

Phronetic Leaders: Designing New Business, Organization and Society

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According to Ikujiro Nonaka, who is a professor emeritus at the Graduate School of International Corporate Strategy of Hitotsubashi University and a director of the Research Center for Practical Wisdom (RCPW) at Fujitsu Research Institute, “phronesis” or practical wisdom is a virtuous habit of making decisions and taking actions that serve the common good. It is a capability to find the “right answer” in a particular context. And those leaders who have such virtuous habit or capability are called “phronetic leaders.” They are leaders who pursue the common good by striving to create social as well as economic value and who pair micro-management with big-picture aspirations about the future. Phronetic leaders play critical roles in the process of knowledge creation and design-approach innovation. In this article, we summarize the basic idea of phronesis and phronetic leaders, and describe why phronetic leaders are important in society and organizations. And then, we explain our effort at RCPW to support and improve the capability of phronetic leaders and nurture phronetic leadership in Fujitsu.

1. Introduction

During the long-term depression in Japan called the Lost Decade and the subsequent financial crises, many enterprises in Japan were required to sustainably grow by innovating business models. However, not so many enterprises have achieved this and there is still a sense of stagnation in reality.

To eliminate this sense of stagnation, rather than pursuing short-term profits alone, it is necessary for every Japanese enterprise to practice a systematic process of knowledge creation based on a clear standard of value toward “what is the good for the entire society (common good)” for carrying out new value creation activities, or “phronetic management.” Critical roles in this phronetic management are played by “phronetic leaders.” Phronetic leaders can also be referred to as business leaders who bring about innovation by associating between both micro-management in day-to-day operations and a broad perspective on future society.

Fujitsu Research Institute established the Research Center for Practical Wisdom (RCPW) in April 2011 with the mission of promoting innovations based on knowledge creation and fostering phronetic leaders in the Fujitsu Group. The RCPW provides a training

program for assisting and nurturing phronetic leaders with an innovative mind and attitude in the Fujitsu Group.

This paper first defines the goal of the RCPW and describes the capability of phronetic leaders. Then, it explains the outline and overview of the training program in the RCPW, which has many points in common with “design thinking,” followed by the sense of value or “credos” emphasized in the RCPW. Then, the actual themes of activities are presented together with the future developments.

2. Goal of RCPW

The FUJITSU Way,¹⁾ which is the philosophy and principle of the Fujitsu Group, describes the reason for existing of Fujitsu as the corporate vision:

“Through our constant pursuit of innovation, the Fujitsu Group aims to contribute to the creation of a networked society that is rewarding and secure, bringing about a prosperous future that fulfills the dreams of people throughout the world.”

What is represented by this corporate vision is that pursuit of the “common good” or to “contribute to the creation of a networked society, bringing about

a prosperous future that fulfills the dreams of people throughout the world" is the Fujitsu Group's reason for existing. It is necessary for an enterprise to make reasonable profits but the profits themselves are not the purpose of the enterprise. Continuing to carry out activities for the good of society (common good) is the ultimate reason for the existence of an enterprise. Based on that idea, profits can be seen as a means to that end. The FUJITSU Way also shows that we need the "constant pursuit of innovation" to realize and fulfill our common good.

The RCPW aims to build an organization in which all employees of the Fujitsu Group put this corporate vision into practice in day-to-day operations and aims to assist and nurture leaders who drive such an organization. It also means that all employees become phronetic leaders.

