

Case 6

KIWI SAMURAI

SecureFit Industries in Japan^a

David C. Thomas

Rain streaked the windows of his Christchurch office as Eion Williams, chairman of The SecureFit Group, prepared for his 34th trip to Japan. It was September 29th and spring had yet to arrive in New Zealand, but Eion knew the early autumn weather in Osaka would be very pleasant. He was quite looking forward to his semi-annual trip now that all the preparations had been made. He had just finished reviewing the last six months of correspondence with Masanobu, Inc., SecureFit's major distributor in Japan, and the gift for its president Mr. Kiyomitsu was being crated for the trip. Eion was very pleased with the magnificent hand-blown glass orb that would be his gift to Kiyomitsu-san, this year's part of a ritual that had been going on for over fifteen years now. After so much time, it had been difficult to think of something new, which also reflected the magnitude of SecureFit's business relationship with Masanobu. Japan was the largest export destination for SecureFit's products and was by far the most profitable. The gifts for the three principal managers would be easier. He always picked up a few bottles of the 30 year old whisky that they seemed

to prefer. By telling them that he had simply taken advantage of the airport duty-free shop he had always been able to prevent the traditional^b return of a gift from each of them that he didn't really want and would only weigh down his luggage.

Eion Williams was a creature of habit and this trip would follow a pattern established many years earlier. He would stick to an established itinerary, stay in the same hotels, take the same airline flights, and even sit in the same seats on the aircraft as he had on previous trips. This, he felt, was one of the advantages of being executive chairman and being able to set your schedule a year in advance. There would be a significant difference on this trip, however. This time he was taking someone with him. That someone was Mark Blyth who, upon Eion Williams's retirement the following year, would assume responsibility for the firm's business in Japan. As Eion Williams prepared for this trip to Japan, his next to last as Executive Chairman of SecureFit, he reflected on the growth of SecureFit over the past 33 years.

Founded on November 24, 1961, as The SecureFit Fence Company, SecureFit Industries was built on an innovative

SOURCE: Used with permission and reprinted from Thomas, David C. (2003). *Kiwi Samurai: SecureFit Industries in Japan*. In D. C. Thomas (Ed.), *Readings and cases in international management: A cross-cultural perspective* (pp. 246-253). Thousand Oaks, CA: Sage.

retaining wall system, which was designed to withstand the unique New Zealand soil conditions. The wall system, invented by Colin Freeman and marketed by Eion Williams, became an instant success and many examples of the product are still to be found around New Zealand. In the early to mid 1960's, while retaining wall systems remained the principal product, Colin Freeman designed a number of other products many of which were produced by SecureFit. The name of the firm was changed to SecureFit Industries in 1964. In 1967 SecureFit introduced a retraction mechanism for automobile seats that employed a Colin Freeman designed sealed nylon bearing. The product locked the seat-belt position in response to increasing tension. This development, coupled with the introduction of automobile assembly in New Zealand, led to substantial growth in the company as sales of this unique product skyrocketed. Saturation of the domestic market led SecureFit to its first offshore venture, a license to manufacture the product in Australia to Aaron Hinton Pty Ltd. Bolstered by a loan from the Development Finance Corporation of New Zealand based on this export potential, SecureFit was on solid ground. However, Eion Williams was convinced that SecureFit's future depended on developing the export potential for its product. By 1970, SecureFit had established a market for its unique products in England, Singapore, Malaysia, Thailand, and South America.

Eion Williams recalled those early trips overseas. While government export incentives had helped to offset much of the travel costs, it was still necessary to work at a tremendous pace to get the most out of the opportunity. Even for someone who was as fit as he had been in those days, it was arduous work. One of the early trips had involved stops in 27 countries in 10 weeks. The glamour of travel had worn off

very quickly on that trip and by the time he had got to South Africa he had become quite irritable and impatient with potential customers. The lower back pain that often emerged after long periods of sitting was a constant reminder of another less than entirely pleasant overseas journey. An aircraft controller's strike at Heathrow had turned a trip from Christchurch to Stockholm into a 54-hour ordeal with no opportunity to rest his back. He had grabbed a heavy bag out of a taxi, seriously injuring his back. And he had to be in 13 different cities in over the next 14 days. On returning to Auckland he had the injury attended to. The operation to repair the crushed disc and subsequent recuperative period had been the only time he had missed work due to illness or injury in over thirty years.

