AN ANALYSIS OF CULTURE IN THE KIRIN GROUP

by

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Submitted to the MIT Sloan School of Management on May 9, 2014 in partial fulfillment of the requirements for the Degree of Master of Business Administration

ABSTRACT

Today, a broad and deep understanding of the concept of “culture” is one of the keys to understanding and solving the challenges of managing complex organizations. The Kirin Group, too, has been working on changing its organization culture. Specifically, after Kirin began to implement its globalization strategy in 2006, the organization culture challenge became one of the keystones to executing the new strategy. The Japanese alcohol market is shrinking so rapidly that Kirin recognizes it must expand its business beyond its home market and into overseas markets. Kirin aims to achieve sustainable growth through this globalization.

To execute the 2006 business strategy, Kirin engaged in a number of mergers and acquisitions that brought cultural diversity into the Kirin organization. This expansion requires Kirin to understand and embrace a range of different cultures. Historically, Kirin has pursued organic growth and maintained a mono-culture organization. Even though Kirin understands the necessity of this organization culture change in order to align with its new strategy, Kirin is still moving along the road to culture change. It is a challenge.

In this thesis, I explore the question of how to build organization culture in a decentralized, global company. I define culture and the concepts of culture analysis, then analyze Kirin Group’s organization culture from the perspective of these concepts. I focus specifically on how Kirin operates in two different cultures: Japan and Brazil.

Through my analysis, I found that Kirin is altering its approach to culture change as it learns from its own experiences in past efforts. However, Kirin also postponed solving some fundamental culture change challenges in order to mitigate the impact of organization change. I recommend that Kirin fully embrace diverse cultures and include them in the overall Kirin Group culture as part of its strategy of becoming a global company.

Note: The views expressed in this thesis are solely my own and do not necessarily reflect the views of Kirin Holding Co. Ltd., my employer.

Thesis Supervisor: John Van Maanen
Title: Erwin H. Schell Professor of Management
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Satoko Yoshida
Cambridge, Massachusetts
May 9, 2014
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CHAPTER 1.  INTRODUCTION

1.1 Purpose of the Thesis

Kirin Holdings Co. Ltd. (hereinafter called “Kirin”) shifted its core business strategy from organic growth to “quantum leap” growth in 2006. At the time this decision was taken, it was one year prior to the 100th anniversary since Kirin had established its business as a beer manufacturing company in Japan. On the eve of the anniversary, Kirin management reviewed the company’s past 100-year business trajectory, and considered growth possibilities for the next 100 years.

In 2006, Japan’s domestic beer market had been shrinking steadily after reaching peak sales in 1994 (see Exhibit 1.1). Predictions were that the market would continue to decline in light of Japan’s aging society (see Exhibit 1.2) and the diversification of consumer preferences. In addition, industry profitability was declining rapidly owing to increasing competition among beer companies and growing buying power by big retailers. In overseas markets, a few major beer companies, such as Anheuser-Bush, InBev (now integrated as Anheuser-Bush InBev), Heineken, and SAB Miller, engaged in aggressive mergers and acquisitions in order to restructure and integrate the beer market globally and penetrate growing markets (see Exhibit 1.3).
Exhibit 1.1 Trend in Taxed Shipments, by alcohol beverage category


Exhibit 1.2 Adult Population in Japan, by age group

In response to market changes, and seeking to achieve consistent growth, Kirin embarked on a new 10-year business strategy in 2007 known as Kirin Group Vision 2015 (hereinafter called "KV2015"). The targets for 2015 included: (1) double the sales revenue by ¥3 trillion (including liquor tax); (2) increase the operating profit margin higher than 10% (excluding liquor tax); and (3) increase overseas operating contributions from 18% to 30% of sales and profit (excluding liquor tax).

To achieve these targets, Kirin aggressively invested in mergers and acquisitions (see Exhibit 1.4). From 2006 to 2011, Kirin invested more than ¥1.4 trillion into mergers and acquisitions. In 2007, Kirin introduced a holding company structure, which was expected to enable Kirin to manage the group companies more efficiently under the umbrella of a group holding company.
Since 2007, Kirin has pursued business development and expanded its business, with the following results as of 2012: (1) sales revenue: ¥2,186.1 billion; (2) operating income to sales ratio: 15.9%; and (3) overseas business ratio: 30.4% (sales).

While Kirin achieved many of its quantitative targets, this rapid growth created internal challenges as well. One challenge is how to build global group vision, values, and organization culture across the group. Kirin developed a decentralized organization structure that delegated autonomy to management in each region in order to achieve
the business targets. However, now Kirin is seeking to foster a common culture and values across the company.

In this thesis, I explore how to build an organization culture in a decentralized global company. This is a case study of Kirin’s efforts to manage the entire group more efficiently and to motivate employees to achieve their targets. I will focus specifically on how Kirin operates in two different cultures, i.e., Japan and Brazil.

1.2 Thesis Structure and Method

In Chapter 2, I explore the basic concepts of organization structure and culture using the Three Lenses methodology: Strategic Design, Political, and Cultural.

Chapter 3 discusses the features of Japanese business organization culture, followed by a closer look at Kirin’s business culture. As Kirin’s Corporate Communications manager, I interviewed Kirin Group people periodically from 2003 to 2011. In 2012 and 2013, I interviewed Kirin Group’s top 13 managers about organization culture initiatives in the Kirin Group. I have used portions of these earlier interviews to explore and analyze Kirin’s Japanese domestic culture.

In Chapter 4, I look at Kirin’s culture in Brazil, primarily studying its strengths, weakness, and challenges at the managerial level. Kirin acquired the Brazilian beer company, Schincariol (now known as Brazil Kirin), in 2011. Schincariol was a family-owned company, and it operated with a different national and organization culture compared to Kirin in Japan. To understand Brazil Kirin’s organization culture, I conducted a small number of interviews with accompanying questionnaires, including
interview sessions with Kirin expats in Brazil, Brazil Kirin managers, external company expats in Brazil, and Brazilian MIT Sloan Fellows (total of 25 interviews).

Chapter 5 summarizes my findings from the study and research.
CHAPTER 2. ORGANIZATION STRUCTURE AND CULTURE ANALYSIS

2.1 What is Culture?

Today, a broad and deep understanding of the concept of "culture" is one of the keys to understanding and solving the challenges of managing modern, complex organizations. Academic researchers, including anthropologists, sociologists, social psychologists, and ethnographers, as well as but also consultants and business leaders spend considerable time discussing how to manage organization culture. Booz & Co. has conducted a variety of surveys on the subject of business strategy and organization culture. The reports show that culture has a critical role in the overall success of an organization. Booz suggests that, in general, firms with an "incorporative culture" and an "un-integrated strategy" find themselves with significantly lower financial results (Booz, Strategy and Business Research, 2012).

In Japan, the organization culture of a business is often discussed in terms of corporate financial results and whether or not the organization’s culture is one key component of improving productivity and business performance (Tobita, 2010). For managers and leaders, organization culture is critical to supporting the corporate strategy and achieving sustainable business growth.

Even though culture is a critical component for creating corporate success, many people are confused by the term, because culture is an abstract concept that includes both tangible and intangible essentials. Culture is composed of all corporate activities, policies, individual behaviors, along with the organization’s vision, values, expectations,
experiences, and philosophy. Inside the organization, culture provides a framework for how to think, decide, and behave. Schein defines culture in the following way:

The culture of a group can now be defined as a pattern of shared basic assumptions learned by a group as it solves its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. (1985, p. 17)

Although culture itself is unseen, the outcome is visible. Schein lists the observable events of culture as follows: (1985, p. 14)

- Observed behavioral regularities when people interact
- Group norms
- Espoused values
- Formal philosophy
- Rules of the game
- Climate
- Embedded skills
- Habits of thinking, mental models, and/or linguistic paradigms
- Shared meanings
- “Root metaphors” or integrating symbols
- Formal rituals and celebrations

When discussing culture, various levels are apparent. We can sort culture using a variety of criteria. Some are highly visible: nationality, ethnicity, religion. Schein calls these *macrocultures* (1985, p. 2). When we discuss organization culture, we can subdivide it into categories using multiple micro-perspectives, such as corporate structure, hierarchical relationships, role, or job differences. Choosing the proper level
of analysis depends on the purpose of a given exploration, and we should take care not
to mix them up, or we will be unable to find the important points for dealing with our
own organization’s culture initiatives. We should also remember the macrocultural
perspectives when we focus on the challenges of globalization. Sometimes, however,
we tend to shift to macrocultural differentiations too often and shut our eyes to
microcultural problems. Exhibit 2.1 explains the categories of culture In this thesis, I
explore mainly “organizational culture” but discuss it from the perspectives of Japanese
and Brazilian organization cultures.

<table>
<thead>
<tr>
<th>Culture</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macrocultures</td>
<td>Nations, ethnic and religious groups, occupations that exist globally</td>
</tr>
<tr>
<td>Organizational</td>
<td>Private, public, nonprofit, government organizations</td>
</tr>
<tr>
<td>cultures</td>
<td>Subcultures: Occupational groups within organizations</td>
</tr>
<tr>
<td>Microcultures</td>
<td>Microsystems within or outside organizations</td>
</tr>
</tbody>
</table>

Exhibit 2.1 Categories of Culture

Source: Schein, 1985, p. 2, adapted by thesis author

2.2 The Three Lenses: Strategic Design, Political, and Cultural

A variety of tools can be used to analyze organizations. I chose “The Three
Lenses” to discuss Kirin Group culture (Ancona, Kochan, Scully, Van Maanen, and
Westney, 2005). The Three Lenses focus on organization change and the challenges such
changes present. In outline form, the Three Lenses offer broad perspectives on organization and highlight quite different features (see Exhibit 2.2).

THE THREE LENSES

<table>
<thead>
<tr>
<th>Strategic Design (blue lens)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Organizations are machines</td>
<td></td>
</tr>
<tr>
<td>• An organization is a mechanical system crafted to achieve a defined goal. Parts must fit well together and match the demands of the environment.</td>
<td></td>
</tr>
<tr>
<td>• Action comes through planning</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Political (red lens)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Organizations are contests</td>
<td></td>
</tr>
<tr>
<td>• An organization is a social system encompassing diverse, and sometimes contradictory, interests and goals. Competition for resources is expected.</td>
<td></td>
</tr>
<tr>
<td>• Action comes through power</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cultural (gray lens)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Organizations are institutions</td>
<td></td>
</tr>
<tr>
<td>• An organization is a symbolic system of meanings, artifacts values, and routines. Informal norms and traditions exert a strong influence on behavior.</td>
<td></td>
</tr>
<tr>
<td>• Action comes through habit</td>
<td></td>
</tr>
</tbody>
</table>

Exhibit 2.2 The Three Lenses Perspectives

Note: The colors blue, red, and gray refer to analyses that will appear throughout this thesis. Each lens analysis will be shown in its respective color

Source: Ancona, et al., 2013. Modified by thesis author

2.2.1 Strategic Design

The first perspective is Strategic Design. The authors describe it in the following:

This perspective on organization is built on the assumption that the organization has a strategy for creating results that provide the test for
generating and assessing the organization’s design. This *value* proposition or *distinctive competitive advantage* establishes what activities the organization must carry out to achieve success in its strategies (Ancona, et al., 2005, p. 1).

