

Egon Zehnder: Executive Matchmaker

By Nagami Kishi

A considerable number of foreign companies doing business in Japan are now reorganizing their Japanese subsidiaries. At one time it was considered extremely difficult for foreign companies to succeed in the Japanese business environment due to its peculiar business practices as well as the elaborate government regulations extending to every aspect of business. In spite of the allegedly exclusive nature of the market, however, one foreign company after another began to succeed; this made many others realize that it was not the different nature of the Japanese market but their own poor management that had caused so many foreign businesses to fail.

Japan accounts for 14% of the world's aggregate GNP; its market size represents as much as 20% of the world market. For most large companies with a global network, being unable to succeed in this giant market means falling behind their competitors and possibly being seriously handicapped in international business competition.

Valuable market

One of the major factors that made global companies begin to review their Japanese subsidiaries was the rapid increase in the exchange value of the yen after the Plaza Accord of 1985. The Japanese market suddenly doubled in value. Another major factor which drew the enthusiastic attention of major international businesses was the success of BMW Japan.

BMW Japan shattered the myth that foreign companies could not succeed in Japan, making a great impression on the international business world. Coca-Cola, Johnson and some other manufacturers which had already achieved considerable success in Japan by then had succeeded by finding a niche in the Japanese market. BMW Japan, on the other hand, fought squarely against the automobile

industry, the mainstay of so-called "Japan Inc." and one of the strongest industries in the world.

The success of BMW Japan decisively disproved what the successive Japanese representatives of the U.S. automobile manufacturers General Motors, Ford and Chrysler had kept alleging — that government regulations and restrictive business practices in Japan prevented them from achieving a good performance.

There were several factors that enabled BMW Japan to succeed, one of them being that the image it projected of its cars was completely new to Japan. The most important factor, however, was the new management policy of the Japanese subsidiary. It recruited Yoji Hamawaki, who was then president of Kawasaki America, the U.S. subsidiary of the integrated heavy machinery and engineering company Kawasaki Heavy Industries. The BMW management entrusted its local subsidiary to Hamawaki, allowing him full control of its management.

Given good products, delegated power, and a good Japanese businessman with a thorough knowledge and understanding of the Japanese business world and consumers based on a brilliant career in a large Japanese company is a surefire formula for success. In fact, Hamawaki even says, "The difficulties I experienced in BMW Japan were almost nothing compared to those in my days with Kawasaki America."

This is not, however, about the success story of BMW, but rather that of another company, Egon Zehnder, which brought Hamawaki and BMW together.

Egon Zehnder is Europe's largest head-hunting company and the most successful executive recruiter in Japan.

The success of BMW revealed the fallacy in the common belief that the Japanese market was closed. It also showed many foreign companies a way to succeed in Japan—to scout out a good businessman working for a good, large Japanese company and to let him do what he thinks

right. As these factors in BMW's success became well-known, many foreign companies began to review their own Japanese subsidiaries and top managements.

Head-hunting companies, including Egon Zehnder, do not tell others of their achievements. The identities of the executives and companies they introduce to each other is a corporate secret. But from all accounts, the number of clients must be large.

Experience and contacts

U.S.-based Baxter International Inc. is a pioneer in kidney dialysis, and supplies everything related to medical treatment, including medicines, gowns worn by hospitalized patients, beds and operating tables. The chairman of the Japanese subsidiary of Baxter, Kazutoyo Komatsu, is another talented businessman who was formerly with Sony Corp. In spite of its attractive products, Baxter was suffering from a sluggish performance. Egon Zehnder scouted Komatsu for Baxter to become its president. Fully utilizing his long business experience and an extensive network of contacts in Japan, the new president soon led Baxter to success.

Takao Honda was invited to join the local management of the Japanese subsidiary of S.C. Johnson & Son, the U.S. maker of a range of chemical products including waxes, polish and insecticide, also from Sony through Egon Zehnder. Johnson had at one time enjoyed great success, becoming almost a synonym for successful foreign companies in Japan. For 10 years before Honda become president, however, it had suffered from a number of persistent problems and its performance had deteriorated to the point that its business was in deficit. On taking over the presidency, Honda began to considerably reduce the excessive number of product lines, streamline the organization, and seek ways to increase cost efficiency. Thanks to his efforts, Johnson got out of its long period in the

doldrums and soon became successful once again.

