THE ROLE OF "RINGI" APPROACH TO GAIN CONSENSUS IN STRATEGIC DECISION-MAKING PROCESS: AN OVERVIEW

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Abstract

The objective of this conceptual research study is to provide a framework on the importance of Japanese Ringi system on building consensus in strategic decision-making process. The effects of post COVID-19 period, and vast technological developments have been dramatically changing the today's business world recently. Due to continuous promises of new scientific breakthroughs and their reflections on business models, organizations must rethink, reshape, and reinvent themselves in order to keep up with the latest transformations taking place in the business world. Thus, these dynamics are forcing leaders to rethink about the importance of strategic decision-making in daily organizational operations. Because it's obvious that strategic decision-making is a crucial tool to enhance business growth and key to raise awareness of external threats while preventing from global risks and unforeseen events in business world. In sum, in this study strategic-decision making process is outlined within the concept of the Japanese management system "Ringi", and recommendations will be made in terms of building consensus in strategic decision- making process.

Keywords: *Consensus, Strategic Decision-Making Process, The Ringi System*

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1. INTRODUCTION

This study highlights the importance of building consensus in strategic management decision-making process within the context of Japanese system Ringi. The framework will be provided through previous academic studies and by outlining a literature overview. Besides, the Ringi system will be defined and explained first and then, the adaptation of the Ringi to the strategic decision-making process will be discussed within the scope of gaining consensus in the process. To start with, according to Sagi (2015), the origins of Japanese management systems reflect the Japanese traditions, culture and history and from a historical point of view, Japanese management thought has been under the influence of first, Confucian philosophy involving respect for elders, loyalty, harmony, and second, Buddhism including humility, work ethic, working for collective good, and third, Bushido involving obligation, duty, honor. Thus, the "Ringi" system is regarded as one of the traditional decision-making processes in Japanese management style.

Consensus is mainly associated with generally accepted opinion by all the people in a group or the judgment arrived at by most of the people concerned, dealing with any idea or topic. Consensus, the general agreement, is very important in order to address all concerns and to establish effective decision-making process because discussion is essential to identify issues, clarify questions in a meeting about special purposes. Hence, the goal of the discussion must be to share the perspectives of all participants and ultimately, to come to an agreement to form an understanding of the issues debated. However, involving individuals into decision-making process is very important because as everyone is finally affected by the decision made, then they can share their ideas and work together to find solutions through decision-making process. Thus, building consensus provides the basis for crafting workable and acceptable alternatives in decision making process. Additionally, the term Ringi indicates the bottom-up decision-making process in the Japanese management system. "Ringi system" of Japanese management process is an approach which depends on to overcome the disadvantages of traditional autocratic decision-making process. Especially, it is dealt with getting approval for different perspectives from multiple related groups of people and departments within the organizations. Likewise, Senot et al. (2016) underlined that bottom-up shared decision-making process, which is associated with the Ringi system, can allow organizations to focus on multiple dimensions while the top-down processes provide hierarchical control and guidance within the organization. Besides the bottom-up processes augment flexibility by letting practical issues
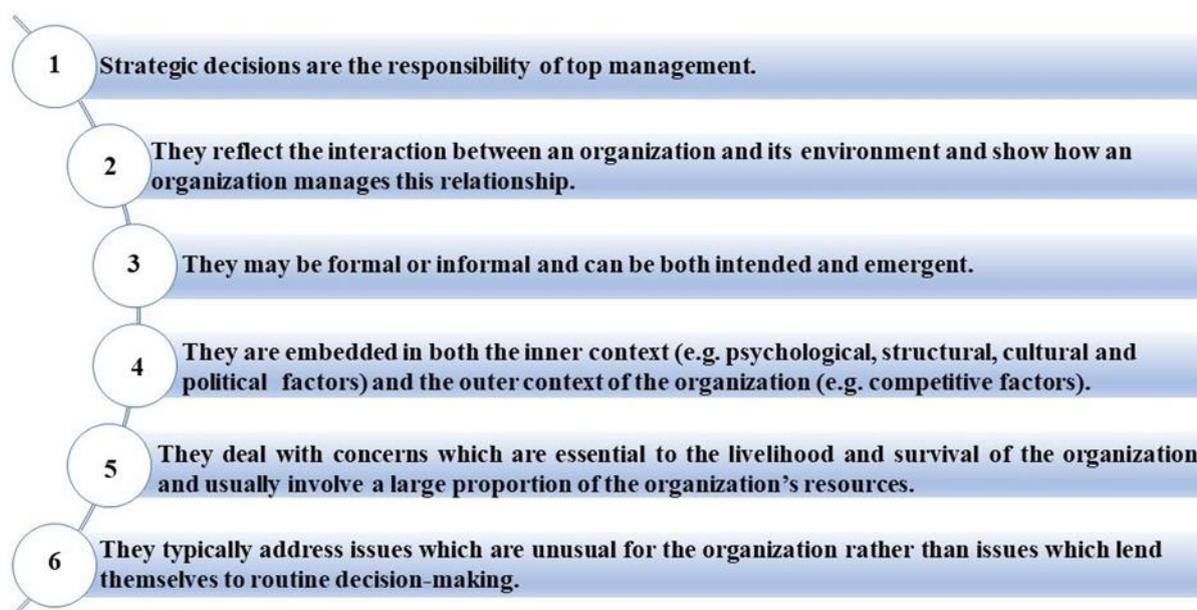
and solutions to the problems that may occur in organizations. Moreover, Takagi (1969) maintained in his study titled "A social psychological approach to the Ringi system" that Ringi system is an authentic decision-making system of Japan and had been applied by 81.7% of big Japanese companies in those years.

