

Adia Central Ltd.

By Kishi Nagami

Omoi Toru, president of Adia Central Ltd., the Japanese subsidiary of Adia S.A., a company based in Lausanne, Switzerland in the temporary help service business, laid out the prospectives for the future of his company, "We have continued to grow steadily since we started our business in Japan. However, in the previous fiscal year we experienced our first decline in sales due to the sluggish Japanese economy, and we expect a further decline this year. As for profits, we have maintained our target since we cut costs in anticipation of this situation."

Adia began operations in this country eight years ago, when the temporary help business was first legalized. In those years, Manpower, Inc., which introduced this industry into Japan, succeeded in having the temporary service business recognized by the Ministry of Labor following countless hours of negotiations. Persuaded by the successful results of Manpower's operations, the ministry finally took action to legalize this business.

Adia, which had been conducting research into the Japanese market for many years, sought to recruit Omoi as president of its subsidiary, Adia Japan. Omoi agreed to accept this offer on one condition; that he be entirely entrusted with the management of the new subsidiary, a condition which was accepted. Omoi attached this particular condition because of a bitter experience with his previous company. He was heading the Japan office of an American company in the sale of computer software products for hospitals. Since the software products had been developed in the United States, they were incompatible in many aspects with Japanese hospital situations. He explained over and over that Japanese hospitals operated under a different system from that in the United States, but only met with flat denials. The concept was that each product was good enough to persuade a large hospital to secure a purchase contract. When

the product was delivered, though, it didn't work. Omoi worked very hard for five years to maintain the subsidiary, only in vain.

But, thanks to Omoi's competency in business management, Adia Japan achieved a high growth rate from the start. Adia approached Omoi just around the time he was leaving the American company, and he emphasized strongly how important it was to manage in accordance with Japanese conditions. "During the two years after the start of Adia's business in Japan, I worked until late at night and took no days off. In addition to my task as president, I did all the other work myself, from accounting to general affairs, since I had no one around that I could entrust with these important tasks. It was only in the third year that I could be away from work on some Sundays," Omoi reflected.

The initial business plan that Omoi prepared was that in the third year the company would reach a break-even point and in its fifth year eliminate all the deficits which would have accumulated by then. Thus, the plan projected a considerable loss in the first and second years, which the head office was generous enough to understand. Once the business started, however, the company performed surprisingly well, growing rapidly; it recorded sales of ¥600 million in the first year, which was two times larger than the target, tripled the first-year sales to ¥1.7 billion in the second year, and then earned ¥2.9 billion in the third year. The company could eliminate all the accumulated losses in the third year, which was two years ahead of the original plan.

While many companies entered the temporary help business after its legalization, Adia Japan's status of being the subsidiary of the world's second largest



Adia Central Ltd. President Omoi Toru

company in Switzerland, with a 35 year history, gave it a strong edge over its competitors. Adia's know-how in the temp business was not of much use in Japan because of the differences in circumstances between the two countries. Omoi, therefore, decided to affiliate with a Japanese temp company. In addition, he outsourced advertising to the world's largest ad agency.

Omoi states, "This industry seems to have no established know-how. Once a company hit upon a good idea, all the others imitated it immediately. The point, I believe, is how you can enhance the quality of temp workers."

Omoi's philosophy is that both client companies and temp workers are the company's customers, while some competitors see their temp workers as products, which he considers wrong. With the aim of making his philosophy thoroughly understood and shared by the employees, he demands that they use the suffix of respect, *san*, to the names of temp workers when referring to them. As a means of enhancing the quality of temp workers, he created a system whereby the enrollment fee for a temp worker who wants to take lessons at an English conversation or other vocational school is borne by the company and, after a certain amount of temp work is done by the worker, the lesson fees are to be repaid to him or

her.

Because of the characteristics of the temporary help business, most companies operate on a branch basis to ensure that their services meet the needs of individual areas. This method has one drawback; employees tend to stick to individual branches, resulting in separate business operations as if they were different companies.

