Planning the Japanese Way in the United States

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As a senior executive for the largest U.S. subsidiary of a Japanese company, I'm often asked how the company manages the planning process. Is it inherently different, as the subsidiary of an overseas firm? How do the different planning time horizons of each culture—short-term versus long-term—blend together? Is it possible to combine individualism with building a consensus? How does the company graft Japanese-style manufacturing practices onto U.S. factories—and keep its 96 percent U.S. workforce motivated? How does it manage the added challenge of integrating acquired companies into its corporate culture?

Fujitsu America, Inc. (FAI) had revenues of $1.5 billion in fiscal 1989. It develops, designs, manufactures, markets, and supports a broad range of computer and telecommunications products. These include the following: disk and tape drives, image scanners, printers, cellular mobile telephones, telecommunications transmission equipment, hand-held mobile route accounting systems, video conferencing equipment, and point-of-sale systems. The company operates over 150 facilities in forty-two states and Canada, including manufacturing sites in Anaheim, California; Hillsboro, Oregon; Palm Bay, Florida; and Richardson, Texas.

Although the company initially started in 1968 as an original equipment manufacturer (OEM) whose products were marketed and privately labeled by other companies, today it sells directly to end users under the Fujitsu brand name. That has meant having to evolve operations in order to become closer to the end user of Fujitsu products in the United States.

The four most important considerations Fujitsu America addresses in its strategic planning process include:

- The customer (the most important factor). As previously stated, the need to become closer to the end user has driven a great deal of Fujitsu America's strategic planning for the United States. It has resulted, for example, in the establishment (in 1985) of a separate subsidiary, Fujitsu Customer Service of America, a direct service arm. And it has led the company to establish close communications between product development staffs in the United States and in Tokyo; closeness between FAI service companies and sales and marketing people; and a direct relationship between service companies, product engineering, and manufacturing divisions.

- Technology. In order to be a leader, Fujitsu America not only has to stay abreast of the technology, but stay...
in front of it. The company doesn’t want to come in second or third in the technology race. This is clearly not a factor unique to Fujitsu America; it is simply the normal pressure that comes from being in this business.

- **The economy.** In some of Fujitsu America’s target industries, a rash of leveraged buyouts have occurred, which have left some customers in debt. As a result, some potential customers have preferred to defer a buying decision. But we have found that if you work with those customers to provide arrangements to suit their needs, you can make the sale.

- **Japanese parentage.** There has always been a bit of external pressure on us because FAI is the subsidiary of a Japanese company. But every buyer wants to have a good, solid product at a reasonable price and the service to back it up. So the company’s parentage is relatively less important. FAI doesn’t run away from its parentage, but has had to work harder to show customers that the nature of the parent company and the way it manages operations have made it successful.

Fujitsu America also takes a great deal of pride in the integration of its businesses in the local communities. The result is that customers see FAI not necessarily as a Japanese company, but more as a U.S. company that happens to have a foreign parentage.

**Fit the Planning Time Horizon to the Market**

It is true that the planning horizon with respect to business success is generally quite a bit longer in a Japanese company than it is in a U.S. company. Culturally, Asian businesses are willing to make larger investments and see smaller returns in the short term, with the expectation that in the long term there will be a more substantial return.

However, the return doesn’t have to be as large as those typically demanded of U.S. businesses. Long-term viability and growth are not sacrificed for short-term quarterly financial gains. It’s a philosophy that’s sometimes termed “freedom in patience.” Fujitsu is not a public company in the United States, so it doesn’t have to cope with the pressures or the outside influences that U.S. public companies do.

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Despite this, FAI is flexible in the time frames it applies to the planning process. It tailors the strategy to the specific market rather than rigidly sticking to a grand scheme. For example, if two years ago you wrote a five-year plan, would your plan have incorporated the new developments in Eastern Europe, the federal budget crisis, or the Middle East crisis? There are too many external factors that would throw such a five-year plan askew.

In some instances, a particular strategy can encompass both short-term and long-term objectives. A good example is Fujitsu America’s 1985 land purchase in Hillsboro, Ore., where the company wanted to build a factory for high-performance computer peripherals. This occurred during my first week with the company.

The night we purchased the land, we learned that the property commanded a
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The decision-making process at our company involves spending more time up front in planning and less time in the execution. I called my boss at about 11:30 p.m., and we spoke in terms of twenty-year and thirty-year horizons for recouping our investment.

At the same time that we talked about a thirty-year horizon, Fujitsu also wanted the factory built quickly but built well, so a great deal of time was spent in the planning process. The U.S. company worked closely with the parent company in Tokyo to make the Hillsboro manufacturing floor mirror that of a typical Fujitsu factory.