Finally, it's certain that decision-making is a fundamental activity for managers. Again, unforeseen events such as, COVID 19 pandemic, disasters, conflicts and wars between countries or economic fluctuations make it hard for the organizations to maintain their activities or even to survive, so they should realize the importance of strategic decision-making to carry on in a competitive business world. Therefore, as strategic decisions are associated with harmonizing organizational resource capabilities with the unprecedented events, threats, or opportunities, it's vital for organizations to implement consensus building techniques in their strategic decision-making process. To sum up, in this study, gaining consensus in strategic decision-making process will be discussed from the point of Ringi approach.

2. CONSENSUS BUILDING IN STRATEGIC DECISION-MAKING PROCESS

To start with, strategic decision-making is mainly about choosing the best way to organizational achievement considering the factors like cost, time, and the target market. Lampel (2018) defined strategic decision-making as the process of improving and bringing into force selections that will affect the long-term prosperity of the organizations. The selections usually deal with primary organizational changes and larger source commitments which are hard to turn back once they are applied. Strategic decision-making is also reflected by decision makers' own experience, their positions in the organization and their surrounding organizational environment. Figure 1 shows the main the characteristics of strategic decisions:

Figure 1. The main the characteristics of strategic decisions

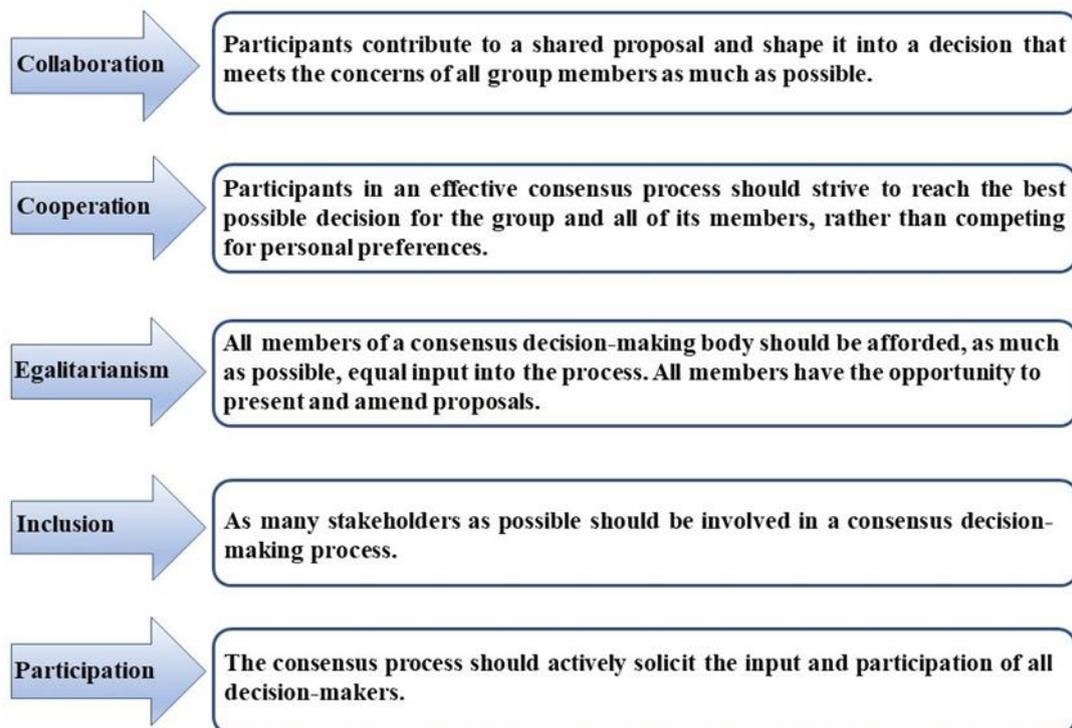| 1 | Strategic decisions are the responsibility of top management. |
2	They reflect the interaction between an organization and its environment and show how an organization manages this relationship.
3	They may be formal or informal and can be both intended and emergent.
4	They are embedded in both the inner context (e.g. psychological, structural, cultural and political factors) and the outer context of the organization (e.g. competitive factors).
5	They deal with concerns which are essential to the livelihood and survival of the organization and usually involve a large proportion of the organization's resources.
6	They typically address issues which are unusual for the organization rather than issues which lend themselves to routine decision-making.

Source: Elbanna, 2006

