MEITEC: Marketing Brains

By Kazuhisa Maeno

Summer in Nagoya, square in the middle of the Japanese archipelago, is humid and terribly hot.

At the end of July this year, a fashionable three-story white building topped with a one-story tower was completed in the middle of the regional city, halfway between Tokyo and Osaka. The opening ceremony was held in the sizzling heat in the presence of guests from all quarters of Japanese industry.

The building belongs to Meitec, a bastion for launching the worldwide activities of this venture business extraordinaire. The striking architecture is enough to make anyone ask, what kind of company is Meitec?

One hint comes from its name. Formerly called Nagoya Technical Center Co., the company changed its name to Meitec as of January 1 this year. Meitec's management felt that it was no longer appropriate to use the name of a regional city because they plan to advance throughout the world.

Meitec fills the bill. It stands for Mechanical, Electrical and Electronic Information Technology Galaxy. Yet even this name doesn't give a full indication of the company's business.

Meitec has scores of design engineers on its payroll as "regular full-time employees." But in one sense they work for someone else. Meitec's business is to dispatch these employees, on a subcontract basis, to companies which temporarily require the services of design engineers. When an order is received, the company sends the engineers best qualified to handle the work involved. Meitec is a professional helper in design and development work.

The company's catchword used to be "engineers who can be of immediate service." Now it has been changed to "opening a new age with human resources and technology."

Meitec reportedly has more than 300 leading Japanese corporations among its clients, including Mitsubishi Heavy Industries, Matsushita Electric Industrial Co., Toyota Motor Corporation, Nissan Motor Co., and Hitachi. It may well be called the hidden dynamo that keeps the Japanese economy growing.

Fusaro Sekiguchi, president of Meitec

Certainly it has kept itself growing. When the company was established in July 1974, it had only seven people on the payroll. Only 11 years later, it now boasts 2,600 employees. Sales in 1984 exceeded ¥11 billion (about $46 million). Few companies can match Meitec's extraordinary 30 percent annual growth rate.

To be sure, there are companies in the United States that also supply manpower to corporations. In fact, the business started in the U.S. earlier than in Japan. But in the U.S. the manpower business usually means keeping a roster of registered engineers who can be called upon on request, with the agency receiving a commission.

Qtech, based in California's Silicon Valley, has a register of 30,000 people. Currently, it has 350 engineers on dispatch and is earning ¥2 billion ($8.3 million) in annual sales. But despite its size, Qtech is nothing more than a placement agency. It is, so to speak, an auxiliary agency that makes up for shortages of design engineers.

Meitec is definitely in a different class. It undertakes design work in cooperation with client firms by dispatching its staff engineers to their offices on a temporary basis. In order to take full responsibility for the engineers, Meitec hires them as full-time employees and keeps them on the company's regular payroll, instead of just registering names. And as it is responsible for the personnel it dispatches to client firms, Meitec has to ensure that the technical level of its employees satisfies client needs. The company therefore takes it upon itself to educate and train its own employees.

Training fills manpower gaps

The training institute is housed in the new Nagoya building, and is called the "Mechatro Training Center." It is no exaggeration to say that the institute is symbolic of the driving force that has enabled Meitec to achieve its spectacular growth.

The Mechatro Training Center is furnished with machines and equipment that trainees need in order to master the most advanced mechatronic technology. On the first floor a CAD room is equipped with IBM 5550-model micro CADAM machines. But it is the second floor which constitutes the center's real brain. It is furnished with state-of-the-art computers, including VAX super minicomputers. In addition, there are rows of CNC (computerized numerical control) desk-top lathes, vibration testing machines, and many other devices. These machines were installed in the belief that design engineers must acquire practical skills in operating machinery as well as designing it.

In its early days, Meitec headhunted engineers from other companies. Before long though, it began to feel a shortage of qualified people. The company began hiring engineering students upon graduation from university.

In order to keep up with its rapid expansion, in some years the company has hired as many as 400 graduates. Unable to get enough from the universities, the company has even taken to hiring graduates from higher technical schools.