With the exception of the manufacturing floor, all other aspects of the building—the exterior, landscaping, and the internal part of the factory—were all designed in the United States. The factory was completed in twelve months, a month ahead of schedule and moderately under budget, using U.S. workers and one Japanese contractor whose responsibility was to ensure close communication with Tokyo.

So a fast-track factory was built with a thirty-year investment horizon. Fujitsu America enjoys autonomy on a number of planning issues; others require close cooperation with the parent company. FAI's sales and marketing strategies, for example, are to a large extent controlled by U.S. executives. The manufacturing, on the other hand, mirrors Fujitsu's Japanese factories. Therefore, FAI wants, and gets, the same kind of productivity, reliability, and quality in its manufacturing process as does the parent company in Japan.

Within FAI's corporate culture, there is not much use for "Lone Rangers." These individuals don't succeed, and they don't bring much to the party. Culturally, FAI is much more consensus-prone and more communicative in the planning process than the majority of U.S. companies.

The decision-making process at Fujitsu America involves spending more time up front in planning and less time in the execution. A U.S. company will typically spend a lot less time up front and more time in the execution. So we "line up our ducks" before implementing anything.

In U.S. companies, often the decisions are made and then the ducks are lined up. That's not to suggest that one way is necessarily better than the other—the results may be absolutely identical.

How does FAI graft Japanese-style manufacturing onto U.S. factories? Fujitsu America takes a similar approach to that of the Jesuits. This Roman Catholic order has a saying: "Give me a child and I'll make him a Jesuit for life."

For example, before we opened the Hillsboro factory, five U.S. workers were sent to Japan for about six months to learn how the manufacturing process worked. When they came back, they extolled the benefits of Japanese-style manufacturing techniques. Fujitsu America has continued to send people to Japan for this purpose.

The company recently sent Steven Miller, a former Carnegie Mellon University professor, to Japan. Miller left his job teaching manufacturing theory to join Fujitsu. After a year in Japan, it's anticipated that he will return to run the Richardson, Tex., manufacturing facility.

Integrating Acquisitions

The company's philosophy of strategic planning becomes evident in examining the acquisitions it has made, from the business fit to the folding of the new companies into the Fujitsu culture.

In 1986, Fujitsu America acquired the facsimile sales division of Burroughs Corporation. FAI had been an OEM supplier to Burroughs. At the same time Burroughs made the decision to exit from that business, FAI wanted to expand its facsimile business in the United States, so this was very much a marriage of convenience.

FAI knew the facsimile group well
since the two companies had been working together for years. When FAI bought the division, it left the Burroughs business intact.

We approach an acquired business with the mindset that the acquired company has been part of the "family" for a long time. Employees are not treated like newcomers, and they're not treated differently. The result of this philosophy was evident in the speed with which Burroughs employees came into the fold. Within a short period of time, employees identified themselves as FAI employees.

In fact, many of the people who came over in the acquisition are still working for FAI. Much of the senior staff is still there. There was a great deal of time spent on planning how to assimilate that business into Fujitsu and dealing with the intricacies of making a business acquisition.

Another example is our 1987 acquisition of the PBX systems division of GTE Communications Systems. This occurred in a two-step process. As with Burroughs, GTE wanted to exit the business. We already had a relationship with them as a supplier, although we had a competitive business in place. There were two businesses, two sets of customers, and some overlap in distribution channels and products that needed to be considered.

The first step involved negotiating a joint venture in which FAI owned 80 percent of the joint venture company. About a year later, in the second step, we purchased the additional 20 percent and folded the businesses together.

Clearly, the successful integration of an acquired company doesn't have anything to do with the parentage of the company. Many U.S. companies have done well in this arena. But the reason they've done well is that top management has made a commitment to ensure that the entity succeeds. The following factors stand out in the planning process:

- While it may appear obvious, the most important consideration in any acquisition is buying the business for the right reasons. The transaction should be made with confidence in the synergy between the two companies and the potential benefits for customers.
- Spending adequate time in the planning process to think out everything, even what may be considered minor details. Be prepared to communicate with old customers, new customers, the press, employees, suppliers, and the local community. Anticipate questions that will be asked. A company can't think of everything, but if it can think of about 90 percent, this will show employees of the acquired company how much importance was given to the planning of a smooth transition.
- Ensuring top management involvement in the planning process, and making sure that those who carry out the merger understand that management wants it to work well.
- Giving the business integration team the authority to implement the pre-approved plan, so that everybody knows what they're supposed to do and understands the company's mission.
- Implementing the integration with sympathy and empathy. The objective is to take the uncertainty and insecurity out of the situation as quickly as possible.

Every company has to plan with its culture, customers, and employees in mind. The secret of successful planning is structuring the planning process around your company's strengths and capabilities, rather than taking a formula and applying it to your business. This is how Fujitsu America has combined the best of both U.S. and Japanese characteristics in order to manage effectively. ■