

# Can a medium sized foreign company afford the investment for a Japan branch?

by Horst Mueller

## Reminiscence

Many owners or directors of companies all over the world have contemplated this question. At the Hoerbiger head office in Vienna, Austria the conclusion was a positive one and that already in 1968.

Hoerbiger by that time had a network of manufacturing and sales companies all over Europe and just a few years before had started the Hoerbiger Corporation of America. The next step was Asia and, in those days, this meant Japan.

I was just 28 years old when I was asked to go to Japan and to start a sales company there. I had good know-how of our products, but almost no idea about the Japanese market. Was it my youthful optimism or just plain stupidity that made me accept the challenge? A wiser man would have consulted people with Japan experience first, and most likely would have declined the offer.

Production costs in Japan were very low, I assume about 1/3 of the Austrian level. Import duties were high and for every order or shipment from abroad, you had to apply for an import license. Foreigners were rare. Just imagine—when you saw another foreigner walking on the other side of the Ginza main street, you would cross over to say hello! Of course, there were many things I miss—the ¥10 sushi for instance. Or my first house in Yokohama, which I bought for a mere ¥12 million.

## The product

Hoerbiger is an international group of companies with its headquarters in Vienna, Austria and operates in all the major industrialized countries of the world with its manufacturing, sales and service companies. It is an engineering



As Japanese as possible: Hoerbiger Nippon K.K.'s Office in Japan

company specializing in the fields of compressor, automation and drive technology. Some 3000 employees in about 50 companies world-wide contribute to the development, manufacture and servicing of products which are more than just technical and economic solutions in the compressor, automation and automotive industries.

In Japan, Hoerbiger concentrates mainly on the compressor technology sector. In this field, Hoerbiger is the largest independent manufacturer of compressor valves and compressor regulating equipment in the world—a specialist with over 100 years of experience and a product range comprising plate valves (with steel or non-metallic sealing elements), reed valves for air and gas compressors, relief valves for diesel and gas engines, scavenging pump valves for marine diesel engines and regulating equipment for piston and rotary compressors.

A specialized service company provides a unique repair and problem-solving service for compressor valves and their regulating equipment. Expert knowledge of valves, special machines and a comprehensive stock of spare parts enable us to provide a fast service in restoring used valves to their "as new" performance, ensuring that compressors run with optimum energy efficiency.

## The game of Go

I have to admit to one advantage I had over most other foreigners coming to Japan with a similar task—I was fond of playing *Go*. My father was a very strong chess player and for me as a child it was practically impossible ever to beat him. But I liked games—or mental sports as I prefer to call them—and, when passing a Viennese coffee shop one day, I noticed a sign in the window inviting people in to learn to



play *Go*. This accidental glance into the coffee shop window changed my life. The ability of Austrian *Go* players then was not very high and very soon I was able to play on even terms with most of them.

There was only one way to improve, however—go to Japan. This I was able to do in 1961. My original plan to stay for about 3 months was soon dropped. I was so fascinated with Japan, its way of life, its people and, of course, the game of *Go* that the original 3 months became more than 3 years.

### Hoerbiger Nippon K.K.

Hoerbiger made it possible for me to return to and to work in Japan. The beginning was quite humble—a little office in Aoyama staffed by me, an elderly Japanese assistant and a secretary. It was fortunate that I kept the overhead expenses low, because the beginning certainly was tough. Hoerbiger valves were completely unknown in Japan. Compressor manufacturers relied on in-house

production and most of them were not even willing to receive me. The only way open was the user market, which means refineries, chemical and petrochemical plants, power stations and other users of large size compressors.

Talking the maintenance people into permitting me to visit was already quite a difficult task. But then attempting to sell our valves was just met with disbelieving silence. Just imagine—this young foreigner comes here to tell us, a large Japanese corporation, to replace the Japanese-made valves in our Japanese-made compressors with something foreign! And the impudence to ask if we have any problems with our valves!

Occasionally I did find a maintenance manager at least willing to listen. Repeated visits broke the ice, or maybe it was just pity, but small test orders slowly came in. The success rate of such conversions from Japanese-made to Hoerbiger valves was good, and the orders became larger. References in Europe were meaningless, but Japanese

ones did count and helped me on.

Probably today, with the exposure to so many foreign products, it is not a major concern anymore, but back then everybody worried about after-service. Would Hoerbiger support the customer with prompt supply of spare parts or in case of problems?

Three decisions made then were crucial for our success:

The promise to keep stock and to deliver spare parts within 24 hours

To visit every customer frequently

To make Hoerbiger Nippon as Japanese as possible

In many refineries all over Japan, we are today listed as the most trustworthy supplier—we deliver even faster than the original Japanese vendor. Frequent customer visits are still our most potent sales tool. A social call on a customer should not be regarded as a waste of time and travel expenses. He feels cared for and we have received valuable information on just such visits. Be as Japanese as possible—let me give you an example.

