

SELLING BRITISH ELECTRONICS  
TO THE JAPANESE  
**Part I: Selling to Japanese  
Manufacturers Investing in Britain**

IVOR COHEN

INTRODUCTION

JAPANESE TELEVISION COMPANIES first gained a foothold in the British market, importing sets, in 1973, when the 'Barber Boom' created more demand than could be met by indigenous manufacturers. The quality of the sets soon gave them a competitive advantage and British companies lost market share.

After a period of conflict, the two industries began to negotiate a process of 'orderly marketing' of imports. This encouraged some Japanese to start manufacture in Britain, with the support of the Government. While some started Greenfield factories (Panasonic and Sony), others formed joint ventures with UK companies (Hitachi with GEC and Toshiba with Rank) while some bought existing factories. Mitsubishi Electric took over the bankrupt Tandberg plant in Scotland and Sanyo bought the Pye Lowestoft factory. All had some understanding with the UK Government that they would buy from UK suppliers a proportion (never publicly revealed) of the components they used. By 1980 most of these companies were making sets.

MULLARD LTD

The Department of Trade and Industry (DTI) urged UK suppliers to rise to the challenge but many British companies found Japanese requirements too demanding in quality and price and preferred to concentrate on the military and telecommunications industries. An exception to this was the major electronic component supplier to the

TV industry, Mullard Ltd, for whom the consumer sector was too important to neglect. I was appointed Managing Director in January 1979 and, after organising a market study to establish whether Japanese competitors were unfairly undercutting Mullard, came to the conclusion that they were more efficient and that, therefore, Mullard had to learn to compete on Japanese terms if it wished to survive. The main issues were quality, price and being able to meet the technical specifications for the components designed in Japan.

Mullard needed to understand what made the customers tick, so a course describing Japanese business culture was designed. It lasted three days and included talks by the Japanese managers of the TV factories, economic and political history, business practices and etiquette and even an exposure to Japanese food and drink. Sales staff, product managers and the managers of Mullard's UK factories, indeed anyone who faced the Japanese companies as suppliers or competitors, attended the course.

The course emphasised the high quality requirements of the Japanese companies. This meant a reversal of the pre-war Japanese reputation for poor quality. Our view was that, if the Japanese were able to make such an improvement, so could we. Joseph Juran, one of the great quality experts revered in Japan, came to lecture on his methods. There was a concerted push to improve quality using his techniques with dramatic results. Faults per million devices fell from 38 in 1977 to 2 in 1982 for integrated circuits and from 26 in 1980 to under 1 in 1982 for cathode ray tubes. Other products showed similar improvements. As a consequence, analysis by *Which* showed that sets made in the UK, which did not require a repair in the last twelve months had risen from 42% in 1976 to about 95% in 1982 while the comparable figures in 1982 were nearly 100% for sets made in Japan but about 70% for those made elsewhere in Europe where manufacturers were not exposed to Japanese competition.

Coping with price pressure required restructuring on a large scale particularly for cathode ray tubes. A by-product of improved quality was the reduced cost of manufacture. Selling expenses were also drastically reduced particularly by the use of computers and a rigorous reduction in waste.

If Mullard was only asked to quote when a model was transferred for manufacture to Britain this was not enough for us. The television sets being made in Britain had been designed a year or two earlier in Japan and production levels in Britain were a fraction of those in the home factories; so it was not possible to compete. To give a chance to local suppliers the Japanese had to design their sets in Europe. This was a proposal, which I made in my role as a member of the UK negotiating team. The proposal received a non-committal response and we were told 'the customer is king'. Fortunately Mullard, as part

of Philips, had access to their Tokyo office. A team of Japanese engineers was set up to visit the laboratories in Japan, learn what were their requirements and also introduce them to new Mullard component designs. In addition, British product specialists for integrated circuits and picture tubes visited Japan quarterly and yearly respectively to ensure depth of contact. Their customers discovered that there was a range of unique European applications such as Teletext, which were not known to their laboratories and which European consumers were buying from home manufacturers. Thus Mullard demonstrated its commitment to serve its Japanese customers. To show my support, my commercial director and I made a yearly visit to the top managements in Japan to ensure that all was going well. Morita Akio of Sony showed that he felt such visits were of value by receiving me on my first visit; on subsequent visits to Sony the host was Morita's brother.

