; Matsushita, 2021a; Matsushita, 2021b). First and foremost, he was not eloquent when he spoke to his followers. His IQ was average. He mustered up the ability to motivate many people to live a better life in the corporate world. He left a valuable legacy for the modern-day leader. Not only because he was the founder of Panasonic, but also because he managed to drive great economic success. Outside of Japan and in the US, Europe, and Australia, Matsushita is still unknown. After leading Panasonic to large profitability, he used the income from his leadership efforts for such things as establishing an institution such as the Nobel Peace Prize and establishing schools to help children and young adults become future leaders.

Matsushita, born at the turn of the 19th century, suffered in his youth. In 1917, he decided to work for himself with only 100 yen in savings. He started school later than the other children in his location and began school in the fourth grade of Japanese primary school. His small company with little capital eventually flourished with his efforts. He believed in one key principle. He called his main principle: ***“Adapt yourself and your business according to the command of the market.”***

He also believed that you should treat the people you do business with as if they were members of your family (Matsushita, 2021c; Matsushita, 2021d; Matsushita, 2021e; Kassemeyer et al., 2022). Without realizing that he came up with something that is well known today called “Customer Relationship Management.” He would contact customers to ensure that they were properly treated and really satisfied. He also, without realizing it, created what is known today as “Customer Orientation.” The key point for senior executives and leaders here is that customer-oriented business people are not selling-oriented but care about the customer before, during, and after the sale (Kohli & Jaworski, 1990; Lemon & Verhoef, 2016; Saavedra, 2016; Homburg & Tischer, 2023). He even came up with the term used by Ed Deming, “Total Quality Management,” who came to Japan after WWII. Matsushita felt that any waste, even a single sheet of paper, would increase the price of the product by much (Bhidé, 1996; Shank & Fisher, 1999; Jain et al., 2023). Another vital important idea he surfaced way before it became a management fad is the “Just-In-Time Inventory.” He argued that not having inventory in the warehouse is due to carelessness (Kelly, 2012; Wakayama et al., 2012; Nakazono et al., 2014). If his customers were unhappy for any reason, he would immediately apologize to the customer. His motto was:

The mission of an artisan is to overcome poverty, free society from poverty, and gain wealth. Business and production are not for only enriching shops or factories, but for enriching the whole society.

Like Elon Musk today as the founder and CEO of the American multinational automotive and clean energy company Tesla, Matsushita read many books and took notes in areas where he felt deficient. He sought out mentors and listened very carefully to the words of those who talked to him. He also skillfully used the knowledge of others to enrich his thoughts (Miyai, 2012; Kinnin, 2016; Mehrotra & Salunkhe, 2024). Despite all the wealth he created, he never felt that money was that important. He did not spend his wealth in luxurious ways. He really believed in continuous improvement.

2. Responsibility and Familiarity with it in Adolescence

Management knowledge, beginning with globally well-known author and management consultant Peter Drucker, grew and then flourished the profession of management. In the 1930s, Kōnosuke Matsushita was the first person to talk about the management of human resources in organizations and considered humans to be the greatest asset in the world. Kōnosuke Matsushita has written more than 40 books in the field of management and an article has been prepared about his thoughts and experience in the field of management and leadership, mostly from his work at the Panasonic company. Matsushita is recognized as the “Father of Japanese management.”

Japanese electronics giants such as Panasonic and Sony in Japan came into the field of global competition at the beginning of the 1980s (Teo, 2019). At that time, there was a shortage of electronics in the market. The managers of “Hewlett-Packard” argued that the quality of Japanese-made electronics is much better than American products. As a competitive inflection point, the Japanese seized the entire electronics market in two decades.

But how did this success story at Panasonic begin? Kōnosuke Matsushita began as a laborer in a cement company first, then found a job at an electricity company. In 1910, he started his business (electrical business) and entered an industry that began flourishing. He worked at Osaka Electric Company and in three months, he was transferred to the newly established branch of the company and was promoted from the job of assistant to software engineer, and he received a salary increase. His job required heavy physical work, he had to climb the electric poles and screw the electric lights. install the screws in the ceiling and this took a toll on his body.

Matsushita was a real magnanimous leader. Similar to Marshall Goldsmith’s Feedforward Exercise, he created professional activities and got to know thousands of people in various business settings (Holden, 2001; Goldsmith et al., 2012; Porath, 2016; Valcour, 2021; Goldsmith et al., 2024). He finally went back to school at the age of seventeen, failing to compete among his colleagues, he ranked 175 among 380 people and was asked to leave the school. Personally, Matsushita believed that the reason was his inability to write. This did not deter his success, however. During the years he worked at the Osaka Electric Company, he gained knowledge about electricity, which could create four industries (production, transmission, consumer electronics, and industrial electronics) and create jobs for millions of people. At the age of sixteen, he was entrusted with the administration and management of employees. This was a new start and the pivotal focal point in his success in the future.

Thus, at the age of nineteen, he was responsible for large and complex projects. While working at Osaka Electric Company, Matsushita rubbed elbows with very important people (Kiyohara et al., 1987; Ono & Ikegami, 2020; Kikkawa, 2023). While this was a highlight in his career, he lost his mother in 1913 which devastated him. It took him three years to forget this tremendous sorrow and he eventually was able to get married in 1915. Two years after his marriage, Matsushita was promoted at his job due to his hard work coupled with his business skills. He felt that he needed to love his work to become motivated. He once noted that

“I was unemployed for a long time. This work was soulless and devoid of gravity. I said to myself, what is the benefit of staying in a job that I don’t like?”

