

Development of Unicharm's Overseas Operations

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Unicharm was established as a manufacturer of construction materials in 1961 in Kawano city (currently Shikoku-Chuo city), a small town in Ehime Prefecture, Shikoku, and last year we celebrated our 50th anniversary. The company subsequently entered the personal-care business, encompassing products such as sanitary napkins and paper diapers, by utilizing our molding technology for non-woven fabrics and absorbent materials. Unicharm also took on the pet-care business, a rapidly expanding market, and has steadily increased its overall global operations with the result that overseas sales have now reached as high as 47% of total sales.

Performance for the fiscal year ended March 2012 showed a turnover of 428.4 billion yen and operating profit of 51.9 billion yen, an increase in sales over the previous year of 13.6% on a group basis and 26.2% in overseas operations. The leading factor behind the increase in our overseas turnover has continued to be the growth in sales of our existing local subsidiaries in China and Indonesia, while our acquisitions of a large Vietnamese manufacturer of hygiene products and a major supplier of pet-care products in the US also contributed to our performance.

The total size of the global market in which Unicharm is involved is above 10 trillion yen and we expect this to more than double by 2020 to 28 trillion yen. At that point, we plan to expand our total turnover to 1.6 trillion yen, almost four times the current level. When I became president of Unicharm in 2001, I sounded various warning bells, such as “Our battlefield will become global,” “The number of companies that can survive globally will be limited to three in one industry,” and “Unless we get out of our current third-place group, we will be forced to leave the marketplace.” I then declared that Unicharm would grow out of being a local domestic company in Japan and be transformed into a global-scale large corporation.

Ever-growing Emerging Markets

Since our establishment, we have always held a “No. 1 Policy” whereby we believe “We need to be top in the industry whenever we enter a business.” This began with wanting to win the “citizens’ championship” in our local area of Kawano, going on to win in the “prefectural championship” in Ehime, then the “regional championship” in Shikoku, and eventually winning the “national championship” in Japan, ensuring a steady “management that doesn’t collapse” and faithfully following this “No. 1 Policy” since then. In 1971, 10 years after our establishment, we managed to win the “national championship” by becoming the leading manufacturer in the industry in Japan and made our first overseas inroad by establishing a joint venture in Taiwan. That was the moment when we stepped forward to take part in the “Asian Games”. Since then, we have established a number of local subsidiaries in 16 countries and regions including Thailand, Indonesia, China and South Korea, while our sales territories have now spread to over 80 countries and regions.

In the past 28 years since we made our first inroad into the overseas market, we have always followed our “*San-Gen-Shugi*” or “Principle of Three Actuals” – namely, *genba* (“actual site”), *genbutsu* (“actual thing”) and *genjiten* (“actual time”). For example, in 1992, Unicharm launched its *MOONYMAN*, the world’s first pant-type paper diaper that can be worn like underwear pants. However, in order to conduct large-scale sales of this product, an enormous amount of capital spending for the manufacturing equipment was required, and so we began by changing

the specifications to those for “toilet training pants” in aiming at “departing from diapers” and sold them under the separate brand *TOREPANMAN* instead. Although these toilet training pants were disposable, they had a soft texture very similar to cloth underwear, and so naturally they became a great hit. Furthermore, they were successful in expanding to cover the market for three- and four-year olds, while the targeted market was originally kids up to the age of about two and a half.

Our next area of focus was the problem many people faced in having to wash sheets and underwear as a result of bed-wetting. There were quite a few children who, even after they no longer wear diapers, still sometimes wet the bed up until about the age of five. We therefore developed *OYASUMIMAN*, pants with greatly improved absorbent capacity, and promoted them as “underwear that you change into when you put your pajamas on”. This product also achieved record sales of almost 10 billion yen in its first year of sales.

The success of “peripheral products” such as *TOREPANMAN* and *OYASUMIMAN* led us to believe that we had indeed achieved “management that doesn’t collapse” and to decide to go ahead and launch *MOONYMAN*. We launched this product in 1992 in the Kyushu region to begin with, but our production could not keep up with the market demand and it took us one full year until we moved forward to nationwide sales. At the time of our company’s establishment, which coincided with a period of high economic growth in Japan, there was an outstanding movement in women’s entry into society and they welcomed high-quality napkins for menstrual use as a product to help relieve

feelings of depression. Paper diapers, which released people from the “hard labor” of washing cloth diapers, bed sheets, etc. in newly wealthy Japan, also proved an innovation for many people in their daily lifestyle.