By 1971, all the overseas travel had begun to pay off with 39,000 pairs of seat belt mechanisms shipped in 31 separate consignments. In 1972, this grew to 136,000 pairs. By the late seventies, exports had then taken on an increased significance and accounted for about 20% of all sales.

By 1977, Eion Williams had visited 56 countries to evaluate markets and/or introduce SecureFit's products. SecureFit was exporting regularly to about 10 different countries at this time. While the company had been successful in many areas of the world, others such as South America had presented difficulties because of uneven economic growth or political instability. A report from the British trade office had impressed Eion with the point that the 500 most successful exporters from Britain, while exporting to 160 countries, made 80% of their profits from only 20% of their markets. Thus, began the search for a market that had political stability and economic growth and, in short, would be the best place to be in 10 years. Even in 1977 it became clear to Eion that this would be Japan.

A friend of Eion's, who at the time worked in the Auckland office of the giant Japanese firm Mitsui, provided SecureFit with its first exposure to the Japanese market. Eion had given him samples of products and brochures to be sent off to Japan with an eye toward establishing an agent relationship with Mitsui. About a month later, Eion received a telex from Mitsui saying that they had completed their market survey, and would he come to Japan to learn the results. It was February 1978 and Eion had booked the first available flight to Tokyo. He remembered how impressive the big black, 60 storey Mitsui building had been, how it had dominated the Shinjuku district of Tokyo. He also remembered the smooth English-speaking Japanese junior executives with whom he met. In effect they said that most (90%) of Japanese automobile parts and accessories were manufactured locally and hence there were no opportunities for SecureFit's product in Japan. Then the guy just said, "End of meeting." Eion was irritated at having been brought to Japan just to be told that and recalled that this had been his first and last meeting with fluent English speakers in Japan. He had gone straight around to the New Zealand embassy and borrowed an interpreter. Then, he spent the next several days going around Tokyo showing the product samples he had brought to the major automobile parts manufacturers. He had also taken a video with a Japanese narration that showed SecureFit's product being manufactured in New Zealand. This approach had been helpful in Latin America where it had been difficult to explain that SecureFit made only the retraction mechanism, not the entire seatbelt, and were therefore a supplier and not a potential competitor.

Dealing in the automobile component industry in Japan was very different from other Japanese industries, such as automobiles themselves or electronics, which were

much more used to dealing with foreigners. The window manufacturers in Japan sell only to the domestic market and, therefore, had little prior experience with foreign firms. Eion's approach at each facility had been to ask (through his interpreter) who was the best component manufacturer, importer, agent, or distributor in Japan. The name that kept popping up was Masanobu. So, he had contacted Masanobu. Fortunately, their managing director recognized some opportunities for the products and expressed interest in being SecureFit's agents in Japan. After several months of correspondence in which he had prepared a detailed marketing plan Masanobu agreed to be the exclusive distributor in Japan. The plan had included that Eion would make the Japanese market his personal responsibility, visit twice a year, meet their demands for quality and service, ship product within one month of receipt of orders, and airfreight at SecureFit's expense if they missed the first available ship.

It was on his second visit to Japan in October of 1978 that Eion Williams met Ichikawa Kiyomitsu, Managing Director of Masanobu, at their headquarters in Osaka. Kiyomitsu-san, now 75 years old, was an energetic chain smoker and hard drinker without particularly good English language skills. Eion had come to regard him as very intelligent, with a feel for Western ways of doing things. He also seemed to have a keen awareness of what was transpiring around him. On that trip he had arranged for Eion to be taken around the country to meet Masanobu's major customers. One such customer, Kobe Automotive Products, was ultimately the first Japanese company to use SecureFit's products. The general manager of Kobe at the time was a Mr. Tamagawa. Mr. Tamagawa, Eion recalled, was a great believer in testing and more testing. He

took SecureFit's seat belt mechanism, which was normally tested to operate a minimum of 360,000 times before failure, and subjected it to 1.8 million operations, the equivalent of 60 years of normal operation.^c He found that a part failed in the last few operations unless a screw was added on the underside of a hollow aluminium rivet on the mechanism. He demanded that SecureFit incorporate this modification into the product, for which he was willing to pay an additional 20 yen per unit. Actually, it had proved to be more efficient for Masanobu to make the modification in Japan, which they did for five years until Eion was able to prove to Mr. Tamagawa that a new version of the product would last as long or longer without the modification.