This perspective implies that an organization can be understood as “architecture” that is tied to strategy. Structure follows strategy, like an engineering approach. To analyze organization structure, we need to understand the strategy very well.

The perspective focuses on the formal structure, including business processes such as rewards and incentives, performance measurement systems, and information systems. Many managers modify or change strategic design often to solve organization challenges because it seems more tangible and robust compared to the other two perspectives, and leaders are able to suggest clearer initiatives or process to make a change (see Exhibit 2.3).

However, Robert Gibbons (2013) believes the approach suggested by the Strategic Design lens is not enough to solve organization challenges. He believes that approach can cause fundamental mistakes. Although managers might change the organization design to align with the firm’s business strategy, the new structure might not work well. People might not appreciate the new system, causing employee motivation to drop. Strategic Design is not enough to manage the organization.
### Exhibit 2.3 Strategic Design Process: Specific Decision-Making Steps

<table>
<thead>
<tr>
<th>Steps</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Generate design criteria</td>
<td>Create a series of statements that can serve as criteria for assessing different designs</td>
</tr>
<tr>
<td>2. Generate grouping alternatives</td>
<td>Create a large number of different grouping alternatives designed to meet the design criteria</td>
</tr>
<tr>
<td>3. Evaluate grouping alternatives</td>
<td>Assess grouping alternatives in terms of design criteria; eliminate, modify, and refine alternatives</td>
</tr>
<tr>
<td>4. Identify coordination requirements</td>
<td>For each grouping alternative, identify the information-processing needs, working from the design criteria</td>
</tr>
<tr>
<td>5. Generate structural linking mechanisms</td>
<td>For each grouping alternative, create a set of structural linking mechanisms that will be responsive to the coordination requirements and will enhance the extent to which the design meets the design criteria</td>
</tr>
<tr>
<td>6. Evaluate structural linking mechanisms</td>
<td>Assess each alternative in terms of the design criteria; eliminate, modify, and refine alternatives. Combine alternatives if necessary</td>
</tr>
<tr>
<td>7. Conduct impact analysis</td>
<td>Assess each surviving design alternative in terms of predicted impact on or fit with other organizational components</td>
</tr>
<tr>
<td>8. Refine and eliminate designs</td>
<td>Based on the impact analysis, eliminate designs, resulting in a first choice design recommendation, and refine designs as appropriate</td>
</tr>
<tr>
<td>9. Identify issues for operational design and alignment</td>
<td>Based on impact analysis, identify where operational design needs to be done and issues to be addressed by the design</td>
</tr>
<tr>
<td>10. Identify issues for implementation</td>
<td>Based on impact analysis, identify key issues to be considered in planning implementation of the design</td>
</tr>
</tbody>
</table>

Source: Ancona, et al., 2005, adapted by thesis author

### 2.2.2 The Political Perspective

The Political Perspective offers a different viewpoint, and highlights the importance of informal organization structure. "Political" is not defined narrowly but requires an analyst to discover "who has the power" in the organization. It means that those who understand people's interests and can influence their behaviors have power no matter what role or position they may have in the formal organizational structure.
The political perspective assumes that organizational behavior is grounded in interests. Collective interests are the sources of people's decisions and/or actions. Authority remains a fundamental base of organizational power but it is not the only one. There are different power sources, such as personal characteristics and networks among people who share same interests (see Exhibit 2.4).

<table>
<thead>
<tr>
<th>Power Sources</th>
<th>Role-Based Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legitimacy</td>
<td>Formal authority or decision rights</td>
</tr>
<tr>
<td>Ability to Reward</td>
<td>Control over budgeting</td>
</tr>
<tr>
<td>Ability to Coerce</td>
<td>Discretion over sanctions</td>
</tr>
<tr>
<td><strong>Personal Power</strong></td>
<td></td>
</tr>
<tr>
<td>&quot;IQ&quot; &amp; Expertise</td>
<td>Knowledge and recognized ability</td>
</tr>
<tr>
<td>Social</td>
<td>Charisma, emotional intelligence, personal attraction</td>
</tr>
<tr>
<td>Physical Stamina</td>
<td>The ability to outlast competitors</td>
</tr>
<tr>
<td><strong>Structural Power (Network)</strong></td>
<td></td>
</tr>
<tr>
<td>One's Own (Social capital)</td>
<td>The number, variety and quality of resources you can access through your social relationships</td>
</tr>
<tr>
<td>One's Knowledge of the Landscape</td>
<td>Knowing the social networks of others</td>
</tr>
</tbody>
</table>

**Exhibit 2.4 Sources of Power (Individual)**

Source: Van Maanen, 2013, adapted by thesis author

2.2.3 **Cultural Perspective**

Power restricts and also drives employee behaviors, and clearly influences business strategy and executions. However, power is not the only influence. "Culture" is
another important factor, which exercises a decisive impact on employee behavior. The Cultural perspective is the third perspective needed to analyze organizations.

Organization culture is composed of both tangible and intangible characteristics. Artifacts such as corporate symbols, logos are part of organization culture. Espoused and shared values are another. Long-established habits are yet another part of organization culture. Van Maanen (2013) emphasizes that the Cultural perspective is what organization people must learn in order to become fully functioning and accepted members of the organization. For example, people often use "jargon" in a particular group, department, or company. By using the same language, employees understand each other quickly, and through such language people come to belong to the organization. This perspective explains employee behavior through their social identity and learning of organizational rules, written and unwritten.

Culture is similar to an iceberg. We can see culture in corporate symbols or in daily behaviors. But, like an iceberg, most of one's culture is submerged within his/her subconscious. Schein's description of culture is shown in Exhibit 2.5.
Organization culture and structure have a mutual relationship. Culture affects organization structure since culture provides the basis on which managerial decisions rest. However, organization structure and design also affect culture. For example, organizational policies and reward/punishment systems indicate espoused values and influence behaviors. Accumulated behaviors enhance and embed organization culture and structure.

2.3 Summary

Organizations are changing. To capture what is happening and determine what to do (strategy and action), we need analyze and understand the organization. Through
the Three Lenses perspectives, I will analyze Kirin’s organizational strengths, weaknesses, and challenges, and offer a diagnosis.

In the following chapter, I explore Kirin Group’s changing organization culture by examining its business strategy. The cultural lens is my primary focus, but I also use the other two perspectives.
CHAPTER 3. KIRIN’S ORGANIZATION FRAMEWORK AND ANALYSIS

In response to business environmental changes and seeking to achieve more consistent growth, in 2006 Kirin commenced a new, ten-year business strategy to be implemented from 2006 to 2015 (formally called Kirin Group Vision 2015; hereinafter called “KV2015”). This strategy change had a major influence on Kirin’s organization structure, power, and culture.

In this chapter, I analyze how Kirin’s culture supports or detracts from the strategies adopted in 2006 and as they continue today. I divided the timeline into two parts: (1) before Kirin adopted KV2015 (2000 to mid-2006), and (2) after Kirin commenced KV2015 (mid-2006 to 2015). I will analyze how this new strategy changed Kirin’s organization culture by comparing the culture prior to KV2015 and then after the adoption of KV2015.


3.1.1 Business Strategy Overview

Originally founded in 1888, by 1907 Kirin enjoyed strong business growth which continued into the early 1970s, by which time Kirin controlled more than 60% of the Japanese beer market. Kirin focused on its domestic beer business, successfully building a strong beer brand and pursuing high-volume production. It became apparent that Kirin needed to reduce its beer business somewhat to avoid being split into two entities
to comply with Japanese anti-monopoly regulations. At the same time, however, the business needed to keep growing in order to respond to stakeholders' expectations.

In the 1970s, Kirin made the decision to move away from its previous business strategy focused solely on the beer business and begin to focus on becoming a multi-foods manufacturer. This action represented the first round of diversification.

In the 1980s, Kirin expanded its scope of business into the life-science field, penetrating the pharmaceutical and agribio markets. This diversification strategy enabled Kirin to expand beyond beer, although by 2006, the beer business still dominated Kirin Group, comprising 64% of its consolidated business (see Exhibit 3.1).

In the early 2000s, Kirin expected to see further growth in its diversified businesses, such as pharmaceutical and agribio. However, these businesses were still divisions governed by the beer business headquarters. Of course Kirin knew that these
diversified businesses were different from the beer market, but management felt these entities were too small to be established as individual affiliated companies.

During this time, Kirin’s beer headquarters governed all of the businesses and retained strong management power over most of the affiliate companies. However, some affiliated companies, including Kirin Beverage Co. Ltd. (Japanese soft drinks business, hereinafter called “Kirin Beverage”) and Lion Nathan (Australian beer business, hereinafter called “Lion”), had some autonomy. Although these businesses shared relatively common markets or customers with domestic beer business, Kirin did not have enough extended strength to govern them.

Furthermore, although diversification was ongoing, in 2001 Kirin faced the need to revitalize its beer business. While Kirin had regained the top position in the Japanese beer market, it needed to implement business diversification to ensure future growth and to retain its profitability in the beer business.

In response to these conditions, Kirin settled on a matrix organization structure for the period 2000 to 2006 (see Exhibit 3.2). It was composed of functional and divisional (product and geography) structures.

Source: Kirin Brewery Co. Ltd., modified by thesis author

This organization structure allowed little innovation and diversification. For example, a divisional structure is typically suited to fast change and innovation in an unstable environment, so Kirin did not apply this structure to its diversified business. A functional structure enables economies of scale within functional departments, but both Kirin Beverage and Lion were outside the functional structure and had some autonomy. For example, Kirin and Lion used the same ingredients (malt, cornstarch, glass bottles), but they did not collaborate in the procurement of these products.

Moreover, while both Kirin Beverage and Lion had some business autonomy, their autonomy from a culture perspective was different. The domestic management team governed Lion, even though it was still a public company in Australia. Only a few
Japanese expatriates were deployed as liaisons between Japan and Australia. And while Kirin expected collaboration with Lion would grow, in fact Lion was far removed from Kirin’s management system and culture due to being physically and culturally distant from Japan. Lion retained its original management system and values. They continued to build their own organization culture independently in Australia.

