Three Katas in Firms

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In academic research and practice of management, there are three different and important factors, or three Katas (which represent the Japanese words that denote forms of enterprise, patterns of corporate activity, and methods of business). Certainly, there has been much research on each topic, in an uncoordinated fashion, in both academic investigations and in practical applications. Although we need to consider them altogether, thus far, there is almost no comprehensive research on these factors. This study, therefore, presents preliminary conceptual research on these topics to resolve the associated problems and further advance the research on Katas.
Key words: Kata (form, pattern, method), SOTSU-I (detachment from preparedness)

1. Introduction

This study aims to give preliminary consideration to the three Katas ("Forms," "Patterns," and "Methods")[*1] in academic studies and management practices. Furthermore, it intends to lead to more rigorous and detailed research on the three Katas and to develop the useful management techniques or business approaches on this basis for the future. To do this, first, we must find answers to the most basic and important questions about whether Katas exist in management (i.e., by probing into their presence or absence), what their characteristics are in case they are actually present (i.e., by defining them and their components), and how they have been made up and will be changed (i.e., by exploring the source of their incidence and transformation). If adequate answers are found to these questions, deeper researches on these Katas will be lead. Through these researches we can find detailed knowledge on components of the Katas and the kind of role they play in management practices. By this, we will contribute to the development of effective business models.

Of the three Katas, forms were most commonly discussed with regard to both research themes and practical issues. As academicians are generally less interested in the practical applications of Katas, most of the attentions have been devoted to Katas in this regard by businesspersons. In management theory and practice, the term "forms" has been explicitly used primarily in the field of the theory of the firm. In this research area, the term "forms of enterprise" is used as a synonym for firm types. These are generally defined by the provisions stated in the Japanese Companies Acts (a

Stock Company, a General Partnership Company, Limited Partnership Company or Limited Liability Company) or according to company sizes, such as the volume of sales or the number of employees (Large, Medium, or Small Enterprise). In another area, the forms of enterprise were intensively discussed in relation to the separation of ownership and management (Barle and Means, 1932). However, at the present time these issues are less dealt with than ever.

Forms have also been frequently discussed in the field of organizational theory. They are often synonymous with organizational structures. The structures are divided and organized according to the following criterion; the functions or roles of organizations, their products or regions, or both. As a result, organizations are grouped into three general categories; functional, divisional, or matrix organization, respectively (Galbraith and Nathanson, 1978). Because structures are discussed more frequently than forms, and consequently forms themselves are rarely paid attention to in this research field.

A few academics have taken forms as their research themes such as how to design the external appearance of products, create the corporate logo as a corporate identity or build the façade of buildings of head offices. However, in general, forms have not previously been able to be the main research topics or issues in management theory.

Is it considered acceptable that forms and the other two Katas continue to have a tenuous relationship with management? We disagree with this consideration. By trying to address the problem of how the three Katas relate to management, this study aims to examine the interrelationships among them in detail. Therefore, in what follows, we attempt to undertake a complete review of management from the perspective of these Katas.

2. Management and the Three Katas
2.1 Firms and Forms as the first Kata

The Society for Science on Form, Japan, says that it is common to various forms that "they consist of a number

[*1]We will present three different Katas in detail. In English, they can be explained as form, pattern, and method. Chinese characters which represent the meaning of these Japanese words are ideograms and phonograms. Therefore, when they are written in different Chinese characters, words with the same pronunciation have the completely different meanings.

of elements, and they are complexly arranged." Business organizations usually comprise various elements (professional functions, management resources, managerial competences, and so on), and their arrangement is complicated. Therefore, business organizations can be considered as one type of the forms.

Having said this, we now have to search for answers to the following questions: What do firms comprise? In what way are their components arranged? And what forms do they constitute? As described above, firms comprise a great variety of components. If professional functions are their major components, forms are organizational structures or, more specifically, functional organizations. If product lines are thought to be their main elements, the possible form is the industry sector, such as a manufacturing sector or a service sector. Alternatively, in terms of the resources and competences of firms, the form can be classified as capital intensive, labor intensive, or knowledge and skill intensive. If we take the complexity or diversity of their components as is, there would be a huge number of forms, and a great amount of time and effort would be required to handle them one by one. In this study, only from the perspective of business models and organizational behaviors, we will think about what basic components are, how they are connected, and how the forms of firms are constructed.

