

Kokoku Rubber Marches to a Different Drummer

By Morio Murakami

"Rather than indiscriminately expanding our scale of business we will devote ourselves to developing 'niche' technology, or technology on the borderline between different industries. This is the independent course of growth we have chosen," says President Tomoki Eno of Kokoku Rubber Industry Co., Ltd.

Kokoku Rubber Industry, a manufacturer of industrial rubber, is unique in that it has always developed its own technology and products, starting from its founding by former president Takeo Takino in 1924 to manufacture bicycle tires. President Takino set aside one corner of the factory for a laboratory to develop products other companies were not attempting.

Unlike his predecessor, current President Eno, who succeeded Takino in 1972, studied liberal arts at university. But he, too, has devoted efforts to expand the company's technical division.

Fifty-six-year-old Eno likes to stay in the background of company affairs and seldom sees his approximately 1,000 employees except when he delivers the 30-minute New Year message at the head office or when he attends ceremonies to welcome new recruits. On his rounds of plants and sales offices, he prefers to stay in the background and lets the general managers stay in the spotlight. The one exception is the thrice-a-year wage and bonus negotiations with union representatives which Eno attends.

The president holds only about 10% of the company's shares. Most of the other shares are held by employees and by the company's long-standing customers. The corporate tone is as reserved and conservative as President Eno himself.

Headquartered in Tokyo, Kokoku Rubber Industry has factories in Kambara and Daito, Shizuoka Prefecture, in Utsunomiya in Tochigi Prefecture and at Akabane in Tokyo, with sales offices in Osaka and Nagoya. Overseas, the company



President Tomoki Eno of Kokoku Rubber Industry

has a subsidiary in Chicago and a representative office in Los Angeles. An exceptionally wide variety of products is manufactured and shipped from the company's production bases and marketed through its sales network.

Capitalized at ¥315 million, the company's annual sales were just over ¥21.7 billion (\$136 million at the rate of ¥160/\$) in the September 1985 business term. Kokoku Rubber Industry is a company engaged in the small-lot production of a great variety of products—the natural outcome of the company's dedication to new technology development.

Going its own way

The company has chosen not to mass produce a limited number of products but to develop on its own unique high value-added products and to sell them through its own efforts.

One Kokoku factory may manufacture more than 800 items. The company as a whole keeps stocks of about 5,000 different items at all times. If trial-manufactured items and those no longer produced but stocked for after-sales service are included, the variety of products

which the company has on hand at one time could easily be double or even treble this figure.

Usually Japanese industrial rubber makers are under the umbrella of a major automobile company. However, Kokoku Rubber Industry has always remained aloof from such affiliations and has pursued a policy of independence. Neither has it joined any group headed by a major bank, and in contrast to many other independent small and medium-sized companies Kokoku Rubber Industry does not ask *sogo shosha* (general trading companies) to market its products.

The company's products can be roughly classified into four categories: products for the automobile industry (65% of total sales); products used in the electronic appliance and audio equipment industries (15%); products for information apparatuses and business machines (15%); and products used in the manufacture of medical instruments (5%).

Kokoku Rubber Industry is a leader in fuel systems, brakes and brake components and battery components used by the auto industry, and supplies automobile parts to all the Japanese car assemblers. It has a monopoly on the market for the diaphragms required for heavy-duty vehicle air brakes.

Parts manufactured by the company for electronic appliances and audio equipment include adiabatic hoses for air-conditioners, insulators and turntable sheets for stereo equipment and belts and pinch rollers for tape recorders.

Kokoku Rubber Industry's information equipment and business machines parts are drive belts and paper-feeding rollers for copy machines and facsimile machines, snapping rubber for computer terminals and conductive rubber contacts for desk-top calculators and push-button telephones. One current research project is focusing on eliminating electro-

magnetic waves by developing parts in which insulation and conductivity are successfully combined.

The company's special technical skills are also applied in the production of parts used in medical instruments. It supplies most of the rubber parts in medical instruments manufactured by Terumo Corp., a fast-growing manufacturer of disposable medical instruments, which include the rubber caps and joints fitted in disposable syringes, intravenous drip tubes and mixing tubes, rubber tips for blood specimen needles and rubber attachments of all kinds. Kokoku Rubber is the only Japanese industrial rubber manufacturer that has advanced into the sophisticated and exacting field of medical instrument parts. Its sales in this business are now second only to the leading specialized maker of medical instruments.

