

**Selling IBM in Japan, Selling Japan in IBM--
My 40 Years With the Company**

Takeo Shiina

Occasional Paper No. 14

Mr. Takeo Shiina, Chairman IBM Japan

This paper originated as a lecture given on March 2, 1993 at Columbia University Graduate School of Business as part of the Japan Distinguished Business Leaders Lecture Series, co-sponsored by the Center on Japanese Economy and the Japan Business Association.

**Occasional Paper Series
Center on Japanese Economy and Business
Graduate School of Business
Columbia University
October 1993**

Well, thank you very much for the generous introduction. Konban wa minasan. Nihongo de ii no ka na?

It is a pleasure to be here. I'll start by talking about my own experiences for about 20-30 minutes. Then, I will hopefully be able to answer any questions or comments in the latter half of this hour.

As Professor Patrick mentioned, I received an acceptance letter from Columbia Business School in 1953 with the greeting, "Shiina-san" (I don't know exactly where I have this letter but it is probably in my files somewhere). Meanwhile the Korean War had just ended, and the Department of the Army, the Air Force, and the Navy were very interested in recruiting me. I received many letters from Washington, but I thought it was not a good idea to work for the military. I decided, then, I had done enough studying and it was time to get a job. I wanted to remain in America for a little longer, but I didn't have a working permit, only a student visa, so I went back to Japan. At that time, my father had a small firm in Gifu. Since I am the "chonnan" (the first child), I assumed that I would take over my father's business.

Luckily I was able to get an interview with IBM through a friend of my father. When I was finally hired by IBM, I didn't think that I would be working there for my entire life. Many people ask me why I joined IBM Japan, which at that time was a small company with only about 200 people; I tell them I had tremendous foresight. Well, although that is true, the real reason was that I wanted to gain some new experiences by working for an American company in Japan. I thought that I would gain some experience at IBM before going to work for my father's company.

Well, here I am, still with IBM, and it has been a very exciting forty years. So, I'd like to recount some of my own experiences in working for a "gaishi". Gaishi, as you may know, means a foreign owned company, and it has a special connotation for the Japanese. A gaishi may be a good company or a bad company, depending upon the time period. After the war, "gaishi" stood for exciting, modern, companies like Coca-Cola and Hershey, products which American G.I.s had brought into Japan. I am sure that many of the people here tonight weren't around in those days.

It wasn't very long before the Japanese government decided to develop the computer industry as a strategic industry for the future. With this trend, suddenly in the late 50's "gaishi" became a bad name, almost synony-

mous with traitor. It was a good strategy on the part of the Japanese government, because had such a strategy not been implemented, the gaishi would still be leading the world, and of course, no one would be using Japanese computers; they would be using IBM, Univac, or NCR. That is why the Japanese government began to portray the gaishi in a derogatory light. We had to endure that period until the late 70's, when the Japanese computer manufacturers became very viable and strong. When finally the government decided that the time had come to liberalize the industry, the word "gaishi" regained a favorable connotation, and shortly thereafter Japanese companies began to globalize. They said, "OK, the gaishi could be a model for the Japanese companies on becoming international." So here we are, and I guess that we gaishi are enjoying a reasonably good reputation.

During my career with IBM I have had to endure many trials not only in the outside world, but also within the company. When I joined IBM 40 years ago, the computer had just been born. In 1953, IBM shipped the first computer, called "the 701", which had many vacuum tubes. Shortly thereafter, the vacuum tubes were replaced by transistors, followed by IC circuits, and so forth. From 1953 to the late 50's, however, our main product line was what we called "punch card equipment." I started my career at IBM Japan as a manager in charge of a little tiny factory in Otaku, downtown Tokyo, where we produced punch card equipment. It was from the early 60's that we began producing computers.

The Japanese government began to impose restrictions on our activities, like the kinds of computers we could produce or the number of units we could ship. The restrictions were determined by MITI which stands for Ministry of International Trade and Industry. From the early 60's to mid 70's it protected Japanese industry from all sorts of industrial assaults and invasions from abroad.

Now, let me describe my work experiences at IBM Japan. While I was working at the factory in Otaku, I was called upon by headquarters in downtown Tokyo to manage personnel. I had been a very vocal critic of the way the company managed personnel, and so the president called me and said, "Shiina, you're going to be the director of personnel." While I was running the personnel department, I became a very vocal critic of marketing operations, and so, the president called on me again and made me the director of marketing.

By that time, I had learned my lesson, and I stopped criticizing.