3. Phronetic leaders

"Phronesis" is a capability of finding the "right answer" for the overall good (common good) in an individual specific context, and a phronetic leader is a leader who has this capability. The capability of a phronetic leader has six factors:²⁾

- 1) Ability to make a judgment on "goodness"
- 2) Ability to share contexts with others to create the *Ba*^{note)} and shared sense in a timely manner
- 3) Ability to grasp the essence of particular situations/things
- 4) Ability to reconstruct the particulars into universals using language/concepts/narratives
- 5) Ability to use any necessary political means well to realize concepts for the common good
- 6) Ability to foster practical wisdom in others to build a resilient organization

The first ability mentioned above is to establish the common good in the day-to-day micro-level operations based on the macro-level common good of the Fujitsu Group described in the corporate vision of the FUJITSU Way. For that purpose, it is necessary to create a shared sense and context for communication, which is one example of the second ability. The third ability

note) According to Nonaka, *Ba* (Japanese word which usually means place or space) is a shared context in motion, which harbors meaning. Thus, *Ba* can be considered as a shared space that serves as a foundation for knowledge creation.

is important for grasping the needs and wants of the markets and, in order to turn them into a concept of a new business or service that arouses the empathy of the many people concerned, the fourth ability is essential. Realizing the concept requires the fifth ability for involving many people concerned, which also makes it necessary to acquire political power. These abilities should be shared across the organization, which is the sixth ability.

4. Objective and overview of RCPW

To accomplish the goal mentioned at the beginning, we try to assist and nurture phronetic leaders with the abilities as described above under Ikujiro Nonaka, the Director of the RCPW. Our objective is as illustrated in **Figure 1**.

The goal is the pursuit of the common good through corporate activities, as mentioned earlier. To that end, tacit knowledge existent on the individual sites should be integrated with the image of a future society aimed at by Fujitsu, which is represented as explicit knowledge. Fujitsu's image of a future society is described by the phrase "Human Centric Intelligent Society." This means that everybody around the world makes use of information and communications technology (ICT) as a tool to maximize their own intellectual capabilities for building an affluent society while cooperating with each other. It does not mean that, in such a society, computers and networks themselves become wise or smart enough to eliminate the need for human intelligence.

In general, a big image of a future society like this tends to become difficult to directly link with the day-to-day operations of the organization members. The RCPW intends to associate between on-site recognitions in the course of repetition of dialogue which correspond to tacit knowledge, and link them to the idealistic image of a future society, corresponding to explicit knowledge.

Specifically, we invite employees in the Fujitsu Group who have high aims and a strong will to join the RCPW, and we provide them with a short-term intensive training program. This "training" program distinguishes itself from a passive "instruction" program: the themes are not given to the trainees but they are asked to bring as the theme the idea of innovation they want to realize. The training program, which runs for six

