

Deltapoint: Care in Consulting

By Nagami Kishi

One of the most successful approaches for a foreign company to take when it enters the Japanese market is to have a Japanese chief executive who owns a considerable percentage of its interest. One good example of this is McDonald's Corp.; when it began to do business in Japan, it decided to have Den Fujita, its Japanese partner, and his own company own 50% of its stock. This approach more often brings success rather than failure because the Japanese partner of a foreign company manages the subsidiary as if he were the owner. One of the foreign companies which has succeeded by taking this approach is Deltapoint International, the Japanese subsidiary of an American consulting company.

Deltapoint Corporation, Deltapoint International's parent company, was established as a consulting firm in California in 1972. It later moved its head office to Bellevue, Washington, and now offers consulting services mainly to businesses and governmental organizations in the United States, Canada, Japan and Europe.

Still young

Deltapoint Corporation is still young and not very large. Yet, as demonstrated by the fact that the firm was incorporated by young people fresh from a graduate school as an extension of a consulting business they had started at school, the firm had a very enterprising atmosphere. It is now counted as being among the leading consulting firms in the United States in such business areas as TQC (total quality control), with its clients including Boeing Co. and other prestigious companies.

Deltapoint International was founded in 1986 as Deltapoint Corporation's Japanese subsidiary. Its chief executive and managing director, Mie Tenoh, owns a 51% stake.

The work of Deltapoint International

can be roughly divided into three aspects. One involves a role as the Japan Representative Office of the Commission for the New Towns. The "New Town" is a plan being promoted by the British government to construct 21 new towns in Britain. As a window for the commission on the Japanese business world, Deltapoint International encourages Japanese manufacturers to open plants in one of the new towns, and offers them a consulting service.

Deltapoint initially served as the Japan Liaison Office of Telford Development Corporation, which is said to be one of the most successful corporations established for the New Town plan, and succeeded in attracting 25 Japanese companies, including NEC Corp. and Ricoh Co., Ltd., into the plan.

Tenoh, who has worked on the Telford project for 13 years, said, "The New Town plan is very large in scale, including not only the construction of manufacturing plants, but also that of residences, schools, parks and commercial facilities. The site in Telford alone has an area of 7,810 hectares, which suggests how vast is the entire spatial size devoted to this plan. Its vastness is not the only impressive feature of this plan. The entire plan is being operated under a significant system, which can eliminate incentives on the part of landowners to hold out for higher prices and which can prevent obstructions to construction from occurring as the result of higher and flexible land prices. For example, development corporations are protected by the preferred purchasing right, which allows them to purchase land at a fixed basic price."

People tend to think that large companies with long experience in building plants in foreign countries, such as NEC and Ricoh, will not need to use the consulting service. This is not so. Japanese individuals and companies are often invited to open plants or offices by various state governments or municipalities in foreign countries. Japanese

individuals and companies usually have difficulty in evaluating these invitations as well as in acquiring local information concerning, for example, distribution channels and the availability of parts. Deltapoint advises its clients after collecting such information.

Serving as a window

The British government takes about 30 years to construct one new town. Through the service as the window for the Commission for the New Towns and as a consultant to companies considering building plants in a new town, Deltapoint can accumulate relevant information effectively and efficiently.

Telford Development Corporation initially targeted American companies. Soon, however, American business conditions began to decline and the Japanese economy began to prosper. As this trend intensified, Telford shifted its emphasis from the United States to Japan, and became successful thereafter.

"It is lucky for us to be able to become the Japan Liaison Office for all of the 21 construction projects; we are, however, still in the stage of studying the characteristics of individual towns and collecting basic information. We have a long way to go since we have begun activities for only three or four of these projects," says Tenoh.

She adds, "Japanese companies are welcomed by local communities. Once they enter a community they settle down and manage their plants in a so-called humanistic way. This is quite distinct from the way of American companies; they withdraw or sell their plants as soon as business conditions become unfavorable. The merits are also great for Japanese companies. The British market is now attracting considerable attention from Japanese companies because entering the British market can be an important step into the EC market. In addition, plans initiated by national governments



Deltapoint chief executive Mie Tenoh (second from left) attends an explanatory session of the Telford Development Corporation in England.

like the New Town plan are safer to participate in and more advantageous concerning taxation. Above all, the construction cost is only one-fourth of that in Japan.”