By the time the first order had actually been placed from Japan, Eion Williams had made three visits to Japan and established a pattern that has lasted over 15 years. Part of that pattern concerned the Japanese obsession with quality. Every six months on the first Monday in October and April, Eion would be picked up from his hotel and driven to Masanobu's headquarters. The first meeting would inevitably be in the large meeting room with 15 or 16 of Masanobu's managers from around the country in attendance. After the ritual exchange of greetings and calling cards, Mr. Kiyonaga, their quality manager, would come in with a box of faulty SecureFit product and tip it out on the table in front of Eion. It might have been only one fault in 10,000 but it looked terrible. Since Japanese automobile manufacturers guarantee the car and all of its components, faulty components created a big problem for them. While Eion explained what action had or was being taken on each fault the rest of the managers just seemed to glare at him. If a particular fault was ever subsequently repeated all hell would break

loose and they would send rude telexes saying things like don't you train your people or don't they care? Although these meetings put him in a difficult position as a supplier, particularly when he was seeking a price increase, they had also provided some lessons regarding quality control. In fact, it was from this experience that SecureFit had developed its fault report system, which subsequently became a cornerstone of its quality control programme.

The need to maintain quality always had to be balanced against the constant demands for new and innovative designs by the Japanese automobile industry. Large automotive component manufacturers in Japan produce bi-annual catalogues and are constantly looking for something that will differentiate them from their competitors. Eion felt that the Japanese manufacturers had come to depend on SecureFit for new products, but knew he would not sacrifice quality. He had said "no" more than once when asked to rush a product into production in order to meet the deadline of the forthcoming catalogue. Holding hundreds of patents worldwide as well as SecureFit's ability to continuously innovate gave Eion the power he needed to say no to the Japanese. This ability was something he valued very much.

All being said, Eion Williams was pleased with what he and SecureFit had accomplished in Japan. However, he knew that the relationships that had been built over years could not be left unattended. That's where Mark Blyth came in. In June of next year, when Eion Williams will have retired, Mark would take over responsibility for the Japanese market. The transition would begin with this trip on which Mark would take on the role of observer while Eion followed his normal routine. The following spring, Eion would be the observer as well as being the honoured [guest] at a number

of functions because of his retirement. Eion intended for this transition to be seamless both at home in Christchurch and in Japan. Steven Campbell would take on most of his remaining duties, as in fact he already had. He had always said that nothing would please him more than after his retirement for someone to say "Where's Eion? I haven't seen his car in the parking lot lately." Of course he will still probably go back to Japan once a year to play golf with Mr. Kiyomitsu, or something like that—just what company presidents are supposed to do.

Mark Blyth was also preparing for the trip to Japan. It had been three and one half years since he had left Japan with Sachiko, his wife, to return to New Zealand. In that time, he had completed his M.B.A. at Canterbury University and found what seemed an ideal situation for someone with his skills. SecureFit had needed someone with an affinity for the Japanese market and an understanding of manufacturing. His eleven years of experience in Japan, fluency in the language, and engineering background made the fit seem obvious. More than that, though, SecureFit seemed to be getting it right in a number of areas. They had won numerous export and quality awards, were an innovator in team-based management, plus the place seemed to have the kind of culture he had been looking for. Halfway through his M.B.A., Mark had drawn up a shortlist of 5 companies who did business in Japan and appeared to have the kind of strategic vision he thought was necessary to compete effectively there. After a three-week trial period at SecureFit he had become convinced that this was the kind of company he was looking for. Also, SecureFit's growth and the fact that the top management team was changing (as a result of Eion Williams's upcoming retirement) suggested that advancement opportunities

might be good. An interview with Steven Campbell clinched it. Steven's vision of SecureFit in five to ten years was something that he had really bought in to; something that he had found lacking in the short-term perspectives of other New Zealand firms.

