

Can We Learn Management Techniques From the Japanese Ringi Process?

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A basic philosophical concept of Japanese [management](#) is ringiseido: decision-making by consensus. Are any of its practices applicable in the West? These authors make a case for useful implementation of some aspects of ringiseido and its application through a technique called ringi. Their research includes interviews with 14 Japanese businessmen who worked at six large Japanese companies. [1]

The ringiseido decision-making concept is an important aspect of Japanese culture that arises from Japan's group orientation. Ringiseido allows group members to participate in decision-making while respecting and maintaining their hierarchical relationships. The application of ringiseido is called the ringi decision-making process.

Most Japanese businesses and government organizations make decisions based on consensus which has been described as an agreement by all parties involved in a group's decision, with each group member satisfied with the ultimate decision. Of equal importance is that no one is individually responsible for success or failure. [2]

The Japanese [business system](#) has roots in the family-clan-village structure, which reflects a strong relationship between ringiseido decision-making and Japan's unique social and cultural tradition. [3]

Traditional Background

Consensus decision-making is an essential element of Japanese business tradition. Japanese view workers in a holistic framework, with an individual's contribution of secondary importance to the group's harmony and conformity. Japanese practice narugakae: the "total man" concept, leading to total emotional participation in the group. [4] Because togetherness and consensus are valued contributors to group morale and harmony, consensus decision-making is stressed.

The decision-making philosophy is derived from the traditions of the Japanese family system, based on authority highly concentrated in the head of the household. In the past, the head of the household made all significant decisions for the entire family. Today, he is often more interested in maintaining harmony and consensus than in upholding his authority. Therefore, he consults with other household members before making important decisions. A similar change from autocratic to consensus decision-making is reflected in [Japanese companies](#). [5]

As Japanese companies grew in size and complexity, it became difficult for the head of the company to make all important decisions. A process, termed ringi, evolved to overcome the traditional autocratic "one decision-maker" practice. The ringi process is based on the ringiseido philosophical concept.

Robert Christopher probably summed up the consensus style best when he wrote, "Probably the single most important thing to know about the Japanese is that they

instinctively operate on the principle of group consensus. For an individual to achieve self-gratification at the expense of the collective welfare is regarded as unspeakably reprehensible." [6]

The consensus style does not necessarily equate to agreement with, or even real input into, the final decision. The consensus style provides a feeling of participation and a mechanism for enforcing group compliance with the superior's decision. This style has been aptly described as "moral suasion, creating a consensus of concerned people who can exert their positive influences" [7] on the other group members to support the final decision. The process allows real participation and relevant input. However, other culture-based aspects of Japanese organizations also influence the process. Specifically, there is a strong sense of hierarchy and loyalty to the group in most Japanese organizations. [8] These characteristics push all group members to accept the final decisions made through the ringi process.

Ringi Process Characteristics

Several noted authors describe the Japanese decision-making process and the ringi process as decision-making by consensus, [9] consensual understanding, [10] "root binding" leading to the commitment needed for decision implementation, [11] a team exercise, [12] and "diffuse decision-making." [13] However defined, the ringi process is characterized by intensive discussion before final decisions are made.

A first step in understanding the ringi process is to analyze the word in Japanese. According to a Japanese manager from Tokio Marine and Fire Insurance Company, ringi consists of two parts: rin, "submitting a proposal to one's superiors and receiving their approval," and gi, "deliberations and decisions." Put another way, ringi means "obtaining approval on a proposed matter through the vertical, and sometimes horizontal, circulation of documents to the concerned members in the organization." [14]

How does the ringi process work? A Japanese businessman (working for the largest Japanese food manufacturer) explained that, in the ringi process, authority and responsibilities for each level of management are not clearly defined. Policy guidelines are not specified by top management. As lower-level managers are confronted with numerous decisions, they must refer all but a few routine decisions to top management. The lower-level managers must follow a specific procedure and draft a document called a ringisho. An English translation of a ringisho is in Appendix A. The ringisho describes the matter to be decided and makes a specific recommendation. The ringisho is not a mere inquiry to top management. It does not suggest alternatives for top management's approval; rather, it offers a specific recommendation.