Since it's a matter of loss or gain, making the right decision is not only imperative in all life situations but also in organizations as well. It's so clear that the decisions have been made by the management team wholly impact an organization. For instance, making effective decisions have positive organizational outcomes such as, right decisions save time and resources, maximize profit, increase productivity, help prevent from mistakes and risks and encourage and increase motivation and confidence in the employees. On the other hand, bad decisions will result in business disasters and even lead to bankruptcy, and it is just like "Jumping into the water without knowing how deep it is". That's why leaders are very cautious on how to make decisions effectively and successfully. Accordingly, Blenko et al. (2010) emphasized the findings of the study conducted to 760 big companies worldwide to understand how effective those companies were at making and executing their critical decisions and it was concluded that 71% of the companies have huge scope to improve their performance by increasing their decision effectiveness.

However, in a fast digitalized, interconnected world and operating in a time of unprecedented change and stiff competition, sustainability is becoming increasingly important for organizations. Therefore, if a company invests in sustainability without a strategic decision-making process, it will risk all its sources, jeopardize its operations and business ties, and might lose its reputation in the end. Because strategic decisions are related to whole environment in

which the organization operates, the entire sources and the individuals in the organization. Moreover, strategic decision-making is simply focuses on basing organizational shorter-term decisions on the longer-term vision for the direction of the organization. Literally, Hauser et al. (2020) underlined that an organization's performance is related to the presence or absence of a prominent strategy and a series of bad decisions originated from a bad strategy will finally lead to failure. Accordingly, Smith (2014) underlined that from the point of top management, making-strategic decisions and managing strategic paradoxes are very challenging as the leaders both face continuous pressure to clarify the environmental and social factors and ongoing decisions to be made between alternative strategies to allocate resources and to provide guidance for the rest of the organization.

