

**Can an American Entrepreneur Work for a
Japanese Company and Be Effective and Happy?**

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One way to answer the question “Can an American Entrepreneur Work for a Japanese Company and be Effective and Happy?” would be to quote a former first lady and “just say no.” But even if “no” is the concise and absolute answer, the question is worth exploring.

Let us first define the word “entrepreneur.” The dictionary tells us it is derived from the French word “entrepredre,” which means an undertaking with risk. The entrepreneur is always willing to take significant risk in order to achieve his objective; he is also capable of using trail-blazing or non-conforming strategies in the quest. These are not characteristics easily accommodated by large corporations, and especially not by large Japanese corporations.

So what behavior is characteristic of an entrepreneur? Let me offer my experience as the founder of Materials Research Corporation (MRC), a premier supplier of thin film materials and the film process equipment for the semiconductor industry, as an example. As the semiconductor industry spread throughout the free world, I expanded the business by opening sales and service companies in several European countries as well as a manufacturing plant in Toulouse, France. Doing business in Japan, however, was not as straightforward because until 1980 foreign corporations could not organize a Japanese operation unless it was a Japanese majority-owned joint venture. Since my company had a considerable amount of proprietary technology, this was not acceptable to me. Therefore, for many years we were limited to working with distribution and sales agents in Japan.

An American Entrepreneur in Japan

Finally in 1980, when the Japanese government changed its laws and permitted foreign companies to incorporate and operate in Japan as independent entities, I went to Japan to organize a company. My plan was to skip the usual mating-dance sequence of sales, service, assembly and manufacturing, and go straight to the manufacturing of semiconductor process equipment in Japan. Not knowing how to proceed, I went first to the American embassy in Tokyo and then to the Japanese Ministry of International Trade and Industry (MITI) for assistance. Neither organization was very helpful. The U.S. embassy staff, although willing to be of assistance, were ineffective, and MITI was hardly interested in helping to bring an unknown small American company to Japan.

Uncertain as to my next step, I decided to advertise my plight and arranged a press conference at the American Club in Tokyo. Because Japan has so many newspapers to fill each day, I actually attracted about 30 Japanese reporters. After the usual preliminaries I made the following statement: “What I have, your growing semiconductor industry needs, and what you have, I need. So don’t put up roadblocks, hang welcome signs.” The next day several Japanese newspapers reported that there was an escaped American lunatic in Tokyo asking to be welcomed to Japan.

Three prefectures, all on the island of Kyushu, or what the Japanese call “Silicon Island” (similar to our Silicon Valley in California), wrote to me extending welcomes. I visited them and in Oita prefecture found the perfect chemistry for my manufacturing venture. With the assistance of Oita’s Governor Hiramatsu, I promptly signed a lease for a plot of land not far from Oita airport. I then asked members of the Governor’s staff how I might borrow the necessary funds

for construction of a manufacturing plant. I discovered that if my company were a Japanese corporation I could go to the Japan Development Bank (JDB) for financing. So with documentation of the incorporation of my company as Nihon MRC in Japan and my agreement with Oita prefecture, I went to the JDB in Tokyo to apply for a loan. After six months of unbelievable bureaucratic activity, my company was granted the first JDB loan ever given to a foreign-owned Japanese corporation. The amount of the loan was inconsequential; what was important was the recognition and stamp of approval from the Japanese government.

As MRC continued to grow, so did the demands for capital, particularly in areas of research and development. I soon realized the company could do well only if it were sold to a considerably larger company with a strong capital base. In seeking a merger partner for the company, I had two bidders, a Swiss company and Sony. I decided on Sony. Technologically Sony was a superb fit because it uses thin films in almost all of its products, and this was my company's expertise. In particular, Sony has a semiconductor business of almost two billion dollars, manufactures compact discs by the millions, and produces magnetic tapes, all using thin films.