Generally, in considering what the main component of business activities are, products will easily come to our mind. Although they are important for conducting concrete business activities of the firms or attaining their profit goals, they play less significant roles in creating their essence. One of the truest and biggest reasons firms try to create something is because there exist customers who intend to purchase products to meet their own needs. Real or potential customers seek to acquire products or services because firms can help them resolve some of their problems or improve the qualitative and quantitative aspects of their daily lives. Therefore, their values, or a part of the essence, are inescapably embedded in the products or services.

People sometimes aren't conscious of huge problems they hold in their daily lives, or adamantly believe that their own circumstances cannot be improved, which is often not true. However, the values created by firms can make people explicitly aware of their problems and the possible solutions, and only if they perceive this fact, customers will be created. Therefore, the essence of the firms is to create both values and customers.

Although capturing the essence in this way is extremely important, it alone does not provide a full understanding of what firms are. To capture not only their philosophical construct, or their essence, but also their concrete components, we have to consider the real corporate activities, such as the acquisition of resources that can be the source of customer values, and production and distribution of their products that contain them.

Firms and their stakeholders don't exchange resources of equal-value with each other. Instead, they do try to increase their own ex-post net value of retained resources through the trade. In other words, the income they earn from it needs to exceed the cost of acquiring resources, creating values, manufacturing products and creating customers. Corporate activities can only be maintained if the net value increment comes into being. Conversely, we might say that if firms intend to be long-term survivors in this manner, they have to increase the net value of firms as well as social value more than before.

In short, the firm in this paper is defined as "the entity that produces tangible and intangible goods and amplifies resources in our society by creating novel values, new value-seeking customers, and brand-new value-added outputs." From this definition, we become easily aware that the forms of enterprise may consist of one or more of the following components: values, customers, products and services, and resources (especially financial resources), and that these components have to be intricately intertwined to make forms. According to types of customers, they are classified into the following categories: business-to-business (B2B), business-to-customer (B2C), and customer-to-customer (C2C). In terms of type of outputs, they are divided into these two types: production goods or consumer goods firms. In case where firms are divided based on their owned resources (especially their financial resources, or capital), the forms may turn into any one of the following; business corporation, the limited private company, or the mutual corporation.

What has not been explicitly discussed thus far, however, is that most forms can be made by choosing one or more of organizational components, and connecting and arranging them systematically. In recent years, a model has emerged that includes almost all possible forms as a whole: the business model. It may enable us to discuss almost all forms of enterprise.

At this point, we have to answer the following question; "what components do business models have?" At present, there aren't both the common definition of the models and the concrete content of their components. Therefore, their definition and concrete examples of the components vary depending on researchers. With this in mind, We comprehensively examined the definition and contents of the business model and proposed the business model that incorporates a complex arrangement of a number of components, as shown in Fig. 1[*2].

Do the business models really represent the forms of enterprise? Because they contain all key elements of the essence of firms, and at the same time, the business models are useful and helpful conceptual artifacts to understand what key elements are and how they relate to one another and construct the complicated model, they are clearly referred to as abstract forms.