In order to eliminate the unfavorable effects associated with such a branch-oriented business management, Omoi began to hold a one-hour training session attended by all employees at 6:30 p.m. on a once-a-week basis. This session is held on the pretext of studying how to do business, legal affairs, and other relevant subjects, but Omoi's true intention was to create a platform for communication between the employees of different branches. In addition, he holds managers' meetings once a week to discuss whatever is happening in the company. Each branch head is required to report to the branch staff what was discussed at the meeting so that information on the company's present situations can be shared by all the employees.

Although the company was growing, Omoi thought of expanding its business. Adia Japan merged with Central Aid, a Japanese company in the same business, in October 1990, and formed a new company named Adia Central. "I was on friendly terms with the president of Central Aid through various meetings within the industry. The absence of an appropriate successor on his part also made the merger negotiations quite smooth."

Presently, Adia Central's annual sales total approximately ¥10 billion, ranking fifth in the Japanese temp industry. Since there is little difference between itself and the third and fourth largest competitors, the company has a fair chance of climbing to a better position. Under the present sluggish economy, however, business has deteriorated; client companies just are not hiring temp workers at this time. Under such adverse conditions, Omoi still exerted his masterly management skills.

The sales goal for 1992 was increased

on the grounds that business performance had been good. As the year progressed, however, Omoi began to realize that circumstances had changed. He prepared two different plans, both which set lower goals, but performance still did not reach par. Realizing the necessity for some radical action, he reduced the number of branches, which had grown to 18, by closing or combining them while cutting his 160 employees to 120. He completed these cuts quickly, beginning at the end of last year and finishing in the spring of this year. The reduction of employees was done by not filling retirement vacancies and reducing his own part-time employees.

Thanks to this action, Adia Central exceeded its profit target, although its sales were below their goal. This year, sales are expected to be lower again, but the company is performing well enough to meet its profit target. "Sales accounts for only 5% of the total Adia group. In profit terms, however, we were second best in the group, partly due to the sluggish economy in Europe."

Omoi attributes Adia's Japanese subsidiary's rapid success to the timing of entering the market as well as the fact that both the head office and Japanese management started the business under a long-term plan and did not worry about the deficits in the initial stage. Another important success factor that Omoi mentions is the existence of a competent right-hand employee.

She is a 43-year old woman, who is now the manager in charge of finance and general affairs. Because of previous work as a secretary to a large foreign company executive, she applied for the post of Omoi's secretary. The company was thinly staffed then, and during the the job interview she was told that she might be asked to clean toilets in addition to her secretarial responsibilities. She said that she didn't mind and was accepted by the company. On the job, she soon proved to be very bright and enthusiastic, absorbing relevant knowledge rapidly. She did her task exactly as directed, and at a considerable level of perfection. After joining the company and demonstrating her ability, Omoi

was able to concentrate on his sales activities, entrusting to her all the management tasks. There are not many presidents who can use female employees as effectively as Omoi.

Omoi feels grateful to the head management of Adia for entrusting him with the entire management, which he thinks to be more than just keeping a promise. The head management allowed him to take important actions, such as opening a branch at his own discretion. Even when he closed and combined branches to cut costs, he heard no objections from the home office.

"I did not want to work in such an industry where the superiority of products supplied from the head company determines the extent of its competitive power on the Japanese market. At this point, the temporary help business was perfectly suited for me because differences from one country to another are inevitable and there is room for innovation. The head company understands such characteristics of this business, and is quite generous in regards to decentralizing its authority."

Even Omoi, who exerts his extraordinary ability to the full in negotiations and streamlining under a recession, feels helpless in the face of meticulous legal regulations in Japan. Under Japanese law, the number of business types which temp companies are permitted to handle is restricted to only 16.

"In the United States and Britain, for example, there are no restrictions on business types; temp companies can send their workers for any kind of work. In these countries the use of temp workers is quite prominent among sales companies as well as retailers. That is why there are many temp companies operating in local cities. Germany has certain restrictions on business types, but it only designates those in which the dispatch of temp workers are prohibited. Here in Japan, allowed business temp types of work are permitted, which is completely the other way round." There seems to be no other way but wait for government deregulation.

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