The education provided by higher

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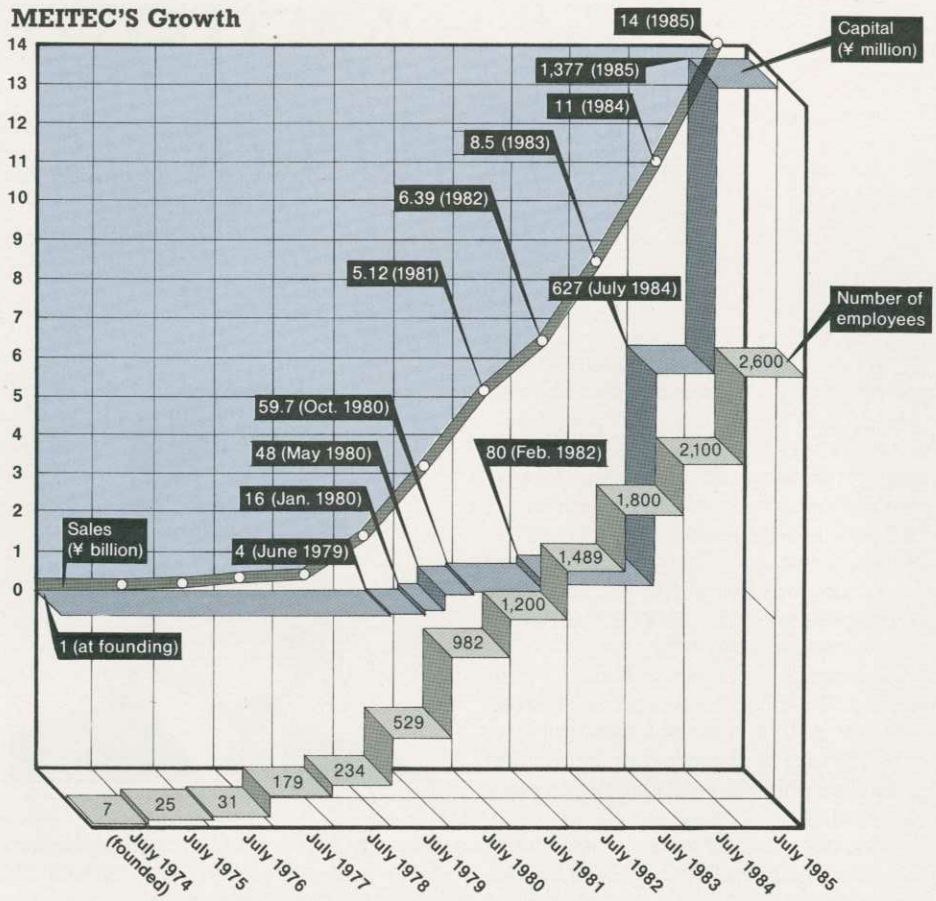
technical schools lags behind today's technological innovations. Whereas 99% of senior high schools in the United Kingdom and 85% of high schools in the United States are outfitted with personal computers, only 56% of Japanese senior high schools can make the same claim. One striking characteristic of Japanese companies is that when such an education gap occurs in their manpower, they take the initiative themselves to remedy it.

Meitec is no exception. It provides education and training to newly hired senior high school graduates throughout the first year of their employment, as well as continuing education for middle-echelon staff to upgrade technical skills. Needless to say, these courses are given free of charge. In fact, the company pays monthly wages to new recruits still in the training program.

Meitec is not the only company to do this. Toyota Motor Corporation, NTT (Nippon Telegraph and Telephone Corporation) and other big Japanese corporations have education institutes similar to Meitec's where they try to upgrade the technical skills of their employees. This is one of the factors ensuring the high quality of goods manufactured in Japan.



Staff comes first

Meitec was established in July 1974, with capital of ¥1 million (about $4,170). Its main initial business was designing general industrial machinery. At the start, the small staff was all engineers who had quit Sekiguchi Industrial Technology Co., headquartered in Amagasaki City, Hyogo Prefecture, to set up their own enterprise. The company they broke away from was owned by the father of Fusaro Sekiguchi, Meitec's current president.

In those days, Sekiguchi was his father's Nagoya Sales Office general manager. Because of his familial ties, he could not join the founding members of Meitec. However, he provided advice to the new company from time to time, with the result that he was nominated its president six years later.

Meitec operated in the red for its first three years, which coincided with one of the Japanese economy's worst-ever recessions following the 1973 oil shock. Despite the financial difficulties, however, Sekiguchi never wavered in his belief that human resources, or more precisely human brains, were the prime assets of this fledgling company.

