

Doubling Down on Japan

An Interview with Craig White, Owner/Manager of White Smoke, a Texas Smokehouse

By Richard P. Greenfield & *Japan SPOTLIGHT* Editorial Section

When Craig White opened his restaurant White Smoke in November 2011 (see *Japan SPOTLIGHT* July/August 2012 issue) it was a great success: it was well reviewed and became a hotspot among locals. It seemed that White, who had become a restaurant owner and barbecue pitmaster as a second career, had found the sweet spot in the galaxy of dining possibilities that is Tokyo. Yet before the second anniversary of the restaurant, White must have pondered the fate of Job and Jonah many times. First, his manager had a near heart attack in the restaurant, and within a month a malfunction in the smoker, which the entire restaurant was built around, had filled it with smoke, forcing a shutdown.

At first it looked like the shutdown would last weeks, then months (while a new smoker was being built in the United States), and then it became clear that it would be even longer. Yet by the end of April White will have a second venture, a factory that will be smoking meats for sale at Costcos initially. And he is hopeful that White Smoke II will open by the summer, also in Azabu Juban. *Japan SPOTLIGHT* sat down with him to discuss what happened and his future plans.

JS: This has been quite a year for you, first losing your manager.

White: That was rough on all of us. He was very capable and well liked by staff and patrons alike. And, of course, since it happened at the restaurant, well, let's say that the amount of paperwork that has to be done could give someone a heart attack.

JS: And that was just the beginning...

White: That is an understatement. What happened, actually, was a valve stuck in the wrong position so the smoke from the smoker, which is wood burning, instead of venting out through the roof as it should, began to fill the restaurant. It looked far worse than it actually was. The real danger to any patron or staff would not have been fire, but rather smoke inhalation, and we got everyone out very quickly. But, of course, there is a real fear here of fire and it is understandable.

Originally I thought we would have to close for a month or so, let the place air out, and do a real thorough cleaning, just the kinds of things that one would normally do after that kind of event. I did not know for weeks that the smoker itself was damaged beyond repair and therefore a new one would have to be built back in the US and



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shipped to Japan. So we had to prepare for that, and that process was going to be months, not days, because there were practical improvements to the smoker — some we wanted to make anyway, some we would have to make to avoid any chance of a repeat of that kind of event.

JS: All this happened within a month over the summer and just at the time you were beginning another new venture?

White: Yes.

JS: There must have been times when you were tempted to take whatever insurance money would be forthcoming and move on.

White: Not once.

JS: That is hard to imagine. These are not small events you are describing.

White: I have my reasons. I have been coming in and out of Japan for almost 20 years, and remember, I made the decision to go ahead after 3.11 but the project was conceived before even that event. And it came about, in part, because I sensed a change in perceptions

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here, in interests, in the energy level. These are all ways to say that I thought this idea of quality American food of a particular kind at a certain price level would be interesting to the public and would be accepted and embraced here.

JS: And how did you find the experience?

White: As an engineer (White had previous experience designing components for car engines) you learn that nothing ever goes exactly the way you think it will.

JS: Lay people say that as in Murphy's Law, anything that can go wrong will go wrong, with the corollary, at the worst possible time.

White: It can seem that way.

JS: You mentioned something earlier about the original idea being written on a piece of paper or the back of some paper.

White: It was a napkin. I met a friend of mine from business school and we were in a restaurant near Harvard Square. Both of us were unhappy in the jobs we were doing and after a round of complaining to each other he said, "Craig, remember that idea you had to do smoked meat in Japan? What would it take to do that?" We asked the waitress for some napkins and we just started doing all the economics on the back of the napkins.

JS: Yet from that time till the present day, you have had so many events that many people would have said "Stop".

White: But I did not and the question is "why?" It's a good question. To answer it you have to look at some things in my background. The things that I believe usually drive people beyond basic necessities are

all these things that *want* — want to achieve, want to own. For example, many people I know dream of owning a Porsche, something like that. Other people want to go on a trip to the Maldives. People have all these things they want to do with their lives. I think I am the same way, but most of the things people are trying to achieve, I think I got them early. For example, I love cars. I grew up in the car industry and somehow after business school General Motors took me and I was assigned to the Concept Vehicle Team, so I spent two years driving the most amazing cars on the planet — not just GM cars, it was my job to buy the competitor cars, the Ferraris, the Rolls Royces, whatever. And after you've driven all these cars, you don't need them anymore. In the same way, when I worked for Samsung in the chairman's office, all of these fancy electronics people want — stereo, big screen television — I had all of that.