It would be wrong to imply that all went smoothly but the overall result, by the time I retired from Mullard in 1987, was that the company had grown its turnover with Japanese TV companies to £60m and it supplied about 90% of the purchases they made in Britain of products, which Mullard could supply. Ten years later the figure had reached £200m.

This was a step in the right direction but I wanted to encourage other component companies to supply Japanese manufacturers who would often complain to me that they could not find good suppliers. This situation was soon to change.

#### JAPAN ELECTRONICS BUSINESS ASSOCIATION (JEBA)

IN 1991, THE British Government and ECIF (Electronic Components Industry Federation), the UK's component trade organisation, formed a working party to examine the trading relationship between British and Japanese companies. A study done for the working party had shown that the Japanese electronics industry in Britain had a demand for £1bn (25% of the total demand) and UK based companies sold them £150m, of which Mullard was by far the biggest supplier. It was decided to sponsor an organisation committed to encouraging British companies to supply the UK based manufacturers. It was called the Japan Electronic Business Association (JEBA). Not only would the DTI back JEBA, but it would also be supported by the Japanese Government through JETRO, which was now concerned with encouraging imports into Japan. Given my past role in Mullard, the DTI and the ECIF invited me to become Chairman. The new Association was launched in mid-1991 by the then Secretary of State, Peter Lilley, and the Director General of JETRO in London, Mr Nakao. While much work on the principles of the operation had been settled by the working party, the new

Steering Group (consisting of a number of executives from companies actively supplying the Japanese) began work on the details.

The declared objectives for JEBA were:

- a) To provide a network of component manufacturers committed to meeting the requirements of Japanese electronics manufacturers;
- b) To provide Japanese electronics manufacturers with ready access to competitive sources of supply;
- c) To pool knowledge about supplying Japanese electronics manufacturers and to share this with those with little experience in this field;
- d) To encourage UK-based components suppliers and their Japanese customers to develop long-term working partnerships.

It aimed to achieve these objectives through:

- 1) Visits by up to twenty British companies to Japanese factories where the needs of those companies would be described thus helping British and Japanese companies to explore the opportunities for doing business together;
- 2) Visits to successful British suppliers where the processes they used could be described thus showing British companies that it was possible to do business with Japanese firms;
- 3) Regular briefing sessions where members could hear lectures and discuss ways of being successful through the study of particular cases;
- 4) A regular newsletter describing the work of the association.

The DTI supported JEBA. The Industry Division provided the budget and the secretariat consisting of a couple of enthusiastic junior officials. The Exports to Japan Unit (EJU) was also involved. Over the years, with the normal civil service job rotation, several sets of officials, all of them enthusiastic, served JEBA.

As I became involved in the programme, I realised that JEBA could adopt some of the techniques used in Mullard to establish a basis for communication with the Japanese companies. One of Mullard's early actions had been to set up a Japanese business culture course. Like Mullard, JEBA, with the help of SOAS, did so too. I had stressed repeatedly during my meetings in the 1980s with the Electronics Industry Association of Japan (EIAJ) on behalf of the British industry that the Japanese companies needed to design their equipment in Europe for European needs. By the time JEBA was formed, some companies had established design centres: the study mentioned above showed that the longer a company was

operating in Britain the greater proportion of local components it used.

There was much interest in JEBA. One hundred and fifty companies joined it by the end of the first year. Companies like Philips and Motorola belonged although they had the resources to deal with the Japanese themselves. This helped to give gravitas to JEBA but it was especially gratifying that so many small companies, which needed help, joined the association. One advantage small companies got from membership was the access through factory visits to companies, which would otherwise have not been willing to see them.

Twice a year there were briefing meetings at which supplying companies spoke about the way in which they had been successful, while Japanese representatives outlined what they expected from suppliers. Up to a hundred companies would turn up. There was also a news-sheet, giving details of our programme and offering a place where companies, which became suppliers could trumpet their success. An annual bilingual directory of goods and services offered by UK companies was published.