After completion, the ringisho is circulated among managers potentially affected by the pending decision; and to managers whose cooperation may be necessary for its implementation. As each manager evaluates the ringisho, he indicates his approval by affixing his personal seal (hanko) right side up. (Seals are often used instead of a personal signature.) A hanko affixed upside down signifies rejection, and a hanko affixed sideways indicates indifference to the recommended decision. Depending on the importance of the matter and the organizational structure of the company, the ringisho eventually reaches top management. Once the top individual in the hierarchy affixes his hanko, the decision is final. The ringisho document is then returned to the original author for implementation or reconsideration. [15]

Nemawashi

Considering the limited participation of top management in the process, combined with

group pressure to accept the proposals once they have gained momentum, it is evident that the decisions are actually made by the ringisho's authors. As one Japanese businessman described the process, the proposal's author often alerts senior and peer managers by noting "if you remember, you and I agreed" or other similar phrases to prompt agreement of the ringisho. This process, called "Nemawashi," is defined as a "political process by which an unofficial understanding is reached before a final decision is made on a particular matter." [9]

"Ne" means root and "mawashi" means turning around. The word originates from the act of transplanting a tree. Before transplanting a large tree, the gardener performs groundwork by digging around the roots and turning the roots into a bundle. The ringisho's author uses the process of nemawashi to prepare the groundwork for the ringisho's approval. [20] If the original ringisho is not approved before it reaches top management, it is revised by the author. If the revised document again fails to obtain approval, it is withdrawn before reaching top management. Because the author seeks informal approval before formal circulation of the proposal, withdrawal is usually avoided. [21]

Practical Application of the Process

Because of confidentiality concerns, no company would permit the review of an actual ringisho. However, the following were described as examples of the ringi process in a typical company environment.

- Situation: Company worker identifies a potential new client.

Process: A ringisho is composed with important account information and an outline of the potential benefits from acquiring the client. The objective of the ringisho is to obtain company-wide concurrence for adding the client. The ringisho is circulated to various departments to determine if the potential client matches each department's requirements. For example, to finance/accounting (for credit worthiness), to distribution (for logistical support) and to public relations (for appropriateness of associating with the new client). An example of this ringisho is in Appendix A.

- Situation: A decision concerning financial commitment is needed.

Process: A ringisho is composed with various financial alternatives. Based upon the financial requirements, the ringisho is circulated to the appropriate management levels. For example, it might be circulated to a board committee that comprises the chairman, the president (Shacho) and vice presidents (Fuku Shacho) in situations where there is a commitment over 50 million Yen; to a senior management group of vice presidents for a commitment of over 25 million Yen; and, to a divisional manager (Buchu) for a commitment below 25 million Yen.

- Situation: A decision to establish a foreign subsidiary is needed

Process: A ringisho is composed with the relevant facts, opportunities and pitfalls. It is circulated widely within the company because a foreign subsidiary could have broad operational implications. For example, finance/accounting is concerned with foreign exchange issues and manufacturing is concerned with quality control.

After analyzing the decision-making process and discussing it with Japanese businessmen, we believe that the ringi process has several advantages. The process permits initiative from lower-level managers by giving them responsibility for carrying out action. It gives top management control while providing a method for group participation. The ringi process compensates for potentially incompetent top management by giving lower-level managers an opportunity to shape decisions. [22]

We also believe that the ringi process has several disadvantages. Lower-level managers

may have inadequate overall knowledge of the company to make effective decisions. The ringisho maybe contrary to the company's best interest, causing disunity and disharmony. (This problem could be reduced through informal approval, nemawashi, before the proposal is completed.) The ringi process retards rigorous analysis of pending decisions, since alternatives are not considered. Information accompanying the proposal can be inadequate. The diffusion of decision-making authority makes it difficult for an executive to acknowledge that a prior investment was wrong and a project should be terminated.

The inability to make spontaneous decisions can inhibit long-range planning. [23] The ringi process helps obscure individual responsibility and, therefore, helps "deindividualize" the exercise of power. [24] The ringi process contributes to compromise which, in some cases, may dilute the decision's purpose or negatively change the proposal.

The organizational culture may compel individual group members to accept the final decision, even if they disagree. We have noted the that ringi process allows for a feeling of participation, but may not always offer opportunities for true participation.