Nevertheless, I had the good fortune of experiencing many jobs from manufacturing to marketing. When I became the director of marketing, almost 28 years ago, it was the first time I had ever been exposed to the "crazy" people called customers. Up until that time, I had thought that the marketing people were the crazy ones because they used to call me up at the plant and say "Shiina, remember that shipment I told you about yesterday, forget it, and do this instead." Later, the same guy would call me up and tell me, "Stop doing what I asked you and get to work on this project instead." So, I said, "Wow, the guy managing marketing must really be crazy." That is why I was so critical. But once I moved into that position and began to deal with the customers, I discovered that it is the customers who are dictating those crazy changes, and I also quickly learned that they are the same people who are paying my salary. Therefore, I decided that I had better listen to these people, and start to enjoy this work, because Japanese customers are extremely demanding.

I suppose that at the time, particularly in Japan, customers were not happy to simply receive the computer as we shipped it to them. We thought that we were the leaders in computer technology, and that we had learned enough from the American and European operations to become experts on computers and their uses. But after the Japanese customers began to learn what was out there, and after they found new ways to use computers, they began to demand many more things with which we could not comply. That is why I began to enjoy my work. Because, in order to comply with the Japanese customer's tough requirements, I had to ask the parent company in the U.S. to change or modify something. Naturally, there were big arguments between the parent company and IBM Japan concerning such changes and adaptations for the Japanese market, because at the time, IBM Japan's revenue was only about 4 or 5% of IBM's total, world-wide revenue. And at the time, to change the equipment to handle kanji (Japanese characters), seemed like an impossible task. I remember a top IBM executive in New York who was head of the international operation. When I demanded that our computers be equipped to handle kanji, he said, after learning that kanji consisted of over 10,000 characters, "Why don't you teach your customers to use English? It's much, much simpler."

He was very serious, and in the course of my career, I had to face many of these kinds of problems. Fortunately, I sometimes won the arguments, and now we handle kanji, the Korean language, Thai, and other Asian characters. We also meet many other requirements of Japanese customers, like the very

strict standards for quality. Anyway, that is how we began to manage the Japanese organization.

In those days, I was asked to come to the U.S. primarily to argue with the parent corporation. IBM, being an international company, had the IBM Management School, consisting of half Americans and half international participants. Soon after I became president, I was asked "Shiina-san, why don't you become a speaker and participate in this management class?" I said that I would be glad to.

The title I was given was "a role of country general manager." So I asked my Japanese employees, who had participated in those classes, what the general managers of Germany and the U.K. did. They told me that all they did was to brag about how wonderful Germany is, or how wonderful the U.K. is. I thought "Well, that is easy. I will go and talk about how good Japan is. That is very simple."

I remember the night before that session. I had jet lag and there I was sitting, looking up at the white ceiling of my hotel room, when, all of a sudden I came up with the title. I needed some catchy phrase to begin my presentation about Japan. Therefore, I used this title: "My job role, as country general manager, is to sell IBM in Japan." That, of course, is how I earn my salary. But at the same time, my second job is to "sell Japan in IBM." That became my motto, and has been ever since. I like it not only because it's catchy, but also because it really explains my job. Selling IBM in Japan means selling this very unique company called IBM to the Japanese people and the Japanese government. Yet the other half of my job, to sell Japan, a very unique and exciting country, to IBM, is in my opinion, a concept not very well understood by Americans. I decided that I would be the front runner in selling and promoting my country. That is the definition of my job. Let me tell you that selling IBM in Japan was relatively easy, compared with selling Japan in IBM.

As I have already said, the demands of Japanese customers are very strict and unique. I believe that IBM learned a lot from dealing with Japanese customers, particularly in two areas. One area is that of quality. The chairman of a Japanese automobile company often tells me that to sell a car in Japan is completely different from selling a car in the United States. If the car looks shiny and pretty, the American customer will buy it. Yet Japanese customers will look at the car against the sun. If there are any

tiny dents, then they will not buy it. That is the difference. Not only do the Japanese customers demand a certain level of quality, but they have their own unique definitions of quality, and if we cannot satisfy those definitions, then they will not buy.

The demand for quality is very strict, and that is good because computers are related to one's life in many ways. When the bomb exploded in the World Trade Center, that was a very unfortunate situation. We had 22 customers at that location and our people, Japanese and American, worked day and night in order to shift their operations to emergency centers located outside the building. We were able to get most of our customers up and running within a short time.

Computers are now used in our day to day life. They are even used to save lives, so quality is essential. That is one great lesson we have learned from our Japanese customers.

The other lesson that we learned from dealing with our Japanese customers was, "the relationship". I often relate my own experience to describe this special relationship. About 28 years ago, shortly after I got the job running marketing, I was called by one newspaper company called Nihon Keizai Shimbun, the leading business newspaper in Japan, similar to the Wall Street Journal. The president of the company told me, "Shiina-san, I would like you to work with us so that we can print our newspapers by computer."