Until 2006, Kirin Beverage was a public company in Japan, but all of the firm’s top managers came from the beer business. When Kirin Beverage began, it was part of the beer business and thus inherited the beer business’s systems and values. Over time, however, Kirin Beverage gradually adjusted to the soft drinks market features, and Kirin Beverage employees were managed by Kirin Beverage systems. As a result, Kirin Beverage was organized based on different systems and values.

In sum, by early 2006, Kirin faced a number of challenges in managing organization structures, power resources, and culture across the firms in the group.

3.1.2 Analysis Using the Three Lenses

I analyzed Kirin’s business strategy and key content using the Three Lenses. Exhibit 3.3 shows a brief outline of the company’s strategy at the time.

Originally, management power and culture were centralized with management at beer headquarters, and the beer business dominated. However, as diversification proceeded, expected skills and capabilities began to change, which caused delays in implementing the diversification. The beer business management worked to find talented resources to head the other companies in the group, but Kirin found some
mismatches in managers' capabilities. At the same time, the beer business experienced a talent shortage due as many of their managers were moved to head up other business companies. These gaps impeded business growth, and the business environment became increasingly competitive.

<table>
<thead>
<tr>
<th>Structure Design</th>
<th>Management Power (Political)</th>
<th>Culture (Cultural)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Successfully mixing centralized and decentralized organization structures depends on scale, maturity, and industry.</td>
<td>• Historically centralized at beer business headquarters.</td>
<td>• Originally, the beer business values/behaviors dominated the Group.</td>
</tr>
<tr>
<td>• Provide autonomy to business companies. Beer business continues to account for largest portion of consolidated business.</td>
<td>• Top managers from beer business deployed to other affiliates.</td>
<td>• Culture gradually became diluted/modified at each affiliate to adapt to the specific business</td>
</tr>
<tr>
<td></td>
<td>• Top management in affiliates are only senior managers in the beer business</td>
<td>• Different logo and product brands are accepted</td>
</tr>
</tbody>
</table>

**Exhibit 3.3 Business Strategy Analysis Using the Three Lenses (2000 to mid-2006)**

Source: Kirin Brewery Co. Ltd., developed by thesis author

While Kirin hoped for innovation and diversification among its businesses, that did not occur because Kirin itself maintained its traditional organization structure and values. There were reasons why Kirin could not change its organization structure and values, even though the company experienced gaps between expected group governance and the actual organization structure, power, and culture. First, since the beer business produced 70% of consolidated revenues, some organizational disunity was simply ignored. Second, Kirin did not want to disrupt the growth momentum
occurring in the diversified businesses by insisting on organization structure changes. Kirin Beverage was the second-largest and the fastest-growing firm in the group. In addition, Kirin’s pharmaceutical business had managed to launch a few drugs in Japanese hospital drug market, and Lion kept delivering steady profits to the group. Third, Kirin seemed unable to choose between a centralized and decentralized business after it deprived of the top position in the beer market in 2001.

3.1.3 Kirin’s Culture Change (2000 to mid-2006)

For 48 years prior to 2001, Kirin’s organization culture was conservative and bureaucratic as it maintained its top position in market share. At that time, Kirin held over 50% of Japan’s beer market share, which subsequently increased to more than 60%. The company began to pursue diversification, and employees were encouraged to be more innovative and constructive.

In 2001, Kirin lost its top position in the beer market. This had a significant impact on all managers and employees because nobody in the beer business had any links to the earlier era when Kirin held only a small market share and was just one challenger in the domestic beer business.

For Kirin and the Japanese beer market, the change from the top position was unexpected. The media reported how Kirin had slipped to second position, which caused some stakeholders to lose confidence in the company, and many shareholders blamed the decline on Kirin’s bureaucratic traditions and neglected innovations in the
beer business. These reactions damaged the self-esteem of Kirin managers and employees.

Before 2001, despite declines in its core business, most managers and employees had not made changes to the organization culture. The typical response was: “Somebody else will do it, not me.” But the impact of sliding to second place caused a sense of crisis, which in turn caused Kirin to take steps to change its organization culture. Schein states, “In the maturity and decline stage, the culture often becomes partly dysfunctional and can only be changed through more drastic processes such as scandals and turnarounds” (Schein, 1985, p. 295). For Kirin, it was one of the biggest challenges in its long history.

To overcome this challenge, Kirin decided to take a top-down approach—an unusual measure in the company’s history. Throughout its earlier years, Kirin favored a bottom-up approach as part of its organization culture, which I confirmed during an interview with Kirin senior managers (2013).

Those raised in the Japanese culture are keenly aware of the importance of agreement (wa) in an organization (Ouichi, 1981, p. 43). Consequently, there is a preference for a bottom-up approach in Japanese organizations since consensus is critical in Japanese organizations. One example of implementing the bottom-up approach is quality control circles (hereinafter called QCCs) (Raz, 2002, p. 89). QCCs make use of employee participation to increase productivity and morale, and to reduce costs and grievances. QCCs encourage employees to participate in decision making, and
goal setting. Kirin introduced QCCs in the mid-1970s, especially for the engineering functions.

Another key feature of Japan’s organization culture is the concept of life-long employment. Most Japanese business people, particularly managers, work for one company for their entire career. As a result, employees gradually come to understand and share the organization culture through selected activities, entrance, training, and deployment. Lifelong commitment is unique in Japanese companies (Rohlen, 1974, p. 62), and it is true in Kirin as well. Across its seven major domestic businesses, the average length of service is 16.6 years (as of the end of 2013). Employees share espoused values, behaviors, and assumptions throughout the course of their work experience. Much of their behavior is deeply embedded and not easily articulated.

In 2001, Kirin chose to take a top-down approach to driving culture change. The program was named “The New Kirin Declaration” and was directed by Koichiro Aramaki, the President of Kirin Brewery Co. Ltd. He felt that the earlier bottom-up approach may have been effective in helping employees understand the organization culture, but seeing the low self-esteem and loss of confidence among his employees, Aramaki decided that Kirin needed to take a top-down, more hierarchical power approach to changing the organization culture. In part of the declaration, Aramaki stated that the downturn in the beer business was caused by top management’s mistakes in judgment. He blamed himself as well, and then encouraged managers and employees to work hard to change the organization culture.
After The New Kirin Declaration was announced, in 2004 Kirin launched another bottom-up initiative called the V10 Project. Its objectives were: (1) build an organizational environment in which every employee thinks for himself/herself and then acts; and (2) create a structure in which management listens to the opinions of the front-line workers in the company (Kirin Brewery, Project Position Paper, 2004).

V10 was organized to support culture change in order to help employees understand the expected culture and to mitigate their anxiety. This change effort became both bottom-up and top-down. The V10 Project encouraged employees to participate in changing the organization culture by being more constructive, proactive, and sharing their best practices. Even though most employees were aware of the need to change the organization culture, they did not know how to approach such change, so they passively waited to see how others might approach it (Interview with V10 Project manager, 2010). The V10 project did change the culture slowly by gaining the support of employees through face-to-face discussions and a variety of workshops.

It took a long time to change the organization culture; indeed, it needs to keep changing. However, as a result of these and other efforts, Kirin was able to stop the firm’s market share decline in 2006, and by 2009, it had regained the top position in its core businesses.

During this time of change, Kirin prioritized organization culture change as one way to improve its business performance. The company also emphasized its original corporate values of “Customer Intimacy” and “Steady Focus on Quality.” However, as Schein states: “We cannot say that the culture itself is an issue or problem. The culture
impacts how the organization performs, and the initial focus should always be on where the performance needs to be improved” (Schein, 1985, p. 326). Kirin did not change or modify its business strategy, structure design, or distribution and location of power in the company. It focused mainly on culture and corporate values, and that was not sufficient to resolve Kirin’s business problems. While skilled leaders—both managers and employees—worked beyond the formal structure in order to overcome these inefficiencies, they had to coordinate activities across organizations in Kirin. According to Ouichi, the basic mechanisms of management control in a Japanese company are subtle, implicit, and internal (1981, p. 39). One of the ways Kirin implemented management control in the V10 project was through a process called “working beyond the role.” It was a clever way to address the discrepancy beyond the formal power and structure that existed in the company.

Nevertheless, the market was changing rapidly, and senior managers at Kirin believed that the company needed a more fundamental strategy change if the company were to succeed in achieving its future growth goals. They felt that business diversification through organic growth was not enough to succeed in the new environment. To achieve a leap in growth, and to accelerate diversification, Kirin launched a new long-term business strategy.

3.2 Kirin’s Business Strategy During KV2015 (mid-2006 to 2014)

In 2006, Kirin changed its business strategy with the adoption of Kirin Group Vision 2015 (hereinafter called “KV2015”). Its core business strategy shifted from
organic growth to a “quantum-leap” growth to carry the business into the next
generations. The organization structure was changed to a newly redefined vision, values,
and expected behaviors. Kirin had in fact tried culture change in 2001, hoping to
improve the organization. But in 2006, Kirin changed its strategy and redesigned its
structure to improve the business.

3.2.1 KV2015 Strategy Overview

The KV2015 strategy can be summarized in terms of five goals.

1. Develop Kirin Group’s twin strengths: technical expertise and customer
   relationship excellence

2. Promote the Kirin brand

3. Strengthen Kirin’s core business and achieve a leap in growth with three
   scenarios: (1) become an integrated beverage group; (2) internationalize
   Kirin’s business; and (3) develop the health food and functional food
   businesses

4. Introduce a holding company structure

5. Maintain the trust of society through corporate social responsibility (CSR)

In addition, Kirin decided it would be better to push ahead with diversification and
innovation and at the same time establish a new management team in the holding
company.
3.2.2 Holding Company Structure

To create an organization structure capable of achieving these targets, Kirin introduced a holding company structure, with alcoholic beverages, soft drinks, pharmaceutical, and other businesses coming under the umbrella of a group holding company (see Exhibit 3.4). Just prior to implementing this organization change, Kirin made Kirin Beverage Co. Ltd. (the second-largest affiliate company and the core soft drink business, hereinafter called “Kirin Beverage”) a wholly owned subsidiary through a public tender offer. Kirin also created a shared services company to handle back office operations and maximize operational efficiency.

Exhibit 3.4 Kirin’s Organization Structure as of 2007

Source: Kirin Holdings Co.Ltd., modified by thesis author
This drastic structure change solved part of the past challenge of inconsistency between the organization structure and the business strategy. All business companies were now aligned equally under the holding company including Kirin Brewery, which had been the headquarters of the group prior to the realignment. It must be said, however, that in reality, Kirin Holdings and Kirin Brewery are almost the same organization and still hold most of the management positions in Japan.

This change also caused a new cultural challenge for Kirin Brewery employees who were still expected to support and work for other business companies despite remaining the leader among the entire group of companies. However, the organization structure did produce one major change: Kirin Brewery did not have the formal power to manage the other business companies. In the end, this new organization structure design gradually affected the Kirin organization culture.

