

AT&T Learns to Communicate Japan-Style

By George Faas

Despite William Moody's lack of experience in Japan, it is quickly apparent why AT&T chose him as its new president in Japan: he's a highly accomplished, intelligent manager who is noticeably skilled in human relations. Moody works to communicate and cares about people—and that leads to respect from his Japanese co-workers and customers. With only two months under his belt as president of AT&T here, Moody has already made great strides in the Japanese language; he's had no choice—there's no room for a faint-hearted student in the conference room. He's a newcomer to Japan who appears to be the kind of person who can be enormously successful in adjusting to this new environment. Best of all, Moody comes to Japan with a positive attitude and considers his new position "a neat challenge."

Q: Mr. Moody, you came to Tokyo as AT&T Japan's president two months ago. How has the adjustment period been?

A: I haven't slowed up enough yet to notice it. I'm struck by the economic activity, the high energy level, and the commerce here. It's extraordinary. At my last job, I ran a very large sales organization with 1,000 people in offices around the U.S., so I'm used to working hard and long hours. But that was just good practice. I find this work ethic exciting.

Q: Have you ever been to Japan before?

A: I've studied about it, but I've never been here before. I did some work at Harvard in the advanced management program, which was heavily international business. I got to know several Japanese businessmen there. I'll probably stay here five years, depending upon how successful we are. I'd like to be here a long time.

Q: What are AT&T's market opportunities in Japan, and what are your company's strong points in terms of sales?

A: I'm personally convinced that the market here for "information technology" products is enormous. This area is just starting to blossom, and I think we at AT&T have some very positive advantages going for us. Bell Laboratories has superior technology and a great reputation in Japan, and we deserve it.



William J. Moody, president of AT&T International (Japan) Ltd.

Q: How much market research did AT&T do before coming to Japan?

A: An enormous amount of research, particularly over the last three years. Several major consulting firms representing AT&T came to research the Japanese market. Consulting can help you create strategy, but you really need an immersion into the market to tell you what tactfully needs to be done.

Q: Last year AT&T recorded \$80 million in sales in Japan. Do you have any sales targets for the next couple of years?

A: Our projections swing depending on the optimism of certain big sales. My first objective is to break even in AT&T's own trade imbalance with Japan. We purchased about \$250 million worth of Japanese products last year, and we'll purchase a little more than that this year. I expect AT&T to equalize this imbalance shortly, but not within 1985.

Q: It has been reported that AT&T is planning to establish a procurement center in Japan to buy equipment from Japanese companies. Can you tell us about this strategy?

A: We have a purchasing group in my office, and we centralize our purchasing here in order to have a consistent purchasing policy. We understand the syllogisms of buying and selling. AT&T will buy components around the world when they are cost efficient. We are satisfied with the quality and economics of Japanese products. However, our objective is to record sales in Japan to balance the ledger. I'm very impatient. Maybe that's why I feel sales in Japan have been slow

to come. Getting to know the market, getting established, and setting up joint venture operations all take time. Still, we would not be expanding this office so dramatically if we didn't expect growth in this market.

Q: How does AT&T's technology compare to that of your competitors?

A: We have the premier switch in the world. It's reliable and economical and possesses the most feature functions of any on the market. Our computers are clearly world-class. I think the Japanese will eventually realize the quality of AT&T technology as they begin to use our systems. We need to Japanize some of our business policies. We have a five-year plan to reorganize our large system laboratories in Japan. However, that's not the issue here; the issues are (1) how do we penetrate the decision-making process in Japanese companies, and (2) do we know enough about how Japanese businesses are run so we can understand and solve the application problems that need technology. My past experience has been in the area of helping major American businesses use technology to build their products and assist their services. For the same reasons, AT&T is in Japan to help other companies, whether it's a telephone company, or a large corporation like Mitsui or Mitsubishi. So our purpose in Japan is more than just selling.