I didn't know how to do that, so I checked with our systems engineers. The request came shortly after IBM announced its graphic systems, meaning non-character. They told me that since we could handle graphics, maybe we could handle kanji. So I went back to the president and said we could do it. He said, "How soon can you deliver?" I first checked with the systems engineer, and then I told him, "two years."

Well, it took us seven. And today, inside and outside of Japan, computerized newspaper editing and composing is very common, but that was the first attempt to do it by computer in the world. The reason that I use this particular experience as an example of a relationship is that after the two years had passed, we were far from delivering a quality system that would satisfy the customer. Of course, the customer was furious because I, now the president, had told him that within two years, IBM would deliver the system.

So we kept saying "gomennasai, gomennasai." But that wasn't good enough, so I had to call on the head of the Federal Systems Division of IBM, which was the division created to serve military and space projects like Apollo - a very sophisticated and advanced software operation unit. We asked about 70 people from that unit to help write the codes for the kanji system. They asked what is the relationship between writing the kanji codes and sending a man to the moon. My response was that both projects are very difficult.

Seven years after we began, we completed the project, and we are very happy that the system is working not only for Nihon Keizai Shimbun, but also for more than a dozen Japanese newspapers.

The Americans, who worked with us on that system were amazed. In almost any other part of the world, if the vendor fails to deliver a system within the given time, it is a violation of the contract. Therefore, the customer, or the user, could sue the vendor for failure to deliver on time. In addition, we the vendor, would countersue because the conditions had changed from the time the contract had been signed. In the computer world, it is guaranteed that, from the initial stage to the time of completion, the conditions will change. Thus, there is often a battle between the buyer and the seller. So who gains from this sort of battle? The lawyers do, of course.

Instead of suing IBM, the Japanese customers were appreciative enough of the job importance and difficulty of the project, that we were able to work together and complete the system. That does not mean that we are always late in delivering systems, but when we happen to have a customer patient enough to wait, we usually end up delivering the perfect system.

In any case, this scenario describes "the relationship". It is not a contractual relationship; it is more than that. It is a partnership. I guess that sort of relationship is important not only in Japan, but also in the rest of the world. Later on, IBM, under the leadership of John Akers (unfortunately, he resigned recently), started a massive quality program called "market driven quality," which encourages development of the relationship one has with customers.

Fortunately, despite these problems I described, because of the tremendous economic expansion of our country, IBM Japan kept on growing. Seven or eight years ago, we became the number one unit in terms of revenue and profit outside of the United States. And as Professor Patrick said, so far we have

never lost money. Currently, we are in a stage of massive transition.

As you may know, the computer market has changed drastically in the last two to three years. One aspect is the shift from hardware to non-hardware. In the U.S., the non-hardware business surpassed the hardware business. Thus, a company like IBM and all of its competitors are struggling to adjust to this change, and also to a change known as "downsizing." The emphasis has also shifted from mainframes to PC's and work stations. That is, of course, a tremendous movement which is forcing computer companies to operate differently, because in the mainframe days, customers were relatively easy to spot. Usually the data processing division of a company was at one location. You could just call them because they were the customers. Nowadays, there are multiple users all having different requirements for their computers; so coverage is a problem. We are struggling, like any other business, but we are also adjusting. Many companies, like ourselves, are diversifying operations in order to increase market share, and to increase their coverage of product requirements.

In the beginning of the year, like many other companies, we had a kick-off meeting. The company management gave encouraging words to the employees, and I stood up and said, "This is my 40th year with the company, and if God asked me, 'Would you like to go back 40 years and do it over again, or would you like to continue for the next 40 years?'" (of course, God would have to make me much younger in either option), I would definitely choose the next 40 years. For although the last 40 years have been very exciting, considering the new technology, the use of computers, and so forth, it looks as if the next 40 years will be even more exciting."

It is certain that information system will continue to be the foundation for society. And moreover, the advances in computer technology, joined with the advances in communication technology, will allow anyone, anytime, anywhere, access to necessary information. Without going to an art museum, we will be able to appreciate fine works of art, or without going to a concert, enjoy music, in the comfort of our living rooms whenever we like. It will not be a situation of a massive amount of uniform information being delivered on the basis of a uniform request of the masses, but information delivered on the basis of each individual and unique request. The information world will not be simply a one way process but will become a two way process, which will make the next 40 years much more exciting.

I encouraged our people to meet our challenges head on, and I'm sure

that is what we will do.

Well, that concludes my remarks. Thank you very much.

#####