Products that made it possible for consumers to be free from negative aspects such as “unpleasant” or “inconvenient” were developed based on the “Principle of Three Actuals” mentioned above. In Asian countries where a path of economic growth identical to Japan is being exhibited but at a much faster pace, the demand for daily products is about to flourish all at once. We have made an assumption that once GDP per person in a country exceeds \$1,000, the use of menstrual napkins advances rapidly, while that is also the case for use of paper diapers for children once it exceeds \$3,000. This is being used by Unicharm as one of its criteria when making management decisions on whether or not to enter a new country. In this way, by slowly but steadily developing and promoting new products which know-how and aspiration have fostered through the “Principles of Three Actuals”, we have also been able to achieve victory in the “Asian Games”.

Importance of “Principle of Three Actuals” while Working in Taiwan

As in the above examples, we thoroughly observed the “actual site”, obtained and checked the “actual thing” with our own hands, and confirmed whether the decisions we had to make were really appropriate at the “actual time”. By faithfully continuing to follow these basics, we gained a good reputation among consumers and distribution channels that goes beyond borders. However, it was my own personal experience of working overseas that really brought home the importance of the “Principle of Three Actuals”. In October 1994, the third year after I joined the company, I went to work in Taiwan, at which time both sides in Japan and Taiwan were trying to put the blame on each other for the enormous accumulated deficit that our joint venture in Taiwan had suffered. The leader of our partner in Taiwan, the Japanese equivalent of chairman of the board, was someone who had steadily worked up through the ranks by his own efforts. When I rushed over there to serve as a vice-chairman of the joint venture, I was not readily and smoothly accepted at first.

The first thing I thought was “I’d heard about this situation from my predecessor, but I want to see the *genba* with my own eyes, feel it with my own skin and measure it with my own yardsticks.” I therefore stayed at a cheap lodge near the office for three months until I had come to decide on my permanent place of residence in Taiwan and demonstrated my serious attitude toward recovering our company’s performance. What I implemented then was *honno* – frank and open communication with over 200 local employees. Using my very limited Chinese, I actively jumped into the circle of local employees, enjoying bowling with them after work or going together to hot springs on days off. When I did things like visiting our regional sales offices, after having run through a certain amount of business discussion, I enjoyed chatting and drinking heavily with the local members, sitting around an upturned mandarin orange box we used as a table even though we could not understand each other very well due to my poor Chinese. As I continued to engage in activities like these, a sense of “togetherness” among us naturally came about, the company’s performance started to turn around and the accumulated deficit was completely cleaned up. What I learned from these kinds of experiences was the lesson that



The author visited an ordinary home to learn more about local needs.

“Ultimately, it all depends on how the local people on-site feel and are motivated.” Our subsidiary in Taiwan, which has achieved a V-shaped recovery, is continuing to show a steadily rising curve.

Key to Success in Global Business Is to Send “Black-belt Personnel”

Management philosophy is believed to be extremely important for companies. In fact, we at Unicharm emphasize “Management with Resonance” whereby we make full use of locally gained knowledge and translate it into profits. If the contents of management philosophy are universal in such a way, it is not difficult to transcend national borders. I strongly believe that “bringing water to one’s own rice paddy” (or “serving one’s own interests”) is not necessarily a bad thing. Rather, if your company is able to make an excellent operating model in its rice paddy, bringing water to that paddy is in fact the best possible thing for everyone concerned.

We state in our company ideals that “We contribute to creating a better quality of life for everyone by offering only the finest products and services to the market and customers, both at home and abroad.” As overseas development proceeds, some people express their concern about the hollowing out of local operations in Japan. But if we can have the high ambition of realizing our company’s ideals not in the form of “internationalization” – which implies the existence of national boundaries – but rather the worldwide scale of “globalization” and put into practice the management model that we ourselves believe in, then our perspective as to what we should be concerned about will shift to how we can foster and develop outstanding personnel.

When we dispatch our people in Japan to overseas operations, we choose them on the basis of their being “black-belt personnel” who are part of our “Management with Resonance”. We give the candidate’s linguistic ability very little weight. Rather, we prefer to deliberately dispatch the kind of first-class employees that we would have really liked to keep in Japan. That is because they are exactly the people who will definitely produce results even in a different environment. Setting up an organization with solidarity by being fully involved locally is the key to achieving the highest possible success rate on a global basis. To that end, we have a strong awareness that fostering and developing “black-belt personnel” is our corporate mission and we intend to further our efforts in this area in the future. **J.S**

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