3.2.3 KIRIN WAY

To align with the new Kirin brand strategy, the company redefined and integrated its values and expected behaviors under what is called “KIRIN WAY” (see Exhibit 3.5). Basically, these are Kirin Brewery’s values and behaviors, but with the added focus on Kirin’s organizational culture change, which management hoped would enable the firm to achieve its aggressive business targets.

Prior to 2006, Kirin reviewed the strengths, weaknesses, and gaps between the expected culture and the actual culture. It found “Integrity” to be a major strength in Kirin people. But Kirin needed more innovative, challenging thinking in its culture to
achieve the "quantum leap" in growth. Also Kirin expected managers and employees to commit to achieving this challenging target. Kirin embedded these organization culture strengths and weaknesses in a new set of Kirin values and expected behaviors.

THE KIRIN WAY

**Values**

<table>
<thead>
<tr>
<th>The things we each hold important</th>
</tr>
</thead>
<tbody>
<tr>
<td>A customer-focused approach...</td>
</tr>
<tr>
<td>Striving to understand our customers better than any competitor; remembering the importance of communication with customers to better meet their hopes and expectations</td>
</tr>
<tr>
<td>A steady focus on quality...</td>
</tr>
<tr>
<td>Relentlessly pursuing quality while perfecting our own unique technology with uncompromising attention to detail</td>
</tr>
<tr>
<td>Innovation...</td>
</tr>
<tr>
<td>Thinking freely and with vision to generate new, exciting ideas; having the courage to actively propose new value</td>
</tr>
<tr>
<td>Integrity...</td>
</tr>
<tr>
<td>Maintaining a fair-minded and earnest stance toward all business activities</td>
</tr>
</tbody>
</table>

**Basic Action Stance**

<table>
<thead>
<tr>
<th>The &quot;3Cs&quot; that govern the actions of all Kirin employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenge (Endeavour, risk-taking, action)</td>
</tr>
<tr>
<td>Taking individual initiative without fearing the results; responding with change and innovation</td>
</tr>
<tr>
<td>Commitment (Thinking it through, going the distance)</td>
</tr>
<tr>
<td>Giving serious thought to all matters to see their true nature; assuming responsibility for meeting goals and fulfilling the roles assigned to us</td>
</tr>
<tr>
<td>Collaboration (Concerted action, mutual assistance)</td>
</tr>
<tr>
<td>Working together as a team; joining forces to cooperate and connect</td>
</tr>
</tbody>
</table>

Exhibit 3.5 The KIRIN WAY

Source: Kirin Holdings Co. Ltd., adapted by thesis author

3.2.4 Globalization

As part of the KV2015 implementation, Kirin launched an aggressive series of M&A investments. From 2006 to 2011, Kirin acquired companies both in Japan and overseas (refer back to Exhibit 1.4 and see Exhibit 3.6).
In addition to acquiring new companies, Kirin sold its non-core businesses to reshape its business structure. As a result, Kirin achieved most of its quantitative targets by 2012. But this rapid growth caused many challenges in Kirin as well. The organization structure was revised more than once a year during a five-year period. Employees were unsure of their positions and unsure of who held the power during this period.

Moreover, Kirin had to stabilize and harmonize its group culture following the acquisition of several new companies. Although Kirin had had some overseas companies before KV2015, the relationships between headquarters and those affiliated companies
was "more of a financial connection rather than actual management" (Interview with Kirin Group manager, 2012). With the new additions, for the first time Kirin had to determine what kind of group culture was appropriate for its new, more global company, and then integrate the acquired companies into the organization culture in Japan – all this during a period when the "KIRIN WAY" was not yet firmly established in the head office.

### 3.2.5 Analysis Using the Three Lenses

Exhibit 3.7 looks at Kirin’s new strategy as of 2013 from the Three Lenses perspective. The introduction of the new holding structure is expected to enable a more strategic distribution of resources in line with the new business growth strategy. Senior managers believed this was the way to achieve greater growth than the old organic growth strategy. Kirin centralized its financing, making it part of the back-office functions. The revamped brand strategy focus provided opportunities not only to leverage Kirin’s financial power but also to strengthen its corporate brand image. These moves shifted Kirin to a more centralized structure.
During this period Kirin also built new headquarters offices. While the expectation was that the new corporate structure would be better aligned to the KV2015 core concepts, in reality the new headquarters created one more level of hierarchy that required managers to do even more coordinating in order to implement projects. It created more work and required more negotiation between headquarters and each business company until both parties reached a consensus on business strategies, allocating the budget, and deploying employees. Headquarters also sought to integrate the firm’s brand strategy, but this meant business companies would have to
change their part of the brand strategies because each business company had individual brands.

KV2015 demanded that managers engage in more informal coordination, yet they had little formal power. The new “KIRIN WAY” was designed to support coordination under uncertain conditions. However, culture change takes a long time, and Kirin’s senior managers did not take full account of the time needed. Time should be a key variable when initiatives are undertaken to alter organization culture. Schein comments: “Unless the organization is in real difficulty, there will be enough time to use systematic promotion of hybrids and technological seduction as the main evolutionary mechanisms” (1985, p. 296).

My view is that organizations typically do not have enough time to induce culture change when it is necessary to change the culture quickly to make it function successfully. Strategy, power, and culture are necessary to drive the organization. With KV2015, Kirin prepared new strategies and introduced systematic culture change programs, but it needed to make the strategy and culture changes quickly.

3.2.6 Approach to Culture Change

In 2001, Kirin redefined its Espoused Values in “The New Kirin Declaration.” The company tried both a top-down and a bottom-up approach to change basic assumptions, but these efforts did not alter the firm’s strategy, structure design, or any of its artifacts.
Subsequently, in 2006, Kirin decided on a bolder strategy that delivered a strong message to all stakeholders and employees. Kirin also took a visible approach to change the organization culture by implementing the following initiatives:

- Announced a clear vision and business strategy called “KV2015”
- Redefined expected values as the “KIRIN WAY”
- Redefined the corporate identity, corporate logo, and Group emblem.
- Changed employee training programs to align them with the new strategy (e.g., launched a Global Management Program, and extended its scope to Group people)
- Modified items used to assess managers’ and employees’ performance to align with the KIRIN WAY
- Integrated the Group website under the Kirin Holdings website
- Issued a new corporate magazine, *KIRIN*, and distributed it to all Japanese Group employees

An internal questionnaire was distributed to all employees after the announcement of the new strategy, and responses showed that many Japanese employees agreed with the direction of the new strategy, and expected further growth (Kirin Group Employee Survey, 2006). However, in the same survey, employees also said they could not find a clear connection between the new strategy and their current daily work. They said managers did not explain the new approach well.
It was clear that KV2015 generated both excitement and anxiety among employees. Not surprisingly, managers were uncomfortable with this unsettling situation. It reflected the learning anxiety of having to do something new while still maintaining excellent performance in routine tasks. Of this dilemma, Schein observes: “The interaction of these two anxieties creates the complex dynamics of change” (1985, p. 302), in which learning anxiety must be overcome. Schein includes the following basic fears (1985, p. 303):

- fear of loss of power or position (in Kirin, this comes from the new Group Holdings structure and subsequent shifts in power)
- fear of temporary incompetence (in Kirin, this means expected skill changes as a result of changes from domestic leader to global leader)
- fear of punishment for incompetence (in Kirin, changes in the reformed assessment systems)
- fear of loss of personal identity (in Kirin, changes in what it means to work for the company)
- fear of loss of group membership (in Kirin, possible loss of the group identity)

As of 2006, Kirin was the only firm in the Japanese beer industry aspiring to be a global player. The global beer industry itself was already involved in a strategic turnaround that had not yet come to the Japanese beer market. Kirin saw it as an opportunity to leap ahead of other competitors in Japan, and to become more like other global beer manufacturers. In general, Kirin employees knew about the changes on
some level, but they did not see them as their own problems. They had no strong motivation to learn new skills as part of a global player. Their immediate focus was on their domestic competitors, the domestic business, and their need to maintain excellent performance in their day-to-day work. Kirin employees simply did not understand the necessity for such learning, as they did in 2001 when they were acutely aware of the downtrend in the Japanese beer market.

Kirin should have recognized that some learning anxiety might accompany a change of direction and then proactively helped employees learn to meet their new demands. In this situation, Schein recommends that leaders must be prepared to implement the following eight activities:

1. Provide a compelling positive vision
2. Provide formal training
3. Make sure learners are involved in the change policy and execution
4. Provide informal training of relevant groups and teams
5. Provide practice fields, coaches, and feedback
6. Provide positive role models
7. Provide support groups in which learning problems can be aired and discussed
8. Provide systems and structures that are consistent with the new way of thinking and working. (Schein, 1985, p. 305)

Kirin management provided some of the above support. For example, as part of the strategy change, the organization culture should change, which was stated clearly in
the “KIRIN WAY,” and is embedded in the new personnel evaluation systems. In addition, Kirin introduced a new personnel system that resulted in early promotions for talented young managers. However, Kirin did not introduce the KIRIN WAY into all business companies. The lack of full implementation across all companies in the Group led to ineffective learning and a reduced understanding of the expected new culture.

Kirin took the traditional bottom-up approach to implementing the new strategy and the anticipated organization culture. For example, Kirin set up an “Inquiries” email address to answer to questions from employees immediately, and it held many forums to explain and discuss the new strategy. These were necessary processes to help adjust to the new learning and, as I mentioned, it worked well since the bottom-up approach is preferred in Japanese organizations.

After Kirin launched its new holdings structure in 2007, Kirin found it was difficult to roll out a bottom-up approach across the Group promptly. Kirin headquarters’ leaders understood the new strategy well, but they no longer had the power to implement bottom-up initiatives directly into business companies. Before launching a new initiative, headquarters had to convince leaders in the business companies first. The leaders of the business companies held power in their own organizations, but they did not know what they should deliver to employees. The change in the organization structure brought instability to the power resources.

Adding to this complex situation were the number of M&As undertaken by Kirin. One of the most difficult aspects of M&A implementation lies in integrating two disparate cultures and then dealing with the ensuing changes. Kirin did not have internal
role models to help implement these actions. As a result, it did not provide practice fields, coaches, and feedback. There were few positive role models, few support groups in which learning problems could be aired and discussed, and few systems and structures that were consistent with the new way of thinking and working. Employees had difficulty learning the new skills and culture. Inefficiencies resulted, which just added to the anxiety. Kirin management knew the company did not have internal skill and role models, and that it urgently needed to nurture new leaders.