Tenoh recalls the case of a Japanese company, which had built a plant in the Telford New Town, decided to expand its business plan and wanted to buy part of an adjacent lot. The lot, however, had already been bought by another company. The company consulted with Tenoh, who further consulted with Telford Development Corporation. Willingly, the corporation talked with the latter company, which readily agreed to sell part of its lot. Considering the situation as well as the favor which the other foreign company showed, the Japanese company expected that it would have to purchase the land for a higher price. But the price of the land was exactly the same as the original one. Tenoh says that the policy of the corporation to maintain the selling and buying prices of land constant greatly affected the process there.

“Nobody expects this to happen in Japan, where land ownership represents greater advantages than ownership of any other asset. I thought that the system of the New Town plan was wonderful,” says Tenoh.

The second pillar of Deltapoint’s business is the invitation of Japanese companies into the service areas of the American Electric Power Company. This company is the second-largest in the U.S. industry, with a size similar to that of the Kansai Electric Power Co., Inc. Its service areas extend over several states, including West Virginia, where large companies are fewer than the average. It decided to increase large industrial users as well as to contribute to the promotion of the local economy by inviting Japanese companies, and came to Deltapoint International for advice and assistance.

Deltapoint began to work with the utility company in 1988, and has succeeded in attracting three companies, including an automobile maker and a construction company. There are also several prospective companies on a list which Tenoh and her staff are working on.

“We would like to continue to assist A.E.P.C. in its activities. We have experience in work similar to that undertaken by JETRO (Japan External Trade Organization), which includes advising an American electric company concerning how it can increase exports by manufacturers operating in the service area. We also play an active part in public activities,” says Tenoh.

Tenoh admits that Deltapoint was not an exception from the long list of companies which were affected by the collapse of the bubble economy. In the aftermath of the economic collapse, a few prospective companies withdrew their plans during the final stage.

The third business pillar of Deltapoint is giving assistance to its parent company in TQC-related activities. The term TQC is by now almost immediately associated with Japanese-style management. Reflecting this fact, American companies have strong demand for opportunities to learn Japanese-style TQC and management. Deltapoint organizes and arranges for lectures and study meetings for executives and directors who visit Japan from the United States.

Tenoh says, “From a leading airplane manufacturer group alone, over 100 executives came to Japan; we held study meetings and conversations with them. Besides TQC, they wanted very much to know about the Japanese management system, decision-making by top management, and many other things. My impression was that the American managers wanted to learn and to follow

the old-style management system which many Japanese companies are now trying to drop. I think that the gap between what is thought to be Japanese by Americans and what is really going on in Japan is great.”

Closely tailored

The business of Deltapoint International has doubled every year into a size almost incompatible with the inherent nature of the consulting business; this requires the firm to offer closely tailored services. Tenoh is trying to solve this problem by preparing an instruction manual, thereby making it possible for younger employees with less experience to do a considerable part of their jobs alone.

Tenoh is the first Japanese woman to be appointed a director of ACCJ (American Chamber of Commerce in Japan). As an ACCJ director, she is now working hard to enhance Japan-U.S. cooperation and eliminate communication gaps between the two cultures.

This way to establish a Japanese subsidiary—first, using a Japanese who is familiar with Japanese business and social circumstances as chief executive and secondly, having this person invest in the subsidiary, thereby creating awareness as a business owner—is advantageous in that a network of subsidiaries of foreign companies and information which comes from this network, combined with knowledge of and information on Japanese society from the Japanese chief executive, can help the subsidiary develop very effective strategies. As people who have spent several years of their childhood or adolescence in a foreign country—Tenoh studied and worked in the U.S.—and businesspeople who have international business experience increase, more foreign companies are expected to choose this method to establish Japanese subsidiaries. ■

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