



Keio Business School

Focal Point and Corporate Culture I: Sharing Behavioral Principles as Nash equilibria

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Abstract

From the viewpoint of game theory, this material explains, providing practical examples, how a focal point functions in coordinating individual behaviors that conflict in organizations and how it is created and maintained by a corporate culture there, which is accompanied by another case material “Focal Point and Corporate Culture II: Walmart Retreated from Japan’s Market after Struggling to Match its Operations (KBS case 91-21-3225).” The readers are recommended to proceed to their own analysis of the recent practical issue by applying those notions explained in this material, where we consider the Walmart’s attempts that were made to introduce an external corporate culture into operations of a Japanese retailer Seiyu. The contents begin with Johnson & Johnson’s extremely swift response to “Tylenol Crisis,” where a more formal definition of focal point is illustrated with a simple strategic-form game called the battle of the sexes. Next, we demonstrate how a seniority rule as a focal point is created and maintained by a corporate culture in a company. The definition of corporate culture from the viewpoint of game theory is provided after explaining this example. A practical question is given to the readers who completed to understand these notions, which asks the possibility (or impossibility) of the coexistence and combined use of the seniority rule and mid-career hire. Finally, a study guide is provided with the readers with notions explained in this material. In the Appendices, three examples are briefly introduced for a subsequent study; primary nursing at Beth Israel Hospital in Boston, Honda Philosophy and its transformation, and Walmart retreat from Japan’s market.

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