[*2]Customer insight: "a deep truth about the customer, based on their behaviour, experiences, beliefs, needs or desires that is relevant to the tasks or issue and rings bells with target people" (Government Communications Network's Engage Programme, 2006). Core business idea defines what values or meanings to be created and to whom to be offered by firms; Core competence means the ability to materialize core idea through firms' knowledge or human resources and learn from the materialization process and its outcomes; Competitive advantage is the relative advantages of firms to their other organizations in competitive environments; and core essence is the socially established advantages of firm themselves and/or their products or services, that is corporate brands or product brands.
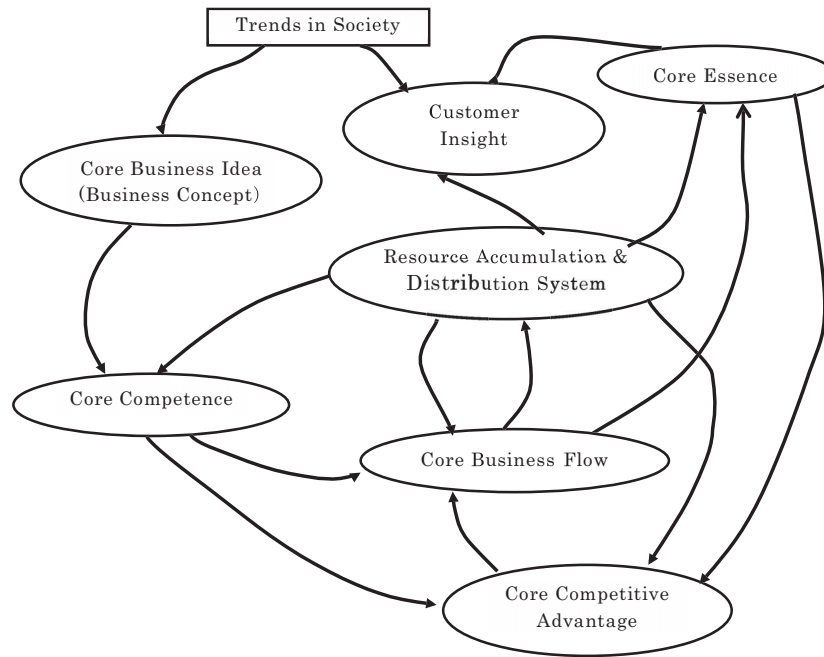
Fig. 1. Components of the business model (sources: Yoshida, 2010).

2.2   Patterns as the second Kata of the Firm

The business model as the form certainly is more practical and specific than the philosophical term "the essence", but it still remains at the more conceptual level relative to actual corporate activities. We use the business model to demonstrate whether or not a firm can generate new customer values and more managerial resources, if the conceptual elements of the model are put into more practical ones.

As the essence of the firm is "to amplify various values and resources in society by creating the three outputs such as customer values, value-seeking customers, and value-contained products and services," there are four types of activities; value creation, customer creation, product creation (including development and production), and the resource amplification (i.e., increasing profit).

Based on how successful or satisfied the results produced from each activity are, people can decide which activity is the most valuable for them and, therefore, should be continued or not. If much better performance can be acquired through the continual reproduction of the chosen activity, it can become stylized by dividing it into smaller actions and recombining and arranging them in a temporally and neatly ordered chain-like structure to make it easier for everyone to reproduce them. They are usually called routines (Ikuta, 1978).

Routinization can gradually be promoted by the reproducibility and the efficient utilization of routines, which yield the desired results. Sometimes, it will be created through ex-ante design behaviors in a planned manner to reliably accomplish predetermined goals. We call this type of stylization of activities "pattern" (second Kata). The "pattern" is certainly a kind of activity, but it is different from the other activities in that it has been "stylized."

We think that there are four types of patterns of firms. The first is the behavioral pattern of new value creation; the second pattern is that of the incorporation of value into the real and specific products or services and of manufacturing them repetitively; the third is the construction of real markets through customer creation and the distribution of products and services to the markets; the last pattern is the stylized activity for resource management, which monitors and coordinates the above three patterns toward constantly generating profits.