So by the time I hit about 33, I did not feel I needed some of these things that people want or feel they need. I've traveled the world, been to so many different countries. I've worked in high-level places and low-level places, so when the time came to start the business I didn't feel like I'd be giving anything up — even with all the problems I had and those we are having now getting the factory for the second business going. Even though I am probably averaging about four or five hours a week of sleep right now, it's okay. Because if I wasn't doing this, what else would I be doing? I've always believed that every problem has a solution if you are patient enough to find it.

JS: The process you are describing is as much art as it is business.

White: Oh, absolutely.

JS: Here you are, on a second go around, in Japan.

White: Some of that is background. My father was a military man so we moved around the US, base to base, quite a bit. And really, up until this day I have never lived more than three years in one place, yet somehow I always keep coming back to Japan. So when that point came where I was deciding where to set up the business, there were five or six locations I was looking at in the US, Europe and Asia. In Asia I was looking at South Korea and Japan. And in the end it came down to I really love living in Japan.

JS: Another question regarding your work. You speak about perfecting the details of your work and I sense some Japanese influence there, that sense of diligence, of completing the details.

White: I agree with you. I would add that a lot of people I know think that Japan as a country is over, that the Japanese spirit is broken, the demographics are terrible, that Japan as a country does not have the heart to compete anymore. I don't agree. I do think that Japan is changing. Still, I think that you can create something here and although I do not know if you can say something is ever really



completed, you can begin something and complete a phase, and there are things in Japan that can live forever.

Let me give you an example, and I'm a technology guy. I love technology. I had to go by Akihabara to come here. If I go by Akihabara today, I'm pretty sure that I can find a store that sells mini-discs. Only in Japan would there be this subculture within a subculture within a subculture based around mini-discs, a technology that almost every other country has given up. Or Betamax. There is something about Japanese culture, or maybe Japanese people, that gets this kind of focus that doesn't let things go, and things can go on and on. And remember, from a technology perspective, from a cultural perspective, the thing that allows it to happen I believe are these sorts of details. The reason mini-discs can last forever is because only a mini-disc has *this*. CDs can't do it, DVDs can't do it, and it may be such a small thing, but for those people, it's the world.

JS: What I don't hear in what you are talking about is conflict. We touched on art, but there is no art without conflict. Conflict makes art, whether it is the internal conflict within the artist or the external conflict with the world that makes the artist make art. Where does that fit in?

White: I may not be the right person to ask. I'm an optimist. I guess I do not see conflict as much as opportunity.

JS: Most of us would agree with you but there are conflicts that seem irreconcilable. We can look at the world now, and there are signs that the next generation of entrepreneurs, businessmen and government officials will likely be dealing with a very different planet, an irreversible process that we have set into motion with things like more fertile farmland in the north, in Russia and Canada, a northern shipping lane, the resources of the poles opening, and everyone is going to want a stake in this. So, as you were saying, creativity in solutions, and as I was saying, conflict. So what are those precepts that you want to pass to your younger counterparts?

White: I try to think of this in terms of my two nephews. I always tell them that Rome was not built in a day, and if you really want to solve a problem or multiple problems you have to understand that knowledge is not one thing, not separate things, it's a continuum.

JS: Then one question that springs to mind is how can we teach the kind of approach you are describing, the way to use synthesis of knowledge and life experience, to solve problems, to create win-win situations?



White: I'm a real believer in mentoring. All of us have had teachers, professors, bosses, all of whom taught us things we did not know and that we realized later made a real difference because it taught us to see or think a different way.

JS: We could say that now, having suffered one business loss, you are doubling your bet, creating a new business line, and opening a new restaurant. That is a win-win for you and Japan; if you succeed it benefits the country, not just financially but in creating something that was not here before.

White: Yes, I am.

JS: Can we talk a little bit about the current business situation in Japan in macro scale?

White: Sure.

JS: What do you think of "Abenomics"? Is it successful and helpful to your business?