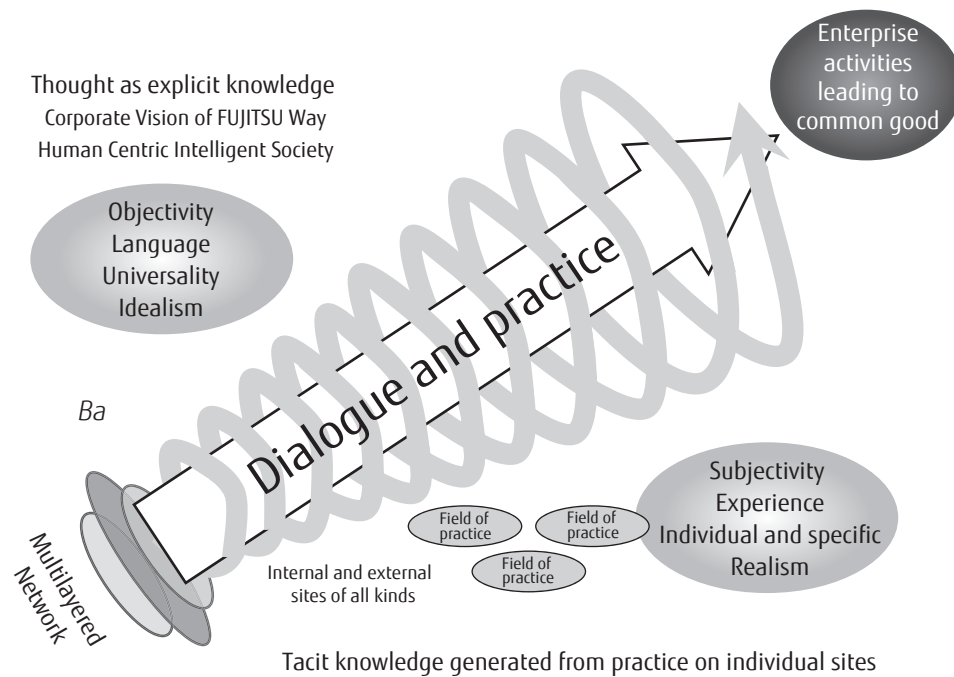


Figure 1
Objective of activities at RCPW.

months, is composed of three parts: Theory, Dialogue and Practice. During the training period, trainees are required to cultivate the ability to think in a focused way through the program including liberal arts, concept creation by design thinking, business model design, basics of knowledge management and strengthening of the political leadership to bring the organization together (Table 1).

5. Senses of value or “credos” emphasized in the RCPW

Through the activities carried out since April 2011, the RCPW has built senses of value shared by the members. These are behavioral patterns of phronetic leaders and “credos” of a sort. Since they were not assumed in advance but have been verbalized during the activities, they may change depending on future circumstances. They read as follows.

1) Think WHY and WHAT, rather than HOW

Engaging in operations in a large organization for a long time allows people to learn how to have the assigned work done efficiently. However, that alone does not lead to innovation. The RCPW demands serious consideration of “why” certain work should be done

rather than “how” to do it. “What to do” is another important question, which, at the RCPW, begins with expressing “what the trainee himself/herself wants to do”, in addition to viewpoints of other people including his or her colleagues, partners and customers.

2) Change perspectives and positions

In considering a new product, service or business, it is necessary to think to whom it is “new”: whether it is new only in one company or new to society or the market. At the RCPW, even if a product is obsolete from a maker’s viewpoint, we can make innovation happen around the product by adding new services or new user experiences to that product. Things must always be considered from the perspective of the users.

3) Opposite of success is “doing nothing”

The opposite of success is not failure. The RCPW welcomes minor failures and values the lessons learned from them. Once a concept of good value proposition has been made, the question is not whether or not it is possible, but whether we try to do it or not. The “Let’s go ahead and do it” spirit is in Fujitsu’s DNA.³⁾ Things can start small and grow bigger while risks are controlled.

Table 1
Phronetic leader training program.

Theory	Philosophy	In order to broaden their perspective toward the common good, trainees are required to think deeply about truth, goodness and virtue to train them in intuitively discerning the "good." They also learn theories of important philosophers of the ancient and modern times in the East and West.
	Theory and principle of innovation	Trainees systematically study knowledge creation theory to learn what essence is necessary for continuous and sustainable innovation.
	Business model generation	Trainees design business models that aim to convert knowledge into a flow of profits. We put emphasis on business model innovation rather than technology innovation.
	Leadership	Trainees are expected to learn the style of leadership (consensus building ability) of phronetic leaders for involving people, building various relations and making use of political power to realize their thoughts.
Dialogue	Dialogue with phronetic leaders	Innovators inside and outside Fujitsu are invited to share their thoughts, experiences and stories. Casual dialogue with innovators and intensive discussions in small groups are repeated to simulate how phronetic leaders should see an issue as their own matter, not other people's business, to take actions and acquire innovativeness. Trainees are asked to express their thoughts in their own words as stories, not impractical desktop theories, to experience the strategy to arouse empathy for the business model.
Practice	Holding intensive group discussions	Short-term intensive training is given in which trainees are asked to set multiple <i>Ba</i> for holistically coming face to face with others and discovering a value out of various relations in keeping with the real world.
	Building various human networks that turn coincidence into necessity	One trainee is supported by two or more mentors (collaborators) who give advice according to the theme and introduce personal contacts inside and outside Fujitsu for constructing a multilayered and diverse network of pieces of knowledge. Mentors or collaborators are gathered from the entire Fujitsu Group. We aim to realize the function of a "knowledge hub" or "boundary object" that allows exchange of various knowledge assets without being shackled by ordinary organizational barriers.
	Prototyping new business models	Trainees design business models based on the new relations built and new idea of value propositions generated during the training period. While the training period is short, the trainees are expected to continue their activities to test and prototype their idea of business models in their daily jobs after leaving the RCPW.