Q: You've applied to sell your 5-ESS switches to NTT (Nippon Telegraph and Telephone Corporation). That would mean a large AT&T sale if it gets approved in December.

A: They are formally evaluating our 5-ESS and some other companies' switches. That would be a major sale. And we're pleased with NTT's manner of decision, because we think our technology will stand out among the rest. This is our strength. We have invested much time and money in our 5-ESS, and our efforts have paid off. It's a proven technology that's been accepted worldwide. It's the heart of the system that AT&T uses in the United States, and it's becoming the heart of communication systems around the world.

Convincing firms to buy

Q: *Since NTT was deregulated in April, the Japanese government has offered to make many imported high-tech products duty-free. What particular trade barrier does AT&T face right now?*

A: I think great progress has been made in communications concerning tariffs and modified standards. The question now is getting the consensus built within a firm to buy American goods. The Japanese government and corporate top management have gone as far as one can expect them to go. But the real question is, will the person responsible for making the decision to purchase foreign products act or respond. My job is not only to convince senior management. I also have to convince the people who recommend the purchases about the economics and efficiency of buying AT&T's services and goods.

Q: *Do you find great hesitancy by Japanese companies to do so?*

A: Yes. But the major question is how do you demonstrate an imported product to people not familiar with making that buying decision. All you can ask for is that the market be open to allow you to attempt to make that product explanation, and that there be an open evaluation. Marketing our goods in this society will require diligence, since this culture is prone to purchase domestically-made goods. Some foreign firms, however, have done very well here in marketing.

Q: *Have you found the Japanese market open, and have they been making open evaluations?*

A: As it affects telephone communications, I see very fair evaluation. Daini Denden (a new NTT long-distance competitor) has reviewed our proposal extensively, and we are very pleased with that evaluation. NTT is in the middle of their evaluation, and their middle management is doing the reviewing. Now I'm faced with the broader problems of how do I approach the small business market with our key telephone sets. And how do I approach and convince consumers to buy our residential telephone sets when they've never bought an American telephone before.

Q: *Could you compare NTT's deregulation in Japan with AT&T's in the States?*

A: There are some similarities. The vestiture that AT&T went through has not happened here. The opening of a long-distance market causes cutthroat competition. It will be interesting to see how the new competitors in Japan enter the marketplace and how they develop

their strategies. Will they "price enter" or will they offer premier services and goods? NTT needs to be more entrepreneurial because it now faces competition. They are struggling now like we did immediately after our deregulation in the States. It takes a long time to recover.

Q: *Has NTT become as aggressive as AT&T did after the U.S. deregulation?*

A: I think change takes a long time. NTT understands that. They have sensed the predicament and are responding well against new rivals. NTT realizes that change is necessary, though no drastic measures are vital.

Japanese partners a plus

Q: *AT&T has decided to pair up with various Japanese companies to form joint ventures. In Japan Enhanced Network Services (JENS), for example, you've tied up with the Industrial Bank of Japan, Mitsui, Fujitsu, Hitachi, and others to establish a value added network (VAN). What other new business ventures has AT&T started in Japan and with whom?*

A: We have a relationship with Ricoh to concentrate on some of the small, segmented markets. Ricoh is distributing our push-button phones to their retail outlets. Ideally, these phones would be used in small companies with 10 to 20 employees, ones which need four or five incoming lines. We would license our technology to Ricoh to allow them to manufacture these phones domestically. Potential customers would see the Ricoh name, relate to it, and install it in their small businesses. AT&T-Ricoh Co., Ltd., the official name, was established in July. Our products will be in the marketplace in November. We are also talking with Toshiba, but at this time, we aren't ready to make any commitment to a joint venture.

Q: *What makes your JENS services better than the other VANs that have been announced?*

A: We'll be in the marketplace before anyone else with our line of high-tech business machines that make communications easier. The openness, the strength of our partners, and our financial position give us an advantage.