When Michael Heseltine became President of the Board of Trade he introduced the concept of export promoters who would be seconded from their companies to promote the sale of a particular industry's products to specific countries. Japan was an obvious country to target. Electronic components were an obvious claimant for an export promoter. Philips seconded Peter Bacon (see account of his experiences in Part II below), a sales manager who had spent several years in Japan after working in Mullard. He started in 1993. With him in place, JEBA had an excellent and enthusiastic helper in its task of liaising with the Japanese both in Britain and Japan

The promoter role became especially significant when we decided to adopt another of Mullard's techniques. However many design centres were established in Britain, most of the designs would be initiated in Japan. Mullard had always sent British engineers to Japan and ensured that the Tokyo office worked with Japanese designers. JEBA did not have such resources, but we organised 'design-in' missions to go to Japan consisting of engineers from a number of British companies. Bacon organised the visits to the design centres of a selection of the major Japanese companies. The emphasis was on discovering the needs of the Japanese and getting British products specified. Before the missions left, I told their companies that they were in it for the long haul and they should not expect quick orders. The project had the enthusiastic support of the British embassy in Tokyo and the consulate-general in Osaka. Bacon did an enormous amount of preparatory work, visiting all the Japanese establishments before the mission and ensuring that everyone knew what was going to happen.

The first mission went in April 1994 and turned out to be a great success. Ten companies sent representatives and between them they saw seventeen design centres in two weeks. The British embassy and the consulate-general in Osaka hosted receptions. JETRO also played its part providing two interpreters. All the data was presented in Japanese. This was much appreciated by Japanese executives who were used to Western companies arriving with all their material only in English. The host companies told Bacon that this was the first time they had seen Western companies arrive to do real business rather than just rubberneck. Even my predictions that it would be a long haul were confounded when some companies received real enquiries. Several of the mission members realised that they could not have done so much by themselves. We had a winner and it was soon arranged that the next mission should go in January 1995.

Four days before the second mission was due to leave, Kobe experienced a major earthquake. It was nevertheless decided that the mission should go ahead and the embassy sent a senior official down to Osaka to help with the arrangements. Only two Japanese companies were unable to receive the mission. Thirteen British companies joined the mission and twenty-seven establishments were visited. To achieve all this without hitches was a remarkable achievement. Bacon was able to report later that £15m of orders had been generated from the first two missions with a further £30m in the pipeline.

There was a mission most years after this but from the fifth, the emphasis was changed to concentrate on particular market areas such as telecommunications with smaller groups of companies going. The missions helped to establish JEBA with a high profile with the Japanese in Japan as well as in Europe. .

In parallel with the missions to Japan, there were visits to Japanese plants in Britain and also to successful British firms. Most of the visits to the Japanese were oversubscribed and we had to try to choose companies with products and services required by the Japanese to fill the gaps in their supplier base. The visits to the British companies attracted less interest, perhaps understandably as the members were looking for business opportunities rather than the chance to learn.

After a while, we were asked to send missions to Japanese factories in the rest of Europe where the local suppliers were not interested in supplying them, probably because the small number of factories in those countries did not provide much demand. We sent missions to Spain, France and Germany but they were not very successful. The European Commission was interested in the way JEBA was working and sent an official to one of our briefing sessions but not much happened after that. Only Britain liaised with the Japanese – it was not until 1996 or 1997 that the French introduced their own programme called 'Japon – C'est possible'.

Our work in Japan showed the significance of the Japanese international procurement offices (IPOs) in Singapore. After the second mission, a group of members went to Singapore and had a successful visit. It was accordingly decided that there should be a conference for the IPOs in Singapore, which I chaired. Both the British and Japanese Governments saw the conference as significant, so the British high commissioner and the Japanese ambassador were present.

1994 and 1995 were the high points of JEBA's success. The Japanese companies had put much new investment into Britain for new applications such as photocopiers and telephones and British companies flocked to sell their goods to them. A survey done in 1995 showed that the demand from the Japanese had risen to £1.7bn, a growth of 70% in five years while the goods supplied from Britain had risen to £450m – a threefold increase and a doubling of market share. It was particularly interesting that over 75% of their plastic and metal parts were sourced in Britain. In the 1980s it was the shortage of good plastics suppliers which the Japanese lamented most; so that industry had been very successful.

JETRO gave us much support. They paid for interpreters for the 'design-in' missions and gave us much moral support. From 1995 they started to provide, at their cost, keynote speakers from blue chip manufacturers such as Sony, NEC, Ricoh, Sharp and Alps. The embassy in Tokyo was equally supportive from the beginning. The ability to hold meetings or receptions in the embassy compound provided prestige for JEBA members.