One of our oldest and largest customers in Japan is a compressor manufacturer in Kansai. All major suppliers are members of a vendors association (*kai*) and meet once a year over a weekend in a Japanese spa, talking business, bathing, eating, singing and playing together. I have been the *kaicho* (president) of this group of Japanese business people now for eight years, and I believe that this is because of my complete integration.

The main target for me, however, remained the compressor manufacturers and not simply the users. All the successes we had had in the user field I reported to the original equipment



Hoerbiger's products penetrate the Japanese market



manufacturer. The proverb "constant dropping wears the stone" proved right, and slowly inquiries and orders from manufacturers came in.

I would now like to relate another story from my early learning days in Japan. One time, when I called on a manufacturer near Osaka for the first time, I was invited to visit the factory. On a compressor ready for delivery, I noticed a very large regulator valve. When I remarked to the factory manager about the unusual large size of this valve, he answered that he was not only unhappy with the size and the high cost, but also with its reliability. That is easy to understand, I thought, and I sent him some samples our own compact and cheap design. These were immediately tested and we received technical and commercial approval, with the comment that this matter was now in the hands of the management. After hearing nothing for a month, I called the purchasing department again, and received the same reply—all is well, the matter is in the hands of the management. Another month passed without any response and I therefore called again. I could sense a little irritation in the reply this time, but it was the same—the management. I did not give up, but I could see that this was not working out as I thought it surely would: a better product, a cheaper price—why the delay?

About two years later, I received a call from this company, with a request to visit immediately. I went and was presented with an exact delivery plan over 6 months, starting immediately. When I explained that this type of valve entailed an initial production and delivery time of 4 months, as mentioned in the offer, the purchasing manager looked shocked. We finally did come to an agreement, but I could not understand the two years of delay and then the sudden urgency.

What had happened? This company for many years had purchased the valve in question from a sub-supplier and they could not just stop this business, because it would have hurt the vendor badly. They were looking for another product they could use as a substitute

and, as soon as they had found it, implemented a change in their product line, using our valves.

Business people are business people, irrespective of place of birth, color of eyes or skin. We all want to sell a product or a service at a profit. Expatriate business people tend to overlook this common goal and see only the differences in approach to the mutual aim of their counterparts in the host country.

Today, after 30 years of experience and after having attained a market share in Japan which would be hard to improve on, I tend to see things through rose-tinted glasses. My early experience in Osaka with the regulator valve was frustrating for a sales person wishing to win a new customer, and many foreign business people will find themselves in similar positions. But look at it from the other side. You will hardly ever lose a customer to the competition without ample warning. On several occasions, I have been presented with a copy of an offer submitted by a competitor, and asked to comment on it. In such a case, you can either prove the technical superiority of your product or match the price. As a long-time and trusted supplier, you can even get away with a slightly higher price than a newcomer.

An often-heard complaint about Japan from foreigners is the tedious decision making process, the long meetings and the many people involved. Yes, but one can see the positive side of it. Here you have everybody involved together in one room—the purchasing people, the design engineers, the quality control section, the warehouse staff: every department involved is represented. Everybody has his or her say and many questions, problems and misunderstandings are eliminated already from the very beginning.

## The European Business Community (EBC) in Japan

I think I'm a lucky guy—I am not in the "Fresh Food" or the "Photographic Film" business. If I were, I certainly

would have written a very different story. When Austria joined the EU, it became possible for Austrian business people working in Japan to become members of the European Business Community, an organization formed by the European Union National Chambers of Commerce and Industry in Japan. Austria did not previously have a chamber of commerce in Japan, but in order to participate in the activities of the EU, we organized ourselves under the name of the Austrian Business Council (ABC) and I was elected president.

Taking part in EBC meetings made me aware of the many difficulties foreign business people can be confronted with, most of them being in the form of government-imposed restrictions, regulations or outright import bans. Having started out in a much more restrictive Japan, I tend to see all the improvements made in the past. Besides, do we foreigners in Japan consider how foreign business people fare in our home countries? Another thing I noticed clearly—old established foreign companies in Japan have few complaints.

## Conclusion

This article is headed "Can a Medium Sized Foreign Company Afford the Investment for a Japan branch?" For Hoerbiger, the question in retrospect is rather "can we afford not to have a Japan branch?" Out of the little office in Aoyama developed an Asia/Pacific-wide organization with manufacturing plants in India, China and Australia, service companies in Japan, Korea, Indonesia, Singapore and Thailand, plus sales outlets in New Zealand and Taiwan.

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