Now, after four months on the job at SecureFit, he was on his way to Japan to be introduced as the new marketing director who would be responsible for the Japanese market. He knew that the title of marketing director was partly a result of the need to assure Masanobu that they would be dealing with a very senior SecureFit executive. He also knew that this did not diminish the importance of his role. He had some concern that the Japanese might think that at age 37, he was too young to hold such a high position. Perhaps his prematurely grey hair would disguise his age. He felt that it was important that the Japanese be convinced that he would be authorized to make decisions. After all, they had been dealing with Eion, who was not only the Executive Chairman (the equivalent to the company president in Japan), he was a founder of the company with an encyclopaedic knowledge of the industry. The transition would be a tricky one, but one that he felt could be managed effectively. The importance of his performance on this trip could not be overemphasized. His career, and to some degree the future of SecureFit, depended on how well these initial meetings went.

Mark Blyth was confident in his ability to deal effectively with the Masanobu executives. His eleven years at Matsushita^d not only gave him experience with the Japanese: it gave him credibility. He knew through Naoko MacDonald, the Japanese translator employed by SecureFit in Christchurch, that the Japanese were impressed with his credentials. And credentials always overly impress the Japanese. Mark also had some

unique connections that he thought might be used to advantage at some stage. One of his wife's relatives, a cousin, was an executive with Nissan. Perhaps he could help fill what Mark perceived as an information gap between SecureFit and their end user, the Japanese automobile industry. Also, the silver symbol for *Ju* that he wore as a tie tack would not go unnoticed in the automotive components industry. *Ju* stands for judo, and Mark Blyth had originally gone to Japan in 1982 because of his interest in judo.⁶ He was a 4th *dan*, a level that would garner respect among enthusiasts, and the automotive components industry was full of judo enthusiasts. And if his judo connections weren't a competitive advantage, perhaps his prowess at *shogi*⁷ would be. He had often found that playing *shogi* with someone gave him some insight into their character. Certainly his level of Japanese language skill was an advantage that not many foreigners enjoyed. However, he reminded himself that he had to be careful in his use of Japanese on this trip. He almost wished that Eion had not told the Japanese that he was fluent in the language. In the past, he had found it useful to keep his level of language skill hidden until late in a negotiation. This was a tactic that he had learned from the Japanese who often understood English very well but didn't show it. He understood from Naoko that the Japanese were looking forward to being able to converse with someone from SecureFit in their own language. While he felt that his language skills would improve communication with Masanobu in the longer term, it might pose a problem on this trip. Since Eion Williams did not speak Japanese it was important that all the meetings in which Eion participated were conducted through the translator. Direct communication with Mark in Japanese would take

Eion out of the loop and potentially be very confusing. Mark considered that he might revert to the rough Kobe dialect, which was characteristic of the Japanese language he first learned in western Japan. He had always feared slipping into this speech pattern when making formal presentations in Tokyo for Matsushita. However, now this ability to speak "less than perfect" Japanese when needed might be an advantage. He wondered how the executives at Masanobu would react to this tactic.

Mark was excited about the trip to Japan the next day and felt that he had prepared well. After having read the last three years of correspondence with Masanobu (and skimming five years' worth) he felt he knew the relationship fairly well. He also knew that only one of the meetings would be in Osaka with Ichikawa Kiyomitsu and that Kiyomitsusan would retire in about three years' time. At that time, his son Torii would take over as president. Torii had a marketing background and was described by Eion as very un-Japanese. Torii had acted as Eion's translator for the past seven or eight years. At age 37, he had been promoted very rapidly through the ranks of Masanobu and was now managing director of the firm's Tokyo office. Mark understood that Torii's rapid rise had been against the wishes of the other directors and that something of a power struggle had occurred. However, with Torii's promotion to the Tokyo office, it now seemed clear that he would be the next president. Mark felt that he should use this trip as an opportunity to start building a relationship with Torii. Since he planned to stay in Japan a week longer than Eion, Mark thought he would take the opportunity to visit Torii at Masanobu's Tokyo office. This, he thought, would give the two men an opportunity to get to know each other

without the restrictions imposed by the head office environment of Osaka. He might also use this time to explore other issues that interested him about SecureFit's relationship with Masanobu.