Unfortunately, around the turn of the century, the British Government stopped the 'Action Japan' campaign and subsumed the work into a general trade campaign. This upset JETRO, but I was able to point out that JEBA remained dedicated to working with JETRO and the Japanese industry. Keeping our commitment to the Japanese industry was paramount; so when a proposal was made to widen JEBA's remit to cover other Far Eastern countries, I objected and a separate body (PREBA – Pacific Rim Electronics Association) was established.

Early on, JETRO had organised a working party of representatives of Japanese OEMs (Original Equipment Manufacturers) in Britain to advise on how to improve business with British suppliers and to articulate their concerns and complaints about their conditions. There were regular meetings with them, usually with Bacon, the Secretariat and myself from the British side but it was difficult to persuade the Japanese managers to be frank and open in front of their competitors.

JEBA's success led to other approaches in 1996. The Mexican State of Baja asked us to organise a meeting to persuade British companies to set up factories there. Japanese companies had used the establishment of the North American Free Trade Area (NAFTA) to transfer their production to Baja, which offered cheap labour and

good communications. North American content had to be increased or the Japanese would suffer penalties. I chaired the meeting at which representatives from Sony, Matsushita and Hitachi spoke about their needs. There was some response to the opportunity with several companies visiting Baja and one or two setting up there. There was less success from a meeting held with representatives from Japanese companies in India, which I also chaired.

After JEBA's performance had reached its zenith, the market began to change. The Far Eastern financial crisis in 1998 caused an upsurge of cheap imports from the area into Britain and, from about 1996-7, the strength of the pound started to make manufacture of standard TVs in Britain uncompetitive, particularly as the former Eastern Bloc countries offered skilled workforces with low wage expectations. By 2000-1, Japanese companies had moved the production of 3 million TV sets, 2 million plus VCRs and 8 million mobile phones out of Britain to those countries, taking with them not just assembly work but also the demand for components.

JEBA decided to respond to this in two ways. The first was to plan a mission in September 1999 to Hungary, to visit the factories being set up there. The British embassy was enthusiastic and we were able to persuade a few British companies to see what business could be obtained. Most were not interested in trying. One or two decided to set up operations in Eastern Europe but I am not certain how successful they were. There was enough interest for a further mission in 2001 but the value of sterling and British labour costs were limiting factors.

The other element to the JEBA plan was the exploitation of the market opportunities being created by British and European innovation. The best way we could get Japanese design carried out in Europe was on the basis of European technological success. Japanese and American phone manufacturers had been caught out by the success of the European GSM mobile phones. Companies like Mitsubishi and Motorola, which had been strong, found themselves outwitted by Ericsson and Nokia who came to dominate the market – and not just in Europe. They had been outwitted because they did not have proper development operations in Europe, which would have known what was going on. Instead their policies were determined in laboratories and marketing departments in Japan and America committed to their home markets. JEBA encouraged Japanese companies to set up design centres in Britain to take advantage of its closeness to a technically resurgent European electronics market.

Telephony was not the only area where the Europeans were ahead. Digital TV was another. Over the 1980s and 1990s, most original design for TV and its related products had been done in Japan and Europe while the Americans had concentrated on personal computers. European standards had emerged for a digital system,



which gained momentum. Japan had its own system but it had not been adopted elsewhere and the American plans for digital TV were in disarray. We urged the Japanese companies based in Britain to design digital TV sets in Britain. There were, however, some problems. Set top boxes to enable existing analogue sets to access digital TV were cheap. Manufacturers of new digital TV sets had to ensure that their new sets could receive both digital and analogue services. This added to their costs and made it difficult for them to compete on price. Also, the head offices in Japan did not recognise the significance of the British plans and so would not support the development resources needed by their UK subsidiaries. To rectify this, a seminar on digital TV was set up in November 1999 in London to which companies were invited to send their senior managers from Japan. I chaired the seminar which was judged a sufficient success that it was repeated the following May in Tokyo in the ambassador's residence. Japanese companies did set up development facilities for digital TV, but the unwillingness of the British public to pay for integrated sets initially limited the market.