To overcome this challenge, Koichiro Aramaki, President of Kirin Brewery, told all employees repeatedly: “We need to change our culture more aggressively but keep our traditional strengths. The new target is quite high, and we cannot achieve it with our existing ideas and work styles. All of us have to learn the new expected behaviors, challenges, commitment, and collaboration” (Kirin Brewery corporate magazine, special edition, September 2005).

Although Kirin did not have role models for M&As, the firm nevertheless undertook global M&As. As noted earlier, Kirin employees learned their own culture slowly and implicitly; but with the impact of M&As, Kirin needed to deliver its culture more explicitly. A new transformation skill was expected as part of each manager’s skillset, but Kirin did not help its managers to acquire and build this new skill, thus increasing the gap between the actual culture and the one that Kirin sought to increase.
3.2.7 Implementing KV2015 (2012 to 2014)

In 2012, Kirin reviewed the past six years' implementation prior to planning for the mid-term strategy (2013–2015) that was part of KV2015. Kirin initiatives were beginning to align with the corporate strategy, and the company was achieving the quantitative targets it set. The business was more diversified, and in 2012 the overseas portion accounted for 27% of consolidated sales (see Exhibit 3.8).

Exhibit 3.8 Percentage of Sales by Business Segment (end of 2012)

Source: Kirin Holdings Co. Ltd. website, modified by thesis author

Throughout the significant changes that occurred over the last six years, Kirin sought to identify and implement an organization structure and culture that would manage the growing organization. At the beginning of KV2015, Kirin focused on Southeast Asia & Oceania. Competition in the domestic beer market became more
fierce than had been forecast. A summary of the results and challenges of KV2015 are shown in Exhibit 3.9.

![Exhibit 3.9 KV2015 Outcomes (end of 2012)]

Source: Kirin Holdings Co. Ltd., modified by thesis author

Today, in order to survive in both the domestic and global markets, Kirin needs to refine its strategy and build an appropriate culture to support that strategy. The company must figure out how to manage its traditional culture while modifying it to become a strong and leading global company.

To that end, Kirin launched a new long-term strategy in 2013 called Kirin Group Vision 2021 (hereinafter called “KV2021”), which is summarized in Exhibit 3.10.
Seeking to optimize the organization structure design in order to facilitate the implementation of KV2021, Kirin reorganized into a federal organizational structure by modifying its holdings structure. To promote integration in the beverages business, Kirin established Kirin Co. Ltd. as a regional organization that is headquartered in Japan (see Exhibit 3.11).
Exhibit 3.11 New Federal Structure of the Kirin Group (mid-2012)

Source: Kirin Holdings Co. Ltd., modified by thesis author

This new structure clarifies the roles of Holdings headquarters and the regional heads. Kirin Holdings promotes synergies by strategically allocating resources and sharing functions across businesses and borders as a global headquarters. Meanwhile, each of the four regional heads manage in a customer-focused, autonomous, fast-moving style (Kirin Group Long-Term Business Outlook “Kirin Group Vision 2021”, 2012).

As part of changing the organization culture, Kirin discussed among Group managers how to determine common values and integrate them throughout the Group, including overseas affiliates. This was difficult work due to language differences, and the fact that each company had its own history and values. Changing the values might threaten the identity of those in the acquired companies (Schein, 1985, p. 303).
To resolve the lack of unified corporate values that had become evident following the various M&As, and to mitigate the difficulties facing those in the new Kirin companies, Kirin announced a so-called “umbrella value”: “One Kirin Values—Passion and Integrity,” which would embrace the all values of the business companies, yet allow each company to retain its own values and connect to Kirin.

This decision was controversial. Should Headquarters mandate one value for all business companies? Kirin interpreted the federal organizational structure that is part of KV2021 to mean that Kirin could choose a more decentralized strategy and organization structure, thus forming looser bonds. However, it also means Headquarters does not have strong power over the new companies and may have difficulty generating synergies among the Group businesses. In KV2021, Kirin states that the role of Holdings is to promote synergies (Kirin Group Long-Term Business Outlook “Kirin Group Vision 2021”, 2012). Headquarters has more power in financial matters, but less power to influence culture. Kirin will need to take additional steps to manage the entire group because the organization cannot be managed only from a financial standpoint.

Kirin has just begun implementing the new strategy and is still a long way from changing its organization culture. During the firm’s first 100 years, Kirin built a strong but very homogeneous culture. Today, faced with competitive pressures in a global environment, Kirin must deal with a variety of organization cultures. In the end, this could prove helpful for Kirin, for as Schein states: “The more turbulent the environment, the more important it is for the organization to maximize diversity” (1985, p. 296). Kirin
must learn how to manage—and maximize—its diverse organization cultures yet allow them to be a respected part of the entire Group.
CHAPTER 4. BRAZIL KIRIN: ORGANIZATION FRAMEWORK AND ANALYSIS

In this chapter, I analyze how Brazil Kirin's culture supports or detracts from the strategy adopted in 2012 after it was acquired.

In 2011, Kirin acquired Schincariol (currently known as Brazil Kirin), the second largest beer producer in Brazil, and set out on a course to begin an extensive business integration. As a result of the acquisition and integration, Brazil Kirin changed its business strategy to become more closely aligned with Kirin headquarters' strategy. While the ownership and strategy change influenced Brazil Kirin's organization structure, power, and culture, Brazil Kirin is still maintaining part of its own original culture.

First, I explain Brazil Kirin's corporate history and the background of the acquisition. Second, I explore the Brazilian culture in general in order to understand its features. Finally, I analyze how Brazil Kirin's new strategy is influencing its organizational culture compared to Kirin's culture in Japan.

4.1 History of Brazil Kirin and Background of the Acquisition

4.1.1 Background of the Brazil Kirin Acquisition

Brazil Kirin was established in 1988, and is the second-largest beer producer in Brazil. It is best known for its Nova Schin, Devassa Bem Loura, and Baden Baden brands. Brazil Kirin also produces and delivers soft drinks, juices, and bottled water. Before being
acquired by Kirin, the firm was owned by the Schincariol family, and was known by the name Schincariol, which derived from its founder’s name.

Brazil Kirin has a nationwide distribution network and 13 modern production facilities that provide the optimal platform for further development of operations in the rapidly growing drinks market. Brazil’s beer and soft drink markets are large with an approximate value of ¥3 trillion each. It expects stable growth powered by Brazil’s economic expansion as its population and personal income continue to grow. The competitive environment is tough, as Kirin Brazil is a direct competitor with AB-Inbev, the largest beer manufacturer in the world, which overwhelmingly dominates the Brazilian beer market.

Since 2006, Kirin has explored new business investment opportunities in its quest for further growth. When Kirin began implementation of KV2015, it focused on Southeast Asia and Oceania as it looked for acquisition targets. In 2011, Kirin expanded that scope to include other developing areas that might bring greater growth in future.

In 2011 (before Kirin acquired it), Brazil Kirin was anxious and facing uncertainty. The Schincariol family had been engaged in a family dispute over company management issues for years, and the announcement of Kirin’s acquisition caused additional disputes. A majority of shareholders in the Schincariol family agreed to sell their shares (50.45%) to Kirin, but the family members who were opposed filed a lawsuit seeking repeal of the acquisition. It took three months for Kirin to settle the suit and reach agreement to buy all minority shares which enabled Kirin to acquire 100% of Brazil Kirin.
Through this acquisition, Kirin expects to gain a solid operating platform in Brazil, the largest economy in Latin America. Kirin also seeks to further accelerate Brazil Kirin’s growth by combining Brazil Kirin’s brands with Kirin Group technologies, R&D skills, and marketing capabilities.

4.1.2 Demographics and the Economy in Brazil

Brazil is a huge and growing county. It is the world’s seventh-wealthiest economy with a GDP of $2.253 trillion in 2012. It is also the largest country in area and population in South America. While it shows strong growth, poverty is still a big challenge for the country. Although poverty has declined markedly, in 2009 11% of the population lived on $2 per day, and extreme poverty ($1.25 per day) still exists among 2.2% of the population.

Brazil experiences extreme regional differences, especially in social indicators such as health, infant mortality, and nutrition. Against the backdrop of its huge size, Brazil has a significant economic gap between the wealthier south and southeast regions compared to the poorer north and northeast (World Bank, 2014).

Economic disparities and fluctuations also impact the country’s human resources. In 2011, 1.8 million new jobs were generated, while the average unemployment rate from 2011-2013 was relatively stable (see Exhibit 4.1). It is projected that the country’s economy will grow even more as a result of the FIFA World Cup™ Brazil in 2014, and the Summer Olympic Games in Rio de Janeiro in 2015. Such favorable business conditions will also increase job recruiting and job-hopping.
The level of education level is still a big challenge, as only 11% of 25-26 year-olds have attained a tertiary education,\textsuperscript{1} compared to 57% in Japan (OECD, 2012). This fact also drives competition among talent recruiting and widens the income gap between corporate managers and lower level employees. As a result, most Brazilian organizations experience frequent movement among personnel. The biggest challenges for HR departments are retaining professionals, meeting demands for increased compensation among top management, and recruiting good talent.

\textsuperscript{1} Theory-based programs designed to provide sufficient qualifications for entry into advanced research programs and professions with high skill requirements. Lesser programs are typically shorter and focus on practical, technical, or occupational skills for moving students into the labor market.
4.2 National Culture

Regarding a country’s national culture, Geert Hofstede (2010)\(^2\) conducted research to assess culture on the basis of six dimensions: Power Distance, Individualism, Masculinity, Uncertainty Avoidance, Pragmatism and, Indulgence. Each dimension is defined below.

1) **Power Distance**

   This dimension deals with the fact that all individuals in societies are not equal – it expresses the attitude of the culture toward these inequalities amongst us. Power distance is defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.

2) **Individualism**

   Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after him or herself and his or her immediate family. Collectivism, as its opposite, pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty. The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among its members.

3) **Masculinity**

   A society is called masculine when emotional gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success, whereas women are supposed to be more modest, tender, and concerned with the quality of life. Hofstede calls a society feminine when emotional gender roles

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\(^2\) For further information, see: <http://geert-hofstede.com/dimensions.html>. 
overlap: both men and women are supposed to be modest, tender, and concerned with the quality of life.

For this dimension, a high score (i.e., masculine) indicates that the society will be driven by competition, achievement, and success, with success being defined by the winner or best in field – a value system that starts in school and permeates throughout organizational behavior.

A low score (i.e., feminine) means that the dominant values in society are caring for others and quality of life. A feminine society is one where quality of life is a sign of success and standing out from the crowd is not admirable.

Therefore, the comparison is based on what motivates people: wanting to be the best (masculine) or liking what you do (feminine).