As Mark thought about what he wanted to accomplish on this trip to Japan he felt that establishing the relationship with Torii was paramount. He was no use to SecureFit if he couldn't make that relationship work. However, he also felt that he should spend a significant amount of time observing Eion Williams. After all, Eion had cracked one of the toughest markets in the world and managed to stay on top of it for seventeen years.

Mark found Eion Williams to be an intriguing man. He was especially impressed by Eion's apparent ability to control the flow of events in Japan. For example, he would send his agenda for the meetings at Masanobu on the day he left New Zealand for Japan. This, Mark thought, doesn't really give the Japanese much time to prepare. Also, from reading the transcripts of meetings he knew that Eion wouldn't allow smoking at any meeting in which he was in attendance. Mark thought this must have made many of the Japanese, who smoke like crazy, pretty nervous after a time. He also understood that Eion didn't really engage in the after hours drinking and socializing so prevalent in Japan. More importantly, Eion had often been able to say no to the Japanese on issues ranging from local manufacture of products to the timing of new product introduction. In Japan, being able to say no to a customer and make it stick was something that Mark had found to be very unusual. He had also heard, again through Naoko, that many of the Japanese were afraid to tell Eion exactly what they thought. Perhaps this was because of Eion's stature as Executive Chairman or maybe it was because Eion didn't speak Japanese. In any

case, watching how the Japanese reacted to Eion should prove educational.

Also on Mark's agenda was to investigate a number of issues which he thought might suggest the need for change in the relationship with Masanobu in the years to come. These included some changes in market conditions including the breaking down of distribution barriers, increased consumerism, and a change toward safer cars. He felt that communications with Masanobu had not in the past been adequate to keep SecureFit abreast of changes in the Japanese market, which he knew could change very quickly. He wasn't sure if Masanobu just wasn't collecting the information or if it wasn't getting back to Christchurch. In any case, he felt that communications must be improved. Also, part of that improvement in the relationship must involve more visits to New Zealand by technical staff at Masanobu. For example, there was an engineer who accounted for about a third of the faxes that SecureFit got from Japan. Mark felt certain that a visit to Christchurch could sort out some of the issues he was raising. Probably, no one at Masanobu had suggested a visit because his superior had never visited. Again, he thought, that's the kind of thing his knowledge of Japan and the Japanese could help him sort out.

Mark Blyth was confident as he prepared to return to Japan in his new capacity as Marketing Director of SecureFit. However, he also knew that there was a lot that he didn't know, couldn't know, after only four months with the firm. There are things that you just can't learn from reading the files, he thought. He also knew, through Naoko, that Masanobu had some concerns about the relationship and he wondered what those might be. Find out the problems, he thought, that's all he needed to do. After all, he wasn't taking over on this trip.

Eion Williams, who had made a practice of delegating half of his responsibilities every five years, was confident in his plan for handing over his most important responsibility, the Japanese market. He felt that his success had been due, at least in part, to the fact that he was the Executive Chairman and could make commitments that would bind the company. A salesman wouldn't be able to do that. Mark Blyth would go to Japan with the title of marketing director on his cuff and he would be responsible for that market, just as all directors of SecureFit were responsible for markets.⁵ Masanobu had been aware of Eion's retirement for years so the timing of the transition would not be a surprise. Also, Mark was extremely well qualified and he certainly knew Japan and the Japanese well. One of Eion's concerns was that perhaps Mark knew Japan too well. His 11 years of servitude, as Eion thought of it, in Japan certainly had to have had an effect. Eion had never really been enamoured with the Japanese, he just respected their business ability. They knew about power relationships, but so did he, and he knew when he could say no. He wondered if Mark Blyth would be able to say no.

DISCUSSION QUESTIONS

1. How do the business practices in Japan, as described in the case, compare with those in your home country?
2. Why do you think that SecureFit Industries and its chairman, Eion Williams, have been so successful in Japan?
3. How will the management transition at SecureFit affect the relationship with their major supplier, Masanobu?
4. What will Mark Blyth have to do to maintain the business relationships in

Japan? How might this differ from what Eion Williams would do?