Q: *How did you go about finding these partners?*

A: The Industrial Bank of Japan and Mitsui were interested in a joint venture with a foreign partner. I'm not sure who was looking for whom. AT&T was also interested in a similar business relationship, but I don't know who picked up the phone first.

Q: *Mr. Hajime Hirota is your JENS president. What do you think of having a Japanese person as president?*

A: It sure makes sense! A Japanese company president in Japan! I admire Hirota-san. He came from the Industrial Bank of Japan. He built a coalition of companies and that's remarkable.

Q: *How many Americans will be employed from AT&T at JENS? What will AT&T's role be? And when will it begin?*

A: We have committed ten technologists to JENS. The executive vice president is from the United States. It's a Japanese firm, and our American technologists will be working with their Japanese counterparts, either in a boss-subordinate relationship or vice versa, depending upon where they fit into the organization. One of my objectives here in Japan is to make AT&T Japan a more Japanese company.

Q: *In Japan, you have already established AT&T International (Japan), AT&T Communications, AT&T Information Systems, JENS, and maybe others. What is the structure of AT&T in Japan?*

A: AT&T in the United States has entered into a diversity of markets, with many of its lines never crossing. In Japan we have representatives from those lines of business. AT&T Communications is here and it has a relationship with KDD (Kokusai Denshin Denwa Co., Ltd.). Its office is in this building, two doors down from mine. It's not unusual in an offshore location to have matrix management. But what's interesting here is that all the subsidiaries of AT&T Japan have combined together to form one strategy. We have execution that is consistent and have weekly common staff meetings, even though we work in different businesses.

Q: *How many locations do you have?*

A: One. We're here on this floor and on the third floor. One of my objectives is to establish a second AT&T building in Japan. Akasaka Twin Towers (ATT) is the first. (Moody laughs at this "company joke": the huge "ATT Building" in central Tokyo has nothing whatsoever to do with AT&T.) We have 12 Americans here permanently right now. Total staff is 50. We'll be up to 100 by the end of the year, and we hope to double it again next year. Finding office space... that's my big problem! Most of the new employees will be hired here. One thing I'm doing that isn't very Japanese is recruiting Japanese workers from Japanese companies. Some of our Japanese business partners have been very good about supplying us with experienced employees on long-term loans or retired people who wish to work part-time. We want to build key relationships

with Japanese businesses we can trust, and vice versa. Thus far, the senior business relationships we have here in Japan have generated the highly qualified personnel we've hired. I value that advice and counsel. Also, our Japanese staff has been very helpful. And we are going to start recruiting college graduates as soon as I figure out how to do it!

Q: *Do you go to the executive search companies?*

A: I've not needed that. We've been fortunate in that some very talented people have come to us inquiring about jobs. Our reputation has created an overflow in our labs. I'm now looking for high quality Japanese marketers, people who understand the marketplace and can understand how to handle accounts. I would characterize the people who have come here as entrepreneurs who feel AT&T has a promising future in the Japanese telecommunications field. These are people who see a small company, figure it's going to be a big company, and want to be part of that exciting transition.

Product quality a major issue

Q: *In the Japanese telecom market, there seems to be a lot of cooperation between competitors. NTT, for example, is loaning engineers to Daini Denden. Is this cooperation good for the market? Does it help to provide better services and drive costs down?*

A: The sense of competition is obviously different. It's new to me. I don't know if it helps reduce prices or if it helps provide better feature functions. It will be interesting to watch if the new telephone companies in Japan offer different products than NTT.