My initial plan was to sell the company and then walk away from the entire enterprise. However, Akio Morita personally insisted that I sign a contract joining Sony's senior management for five years. Part of the reason apparently was that I carried a certain prestige value as a reasonably well-known American scientist, and this was the first acquisition by Sony of a foreign firm. In turn, one of my contractual stipulations was that I would not be the CEO of the subsidiary I sold them or of any Sony operation. I wanted to explore new fields in the Sony business. Therefore, on paper I became Vice Chairman of Engineering and Manufacturing for

Sony Electronics Inc. (USA), with responsibility for 26 U.S. factories engaged in consumer electronics production. In reality, however, those factories reported directly to the Tokyo office.

From the outset of the employment contract, my personal commitment was to become a significant, contributing member of the Sony management team. Everything started well enough; I was somewhat of a celebrity and began my career with Sony in good spirits and with a sense of adventure. However, two incidents occurred shortly after the acquisition that established the boundary conditions for my future with Sony.

Japanese and American magazines, newspapers and television stations all interviewed me when the acquisition was announced. After all, the world-renowned Sony Corporation had acquired the company that I had founded. I then left on an extended tour of Sony, Japan. When I arrived at Tokyo corporate headquarters, I was invited into a conference room by my hosts and asked if I had seen a recent interview with me on Japanese television. It was a 60 Minutes-type interview where I was asked a question and, depending upon the answer desired by the interviewer, my response was cut and the meaning modified. For example, when asked what I thought of *nemawashi* or consensus-type management, I answered: "It is quite cumbersome, but I am impressed with how well it seems to work in Japan." My answer was cut after "It is quite cumbersome." With this and other comments, I came across as being distinctly unappreciative of Japanese-style management. My Sony colleagues were obviously distressed by the interview and the senior member present advised me with great seriousness that in the future I must get approval from the appropriate public relations person in Tokyo headquarters for all press contacts. I answered: "I will speak very slowly because I do not want there to be any misunderstanding. I have spoken in public for 30 years. During this time I have represented

myself, my company and my country. I have done this without any censorship whatsoever, and I do not intend to begin now.” The die for my Sony career was beginning to be cast in stone.

From Tokyo I went to the Sony central research center in Yokohama which was very impressive. When I complemented the research director, who was also a member of the Sony board of directors, on the broad scope and complexity of the projects being pursued at the laboratories, he said, “You cannot appreciate in so short a time period all that we are doing, so I will recommend that you be immediately transferred to Yokohama for two years to achieve a better understanding of our work.” I was totally stunned by his statement because I had not been hired by Sony to be a member of its research organization.

Clearly, this was a person who had worked for the same company from the day he finished school. In actuality, probably every executive in the Sony organization with the exception of Norio Ohga who had a brief singing career has been with the company from the day he left school. It is impossible for such “life-time” employees to imagine that someone can come to Sony from another company with meaningful experience and actually know something of value. This insider-versus-outsider attitude is prevalent throughout the organization, and is a form of the “not-invented-here” syndrome. While this “not-invented-here” attitude also exists in the United States, it is much less prevalent because there is so much company-to-company movement by executives and professionals.

How Japanese Corporations Deal with their Subsidiaries

When Sony acquired my company as a subsidiary, we had a manufacturing plant in Oita, a service center in Tokyo, and several sales offices throughout Japan. We had decided to find a

Japanese national to be the overall manager for our operations in Japan. We retained a search firm in Tokyo which proposed a number of excellent candidates for the position. However, when we discussed the subject with the Sony board of directors, we were told that many qualified people within the Sony organization could fill the position, and the search was terminated.

Well, there undoubtedly were many people in the Sony organization who could fill the position, but we never saw them. The transfers began: burnout cases, incompetents, relatives of high ranking Sony executives, and so on. Each worse than the one before, and each arriving with a staff of useless aides. Within two years we had doubled the number of people in our subsidiary in Japan with transfers from Sony while our business had increased only 9 percent. It was a wonderful example of down-the-food-chain -- transferring unwanted people down the organization until hopefully they disappear. Unfortunately this “polite” layoff policy can cause devastation in subsidiary and supplier companies when transfers find their salaries decreased and realize no one really wants to hear from them again.