5. How central to Mark Blyth's success is his fluency in the Japanese language? his knowledge of Japanese business practices? his engineering background?

NOTES

a. This case was prepared by David C. Thomas for classroom discussion rather than to illustrate the effective or ineffective handling of an administrative situation. The preparation of this case study was supported by a grant from the Carnegie Bosch Institute for Applied Studies in International Management. The names of individuals and companies in this case have been changed. This case study has been used with the permission of the author.

b. The giving of a gift in Japan places a burden on the other person (*on*) which is lifted when a comparable gift is returned.

c. SecureFit guarantees its products for 20 years.

d. Matsushita is a large manufacturing firm marketing products under the Panasonic and National brand names among others.

e. Mark Blyth had been captain of the New Zealand Judo team that travelled to Japan in 1982.

f. Shogi is a Japanese board game somewhat similar to chess.

g. For example, the accounts director was responsible for Malaysia and the technical director for Australia and Papua New Guinea.

APPENDICES

Patent Protection in Japan

SecureFit Industries depends on innovation to remain competitive and spends about 10% of annual sales on research and development. To protect this innovation SecureFit owns over 300 patents worldwide.

The price of this patent protection is not cheap, costing an estimated NZ\$5000 per patent per country.

Two attempts at patent infringement have occurred in Japan. In the first case, one of the largest auto components companies in Japan and a large SecureFit customer, Yoshida, had approached SecureFit about developing locks, a new seatbelt mechanism. SecureFit had advised them that they would be pleased to produce the product, but that it would be six months before they could start the development program. Twelve months later SecureFit learned that the component had appeared on one of Yoshida's products which infringed SecureFit's patent. Through their patent attorneys, SecureFit advised Yoshida that they were infringing the patent and would have to cease. Toyonobu, a Tokyo manufacturer who was making the product on tooling financed by Yoshida, immediately contacted SecureFit. Toyonobu attempted to negotiate a settlement of a 2½% royalty to be paid to SecureFit. SecureFit's response was that if Toyonobu would transfer the tooling and technology to Masanobu (SecureFit's exclusive distributor in Japan) SecureFit would not sue them for damages or back royalties of 10% covering the infringing products they had produced. The matter was complicated by the fact that Yoshida, as part of the new product design, had incorporated and patented an improvement on the mechanism. After several months of negotiations Toyonobu agreed to move the tooling to Masanobu and transfer ownership of the new patent to SecureFit. In return, SecureFit (through Masanobu) would charge Yoshida a 5% royalty on the project whereas the price to all other customers would include a 10% royalty.

A second patent infringement involved an engineering company in Osaka, coincidentally also named Toyonobu but unrelated to the firm mentioned above. This Toyonobu had introduced an almost identical copy of SecureFit's largest selling product. It was made of stainless steel and differed on one small detail, unrelated to function, through which they had sought to circumvent SecureFit's patent. SecureFit was not prepared to accept this particular situation and sought an injunction from the Osaka Patent Court. It took thirteen months but SecureFit finally won and Toyonobu was required to cease manufacture. This being Japan, there were no damages, court costs or royalties awarded. In fact, Toyonobu was allowed several months to continue production while they redesigned the product.

Note: As opposed to being able to patent a single novel feature of a design, as in most parts of the world, the Japanese patent office requires that each and every aspect of a design be detailed in the application. The effect of this is that it is relatively easy for a Japanese infringer to change just one of these details to circumvent the patent. Many business people would argue that it is extremely difficult to beat a Japanese company in a Japanese court on this type of patent infringement case.

SecureFit's Fault Report System

Any fault or complaint on any part or system is recorded on a bright yellow complaint form. The intent of the form is to provide information to prevent the error from occurring again. The form is applied rigorously and the directors and the CEO review all complaint forms on a monthly basis.

SecureFit Corporate Statement

Purpose. To be the leading supplier of our products by determining customers' needs and developing products to meet those needs.

What We Value. We believe in the importance of

- Delighting our customers
- Empowering our people
- Quality and innovation
- Keeping the promises we make
- Teamwork as a way to get things done
- Making work fun
- Being fair
- Celebrating our achievement
- Being willing to take risks