The number of companies in JEBA fell to just over a hundred. One of the reasons was that we had decided to charge for entry into the Directory. The charge was nominal – a few hundred pounds but it was enough to deter some. My own view was that we were better off without such companies. If they were not willing to spend a small sum of money to promote their wares in English and Japanese they were unlikely to have the resilience to be good suppliers. The other reason was the reduced opportunity for British suppliers following the exodus of the Japanese to Eastern Europe, which meant that JEBA could no longer help.

There was, however, a new intake of members because the Japanese began to become aware that their developments back in Japan would be helped by support from specialist British high technology companies. They asked JEBA to introduce such companies to them and Bacon organised a series of what became known as 'High Tech Missions'. When I was in Japan for the Digital TV conference, I met one such mission and was impressed by the range of goods and services offered and the enthusiasm of the people involved.

By 2000, therefore, the emphasis was beginning to change. We were no longer pursuing the Japanese factories in Britain but trying to follow them to Eastern Europe and were confining our UK activities to development centres, which the Japanese continued to strengthen even as they stopped manufacturing. We hoped that British companies getting their products designed in UK laboratories would be able to sell them wherever the final equipment was produced. The third part was to get British products designed in Japan for the world market. This changed JEBA from an import substitution organisation

to an export promoter and budget restraints meant that JEBA could no longer be supported by the Trade support organisation.

It was agreed to merge PREBA and JEBA, particularly as PREBA's marketing stance had changed as the Chinese, Taiwanese and Koreans emulated the Japanese by withdrawing production from the UK. PREBA, therefore, had started to become an export promotion operation like JEBA. It placed strong emphasis on China, which is where many Japanese companies had set up their plants. Now that the Japanese had withdrawn so much from the UK, the objections we had a few years earlier to a merger were no longer valid. So, in mid-2002, we agreed the merger and I went with the EJU officials to break the news to the JETRO director in London who took it quite well when we made clear that there would remain a strong emphasis on Japan. The merged organisation would have a new name but marketing under the JEBA name would continue for a year or two.

The Chairman of PREBA was Keith Etherington, a Mullard manager who had run the non-semiconductor part of the business in the mid-1990s and had been on the JEBA Steering Group until Philips moved him to Eindhoven. He had worked with the Japanese manufacturers in Britain and had an international role in Philips. He was the ideal person to take over the new job.

Philips supported Peter Bacon for three years until he formed his own company with an office in Yokohama to carry on the export promotion efforts, with initial financial support from the UK Government, working with interested British companies. While this account has covered a Government supported approach, Peter Bacon's story of working successfully with about fifty British technology companies to build up business worth hundreds of millions in Japan demonstrates that the private sector, once given the encouragement, which JEBA had provided, could show that, as the French had expressed it, 'Japon – c'est possible'.

**SELLING BRITISH ELECTRONICS  
TO THE JAPANESE**

**Part II: Selling to Japanese  
Companies in Japan**

PETER BACON

INTRODUCTION

THE DEPARTMENT OF Trade and Industry (DTI) over many years sponsored various programmes focussing on Japan including ‘Opportunity Japan’, ‘Priority Japan’ and ‘Action Japan’ campaigns. In 1993 Michael Heseltine, then secretary of state and President of the Board of Trade launched the Export Promoter (EP) Initiative. Ten out of the 100 budgeted EPs were allocated to the Exports to Japan Unit (EJU), which was backed by Richard Needham, the minister of trade who had longstanding links with Japan

I was the thirteenth businessman seconded to the unit to follow up on the JEBA initiative and build business links between Japanese inward investors and the UK supply base. I was closely involved with the missions sponsored by JEBA and was then encouraged to set up a company to carry this work forward.

Electronics Link Asia Ltd (ELA) was established in 1996, at the end of my secondment to EJU, and continued until 2012, working closely with the British embassy in Tokyo and the British consulate-general in Osaka. The office rental was initially covered by DTI, but British companies who used its services soon wholly funded the costs of the venture.

The Japanese electronics companies with whom we dealt eventually lost market share to other Asian countries, British companies who had used our services set up their own offices and business needs changed. The company was accordingly wound up in 2012. Some limited consultancy work still takes place but on a reducing scale.