United Distillers Japan (UDJ) is the Japanese subsidiary of United Distillers PLC, which is a liquor-manufacturing unit of Guinness PLC of England. UDJ also found its new president, Shunji Noritomi, with the help of Egon Zehnder. Noritomi has worked energetically to sell UDJ's well-known brands, including Old Parr, Johnny Walker and I.W. Harper. UDJ is now making a dent in the overwhelming market share of Suntory.

Many foreign companies in Japan are quietly replacing their top management. Concerning themselves less with fluency in English and more with competence in business, these companies are shifting their priorities in hiring presidents. The success of BMW and other companies has accelerated the trend, making Egon Zehnder still busier.

Egon Zehnder has six consultants and a representative operating in Japan. However, Egon Zehnder dislikes being called a head-hunting company. It refers to itself as an "international management consulting firm for all management problems on personnel and organization," and describes head-hunting as "executive search."

The firm was established by Egon P.S. Zehnder in 1964. Zehnder earned a doctorate in law from Zurich University and then lectured at a university in Paris. Later he became a vice president of the advertising agency McCann-Erickson in Europe, and then Europe's first executive search consultant in 1952. Based on his business record, he established his own company, Egon Zehnder International Co., Ltd.

In the 1960s, large U.S. enterprises advanced into Europe and European capital enterprises, which had strong characteristics of a family enterprise, were losing out in the competition. The arming of American enterprises with management strategy and marketing theory was performed by McKinsey Inc. and Boston Consulting. Realization of the need for a management consultant to match this was what prompted Zehnder to establish his firm.

Egon Zehnder begins with an analysis

of the organizational structure of the client enterprise. It analyzes the entire organization and its separate components. Based on this, the firm gives advice on revision of corporate strategy, alteration of the organization and replacement of personnel.

When the present executives are found to be unsuitable, or when a new executive is required due to advancement of a new project, Egon Zehnder carries out an executive search, which is commonly known as head-hunting. Rather than simply search for a person specified by the client, Zehnder makes its own organizational analysis, so it knows precisely the profile of the person required. However, Zehnder conducts thorough discussions between client and candidate before reaching a final decision.

Finding right people

"We meet the people with the required management background, discuss all aspects to evaluate if the candidate is suitable, and then introduce the person to the client enterprise. However, to be frank, we advise more than half the candidates we meet to stay with their present company, even when they tell us they wish to move. This is because we believe it would result in misery on both sides if we advised inappropriate people, or people who would not suit the job, to change companies." This is the professional opinion of Takashi Kurisaka, president of Egon Zehnder in Japan, which began operations in 1972.

With head-hunting, a contingency fee system is used by many companies. In other words, the firm charges a percentage of the annual salary of the person that the firm is head-hunting. Egon Zehnder does not use this system, because with a contingency system, there is the tendency for a firm to introduce people easily in order to earn as much commission as possible.

Therefore, instead, Zehnder's service takes the form of a total consultation. When an appropriate person cannot be located, or the person found turns out to be unsuitable, Zehnder helps the client in selling or buying an enterprise or finding

a partner. The aim is to reinforce the entire organization. Egon Zehnder regards an executive search as a professional service, and for that reason does not refer to itself as a head hunter.

The six consultants in Japan did not have previous experience as head hunters. All are graduates of top-class universities, have worked for top Japanese enterprises, have been stationed overseas, and have a business degree. The requirements of Egon Zehnder for those who work in Japan are "a person who understands international business, is capable of organizational analysis, with the ability to correctly evaluate people."

Regarding the executive search business of Egon Zehnder in Japan, 70% involves executive-level personnel and the remaining 30% are bond traders for securities companies or specialists in the medical field. Of its clients, 80% have foreign capital. Many Japanese client companies require personnel for their international divisions.

As Ichiro Taniuchi, one of the consultants, explained, "With ordinary head hunters, the more personnel they introduce, the more commission they earn. So they tend to make money by introducing as many people as possible, but in our case the number of cases we handle is only about 10 people a year. This is due to our attitude of carefully introducing personnel, taking time and thinking the issues through with the client."

As the Egon Zehnder business has become more widely understood, so the business has progressed, and as Kurisaka says, "We are confident and proud that Egon Zehnder is better than other companies in the same field. Regarding Japanese business, what I find is that Japanese enterprises are not nurturing personnel. When Mr. A is taken from company B he is left with nothing. Also there are many people who cannot do anything on their own. I do hope a climate to nurture professional businessmen will be established as soon as possible." ■

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