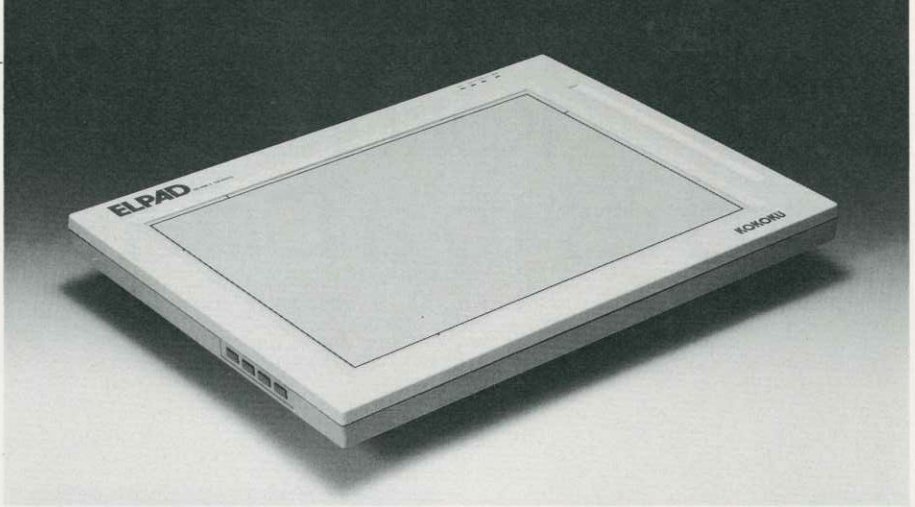
This diversity is what President Eno means by aiming at "niche" technology, those in-between areas too difficult for specialized manufacturers in other industries to develop. Kokoku Rubber Industry opens up new areas by developing new technology and new products using the know-how gained in manufacturing conventional products. Its success is the result of a combination of composite and "niche" technology.

Kokoku Rubber's products quickly earned a good reputation among world-class American companies, and the company established its first U.S. office in 1983. Although the ratio of the company's exports to total sales was still less than several percentage points then, its parts were used by many famous companies numbered among its overseas clients: automobile parts by General Motors; parts for information equipment and business machines by No. 1 keyboard maker Keytronic, and by IBM, Honeywell, Hewlett-Packard, Microswitch and Xerox; and parts for medical instruments by Abbott Laboratories and Becton, Dickinson & Co.

Putting brains above sales

Because of its strong technology development orientation, the company places great importance on human resources development. This "human resources first" policy means that Kokoku Rubber refrains from indiscriminately expanding its business scale and refuses to allow increased sales to become its main priority.

The company does not draw up medium-term or long-term management programs. Although top management does formulate policies concerning



Kokoku Rubber Industry's new Elpad, a handwriting input tablet using pressure-sensitive elastomer technology

which fields to concentrate on and compile a term budget for administrative control, it does not set production targets or plans to motivate its employees. The management believes that such targets often lead to shoddy production and may result in lowering the company's capability for long-term development. The company is organized into a number of profit centers with plants and sections constituting the individual units. Anyone can check Kokoku Rubber's business performance by looking at the open monthly accounting records. This management system can be likened to piling building-blocks from the bottom up, and provides employees with opportunities for development and makes the control of the company's huge inventory more efficient. Kokoku Rubber employees are trained within a unique organization and under a unique system.

One of the company's unique training methods is requiring the salesmen themselves to produce matrixes for the orders they obtain; engineers must mix the raw materials used in projects they are responsible for themselves. Even newly hired mid-career men are thoroughly trained in the basics Kokoku Rubber considers so important.

Employees assigned overseas receive several years of special training and are expected to become future executives. The quick results these employees have produced abroad is one reason why Kokoku Rubber Industry's U.S. business has shown such good results in only a few years. Very often a three-man team consisting of a factory man, a business man and a researcher is sent on overseas business trips so that they will learn from one another. This training method has contributed to the development of the company as a sophisticated brain trust.

The quality of rubber products depends largely on the combination of raw

materials and on the degree of kneading. The best formula and kneading process are developed into software by each supervisor and input into a computer at Kokoku Rubber Industry. Personal computers are located all over the company—so many of them, in fact, that employees sometimes complain that they get in the way. This is another example of Kokoku Rubber's training to develop employees who are full members of the brain trust.

As unorthodox as employee training may seem, the company's management practices are tried and true—and above all, sound. In the past five years, the company's current profit rose 68% while sales grew by 43%. The ratio of current profit to sales in the September 1985 business term exceeded 12%, and the ratio of owned capital to net worth and liabilities was over 50%. Most importantly, the company has been debt free for more than a dozen years.

Kokoku Rubber does not engage in the currently common fund management game to seek profits through financial investments. It pays a constant 15% per annum dividend and ploughs its profits into R&D, plant investment and employee training. A listing on the stock exchange is not a corporate goal.

Kokoku Rubber Industry is advancing from parts manufacturing into the device manufacturing field. At the Microcomputer Show '86 this May the company exhibited one such device, its new "Elpad," a handwriting input tablet using pressure-sensitive elastomer technology. Kokoku Rubber is now conducting a feasibility study on constructing a factory in the U.S. to stay apace of advances in the U.S. market by other Japanese assembly industries.

At the core of Kokoku Rubber Industry's success is a solid foundation of sound business and financial management from which to launch bold experiments in technology development. ●