- 4) Change existing relations or build new relations
All existing relations around us, such as sellers/buyers, users/developers, teachers/students and superiors/subordinates, should be left behind once for consideration in the RCPW. In addition, the perspective should be broadened by raising people's awareness of issues by connecting with each other. That is, connecting dots into a line and integrating lines into a plane.
- 5) Cross, melt or destroy boundaries
There are boundaries everywhere in society. There are boundaries between organizations and within an organization as well. Boundaries are necessary for establishing the identity of oneself and carrying out one's own activities efficiently. However, existing boundaries often pose obstacles to bringing about innovation. Crossing, melting or destroying boundaries may generate big opportunities. At the RCPW, every trainee should act as a "boundary object," an object or a person that bridges boundaries.
- 6) Go beyond binary opposition
There are various pairs of opposing concepts such

as long-term/short-term, ideal/real and top-down/bottom-up. Believing blindly in either of the two for solving any complicated issue in the real world is easy to understand and relatively simple. In many cases, however, the right answer is not at either end of the extremes but somewhere in the middle. Considering how to avoid easy binary opposition and integrate multiple concepts is the attitude expected at the RCPW.

- 7) Change yourself to change the organization
Sharing one's own thoughts with many stakeholders and putting them into practice together is not an easy task. It is difficult to make many stakeholders with different interests look in the same direction and proceed together. Many of those who agree with your plan in principle will often be against the particular details of it when the plan is to be implemented. If that situation arises, just criticizing such people does not change anything. Your own perspective should be changed to step into the other party's shoes, and further actions should be taken including use of political leadership to involve the people concerned. To change

others, you must change yourself first.

6. Some projects and future outlook

Out of the activities that have been carried out up to now, some projects have arisen that may be small at first but have a potential to lead to actual value creation.

For example, a project to apply sensing technologies to sports is aimed at popularizing sports to build a healthier society where many people enjoy sports. The goal is promoting the fun of sports in addition to facilitating progress in sports by using inexpensive sensors and smartphones to measure the movements of the bodies of those who engaged in sports and make use of the resultant data. In November 2011, we hosted a symposium jointly with the Japan Athlete Forum and have continued since then to verify and expand the value of the project.⁴⁾

In addition, we are engaged in activities, while collaborating with the external parties concerned, to establish the "evidence based integrative medicine" by using sensing technologies and statistical analysis techniques. Many people are interested in alternative medicine or Eastern medicine these days because it may complement Western medicine and is helpful for leading a healthier life. However, alternative medicine lacks objective evidence and tools for standardization. ICT may be helpful to solve such issues.

There are also many other trainees who are working on their projects in their daily jobs even after they finished the training program in the RCPW.

In the future, we intend to continue with the present activities to expand the network within the Fujitsu

Group and, at the same time, gain a strong awareness of placing more emphasis on the actual value creation to produce tangible results for community and society. Furthermore, we plan to work together with external people and organizations to pursue an even bigger common good and value creation.

7. Conclusion

This paper has presented the activities at the RCPW for assisting and nurturing phronetic leaders. The goal is to pursue the combination of the common good and business activities and create a new value. That also means to design a new society, community and organization that put it into practice. Our practices have a lot in common with various concepts and practices such as community design, social innovation and future center. The RCPW is committed to creating a new value for realizing the corporate vision of the FUJITSU Way while cooperating and collaborating with various activities and efforts that are headed in the same direction.

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