4) **Uncertainty Avoidance**

The extent to which the members of a culture feel threatened by ambiguous or unknown situations. It deals with a society’s tolerance for uncertainty and ambiguity. People in uncertainty-avoiding countries are also more emotional, motivated by inner nervous energy, and show less preference for facts.

This dimension has to do with the way a society deals with the fact that the future can never be known, therefore, should we try to control the future or just let it happen? This ambiguity brings with it anxiety, and cultures have learned to deal with this anxiety in different ways. The extent to which the members of a culture feel threatened by ambiguous or unknown situations—and have created beliefs and institutions that try to avoid these—is reflected in the score.

5) **Pragmatism**

Pragmatism describes how people in the past as well as today relate to the fact that so much that happens around us cannot be explained. In a 1991 book by
Geert Hofstede, this dimension was labeled “long-term versus short-term orientation,” where long-term orientation stands for the fostering of virtues oriented toward futures rewards—in particular, perseverance and thrift. Its opposite pole, short-term orientation, stands for the fostering of virtues related to the past and present—in particular, respect for tradition, preservation of “face,” and fulfilling social obligation.

Pragmatism describes how people in the past as well as today relate to the fact that much of what happens around us cannot be explained. In societies with a pragmatic orientation, most people do not have a need to explain everything, as they believe that it is impossible to fully understand the complexity of life.

6) **Indulgence**

Indulgence stands for a tendency to allow relatively free gratification of basic and natural human desires related to enjoying life and having fun. Its opposite pole, restraint, reflects a conviction that such gratification needs to be curbed and regulated by strict social norms.

One challenge that confronts humanity, now and in the past, is the degree to which young children are socialized. Without socialization we do not become “human.” This dimension is defined as the extent to which people try to control their desires and impulses based on the way they were raised. Relatively weak control is called “indulgence,” and relatively strong control is called “restraint.” A culture can thus be described as indulgent or restrained.

Hofstede’s report provided an overview of Brazil’s national culture based on the six dimensions, as follows.
1) **Power Distance**

With a score of 69, Brazilian society believes that hierarchy should be respected and that inequalities among people are acceptable. The varying distributions of power justify the fact that powerholders enjoy more benefits than the less powerful in society. In Brazil it is important to show respect to the elderly (and children care for their elderly parents). In companies, there is one boss who takes complete responsibility. Status symbols of power are very important for indicating social position and to “communicate” that respect should be shown.

2) **Individualism**

Brazil has a score of 38 which means that people from birth onwards are integrated into strong, cohesive groups (especially represented by the extended family, including uncles, aunts, grandparents, and cousins) that continue to protect their members in exchange for loyalty. This is important in the work environment as well where, for instance, an older and powerful member of a family is expected to “help” a younger nephew to be hired for a job in the elder’s own company. In business it is important to build trustworthy and long-lasting relationships. Meetings usually start with general conversations in order to get to know each other before doing business. The preferred communication style is context-rich, so people often speak profusely and write in an elaborate fashion.

3) **Masculinity**

Brazil scores 49, which is right at the median for this dimension.
4) Uncertainty Avoidance

At 76 Brazil scores high on this dimension—and so do most of the Latin American countries. These societies show a strong need for rules and elaborate legal systems in order to structure life. The individual’s need to obey these laws, however, is weak. If rules cannot be kept, additional rules are dictated. In Brazil, as in all societies with a high score for Uncertainty Avoidance, bureaucracy, laws, and rules are very important to make the world a safer place to live in. Brazilians need to have good and relaxing moments in their everyday life, chatting with colleagues, enjoying a long meal, or dancing with guests and friends. Due to their high score in this dimension, Brazilians are very passionate and demonstrative people: emotions show easily in their body language.

5) Pragmatism

At 44, Brazil scores as intermediate in this dimension.

6) Indulgence

Brazil’s somewhat high score of 59 marks it as an indulgent society. People exhibit a willingness to enjoy life and have fun. They have a positive attitude and tend toward optimism. In addition, they place a higher degree of importance on leisure time, act as they please, and spend money as they wish.

Exhibit 4.2 illustrates the comparative differences between Brazil and Japan based on these six factors.
Because it is such a large country, Brazilian culture varies by regional location. The Brazilian interviewees mentioned Brazil’s diverse, polychronic culture. It is one of the biggest differences between Brazilian and Japanese culture, which is known as a monochromic culture.

Another survey (Brand Finance do Brazil, 2011) identified features of Brazilian culture to help understand its uniqueness. It mentions Brazil’s cultural mixture and points out additional features:

- Mixed cultural environment derived from origins (Africans, Natives, Europeans)
- Diversity
- Tolerance
- High context language
- Male oriented (in the lower class)
- Flexible
• Catholic religious predominance (over 75% of the population)
• Family oriented
• Emotive
• Open/Friendly
• Funny

4.3 Brazil Kirin: Organization Framework and Analysis

4.3.1 Overview of Business Strategy and Structure Design

In 2011, prior to Kirin’s acquisition of Brazil Kirin, the Brazilian company faced anxiety and uncertainty due to family disputes and the approaching acquisition by Kirin. During negotiations prior to the acquisition, Brazil Kirin was generally unstable, so when the acquisition was completed, Kirin focused on mitigating the instability and transforming Brazil Kirin into a stable member of a Japanese public company.

Kirin promoted an Brazil Kirin internal executive manager, Gino Di Domenico, to the position of executive president and maintained many of the executive managers (except family members of the ex-owner). Kirin also retained the simple, functional organization structure that existed before the acquisition (see Exhibit 4.3), which minimized confusion and had a lesser impact on the organization structure.
In 2012, Brazil Kirin developed a new mid-term business strategy for the period 2013 to 2015 (see Exhibit 4.4). This new strategy was aligned with Kirin Group mid-term strategy. The new strategy also maintained the consistency of Brazil Kirin’s business strategy which Kirin had put in place following the acquisition.
The Brazilian market is continuing to show strong growth:

- Realize a significant increase in earnings by boosting sales in line with market growth while improving efficiency to reduce costs
- Construct strong brand portfolio
- Fine-tune distribution network to ensure optimal service to expanding customer touch points
- Reform value chain processes to achieve low cost operations

**Targets**

- **Beer business**: Secure a strong No. 2 market position
- **Soft drink business**: Increase presence in carbonated category and drive innovation

**Exhibit 4.4 Brazil Kirin Business Strategy (2013 to 2015)**

Source: Kirin Holdings Co. Ltd., adapted by thesis author

While Brazil Kirin kept its new business strategy simple, Kirin also applied its business planning process to Brazil Kirin. As discussed in Chapter 3, Kirin’s organization culture encourages a bottom-up approach, which is also projected to the business planning process in Kirin. Kirin headquarters provides business companies with a consolidated group target and an itemized company target as a guideline for business planning. It is delegated to each business company to develop its own business plan and to contribute to achieving the Group target. Business companies discuss their business plans with headquarters several times until a consensus is reached through many approval processes.

In the case of Brazil Kirin, however, because it had been a family-owned company, the previous owners held absolute authority to make all decisions. Consequently, Brazil Kirin had a top-down structure, power source, and culture.
Although Brazil Kirin had some discussions when decisions were being made, the owner made the final decision. Clearly, the decision-making process was very different between Brazil Kirin and Kirin in Japan.

4.3.2 Brazil Kirin: Vision, Mission, and Values

Brazil Kirin also redesigned its vision, mission, and values to align the more closely with Kirin’s business strategy, KV2015 (see Exhibit 4.5):

Vision

- To become an innovative company of beverages that give pleasure and joy

Mission

- Surprise the consumer with innovation, thus gaining their trust and admiration

Values

- People: loyalty, passion, and innovation
- Services: consumer focus, presence, and innovation
- Results: strong brands, superior results, and brand recognition
These values also create and sustain a level of consistency within Brazil Kirin in comparison to its previous values.

4.3.3 **Business Strategy Analysis Using the Three Lenses**

Brazil Kirin's business strategy and key contents are analyzed using the Three Lenses (see Exhibit 4.6).
Kirin headquarters and Brazil Kirin developed a simple business strategy for Brazil Kirin, but it also included a mid-term target. While a simple strategy should work for Brazil Kirin to enable employees to focus on the same target, Kirin did not consider whether a mid-term target would work for Brazil Kirin employees because Japanese businesses in general are extremely focused on long-range planning (Schein, p. 126). It is common for Japanese managers, and therefore Kirin employees, to set a long-term strategy and commit to it. However, Brazil Kirin employees had not had a long-term strategy in the past.
Hofstede’s Six Dimensions’ analysis indicates the time perspective difference between Japan and Brazil, with a huge gap in the “Pragmatism” score (refer back to Exhibit 4.2). Pragmatism can be labeled as having either a long-term or short-term orientation. Japanese people have a long-term orientation, meaning they foster virtues that are oriented toward futures rewards. However, the Brazilian culture embraces a short-term orientation that fosters virtues related to the past and present (Hofstede, 1991).

Some Brazilian interviewees stated that this short-term perspective is derived from Brazil’s unstable history (interview with Brazilian Sloan Fellows, 2014). From 1964 to 1989, Brazil faced social and economic instability under a military government, and even after Brazil moved to a republican government, the volatility continued. The country experienced more than 1,000% inflation in the late 1980s, and in 1993 that hyperinflation was followed by a national currency devaluation and financial switchover. Throughout this volatile history, Brazilian people felt unable to make any long-term commitment because they did not know what would happen in the future. It is a completely different experience for Brazil Kirin to set a long-term target and commit to it following its acquisition by Kirin.

One Brazilian interviewee mentioned that while it is important to draw a big picture and explain the concept of future rewards as a way to motivate Brazilian employees, managers should also support employees by breaking down the large, overall target into several shorter-term targets. Otherwise, employees do not engage in such long-term targets and they do only their daily work. They need to become more
engaged with employees, especially if they request their employees to commit to a longer-term target (interview with Brazilian Sloan Fellows, 2014).

To encourage employees to act independently, Geno Di Domenico, Brazil Kirin Executive President, repeats the same message at every conference or town meeting. He states that Brazil Kirin people have to think for themselves about what they can do, and Brazil Kirin must change to become a more proactive culture.

The time perception gap creates another behavior difference between Brazil Kirin and Kirin in Japan. During my interview sessions with Brazilian people, many of the interviewees used the word “flexibility” as being one of their strengths. A Brazil Kirin manager explained that Brazil is still an unstable country, and Brazil Kirin employees need to learn how to respond to accidental events. He connected it to their strength of “flexibility” (Interview with Brazil Kirin manager, 2014). While Brazilian employees appreciate immediate and quick action rather than planning ahead, it must be said that Japan is at the extreme of long-range planning (Schein, p. 126).