WORKING WITH JEBA

Sir Ivor Cohen has described in Part I the establishment of JEBA and its ‘design-in’ missions. A key aim was to persuade British suppliers to learn from the Japanese companies and in doing so, to develop

long-term business relationships. It would have been fruitless to insist on more local content, when many of the UK suppliers were not in a position to supply parts of the quality needed.

We started in 1993 by visiting the Japanese electronic companies investing in Britain. They told us bluntly that British suppliers just weren't up to the job, and did not understand the Japanese insistence on maintaining the quality of their products. I recall being whisked to one major Japanese mobile phone headquarters to meet four identically grey suited corporate executives, who took turns to tell us that we had little chance, stressing that their quality must not be compromised by using overseas suppliers.

Several British and Japanese managing directors of Japanese companies in the UK who wanted to increase local content encouraged us to persist. So in 1994 we assembled our first mission of ten companies

In one exchange with Mitsubishi Electric (MEI) in Scotland we were told that they had looked for British suppliers but they were 'all bad'. We responded by telling them that that we wanted to work with their design staff in Nagaoka-kyo, Kyoto and would introduce ten good British suppliers to them. The challenge was taken up and when we visited them in Kyoto on our first mission in 1994 we met all their design section heads. One British company at least developed business relations with MEI as a result of that first meeting. The members of our first team were all enthusiastic and a good impression of the UK supply base was created, but this was only a beginning and real business had yet to be done.

One particular supplier who showed the persistence needed to succeed in Japan was visiting Panasonic Kadoma. When he was told that the (key) person he needed to meet was unavailable that day he replied that he must meet someone that day, as otherwise his whole visit to Japan, including travelling to Panasonic Kadoma, would be fruitless. He waited patiently for an answer. Eventually he was asked if he was ready to miss lunch and take a taxi to another office where the key person he needed to meet now became available after all.

These two stories from our first mission explain how the Japanese companies began to recognize our enthusiasm to do business and willingness to learn.

The mission's visits to Japanese factories started with group presentations to the company. One to one meetings followed these presentations. As each company explained what they had to offer in front of one another as well as the Japanese customer, several had to smarten up their stories. We soon learnt what worked, and what didn't.

The Japanese companies were impressed by the fact that we visited them as a group in places often far away from Tokyo involving demanding travel schedules. We did, of course, have embassy receptions and displays, but the key to success lay in the meetings which we had with decision-makers often deep in the Japanese countryside.

A meeting to be successful needed thorough preparation in advance, so that the Japanese side could collect the relevant people together who would make the necessary collective decision.

JETRO, noting the support given to us by DTI, started to give us their enthusiastic backing, firstly by funding interpreters, but then also offering to fund senior Japanese executives to travel from Japan to the UK. These senior executives spoke to us in the JEBA seminars in the UK chaired by Sir Ivor Cohen and we asked JETRO to arrange speakers who would teach us about Japanese business and how to be better suppliers. This was industry-to-industry support facilitated by the DTI and funded by JETRO.

Our first speaker was Kanoi Nobuo, who was at that time chairman of Aiwa Ltd but had been the executive vice-president of Sony Corporation TV division, and with whom, when in Philips, I had had several discussions, as we needed to learn how to become better suppliers.<sup>1</sup> Following Kanoi Nobuo, we had other senior executives, including Dr Sekimoto president of NEC Corporation, Kataoka, the president of Alps Ltd who was very supportive, and Sakurai, president of Ricoh Corporation who had opened Ricoh's factory at Telford. This further raised our profile in Japan and opened more and more companies' design centres to us. Several executives from the UK operations of Japanese companies went on to higher things in their companies, and stayed in contact.

In total there were eight so-called 'design-in' and 'high technology' missions as the programme evolved into supporting technology exports to Japan. An interesting new challenge emerged in the UK, namely how to persuade high technology companies to work together on a mission with companies whom some considered to have inferior technology. The managing director of one Cambridge company initially declined to participate as he thought he would be 'polluted' by association with other companies with humbler technology than his. But his wiser fellow director explained that we had the ear of senior Japanese management thanks to the JEBA brand, and embassy support at a high level; so they had nothing to lose. The senior contacts made at one Japanese company on that mission led to business worth millions for this Cambridge company. (This was the same company that told us we had no chance!)

