

THE JAPAN DILEMNA

Walter Vieira 11/2/2015

I have been an admirer of Japan for many decades. I have admired most, the discipline of the people which comes from within, and not imposed from the outside.

I have admired their constant search for quality, and more quality. It was something they had learnt from an American after the war, but they adopted it more vigourously than the USA; and consequently changed their image from post-war "low quality - low price" to " high quality at higher prices" than in the past.

I have admired their sense of cleanliness - personal and community. Sometimes, I have not been able to see a single scrap of paper on any road, even in different towns of Japan. I hear that the factories are so clean that one can safely eat sitting on the floor.

And, I have admired their integrity. When shoppers rushed out of shops and malls with their purchases, one evening, because there was a tremor, they were back during the next two days in long lines – Where else! Only in Japan!!

I spoke at the World Marketing Summit in September 2014, in Tokyo - and this is being repeated in October 2015, thanks to the support of the Japan government and the initiative of Philip Kotler. The economy was not in good shape. There was a certain despondency. What has gone wrong? Many factors - according to me. Most of these were pointed out by Dr. Philip Kotler when he addressed groups in Japan in 2013, and again by him, at the WMS in 2014.

#Labour costs have risen and product costs are now too high to compete in world markets. Nothing new. This has happened earlier to Germany, Denmark, USA and many others.

#There is an ageing population, and a lower population growth. There are fewer and fewer young to support the increasing number of old.

#Immigration into Japan is not easy. So there are no large numbers of immigrants to mix into a cauldron, like in the USA, coming in with new ideas and new energy. And they are not always a burden.

#The ability to innovate seems to have reduced. Success has blunted the ability to deviate and find new solutions to old problems or new solutions to new problems.

Many of the above, need to be corrected - though not all.

Japan does not have the land area to accommodate a large number of immigrants; and there is little you can do about slower population growth and increasing longevity. So one would have to find new solutions to some of these new problems, to see how Japan can not only survive, but prosper in the new world.

Some "off the rack" solutions could be:

1 Since labour costs are high, maybe Japanese companies need to set up manufacturing and research units in countries where labour costs are low. This is what US, Germany and others have done already some time ago.

2 Since Japan has large investible funds, they should focus on Afro/Asia/Latin countries and take on large projects - which will give an outlet for high expertise and also give handsome returns. The Chinese have moved into Africa in a big way, and are now trying to get a foothold in India, Myanmar, and Sri Lanka. Japan has just begun with the Japan industrial corridor in India, and projects for superfast railway there.

3 IBM, GE and others, have large research units in India, where high level of talent exists and is available at lower costs than at home. Japan can do much more with less. Japan cannot afford to lose the advantage of Innovation which they have been known for through the twentieth century. They took iron ore from India, and coal from Australia, and produced steel, which they could sell to both the supplier countries, at world competitive prices. (This model can no longer be replicated, because of the spread of technology over the past decades).

4 Decision making needs to be fast. There is no longer time to go through 7 levels of Management for an approval. This is where Korean companies like Hyundai, LG, and Samsung, have won in Asia. They move fast and often succeed, according to Kotler.

5 There must be greater focus on Marketing, rather than just on Production and Quality. Korean production quality is adequate. The Koreans succeed because of their Marketing. Marketing gives them a WIN. They segment and saturate their markets, build brands and create brand loyalty.

6 There is need to be more familiar with world languages - English, and perhaps Spanish. And with this familiarity, there is need for more local social interaction - through Chambers of Commerce, social organisations, etc. Japanese need to be more social and less keeping to themselves.

7 There is also need for more integrated local organisation structure in different cultures/countries. The Germans and the Japanese companies came to India at about

the same time in the 1950's. The Germans, like Siemens, Bosch, and BASF soon had an Indian CEO, though with a German Vice Chairman, working alongside. This helped localisation and improved the "connect" . The German companies grew rapidly and large. They had got a hand on the pulse of the local marketplace.

8 Lifetime employment may have to be given short shrift. In today' s world, one needs the right person at the right place at the right time. Employee loyalty is good up to a point – beyond which it can be a disability. It also needs the right employee numbers, changing with technology (ATMs; Mobile banking; OnLine shopping; etc.)

If Japan can take quick action in some of these areas, they can still remain a world power- in spite of the rise of BRICS - and specially, in spite of China and India. The underlying simple principle is of marrying Money and Expertise with Local resources and low cost labour. India may be a better fit considering India's needs and Japan's offerings. But there are some other, though not so large countries, that can have potential in Africa and Latin America. Between all these, there is enough to keep Japan going as a world economic power, for another 50 years - and then time for newer solutions to newer problems!!

I have travelled extensively in Japan - and I love Japan and the Japanese. I would want Japan to succeed.