A Brazilian manager explained another aspect of their behavior as the capability to improvise. He mentioned that Brazil Kirin people are able to adapt to any accident and create new solutions to achieve a target (interview with Brazil Kirin manager, 2014). Another Brazilian interviewee used the word “creativity” as another common Brazilian strength. Brazilians see themselves as flexible and creative as they work to achieve the target. In contrast, Japanese people commit to the target, and then overcome any difficulty because they feel a sense of responsibility and have high loyalty to the
company as part of their lifelong employment commitment (Ouchi, 1981, p. 34; Rohlen, p. 62).

In the KIRIN WAY, Kirin stated its corporate values as “Challenge,” “Commitment,” and “Collaboration” (refer back to Exhibit 3.5). Kirin expects its employees’ highest commitment in their behavior. “Commitment” is an important part of Kirin’s values, but it may be difficult for this new value to take root in Brazil Kirin.

4.3.4 Analysis: Structure Design and Power

Kirin continued to use a functional organization structure in Brazil Kirin after the acquisition. Kirin also kept many of the senior managers rather than send Japanese managers to manage the business in Brazil. This should be comfortable for Brazil Kirin employees because they will still be able to clearly identify their boss, just as they could in the previous structure. It also works to maintain their culture in the top-down approach and to make their responsibility scope clear.

These preferences are reflected in Brazil Kirin employees’ behaviors. For example, employees hesitate to hand business documents to other department people without confirmation from a leader (interview with a Kirin manager, 2014). Through interviews with external Brazilians, I found this to be a national behavior. The interviewees explained the reasons for this behavior: (1) they wish to avoid anything that might create trouble; (2) they tend to keep power (i.e., information) internally; and (3) there is little motivation to help other departments.
While Brazilian employees judge situations based on their own individual interests, Japanese employees work more collectively (Ouchi, 1981, p. 47). Japanese employees in Kirin prefer to hand information on other department people rather than respond to them verbally (interview with a Kirin manager, 2014). They consider their workplace assets to be corporate assets. When using official papers or evidence, they ensure a high degree of accuracy and try never to make a mistake. The Japanese people as a whole have a strong orientation toward collective values, particularly a collective sense of responsibility (Ouchi, 1981, p. 47).

Brazilians work much less collectively, which ties into another Brazilian behavior: they hesitate to take the initiative in a cross-functional project (interview with a Kirin manager, 2014). Such a project requires complex coordination and there may be unclear report lines. This does not match a simple top-down approach, which Brazilians prefer. In their case, they have to think about who they should report to, depending on the situation. Comparison with the Japanese organization culture is stark. Kirin employees in Japan work for cross-functional projects as needed. According to the Hofstede analysis, both Brazil (score: 38) and Japan (score: 46) show relatively low “Individualism,” but each shows different dimension of their individualistic culture. Brazil shows strong cohesion with families, while Japan prefers its collective society that is famous for lifelong loyalty to the company (Rohlen, p. 62).

Kirin minimized confusion within Brazil Kirin by retaining the company’s original functional organization design. But there were also tradeoffs. Brazil Kirin employees did not see a big change in the organization structure or power resources, except as
ownership changes. As a result, they continued with a top-down approach to getting things done. Although Kirin does appreciate the value of a bottom-up approach in some situations, Brazil Kirin employees were not convinced that they needed to change their top-down approach. Employees saw no need to change their behavior.

A top-down approach and clear power resource should be part of a nationwide Brazilian culture that has experienced such unstable history, and it may not be able to change any time soon. However, the Kirin acquisition and ownership change may also be an opportunity, finally, to change Brazil Kirin’s behavior.

Regarding the organization structure design, Kirin chose to mitigate Brazil Kirin employees’ anxiety rather than creating huge impacts. To compensate, however, Kirin had to embrace Brazil Kirin’s original organization culture and use a top-down approach in order to manage the organization effectively.

4.3.5 **Analysis: Culture Change Approach**

On November 12, 2012, Brazil Kirin changed its company name from Schincariol to Brazil Kirin. After the acquisition contract was complete in November 2011, Brazil Kirin discussed its new name. Schincariol was derived from owner’s family name. The corporate name change was symbolic of Brazil Kirin’s fusion of the two companies. Brazil Kirin stated this event as follows:

Prior to the launch, a wide-ranging diagnosis of the business, its beliefs and its organizational culture was undertaken. Working groups were set up not only to determine the new name and brand, but also a new vision, mission and values for the company, as well as a new positioning for an operation intent on being more competitive, more innovative, and more sustainable. (Brazil Kirin 2012 Sustainability Report)
Brazil Kirin held a ceremony that was comprised of representatives from the two countries, when the new name was delivered. It was done simultaneously at Brazil Kirin headquarters and 24 other locations all over Brazil (see Exhibit 4.7). All Brazil Kirin employees stopped working at 8:00 a.m. that day to hear the official announcement. To assimilate the new corporate name and logo, Brazil Kirin prepared a variety of kits that included such things as CEO letter, a Q&A handbook, tags, the internal magazine, a new logo tee-shirt, a beer glass, a notebook and pen, and TV Flash.

Exhibit 4.7 Brazil Kirin Brand Launch Ceremony in Itu, Brazil

Source: Brazil Kirin

To deliver the new business strategy, organization governance, and culture change, Brazil Kirin utilized this corporate name change ceremony effectively. To mitigate the impact of acquisition and ownership change, Brazil Kirin explained the new name and logo as follows (see Exhibit 4.8):

The logo contains an ideogram in which Brazil is in first place, symbolizing respect for the country and its people. It contains icons
that stand for the elements of nature: earth, air, fire, and water. Furthermore, it includes green and yellow, symbolizing Brazil. In Japanese culture, the union of all the elements means the source of life and our main ingredient: water.

Exhibit 4.8 Brazil Kirin Logo

Source: Brazil Kirin

Although it was huge change for Brazil Kirin employees and stakeholders, Brazil Kirin transferred to the new corporate name and brand without confusion (interview with a Brazil Kirin manager, 2013).

It should be noted that in 2006, Kirin changed its corporate name from Kirin Brewery Co. to Kirin Holdings Co. which included changing its organization structure, refining its own logo, and redefining its values and expected behaviors. Like Brazil Kirin in 2013, those changes caused considerable learning anxiety among Kirin employees and managers.

Therefore, Kirin and Brazil Kirin should each consider the next steps carefully if they wish to change Brazil Kirin’s organization culture. Even though Kirin employees received the new long-term strategy, KV2015, with expectations of future growth, in
fact it is taking a number of years to change Kirin’s organization culture to achieve the new strategy.
CHAPTER 5. CONCLUSION

How does Kirin deal with the requirement to change its organization culture in order to be a true global company? My own questions about this issue grew to become the foundation of this thesis.

In 2006, Kirin began to execute its new business strategy KV2015. Aligned with this new strategy, Kirin also embarked on a planned move toward globalization. When the new strategy was first implemented, most employees did not expect much change in the organization culture. Both managers and employees continued in the traditional and conventional ways of thinking as they worked to execute the globalization strategy.

However, when an organization changes its strategy, it may also have to change its management system, organization structure, values, and expected behaviors because each one relates to the overall success of the strategy execution. Through a number of mergers and acquisitions, Kirin began to understand the need for its own organization culture change.

In Chapter 3, I analyzed Kirin’s organization culture and the changes that have been implemented so far in Kirin Holdings Japan. To survive in the competitive business environment, Kirin adopted some different approaches, and with the involvement of its affiliate companies, Kirin is working on changing its organization.

As a result of the mergers and acquisitions, Kirin is also learning how to integrate its own organization culture with that of the acquired companies. In Chapter 4, I analyzed Kirin’s latest approach to business integration when it acquired Brazil Kirin.
Both Kirin and Brazil Kirin experienced considerable impact on their respective organization cultures, and both are working on mitigating the impact. Japan and Brazil have different national cultures, so each firm took a different approach to achieving its organization culture change.

Acquisitions through globalization often bring enthusiasm at the beginning with expectations for economic growth, followed by varying degrees of frustration and disappointment owing to the rigorous workload required to successfully integrate two disparate cultures (Ailon, 2007). Although Brazil Kirin is still working on improving its business performance and on generating synergies as a Kirin group business company, Kirin and Brazil Kirin have each achieved some progress in the business integration over the last two years. Some successful approaches were identified, Kirin continues to encounter some culture change challenges for the future. However, Kirin is also trying best-practice approaches that they learned through its own organization culture change experience. I will discuss these below.

5.1 Organization Structure

First, as stated in Chapter 3, Kirin employees experienced some learning anxiety through changes in its business strategy, organization structure, values, corporate name, and power resources since 2006. To mitigate this anxiety, Kirin made the decision to keep the original organization structure in Brazil Kirin. Also Kirin delegated management to domestic managers already in place (except managers who were part of the ex-owners), rather than bring in Japanese managers and force the adoption of a Japanese
management style. In the daily workplace, employees did not need to change their work styles. This mitigated employee anxiety, especially their fear of loss of power or position, and the loss of group membership. Schein explains the fear of loss of group membership as follows (Schein, p. 303):

The shared assumptions that make up a culture also identify who is in and who is out of the group. If by developing new ways of thinking or new behavior, we will become a deviant in our group, we may be rejected or even ostracized. This fear is perhaps the most difficult to overcome because it requires the whole group to change its ways of thinking and its norms of inclusion and exclusion.

Before and just after the acquisition, Brazil Kirin had experienced unstable conditions due to the internal familial conflicts. For its part, Kirin had experienced deep anxiety in Japan as a result of several acquisitions that introduced deviations into Kirin Group. Furthermore, Kirin did not have enough resources to execute a full transformational learning process in Brazil. Thus, based on its own experience, Kirin chose not to change Brazil Kirin’s organization structure and business system. This prevented cultural conflicts between Japan and Brazil. At the same time, however, Kirin postponed part of the organization change process in Brazil Kirin. Schein suggests that systems and structures should be consistent with the new way of thinking and working (p. 306), but Kirin did not remain clearly consistent in Brazil Kirin.

5.2 Management

Second, Kirin sent five Japanese managers to Brazil Kirin as the first expatriates working in Brazil Kirin following the merger, to assist with integrating the two cultures.
Those managers’ title and expertise were: (1) Vice President/Finance and M&A; (2) Director/Finance; (3) Director/Sales and Administration; (4) Director/Logistics and Marketing, and; (5) Director/Production and Engineering. They work as liaisons between Kirin and Brazil Kirin in each field of expertise. While they do not belong to Brazil Kirin directly, each has a specific role and expertise to lend to the integration process. There are several positive aspects with this deployment.

One is that Brazil Kirin people do not feel a fear of loss of power or position. If Japanese managers had taken over Brazil Kirin’s managerial positions, the Brazil Kirin people would have felt less power or status than they felt before (Schein, p. 304).