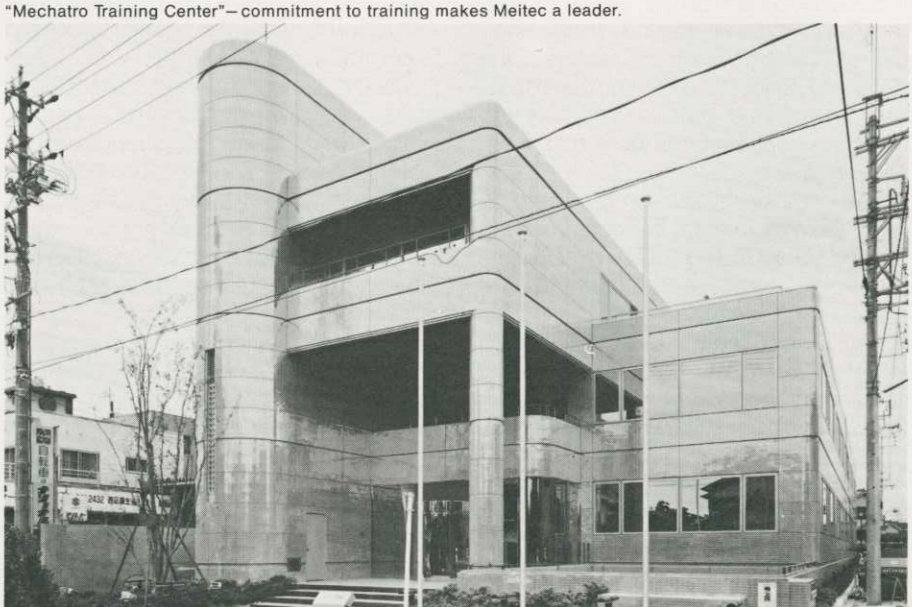
He put "help wanted" ads in newspapers to recruit engineers. Hit hard by the recession, big companies were dismissing dozens of engineers, and many of these excellent designers applied for jobs with Meitec. Confident that the economy moves in cycles and that business was sure to pick up someday, Sekiguchi decided the company should hire able men even if there was not enough work to support them. By 1978, the number of design engineers exceeded 200.

Having hired more workers than it needed, the company soon ran into financial difficulties. As a result, some employees were ordered to stay at home, but Sekiguchi did not let them down. "We will get busy before long," he told them. "Until then, please go down to the river and spend your time fishing." He mortgaged his house and used his personal property as security to borrow money from banks for his employees' monthly salaries.

The employees who lived through the company's financial tribulations today have become its executives. General Manager Yasuoki Watanabe of Meitec's Sales Division is one of them. He quit Toray during the recession years and decided to join Meitec.

"Anyone who dismisses employees in order to rehabilitate his company is not a qualified manager," remarks Sekiguchi. "A true manager would find new jobs

"Mechatro Training Center"—commitment to training makes Meitec a leader.



for his employees." He himself made the rounds of potential clients to get orders, and it was not easy. Nagoya people are very old-fashioned and conservative. Their reaction, recalls Sekiguchi, was that it was "unthinkable to pay money for information (design)."

Client trust in service sector

Design involves corporate secrets. Some people told Sekiguchi, "You ask us to give you orders for design work. You propose to dispatch your engineers to our company. What kind of information do you want to steal from us?" Although the number of employees had increased enormously, orders were still slow. But at last the economy began to improve.

Although the top echelon of the technical divisions of many companies often felt the need to farm out design work, Sekiguchi found it extremely difficult to approach the right people without special letters of introduction. To overcome this difficulty, he resorted to direct mail. Around that time, he was bedridden in the hospital with a serious disease. Sitting on his hospital bed, Sekiguchi busily wrote direct mail messages to potential clients, explaining the high technical standards of his engineers, the merits clients would derive from using personnel dispatched by his company, and the company's doctrine of protecting the corporate secrets of clients at all cost.