Implications for American Management

Although this discussion maybe an interesting review of a Japanese business practice, one might ask, "So what?" And, "Is it relevant to American management?"

The effectiveness of the ringi system is based on Japan's cultural foundation. The uniqueness of the Japanese culture and its effect on their business success has been recognized by many authors. [25] Japanese business practices are grounded in their social and cultural behavior patterns. [26] The ringiseido philosophy is facilitated by the demographic homogeneity of the Japanese society. The ringi participants demonstrate a highly similar set of values, attitudes and perceptions concerning most issues. These similarities have been described as culturally based [business](#) characteristics. [27]

As with any successful technique, the relevance of ringiseido to American business is determined by its applicability and appropriateness within the American business culture. We believe that the following elements of ringiseido could be directly applied by American managers:

- * The recognition that most decisions have system-wide effects
- * The political/organizational importance of informing other departments of the potential effects on their groups from a pending decision
- * The inculcation of feelings of participation by all parties in the decision-making process; and in each new decision

We earlier noted "the lack of true participation in the final decision" as a possible disadvantage. This disadvantage would be a significant problem in most American organizations. In general, because they lack the Japanese culture-based intense group orientation, Ameican workers are much more cynical about group processes. American managers would have difficulty implementing a ringi-style process if their workers perceived it as a charade. To be effective, the ringi-style process must offer American workers true participation and empowerment. Joanne Ciulla has written that "management issues today often center on issues related to trust and loyalty." She has cautioned against "bogus empowerment" that does not seek true worker participation. [28]

American managers often take a more direct approach to decision-making, demanding "agreement" rather than concurrence from other groups. However, American managers can learn from the Japanese desire to keep all relevant parties informed of their decisions. The ringi process of circulating a document for "sign off" may not be appropriate in the

U.S., but American managers should explore other ways of promoting the internal flow of information.

In the ringi process, many people, including lower-level management, automatically participate in decision-making. Because decisions are made after thorough discussion, few objections occur during implementation.

The Japanese businessmen we interviewed agreed that the ringi process reflects Nemawashi: informal agreement reached before a final decision. Once informal agreement is reached, the decision has everyone's support and commitment.

Our analysis of the ringi process supports a finding of strong group orientation within Japanese companies. A group orientation, a wide diffusion of responsibility, the absence of formal control mechanisms and strong organizational loyalty, inspires employees to achieve common goals. The ringi process reflects Japan's traditional values. It effectively involves people in the decision process.

The ringiseido philosophy and its ringi process are, in some ways, similar to other "consensus building" techniques (e.g., nominal groupings, Delphi) often used by American managers for decision-making and problem resolution. The uniqueness of ringi is its reliance on the cultural homogeneity of its Japanese participants. As with many successful techniques, ringi is not unique-its success comes from the effectiveness of its use.

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(1.) These companies included a major car manufacturer, an insurance company, a bank, one hotel/restaurant chain, and an electronic component manufacturer. These companies were chosen because they were leaders in their respective fields in terms of domestic and international market share. They were also selected because they had a larger number of employees (than their competitors). These large organizations, that requested anonymity, allowed us to observe the various stages of obtaining ringiseido approvals.

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Appendix A:

Translated Ringisho

Date: November, 2000

PROPOSAL TO OPEN A CREDIT ACCOUNT FOR OUR NEW CUSTOMER CHEZ CORPORATION

Objective: To add Chez Corporation as a new customer of our firm with a credit limit of Y10,000,000.

Background: Beginning in June 2000 Mr. Toma of our Marketing Group has had many meetings with the senior managers of Chez. Mr. Toma has recently reached a tentative agreement for them to begin ordering our products upon approval of a credit account with our firm.

Details: The Chez Corporation has been active in business since 1967. Currently, Chez is a valued customer of our major competitor (Mylin Company). Chez has a good reputation for product quality and a commitment to [customer service](#). Also, Chez demonstrates strong financial resources with an excellent reputation for paying its bills on time. Chez has operations in four locations within the sales territory of our manufacturing plants. Chez has taken delivery of samples of our OPQ product, tested its specifications, and has indicated a willingness to begin ordering.

Request: Please indicate your concurrence for adding Chez as a new customer with a credit line of Y10,000,000.