According to the Online Etymology Dictionary (Online Etymology Dictionary, www.etymonline.com, 2023), the term consensus is Latin and means "agreement, accord", derived from "consentire" meaning "feel together". In a broader sense, consensus is associated with a generally accepted opinion, but it can also be inferred that it is the process and the outcome of consensus decision-making (e.g., "to decide by consensus" and "a consensus was reached"). According to Zhang et al. (2019) consensus does not always mean that the best solution will be obtained in decision making process. However, it's maintained that collective solution should be obtained when consensus is achieved and efficiency involving optimal use of organizational resources must be the key criterion in consensus based decision-making process. In addition, Wibowo and Deng (2013) highlighted that consensus building in a decision-making process is searching for a rational agreement from all the decision makers in a given situation considering all the alternatives for choosing the best alternative from all the criteria. Besides, it has also been argued that consensus-based decision-making process might be complex and challenging owing to the involvement of other decision makers, the presence of multiple, and often conflicting criteria, and the existence of subjectiveness and imprecision in the decision-making process. Figure 2 displays the major characteristics of consensus decision-making:

Figure 2. The major characteristics of consensus decision-making

Collaboration	Participants contribute to a shared proposal and shape it into a decision that meets the concerns of all group members as much as possible.
Cooperation	Participants in an effective consensus process should strive to reach the best possible decision for the group and all of its members, rather than competing for personal preferences.
Egalitarianism	All members of a consensus decision-making body should be afforded, as much as possible, equal input into the process. All members have the opportunity to present and amend proposals.
Inclusion	As many stakeholders as possible should be involved in a consensus decision-making process.
Participation	The consensus process should actively solicit the input and participation of all decision-makers.

Source: Hartnett, 2011: 10

Last but not least, it must be noted that to gain consensus in strategic decision-making process, no decision can be made against the will of an individual or a minority and all participants must make decisions by agreement rather than by majority vote. In addition to these, in a consensus based strategic decision-making process, affected parties try to agree on a specific issue to find a rational, mutually acceptable solution and effective implementation methods to carry out the decisions. In other words, everyone must support the decisions have been made and implement them eminently. However, as Nickerson and Argyres (2018) stated that strategic decision-making processes will be more effective through sifting alternatives using logic and data, and eventually reaching at a broad agreement, consensus. On the other hand, the success of the consensus based strategic decision-making processes might be hindered by politics, polarization between participants, ego satisfaction, unbalanced burdens of proof, and group biases of a variety of reasons. Specifically, Roberto (2004) maintained that leaders must build consensus, which involves common understanding and commitment, to implement strategic decisions successfully in organizations and it is also contended that effective organizational performance requires efficiency and consensus in strategic decision-making process since consensus plays an important role in promoting the cooperation and coordination

which are necessary to implement these decisions successfully.

3. THE EFFECT OF "RINGI" ON CONSENSUS BUILDING IN STRATEGIC DECISION-MAKING PROCESS

One can never deny that the paralyzed, devastated Japanese economy rose dramatically from the ashes of World War II and caught up the world's most advanced industrial economies in 1960s by implementing newer management techniques such as total quality management and a lean production system. Moreover, Japan has also showed an unexpected economic breakthrough through both cost management and sincere work ethic combined with ingenuity. Plus, in Japanese management style, authority is usually expected to make decisions based on a consensus. Likewise, Shiohara (2023) underlined that known as the "Japanese Economic Miracle", Japan's economic breakthrough mainly depends on certain, main factors such as adopting latest technological advances, fast stable accumulation of capital, increased quantity and quality of labor, harmonious management labor relationship and increased international trade. Besides, it has been emphasized that Japan's vast economic growth relied heavily on strategic planning, management and cooperation by companies, labor, and the government as well.

In relation to that, the word Ringi refers to the bottom-up decision-making process in the Japanese management system and the Ringi system is a well-known, traditional way of managerial decision-making in Japan. The term Ringi comprises of two major parts and the first part "Rin" means submitting a proposal to the administrators and obtaining their approval, the second part means "Gi" ideas and decisions. Through the Ringi decision-making process, the proposals and plannings are debated, developed, and sifted in an informal meeting, which refers to a pre-meeting step among employees and called as "Nemawashi" (Sagi, 2015: 10). Incidentally, in contrast with hierarchical organizations, in which most major decisions are either made or approved by formal leadership at top management, in the Ringi process which refers to decision making by consensus, lower-rank employees are also participated in the decision process by having a chance to talk about their ideas and ultimately, they may influence the final decisions before they are made (Isac, 2003: 124). Additionally, in the Japanese business environment Ringi, which is a consensus-based bottom-up approach to decision-making, is also a common process in strategic decision-making process. Indeed, within the context of Ringi process, all disagreements or arguments are debated in a cooperative way