Q: *How would you rate American technology with the best Japanese telecom technology? Do you feel that the United States is leading or that Japan has caught up?*

A: Due to intense marketplace competition, American companies have been spurred on to develop more technological, feature-function products. Advanced feature functions is one advantage American technology has over the Japanese. One question coming out in Japan now is how good is American technology. How reliable is it? I'm going to be very aggressive in demonstrating to Japan's high-tech industry how good the quality of AT&T products really is. It just blows my mind how technologically advanced and reliable some of our communications products are, and we need to demonstrate that here. Three key points we need to emphasize are our reliability,

quality, and the attractiveness of our products. AT&T technology is superior to that of any technology in the world. Somebody from Fujitsu might argue with me, but we would argue as equals. I'm clearly not going to be apologetic about the quality of our technology. Proving our quality is a major issue now.

Q: *What about corporate strategy and future plans for Japan?*

A: We are definitely here for the long run. Until the U.S. divestiture, we were restricted from marketing overseas in return for the monopoly we had in the U.S. We've always had long-term technical relationships with NTT, but we could not sell products and services here until the divestiture. In return for giving up our monopoly, we were allowed to sell and operate overseas. We opened our office here two-and-a-half years ago. Last year we did \$80 million; that's pretty good. We're picking our partners carefully. We are going to annex this office with some staff from Bell Labs. We're increasing our focus on end users and how we can work better with our joint venture partners. We have developed some thoughtful, progressive growth here. Our strategy is there, and that strategy includes hiring as many qualified Japanese people as will come work for us.

Q: *Do you see Japan as a profitable market in the future for AT&T?*

A: Very profitable. We see a potentially huge market before us, and that's why we're here. Each sector of AT&T is different, but we expect our telephone services to make a profit real fast.

Adjusting to the intensity

Q: *Have you had any opportunity to see part of Japan?*

A: Not really, though I do need some balance in my life. I try to be home three nights a week and take every other weekend off. When I'm in Tokyo, I try to stop working at 5:30 or 6:00 because I want to demonstrate to the employees in my office that the full person—including one's home life—is important.

Q: *What has been the most difficult thing to adjust to?*

A: Language. And trying to be sure that communication is clear between someone who is Japanese and who has grown up with this beautiful, historical culture and someone who has grown up in Brooklyn. Finishing a meeting knowing I have been understood—and I have understood—is probably the hardest adjustment imaginable.

Q: *In contrast, what has been the most gratifying experience you've had here?*

A: It may sound strange, but comments from my Japanese staff like, "Hey, you understood that!" Two weeks ago I took my senior staff, which is half Japanese and half American, to Hakone, and we talked about what visions everyone had about the company. A couple of the Japanese staff who had never been away like that were happy and cared to listen. They were there because it was important. During those couple days, relationships were made. The Japanese are very intense. I find it difficult being new to the culture, so I have to be much more thoughtful about what I've just heard or am about to say in order to communicate well. This adds another dimension to the energy level that is required here.

Q: *Why were you chosen for this position when you have almost no experience with Japan?*

A: One reason was I clearly wanted the job. The second reason was probably because of my experience managing a large sales organization with large accounts. I know how to build a strategy to do that. The third reason, I hope, was because of my reputation as a manager who fundamentally cares about people and who can recognize that if you can support people and their needs, you are on your way to building a company.

Q: *Why did you want the job?*

A: It was a new challenge. Communications is a global business, so AT&T must become a global company. Outside the United States, Japan is the most important market in the world. It has the greatest potential and the leading edge of technology. It's where our competitors are. The challenge is very interesting. It's just the right time for me to be here.

Q: *Do you have any advice to foreign companies interested in entering the Japanese market?*

A: Two things. One vision Americans have about Japan is that, due to the network of relationships, it's not aggressively competitive. That's clearly not the case. This is one of the most aggressive selling places I've ever experienced. Someone coming into the country better be prepared for that. The other thing is that if you want to sell in Japan, you better sell a product that makes sense to the Japanese in a way they can understand. You have to have literature in Japanese, instructions in Japanese, managers and salesmen who speak Japanese. You can't expect just to walk in here with a German product, a British product, or a French product and say "Here it is!" In America, German and French companies don't just walk in and say "Buy it!" And you can't expect to do that in Japan either. ●