The Problem of Foreign Nationals Working for Japanese Corporations

In a speech before the Japan America Society of California, Gary Shapiro, the head of the powerful consumer electronics trade association in the United States, said that one of the major problems confronting U.S. nationals working for Japanese corporations is that they are not empowered. For the entrepreneur who believes that he is empowered by definition, this is a collision course. In my case, even when I did finally get to make decisions, I was not accustomed to going through numerous levels of management to do so. It is also interesting to note that Japanese U.S. subsidiaries have only 31 percent American managers whereas American

companies in Japan have over 80 percent Japanese managers.

According to Shapiro, Sony is a major exception to the general lack of empowerment given American managers in Japanese U.S. subsidiaries. He went on to say, "I desperately do not want Sony's experience with top American empowerment to be the precedent Japanese companies strive to avoid." Needless to say, I was with Sony during this very, very difficult period. That trail of ineptness, blunders and excesses by the American management responsible for the Hollywood debacle has been fully documented in books as well as in numerous newspaper and magazine articles. What was truly sad was that the movie business consumed most of Sony's management attention and resources. Billion dollar losses in Hollywood translated into nickel and dime budget-squeezing in other Sony operations.

Personally, I am not certain that Japanese senior executives really trust foreign nationals in management positions. A former CEO of Sony America told me that when Sony was preparing to open its first major business unit in France, he mentioned that he had considerable experience in that country and could recommend a number of excellent French nationals to run the new organization. He was told that the first two or three years would be extremely difficult and only Japanese management from Sony could be permitted to run the organization. Perhaps, subsequent to the start-up period, they would consider hiring a French national. To me this is just another manifestation of the "not-invented-here" syndrome.

After all, if we define a globalized company as one in which the corporation and its management have been transformed into an entity in which it is difficult to discern a single country bias, then what difference should the nationality of the managers make in the overall scheme of things? And Sony prided itself on being a globalized company -- Akio Morita was so

desperate to run a globalized company that at one point he wanted to move Sony's headquarters from Tokyo to New York. But that is a business school definition of a globalized company; it is not reality. The reality is that nationality does matter in choosing overseas managers and this is especially so in Japanese corporations.

The Fundamental Incompatibility Between the Entrepreneur and Working for a Large Organization

Please do not misinterpret my views as negative or unduly biased. Rather they are quite positive because people are now willing to speak openly about the problem of foreign nationals working for Japanese companies, denoting both concern and a serious desire for remedy.

In the past Japanese corporate executives have demonstrated superb abilities to adapt to changing paradigms. As competition continues to increase in the global marketplace, significant changes in their corporate and personal attitudes toward foreign executives must occur if Japanese corporations are to continue their present success and meet the challenges of the future. Globalized corporations cannot be run by home office managers.

An American manager working for a Japanese company once said, "If you want an interesting experience, come work for a Japanese corporation, but don't set your sights on a long-term career." Certainly, from a managerial standpoint, Japanese corporations have much to offer. I had some very interesting experiences at Sony and learned a great deal. Japanese corporations have developed and expanded upon a number of innovative managerial techniques especially in manufacturing technologies, many of which have been adapted by U.S. corporations. For example, Texas Instruments, a multi-billion dollar electronics giant, brought a large number of

Japanese executives from their operations in Japan to teach management techniques to their people in Dallas and Houston. I teach a graduate course at Columbia and at Stony Brook for engineers and business majors that I call “Technology and Strategy Issues in Manufacturing Enterprises.” The course material is based on 25 years of U.S. management experience combined with my Sony experience. My teaching includes lessons learned from Akio Morita, lessons learned from the writings of Genichi Taguchi and the Taguchi method, and of course lessons learned from Taichi Ohno of Toyota.

In conclusion, my career with Sony would have been much fuller and richer if it were not for the “not-invented-here” syndrome. Perhaps if I were a person who is non-controversial, does not make waves and was seeking a sinecure, I might have derived greater satisfaction from my years with Sony. But being an entrepreneur, there was no possibility of this. In fact, I doubt if the true entrepreneur could work for any large organization and find happiness and be effective. The Japanese oft-quoted saying is that the nail that sticks up will be hammered down. The entrepreneur views the nail story from an entirely different perspective. When you trip over the nail that sticks up, it makes a lasting impression.