discussion and a shared agreement is reached between all parties considering organization's objectives and decisions. However, it must be stated that the discussions are edited in intelligent, analytical and discreet process by all parties to reach to a collective logical agreement for the desired decision. Hence, in this process, long-term perspectives of needed decisions are more important than having a short-term visionary decision (Jyoti and Sarthak, 2019: 49). Meanwhile, Ala and Cordeiro (1999) underlined that Ringi system is directly associated with decision-making by consensus and it enables members of the group to participate in decision-making while not violating their hierarchical relationships in organization. On the other hand, it is also emphasized that the Ringi based decision-making process might be time consuming since it requires group participation, reconciliation and finally, consensus, especially compared to autocratic decision-making style. In sum, through Ringi process, a consensus and complement, paternalistic leadership is created in organization and so, most conflicts are resolved more easily as Ringi based decision-making process create a participative management style in which the middle, lower levels of decision makers or even employees are involved in the decision-making process. Figure 3 monitors the main cycle of the Ringi system in an organization:

Figure 3. The main cycle of the Ringi system
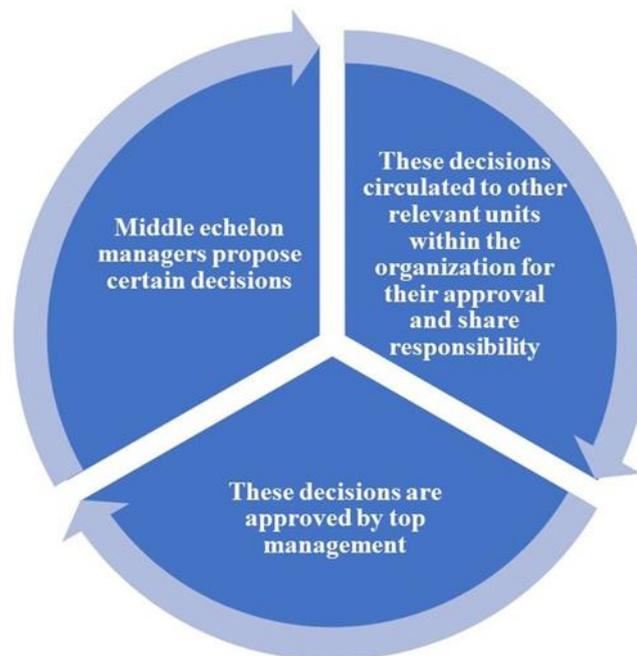
Source: Hayashi, 1978: 217

In various cases, rapid changes in technology and the highly stiff competitive business

environment not only offer an opportunity for a competitive edge, but they also bring a risk of strategic vulnerability to organizations too. Vast technological advancements and everchanging customers' preferences create opportunities for organizations to redeploy their assets and rethink about their strategies. Besides, it's the top managers' responsibility to run the business smoothly relying on strategic way of thinking in order to avoid the negative effects of the unexpected economic, social and political events because strategic decisions, which are mainly goal-oriented based on long-term achievements, provide a farsighted perspective which helps organizations mitigate future risks. In fact, especially the leaders in high technology intensive companies must develop a better understanding of the strategy to keep pace with the latest improvements and changes in the business world. Therefore, they should scrutinize their implications of strategic management practices and methods by increasing the effectiveness of their strategic decision-making process. According to Warren (2008) strategic management is simply about building and sustaining performance into the future and it is fundamentally related to making various sets of decisions on utilizing of an organization's resources effectively to reach its organizational goals and objectives. It is also maintained that strategic management focuses on organizational growth by growing economic profit. Furthermore, Cosenz and Noto (2016) underlined that strategic management is a consistent process that involves top management's appraisal of the environment in which the organization operates primarily formulating a strategy, and a plan for application and assessment of the strategy defined. Figure 4 shows the five major steps in making-decisions in strategic management process:

Figure 4. Major five steps in making-decisions in strategic management process
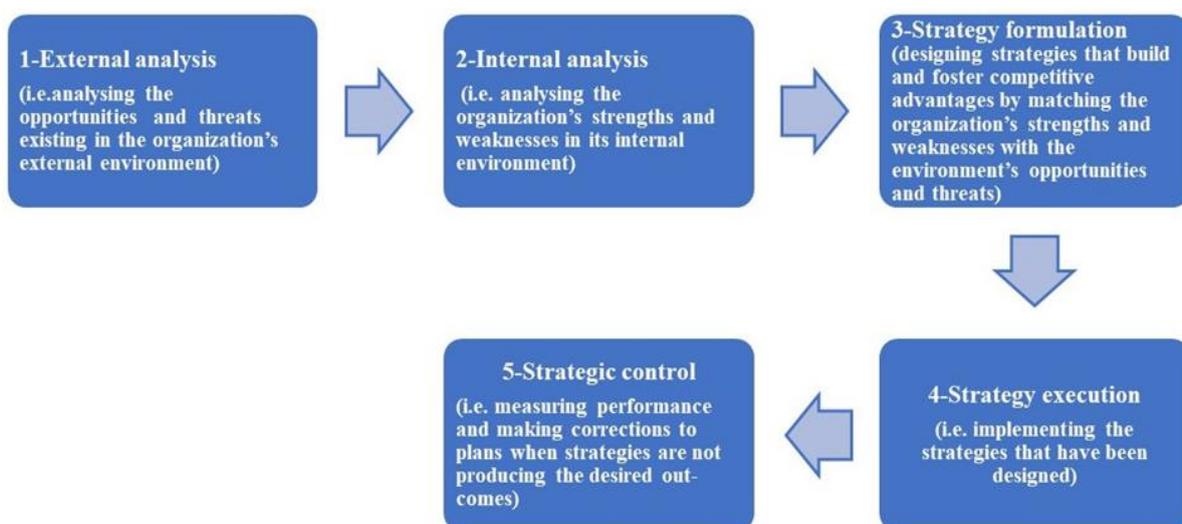
Source: Cosenz and Noto, 2016: 704

In sum, within perspective of the information given above, it is obvious that strategic decision making is the essence job of the top management because it is all about establishing policies, guidelines and strategic objectives and ensuring them whether they are compatible with the context and strategic direction of the organization or not. After all, we live in an era in which the developments in technology, and eventually in business and society, have been fast, vast, and profound recently. Meanwhile, as the 2020s will be a decade of relentless change, stereotypical, full of cliché way of thinking and strategies are irrelevant to our day-to-day business environment and will not serve goal-oriented objectives anymore. Therefore, the winning organizations will be the ones who can keep up to date with the latest changes in response, for compliance or survival, but also the ones who will lead the change, for profitable growth and purposeful impact by making the decision-making process at most effective. It only seems possible by combining a consensus-based decision making in strategic management process, and so it will make the organizations stronger against unexpected threats, plus, without missing the opportunities, they will be invincible over the next decades.

In addition, Martinsons and Davison (2007) mentioned that Japanese business leaders involves in decision-making processes comparatively more people and more subjective factors than their counterparts in the U.S. Though it took more time to reach a consensus to make-decisions comparing to fast, top management based strategic management decision-making style, it enabled Japanese leaders fast and smooth implementation of the decisions made. In contrast, it was emphasized that the American business leaders acknowledged that many of the decisions they had made over the last 6 months faced resistance and could not be implemented as easily as they expected. Also, MacColl (1995) argued that when it comes to make a quick decision, the western decision-making style, which is strategic decision-making first developed in the U.S., is more effective than the Japanese style Ringi. But within the concept of rapid and smooth implementation of the decisions made, it can only be achieved by the Ringi system, which is predominantly dealt with agreement, reconciliation, solidarity and consensus even it takes more time to decide.