Another positive aspect is that executive and engineering have their own occupational culture. Even though people belong to different organizations, in certain occupations they share common education, work experience, and job requirements (Schein, 1996, p. 9).

Sometimes subculture integration is easier than cross-functional alignment. Kirin managers stated in interviews that they found many commonalities in their workplace during the integration process. I observed similar commonalities in the finance field as well. Even though Japanese and Brazilian people use different languages, they use similar jargon and knowledge in their expertise, and similar skills are required to execute their work. Through the daily work, they build trust and respect as professionals.

Additionally, the Kirin manager for sales and administration had seven years of work experience in Brazil as an executive manager. He speaks both Japanese and Portuguese fluently. He is the liaison person and communication keystone between Japan and Brazil.
While this deployment was effective in reducing survival anxiety in Brazil Kirin, ultimately Kirin tried to help Brazil Kirin understand the need for some amount of learning anxiety. Kirin’s approach worked in the short term because it needed to bring stability to Brazil Kirin following the acquisition. However, in the long term, a “softer” pathway might actually cause delays in executing Kirin’s growth strategy because Brazil Kirin employees did not change their organization culture (i.e., little or no long-term view, little interest in the collective group, and fewer cross-functional capabilities) to adjust to the new business strategy, successfully integrate the two cultures, and meet Kirin’s growth expectations. It was another challenge for Kirin, and in the end Kirin chose stability rather than shaking up Brazil Kirin to make culture changes.

5.3 Short-Term Successes

Third, immediately after the acquisition, Brazil Kirin’s business remained in poor condition. It took some time to change the business momentum. However, in the last half of 2012, rapid upstream growth began to appear, and by the time Brazil Kirin held the ceremony to announce its corporate name change in November 2012, the firm was certain it would achieve the annual target. During interviews with Kirin managers, they said that at first they did not see any strong connections between good financial results and a smooth transition to the new brand name, because Brazil Kirin people had experienced so many extreme ups and downs in the short period of its history. In fact, while achieving its 2012 target, Brazil Kirin also experienced a downtrend in 2013.
However, accumulating short-term successes is a fundamental step to changing an organization. There will be those who resist change in the organization, who may gain power if employees do not feel any results through the transformation. This may be applicable in Brazil Kirin. Even if it is not the primary reason for a smooth transformation, this kind of success will support the acquisition and organization change.

Kirin should accumulate small success experiences in Brazil Kirin. It also helps for both Kirin and Brazil Kirin to build trust as business partners.

5.4 Language

Fourth, in the interviews, both Japanese and Brazilian managers found more similarity than they had expected prior to the acquisition (interviews with Kirin managers and Brazil Kirin managers, 2012). Some Japanese interviewees assumed that some part of the Japanese culture should have been accepted by Brazilian employees.

Another Japanese interviewee stated that having an official language in the office works for them. In Brazil Kirin, the official language is English, and both the Japanese and Brazilian employees are not native-English speakers. By adopting English as an official language, it mitigates any fear of humiliation. Also everyone’s command of English is similar, so no one feels fearful of fast English-speaking with an extensive vocabulary. Adopting English encouraged balanced communications between Japanese and Brazilian managers.

While official language supports communication between Japanese and Brazilian managers, Kirin managers in Brazil did feel the need to become somewhat comfortable
with the Portuguese language (interview with Kirin managers, 2012). To understand Brazil Kirin’s market and daily work, Japanese managers needed to learn Portuguese. Also Brazil Kirin people use Portuguese when they need to discuss precise details or in communications between Brazilian employees. That created boundaries and worked to keep separate identities, rather than integrating the two cultures. Around 10,000 employees work for Brazil Kirin and all of them are Brazilian. It seems unreasonable to make all employees use English in Brazil Kirin. Currently, many Brazil Kirin senior managers are encouraged to learn English to work as a global manager. Kirin should motivate and reward them appropriately as encouragement to loosen the local boundary.

The language issue also applies to Kirin in Japan. Even though Kirin aspires to be a global company, most Japanese employees speak only Japanese and work for Japanese domestic businesses. Many documents are written in Japanese, and only a few are translated into English. For example, the Kirin Group magazine remains only in Japanese and has not yet been translated for Kirin’s non-Japanese affiliates. Yes, Kirin wants to maintain a balance between cost and business efficiency. However, the company should also consider that language restricts Kirin’s communication opportunities with overseas business companies. This lost opportunity may become huge in the near future. How Kirin handles this disadvantage as a global company is one of the firm’s coming challenges.
5.5 Brazil Kirin’s Flexibility

Finally, I observed that Brazil Kirin’s “flexibility” was very important in supporting its new strategy and organization change. For example, the new business strategy and the associated corporate name change can have a huge impact on an organization. Brazil Kirin showed its flexibility by adapting quite well to the new environment. A Brazil Kirin manager viewed this culture change as an opportunity to motivate employees by generating self-esteem while also having a positive impact on their workplace (interview with a Brazil Kirin manager, 2014). In fact, a survey of the organization climate showed major improvement in the item “Great Place to Work®” from 2011 to 2012 (Brazil Kirin Climate Survey 2012; scope: 10,000 employees).

Before the acquisition, Brazil Kirin was experiencing considerable instability due to disputes among the owner family. Kirin’s implementation of an organizational change helped to overcome this instability. The new corporate name became a symbol of the new, stable workplace. The dynamism that occurs as a result of overcoming scandals and achieving a successful turnaround, provided major support for the culture change (Schein, p. 295).

5.6 Postponed Issues

(a) While Brazil Kirin came through the first steps of the culture transformation, there are some issues in the culture integration and transformation that have been postponed. A Brazil Kirin manager mentioned that Brazil has difficulty promoting engagement and commitment to the Brazil Kirin cause and objectives (interview with a
Brazil Kirin manager, 2014). This manager also stated that in his view, it is the key difference between Kirin and Brazil Kirin.

(b) In the new long-term business strategy, KV2021, Senji Miyake, CEO of Kirin Holdings, stated that Kirin creates innovation through accepting diversification and collaboration among people who have diverse backgrounds. To accelerate this diversification, Kirin set one of its values in the “One Kirin Values” as “Passion and Integrity,” which would embrace the all values of the business companies yet allow each company to retain its own values and connect to Kirin. It would mitigate the organization culture conflicts among business companies.

However, in Japan, Kirin explains that its previous values and espoused behaviors are embedded in the One Kirin Values as basic assumptions. This means that Kirin’s older espoused behaviors—“Challenge,” “Commitment,” and “Collaboration”—are still expected to be demonstrated in the Kirin workplace. Kirin headquarters managers implicitly expect these three behaviors in Brazil Kirin people as well. In that regard, Brazil Kirin’s difficulties in promoting engagement and commitment could become the seed for future culture conflicts.

Currently, Kirin focuses on driving globalization and executing its business strategy. However, before the organization culture gap becomes huge, Kirin should consider how it will manage this culture challenge. Kirin should not impose its Japanese espoused values and behaviors on Brazil Kirin. As discussed in Chapter 3, Kirin interpreted the federal organizational structure that is part of KV2021 to mean that Kirin
could choose a more decentralized strategy and organization structure. Kirin needs to embrace Brazil Kirin’s values and behaviors.

(c) Brazil Kirin’s culture challenges and potential gap is connected to general fundamental Brazilian assumptions. Through my interviews with internal and external Brazilian people, I observed that individualism and top-down approaches are apparent throughout general Brazilian culture. Therefore, Brazil Kirin people are unlikely to feel the need for culture change, and Brazil Kirin people may be unlikely to adopt Kirin headquarters’ implicit values and espoused behaviors. Kirin needs to make further efforts to explain the meaning of the new group values to the entire Kirin Group (including Brazil Kirin) and help them to accept diverse values.

If Kirin can embrace diverse values, this cultural gap would change to an opportunity for Kirin. A Brazil Kirin manager explained that the Brazil Kirin culture favors a lot of action and challenges (interview with a Brazil Kirin manager, 2014). This characteristic is not widely apparent in Kirin’s Japanese organization. In an effort to change Kirin’s Japanese culture to one that proactively embraces challenges, Kirin embedded the word, “Challenge” in the KIRIN WAY, Kirin’s corporate values and behaviors. If Kirin can reverse-import Brazil Kirin’s culture into Kirin’s Japanese culture, this acquisition would generate a new kind of synergy. Kirin and Brazil Kirin have limited physical contact, mainly due to the physical distance between Japan and Brazil. However, Kirin should think about the effects of culture mixture and seek more frequent contacts among Group people.
5.7 Time Perception Gap

Another postponed culture challenge is the time perception gap. Currently, Kirin delegates domestic management of Brazil Kirin to Brazilian managers, and that works well. Kirin also delegates execution of Brazil Kirin’s long-term strategy to that firm’s managers. However, Kirin needs to consider the so-called time perception gap between Japan and Brazil. As discussed in Chapter 4, in general, Brazilian people do not respond to, nor are they convinced of the need for a long-term strategy or target. While it is clearly better to delegate daily business to domestic managers, Kirin should keep talking about long-term strategy with Brazil Kirin managers. Also Kirin managers should understand Brazil Kirin’s management style and their approaches to achieve the target. Mutual understanding should be the key to achieving the target.

Through my interviews, I found that “how to get things done” is totally different between Japan and Brazil. Kirin managers try to delegate as many tasks as possible to motivate and train employees. Delegation is an essential skill for good managers. In Brazil, checking progress and seeking continuous feedback is the key to getting things done. This management style was thought of as “common sense” in interviews with all the external Brazilian managers. Whereas Japanese managers feel confidence from delegation, Brazilian management measures managers’ interests, importance, or the urgency of the task by explicit intervention. Understanding these differences would help to harmonize the Group organization culture.
5.8 Globalization and Diversity

The globalization of Kirin Group is still in progress. After a number of acquisitions, Kirin continues to work on post-merger integration, especially the task of fusing two organization cultures. Senji Miyake, CEO of Kirin Holdings, stated:

It is also important for our Group to drive new value creation by embracing diversity and collaborating across our different businesses and regions. We are a global group of over 40,000 employees with different ethnic, national, and cultural backgrounds. The Kirin Group is building a constructive corporate culture where we accept one another and take advantage of our differences to innovate and facilitate Group synergies. (Kirin Holdings official website, 2014)

Embracing diverse cultures is not easy. Kirin Group people should identify the differentiations among Group people, and make a continual effort to understand them. In order to encourage managers and employees to embrace diversity, top management must keep talking about its importance. If Kirin cannot propel diversity with the Group, this federal organizational structure will not work well.

This thesis has shown that Kirin has implemented its organization culture change in general through a trial-and-error process. With consistent effort to change, I believe Kirin will generate a new and more harmonized Group organization culture in the future.
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