He left that company in 1917. Matsushita’s entrepreneurial efforts also helped him to

more effectively control his destiny. As a leader, he challenged the status quo and encouraged people to innovate, change, transform, and create. In June 1917, the dark days of Matsushita's life ended. He started his own small business in the field of screw making with his four assistants (i.e., his wife, his wife's brother, and two friends) with the pitons of his only savings of 100 yen. He had to teach his coworkers the screw-making trade. His small working quarters limited his space to only 14.5 square meters in size. The company prospered throughout 1918.

3. The Key Leadership Lessons from Panasonic

Kōnosuke Matsushita made his debut in the 1960s and 1970s when Panasonic became a brand name in major cities around the world. From tape recorders to televisions and radios, the Panasonic name became a household name brand. Many factors developed the main principles of Panasonic: High customer satisfaction; Low cost; a Loyal workforce; Innovative marketing, and; a powerful marketing plan. Panasonic was able to very quickly adapt to the current market conditions (Schroeder & Robinson, 1991; Tachau, 2002; Gutierrez, 2013; Matsushita, 2015).

3.1 Lesson One: Put Customer Orientation at the Center of Your Today's Leadership

Matsushita loved competition and strived for perfection. He believed that competition leads to success, continuous improvement, and progress. Matsushita was a humble leader who said:

The path that they have in front of them is not acceptable. The Japanese nation is still far behind America and European countries. Many Japanese families still do not have access to electrical appliances such as washing machines, and our company's mission is to help people get useful electronic household appliances as soon as possible.

In 1961, Matsushita developed his very famous 200-year strategic plan in small chunks of five to ten years each. He said:

The goal of quadrupling sales is not a test for fame or profit, but rather to fulfill the duty we have as a producer to society.

The main reason why this strategy was so big and famous is because all employees focused on the daily grind, the near future, and the projected progress forthwith (Sako, 2007; Girod & Bellin, 2011; Shibata, 2011; Rodrigues et al., 2022). The managers talked about how the strategic initiatives will help them keep their jobs, and hire their children, and grandchildren. It was an epic event for Japanese employees. One never surfaced again.

3.2 Lesson Two: Develop Innovation to Win

Matsushita asked the chief engineers of the group how many people live on the earth. He said 2 or 3 billion people. Matsushita told him that all these people need similar basic electronic components in their homes and we will provide them. With innovation, cost reduction, and the creation of new products, the first five-year strategic goal was accomplished, and the company met its profitability target.

In January 1960, at the annual meeting of Matsushita's directors, he said that he wanted Panasonic to be the first company in the world to reduce working days from a six-day to five. In today's global business environment, BCG's 2024 Most Innovative Companies such as Tesla, Apple, and Toyota also follow this leadership lesson and want to be the first company in many

things in the world (Manly et al., 2024). Matsushita argued that workers should be given a chance to enjoy their life. Panasonic became the envy of employees all over Japan. His idea of growth and prosperity from an economic point of view began with his view as an economist.

If we cannot make a good profit, it means that we have committed some kind of sin towards society. We take society's capital, society's people, and society's materials and use them without generating profit. This means that we are consuming valuable resources that could be better used elsewhere... If many people in Japan do not make profits, the land will quickly fall into poverty.

3.3 Lesson Three: Consider Humility as a Key Factor for Your Today's Leadership

Furthermore, Matsushita emphasized group wisdom improvement while maintaining humility (Takeda & Boyns, 2014; Fu et al., 2020; Dahlgard, & Anninos, 2022; Ray, 2023; Rego et al., 2024). Now, this leadership lesson is also implemented as the key factor of leadership development in top Japanese companies such as Hitachi, Mitsubishi, Sony, and Toyota (Ikegami et al., 2024).

Matsushita particularly believed that:

- A humble person will never be reckless or self-righteous.
- A humble person will pay attention to the ideal mission.
- A humble person will listen to others and do what is right. Even though he was introduced as a famous person.

In this way, Matsushita also stated:

Youth means courage overcoming fear, desire for adventure, and lack of interest in comfort and convenience.

To make more effective leaders for the future from Matsushita's key leadership lessons, in 1979, the Matsushita Government and Leadership Institute was established in the heart of Tokyo. The aim of this institution was to nurture and encourage leadership in politics and government in the 21st century. A clear mission and a set of principles were established for this institution. His main goal was to help peace and prosperity through research on important issues and raise a new generation of leaders. The students who are selected and taught must have five key characteristics:

1. Having a true belief people can overcome any difficulty.
2. Having a spirit of independence in both thought and action.
3. Having eagerness to learn from other people's experiences.
4. Having the ability to reject stereotyped thoughts.
5. Having the capacity to cooperate and with others.

When the Matsushita Government and Leadership Institute started with twenty-three students in 1979. By the end of the first year, the number of candidates entering the institute was 904. The main design of this institution is a reflection of Matsushita's personal life. He

said many times that hardships are useful for building character, establishing motivation, and establishing self-evaluation in an authentic way. The students organized their own curriculum because Matsushita believed that motivation would play a major and vital role in student success. Since the international perspective played an important role in the student's education and the world economy, all students spent an education course outside of Japan in another country of their choice.

4. Conclusions

Benchmarking is a tried-and-true beneficial way to do things better. Experience has to be deciphered and acknowledged to be important so that the results obtained from the activity are based on learning and gaining knowledge. Panasonic, one of the Japanese technology companies in the world exists in an era of champion breeding and teamwork. Kōnosuke Matsushita considered a unique leadership style and added tremendous value to leadership development in today's corporate world with digital transformation and global competition. In addition, Matsushita's biggest and most important contribution to the world of business is his 200-year strategic plan broken down into ten-year tactical plans. He took many risks, reflected on both success and failure and learned the trait of listening carefully to learn from other business executives. Matsushita had both wisdom and humility, a great trait that many leaders now and in the future can embark upon in today's hyper-competitive business environment.

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