White: The honest answer is I don't know, but I can tell you my impression which is completely non-scientific and it's anecdote-based but not necessarily fact-based. Personally, I do not think it has been successful. I hesitate to say that because it seems like business activity is picking up. The reason I question whether it is being successful is that I don't know if it really addresses the core fundamental problem. Even though I spend most of my time in Tokyo, I do have occasion to go outside Tokyo and every time I go outside Tokyo it's depressing. Maybe not in Osaka, but when I go to Kanazawa or Tohoku the general economic activity seems to me to be getting worse and worse. And a part of that is that many

companies are just reluctant to take risks.

Here is a good example, and this is why I say this. At the factory I had to have a new smoker; it is about two and a half times larger than my last smoker. I wanted to get it made here in Japan. I wanted to teach someone at a Japanese company so that person would then be someone who could handle that as we grow. And with my smaller design, I intend to sell them to other restaurants as well. I approached about 18 different companies and they all said no, they would not build it. Now, as a small business person myself, I have to ask, is business so good that they can turn away business? And the funny thing about this is that the skills of Japanese metal workers are the best in the world. Finally, I was so frustrated I actually brought the money with me and put it on the table to show them this was not a credit situation, and that really I was saying "Here's the money, just take it." But none of them would.

JS: There has been a lot of talk about the shortage of labor, and in other interviews it has come up. Are you finding that as well?

White: Yes, absolutely. I am looking for people the same way many businesses are, and having the same problems. I had this one young guy come in. He worked for six days and he quit. Why did he quit? Because he doesn't know how to work.

JS: Spoiled.

White: Yes. You asked before about Abenomics. If I could take that money from Abenomics and put it anywhere I would put it into training young people, particularly young Japanese women, not Tokyo women but women from outside who want to work and who know how to work. Everyone who works for me now I basically had to train from nothing. And even that is okay, it is what you have to do in business, because if you do not train them, who will?

JS: Going back to Abenomics for a moment, the comprehensive growth strategy is to be released next month, and as I understand it one of the key points will be Special Economic Zones where Japanese companies could set up and attract foreign investment as well. One of the factors that is being talked about is drastically loosening the qualifications for visas. What do you think about it. Would it be a good business opportunity for you?

White: Actually, it is what you mentioned about the visas that hits me immediately. And the reason for that is not that I think the Japanese visa system itself is such a problem; it is that finding skilled Japanese people who are willing to take risks is very difficult — because they don't have to, and they don't want to. Finding foreigners who are willing to take risks, that is much easier. But as for the economic zones, I am not a person who is against regulation.

I think regulation is extremely important and that regulations are necessary for protecting society. Sometimes they go too far but in general, clean water, fresh air, all these things, I believe in it.

That being said, there are plenty of regulations I have to deal with that make doing business harder. To give a specific example, for me to open up my factory there is a certain kind of permit. That permit is very hard to get because, for one thing, it requires three years of working for someone who already has one. Then you have to take a class to get a certification, and that class is given during working hours, so either you have to quit your job or business or your company has to support you while you are taking the class. Now this is a regulation that makes sense when it a case of a large industrial factory, or even a middle-sized one or a facility handling some dangerous or hazardous material, but for an average small business? If I think about an economic zone, being able to cut through things like that would be so valuable.

JS: Part of the proposal for Special Economic Zones would increase the number of foreigners here, more Americans, Australians, etc. For Japan it is a very radical step. You know that some people say that in Japan change comes very slowly or...

White: Lightning fast. I remember when the telephone numbers were changed from nine numbers to 10 and it happened just like that. If we did something like that in America — chaos. But back to the economic zones, one of the things that would matter a great deal is if you could set up business without having someone who guarantees, because it's expensive.

JS: This might be related to the Japanese legal system. Sometimes laws here try to anticipate a problem whereas in the US it is more common to deal with a problem when it has been shown to be a problem. One last question would be how do you evaluate the consumption tax, in terms of your business?

White: What I would say, truly, if your business is healthy it will have no impact but for businesses that have a problem, it will push them under. Some restaurants may have a profitability somewhere between 4% and 7%, so if you are in the 4% segment it's probably over. Really successful restaurants can have 20-30% or more margins. For us, our restaurant business was always very healthy and with the factory we are just starting, of course, but I think we will be fine.

JS: Thank you for taking time today to see us.

White: Thank you for inviting me.

JS