2.3   Methods as the third Kata

It is certain the well-designed patterns are more persistent than one-shot activities that appear abruptly and then disappear instantaneously. On the other hand, it is tremendously difficult to maintain even such patterns unless they are repeated. This is why patterns have to repeat themselves in the process of generating actual activities even if they are consciously designed in advance. Therefore, the necessary prerequisite for their reproduction is the very implementation of the patterns or stylized activities. Once these activities are suspended, the restart or reproduction of these patterns may be extremely difficult. Certainly, some routines that were made through designing in advance may remain in blueprints or documents as written directions or procedures. It is often said that the written document enables us to understand how to ride a bicycle but not to actually get on it well by just simply following these instructions. They are two different actions. To be able to ride on a bicycle, we need to experience the process of trial and error, such as having a hard time trying to balance, or to make matters worse, crashing into a wall. This means that the persistent and correct reproduction of patterns is an indispensable condition of performing complicated organizational tasks completely and accurately. Of course, implementation is not the only way to maintain patterns. Sometimes, it is also possible to maintain them simply by observing others' behavioral patterns.

Table 1. Six types of links among the three Katas.

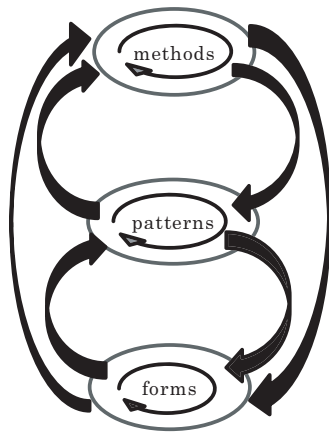| Types 1	forms	→	patterns	→	methods
Types 2	forms	→	methods	→	patterns
Types 3	patterns	→	forms	→	methods
Types 4	patterns	→	methods	→	forms
Types 5	methods	→	patterns	→	forms
Types 6	methods	→	forms	→	patterns

Fig. 2. The relationship among the three Katas (forms, patterns, and methods).

Therefore, to be able to repeat and maintain patterns over a long period, first, it is necessary to establish the settings or the fields that allow us to execute and observe the appropriate stylized activities, or pattern. Secondly, we need to know the details of the contents and the original settings of patterns and externalize them through documentation and/or diagrammatization. The two conditions are combined to generate methods of reproducing the original patterns accurately in many different settings.

If the orderly sequences of staged procedures are made more explicit and if the relation between the input produced by the procedures and the resulting outputs is clearer, then through the method anyone can easily master the patterns in a short time up to a satisfactory level. In fact, the methods with both reproducibility and learnability forcefully drive rapid growth of the firms for an extended period of time.

Methods with characteristics of learnability and reproducibility, as with patterns have four components; creation of value; production of products or services; creation of customers; and yielding of profits.

3. The Relationship among the Three Katas and the Kata-making Process

The most fundamental relation among the three Katas is the one between the "forms" and the "patterns." The generation of a pattern generally begins without any forms. Forms are gradually generated in the repetition of patterns of creating value, producing products and services, and generating customers. Then the forms bring forth subsequent activities and in turn the activities will make forms more defined. However, methods are indispensable to the efficient

and continual achievement of patterns and their transfer to other members. As a result, methods can contribute to reproduction of patterns both in the short and long run and at the same time the long-term maintenance of forms.

In this way, gradually the triadic relationship is being built and finally all the Katas are linked to one another, as shown in Fig. 2. As Table 1 says that Kata-making can start from any Kata and, therefore, at least theoretically there can be six types of Kata-making processes. As described above, types 1 and 2 are the types of Kata-making that start with the existing old forms or the infant forms. The types 3 and 4 Kata-making processes represent those instances where the alternation of methods or forms is caused by change in the behavioral patterns. Finally, types 5 and 6 are caused by changes in the methods. These types occur when organizations change behavioral patterns and values by rebuilding the methods on their own or by introduction of new methods from outside.

In summary, there are various ways or processes of making or changing the Katas. If any one of the katas is changed whether consciously or not, all the remaining Katas would be affected to a greater or lesser extent and finally all the Katas will transform.

4. Mindset for Kata-making: The importance of SOTSU

Now, we discuss what the basic factors of generating the abovementioned Kata-making or Kata-changing are. The change in their external environment may often cause or force most firms to begin new Kata-making. Certainly this kind of adaptive behaviors may be right, but they are merely ex-post adaptations to the altered environment. To initiate proactive kata-making from their inside, both abstract concepts and concrete mechanisms by which firms can anticipate or preempt the environmental change are needed in advance. In this study, however, we are going to focus on the research on the concepts or mindset for Kata-making, and leave the study of the practical mechanisms for a future task.