4. CONCLUSION

Specifically, this conceptual research paper focuses on the attachment of "Ringi" approach to gain consensus in strategic decision-making process. It seems that developing technologies will have dramatic effects on business world by changing and influencing most

core processes and operations in the coming decades. AR technology, augmented reality (AR) strategy has been employed in marketing by providing consumers with an interactive product-based, experience based on three-dimensional holograms, interactive models, graphics and sound (Berman and Pollack, 2021: 622). Besides, Artificial intelligence (AI) made a vast progress that was finally confirmed since the 2000s with the emergence of "Machine Learning" and it has already affected the nature of the organizations and the interactions with their customers and their environment operating by using of technological facilities to reproduce the cognitive abilities of individuals to obtain goals autonomously (Wamba-Taguimdje et al., 2020: 1895). Incidentally, deep learning algorithms, smart devices and the Internet of Things (IoT) are especially functional for businesses operating globally as they promote more productive coordination and cooperation and computer-aided 3D printing designs, superapps, Big Data Analytics, blockchain technology and latest manufacturing and process planning are automating lots of tasks and increasing effectiveness and speed (Vrontis et al., 2022: 2). On the other hand, the COVID-19 pandemic, which was a human crisis and lasted for three years, paralyzed all business projections throughout the world. Also, the COVID-19 pandemic has reshaped how, where and when individuals work, and high technology has played an important role in enhancing remote and flexible hybrid work recently. In addition, the effects of climate change, global political conflicts and wars continue to destabilize economies and the organizations as well. For example, Schippers and Rus (2021) argued in their study that information-processing failures may have an impact on decisions made before because unprecedented crises just like the COVID-19 pandemic demand unprecedented actions. Also, decision-makers will be under too much stress because of the incomplete information, under time constraints, and in the face of immense uncertainty and public pressure. Therefore, it has been emphasized that lessons from crises in the past unveil that leaders are more likely to make strategic decisions beforehand. Indeed, a strategic decision comes with a higher degree of uncertainty, possibly result in difficulty in assessing costs and benefits, and a result of several simultaneous outcomes.

Moreover, these key factors mentioned above require a newer scope of strategy which will reshape business further into the 2020s. However, these factors also bring new business opportunities and to capture these opportunities, it requires a strategy reset for many industries and a newer understanding of management styles for the decision makers as well. Today, decision makers are under pressure from customers, investors, regulators, and employees to

raise awareness on environmental sustainability, and it is considered that a sustainable business will be an opportunity to drive both organizational efficiency and revenue growth. Then, it can be inferred that organizational success barely requires effective decision-making, allocation of the resources eminently and investment in organizational growth with decisive actions by every function in the organization.

It's obvious that organizations will face various challenges and are often constrained by limited resources such as time, required information and budget that hamper the fronting the adoption of latest technologies or getting ready to react unexpected events or threats. To address these challenges, effective strategic-decision-making seems to be the best tool for overcoming barriers to reach organizational goals. Not only these challenges will potentially disrupt existing strategic techniques, organizational operations, processes, but also unstable and turbulent operating conditions may curtail pre-defined organizational policies and practices. Therefore, strategic decision-making combined with the Japanese Ringi management system will be a dynamic combination of strategic-decision-making process for taking pre-emptive actions against these challenges. This requires the foundation of the strategic management adopting the perspectives of technology and innovation depending on consensus based Ringi system which reduce complexity and uncertainty and produce fresh insights before making the decisions.

In conclusion, it's essential to realize that some of the team members in organizations may not be comfortable with the decisions that have been made or may push back against fast changes (Leone, 2021: 1). Therefore, as members of the group can participate in decision-making through Ring process, it will build trust around the decisions, and they think that the decisions have been made are necessary and available. Besides, with the help of Ringi process, leaders will communicate more with the team members, easily remind them of the strategic perspective of the organization and keep everything faithful when making strategic decisions. Last but not least, executing the strategy is a matter of organizational success or failure and formulating strategic decision-making process and aligning the total organizational resources for effective execution of the strategy is the path to success and strategy will not be executed if it cannot be understood by the team members well. Consequently, within the light of the information mentioned above, it can be inferred that the Ringi system combined with the strategic decision-making process will be best tactic to overcome the barriers that are originated from uncertain, stiff competitive markets and an accelerating pace of changes and demands in

2020s. Once again, as Sun Tzu emphasized, "Strategy without tactics is the slowest route to victory; tactics without strategy is the noise before defeat".

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