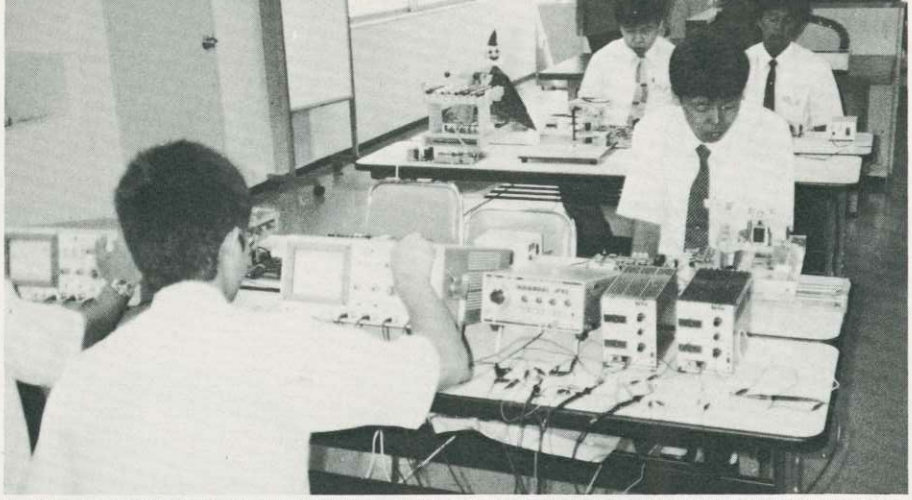
In time, he began to receive telephone calls asking him to come explain his company's business. Orders began to flow in from automakers, aircraft companies, and other industries.

With the growing service-orientation of the economy, manufacturers had begun producing a greater variety of products in smaller lots to meet the individual tastes and preferences of consumers. Even a single car model, for example, now has 60 to 70 possible variations in just its dashboard components and in the shape and color of the rearview mirror.

All this means more work for Meitec. The age of farming out designing work foreseen by Sekiguchi has finally come to pass. Orders for design work are snowballing year by year.

Meitec full-time employees work in the offices of clients for as long as necessary, mingling and cooperating harmoniously with the regular staff.

Today, most big Japanese companies have established engineering and/or design subsidiaries. When Meitec receives an order from such a firm, Sekiguchi's managers conclude a subcontracting agreement with the parent company so Meitec can compete with the subsidiary on an equal footing. Clients usually appreciate Meitec's competition with their subsidiaries, which they say results in upgrading their own technical standards.



Training is a continual process at Meitec: it sets aside about 30% of each employee's annual working hours for training.

"Design" can be broadly divided into three phases: "conceptual design" to establish a product concept and find out what actual items should be developed to satisfy market needs; "basic design" to give concrete shape to the "conceptual design" and give birth to a product; and "detailed design" to draw a precise blueprint of each part used in the final product. Meitec undertakes "detailed design," which is the most tedious of the three, and requires patience and painstaking effort. Meitec, so to speak, plays the role of the behind-the-scenes stagehand for other corporations.

Meitec engineers drew up the blueprints for the N rocket launched from the Tanegashima Space Center of the National Space Development Agency as well as for some sections of the Boeing 767 jet passenger plane.

Reputation built on quality people

Because its assets are the brains of its employees, Meitec is always enthusiastic about education and training. Newcomers, including graduates fresh out of universities and higher technical schools, are taught machine designing for three to six months, and electronic design and software technology for six to twelve months at company administrative offices throughout Japan. They are taught everything from fundamentals to application technology by experienced seniors.

But training is a continual process. When employees return from the companies to which they have been dispatched, they receive refresher courses. On Saturdays and Sundays the company provides lectures in specialized technologies by experts from universities and manufacturers. Attendance is not compulsory, yet the lecture hall is always overflowing with employees. The company says it sets aside about 30% of each employee's annual working hours for training and education.

Meitec has continued to grow because of the reputation of its highly trained personnel. In 1980 it extended its business activities to Osaka, followed by Tokyo in 1982. Administrative offices have been established in the Kansai district around Osaka and in the Kanto district centered on Tokyo, while sales offices have been established in Hiroshima, Yokohama, Sendai and 11 other places throughout the country. All these offices cultivate clients, recruit personnel, and manage labor. In just the 11 years since its establishment, Meitec has extended its business activities to every corner of the Japanese archipelago.

Meitec is now pushing full speed ahead to achieve its three key goals of increasing the number of its engineers to 3,000, boosting annual sales to ¥20 billion ($83 million), and getting listed on the Tokyo Stock Exchange in 1987. Nor are its business activities confined to the domestic market. It will shortly open an office in the Silicon Valley in California, and is reportedly studying the feasibility of advancing into Ireland, South Korea and Taiwan, from which it has already received inquiries.

One of the powerful warlords during Japan's civil-war torn 16th century was Oda Nobunaga, who emerged from the Nagoya area to subjugate the entire country. His rule, however, did not last long. Meitec, too, emerged from Nagoya and has established its dominance nationwide. But unlike Nobunaga, Meitec's dominance seems likely to endure. Indeed, this innovative venture business could soon be operating around the world. ●