We propose the concept of the "YOU" and "SOTSU" as one of the most important mindsets. These two concepts are based on the Sado (tea ceremony). "YOU" originates from "YOU-I." "YOU" is literally translated into English as usage and "I" as minds to do something for others. In general "YOU-I" means preparation. In tea ceremony, its meaning is "the mind to be prepared with care for everything that will be needed at the tea ceremony". Preparation includes the hosts' pre-planning to offer their guests hospitality at the tea ceremony to be held in the near future and generate

mindfulness of needs or likes and tastes of guests.

"SOTSU" comes from "SOTSU-I," which means the "mind to depart from the preparation." The moment the host actually interact with his guests at the tea ceremony, they have to forget their own predefined roles or relationships between them in the real world; namely, the hosts must completely separate themselves from the prepared things and activities, and become tightly integrated with their guests. The masters of tea ceremony believe that the actual tea ceremonies should be held under such mindfulness. This is the very state of "SOTSU-I." If the already existing mindsets and known roles should be forgotten, the impromptu, subconscious or unknown states or roles will naturally emerge. Creating such a state of change is "SOTSU."

Conversely, "YOU-I" is an absolute precondition for the emergence of "SOTSU-I". By preparing detailed plans or tea utensils, hosts can arrange for these Katas at the meeting place of the tea ceremony. In other words, there is no "SOTSU-I" without "YOU-I". The term "I" means the hospitality that is accorded at the tea ceremony. The things used at tea ceremony to keep hospitality in mind include wall scrolls, tea utensils, teacakes, and plants in addition to the routine ways of acting used for welcoming and entertaining guests. These things (forms) and ways (methods) of acting for making tea will make the repetition of tea ceremonies possible, which creates the manners (patterns) that will have to be followed in the tea ceremony. By combining these Katas, hospitality (essence) will be transmitted to the guests' hearts. Therefore, the hosts should pay considerable attention to each and every factor involved in the tea ceremony and prepare exhaustively for it to avoid any mistakes.

The more adequate preparation by the hosts, the higher level of hospitality they can offer. Thus, the quality of the "YOU-I", or Kata have to be raised to the highest level. In addition, the moment hosts and guests meet at the tea ceremonies, both of them know they have to share a mindset of changing the pre-existing manners and rules into new ones for the higher quality of their lives. To prepare for a better future, both "YOU-I" and "SOTSU-I" must coexist.

Firms need to plan and do all the necessary preparations for making Katas beforehand so as to realize and provide customer value. However, if, in the planning phase, hosts assume that they have completely finished preparing for the future, there exists only "YOU-I".

When you put the products and services into customers'

real lives, you have to separate from the previous Katas or "YOU-I" and ask yourselves whether the appropriate value is created, whether the created one is the same as the value you want to realize, whether customers are satisfied with it, and what you should do if the customer is not satisfied. Unless you do that, you may become complacent about your already prepared value and you may miss the window of opportunity for creating the new and more appropriate customer value and moreover the social value. Therefore "SOTSU" is the mindset of causing us to discover the opportunity, and have the courage and energy to open the window and plunge into the opportunity.

5. Conclusions

Firms usually continue to produce each or all of the three Katas in the process of implementing their business activities. As the three Katas are arranged like a chain as shown in the figure 2, Kata-making process begins with change in any one of them.

And under more uncertain situations, firms may not survive in the medium term if they cannot consistently produce new Katas and rearrange the interrelations of them. As a result, in order to enable not only survival but also growth of the firms in middle- or long-term, "SOTSU" or the breaking of the once-created chain of Katas, based on customers' reactions, becomes an extremely important factor.

From the above arguments, we can draw a conclusion that both for academic research and the practice of management what Katas are and how they are made are extremely important themes. When form is born from essence and patterns and methods support it, firms can survive in the long run. Those who engage in the academic research and the practice of management must not forget the importance of the KATA at any time.

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