The British embassy in Tokyo and the consulate-general in Osaka gave enthusiastic support to companies on our missions. Tsukatani Akiko of the consulate general was particularly supportive and active in promoting the companies, and said that their strenuous efforts had generally raised the UK industry profile in Japan. We visited the headquarters of Makita in Anjo, Aichi-ken in 1995. The Japanese managing director of the Telford factory had explained to his management that a mission organised by the British government was coming to their factory, and urged them to look after us. When we got to the factory the entire top management team of the company was seated before us in proper status order, with scores of staff seated behind.

## WHAT JEBA LEARNT – HOW TO ENGAGE WITH THE JAPANESE

The first lesson learnt was that business with the Japanese companies was really possible. We had to have good technology or products to offer. Meticulous preparation, persistence and willingness to answer the seemingly endless questions were needed. We had to understand that the Japanese companies, with which we wanted to do business, were totally committed to perfection, and that their questions were not intended to deter us but to ensure that we could meet their high standards. Japanese companies such as Sony were ready to work with their UK suppliers in order to improve them. Long-term partnership, such a key feature of Japanese business, was seen as benefiting both sides. At one JEBA suppliers meeting at Panasonic facilities at Cardiff, the purchasing director Terry Davies explained to us that they had only 'let go' of three suppliers in twenty years, and this was only after huge efforts had been made to try to keep them on.

In some cases, members of these missions found that they could succeed more quickly than they had expected, so long as they really understood what was required and responded quickly and flexibly. We also learnt the importance of strong personal relationships and came to realise that we should not depend on written contracts to do business. Members saw that those who spent time in growing these relationships gained long term success. Complaints from Japanese customers should be used as a learning opportunity and responded to in the positive spirit intended. We were told that rather than see complaints as a negative, we should see silence as the real negative, in that the Japanese company had given up trying to improve us.

We all also learnt about 'face', '*honne* and *tatemai*', when to push and, for many suppliers, when to listen more ... and how to listen. And the importance of 'after 5pm' business discussions, the reason Kirin and Asahi [beers] are such vital participants in Japanese business life.

## NEXT STEPS: MOVE TO A BUSINESS VENTURE

I was encouraged by the British embassy in Tokyo to take this successful programme forward, and to persuade British companies to support this work financially, in other words to develop a business. This depth of involvement and continuous follow-up work for UK companies was beyond the resources that DTI and the embassy could provide for just one business sector. But it was the route to success. So after my secondment from Philips to the DTI ended in 1996 I set up Electronics Link Asia Ltd (ELA).

Under the 'Action Japan' programme there were up to nine other export promoters covering a variety of sectors. This led to the establishment of the 'British Industry Centre' (BIC) in Yokohama, as a 'first base in Japan' for UK electronics companies.

Our next step to demonstrate our commitment was to set up an office for ELA in Japan. The natural place for this was the BIC, which was backed by the embassy under the ambassador's leadership. Jon Elliott from the embassy provided effective support at working level.

The British Chamber of Commerce in Japan (BCCJ) in Tokyo managed the BIC under embassy supervision. DTI gave a financial guarantee to Nomura the landlord. As we grew our client list, we offered a base for any JEBA member visiting Japan and, as a service to the DTI and the embassy, continued to promote JEBA in Japan. The visibility of the British electronics industry had been low in Japan; JEBA helped to improve this.

Sir David Wright, the British ambassador at the time, opened our office in the BIC in Yokohama in January 1998, together with Kanoji Nobuo, exec vice-president of Sony Corporation and chairman of Aiwa. This followed immediately after the opening of the BIC itself by Tony Blair, then British prime minister. Key UK clients were present including David Milne of Wolfson Electronics, and Rodney Scott of Philips Printed Circuits.



From left: Ian de Stains, Sir David Wright, Tanaka Hisao (ELA), Tony Blair, Peter Bacon, AN other, Alan Mason

As Sir Ivor Cohen has explained, Mullard Ltd, as part of the multinational Philips Company, had an office in Japan, which was crucial for developing sales to the Japanese inward investors in the UK. This office, although located in Tokyo, was *not* a sales office for Japan as such. It was a *liaison* office, which engaged closely with the design centres of Japanese companies, so that the Philips components could be incorporated into the TV products at the design stage, i.e. 'designed-in'. ELA performed a similar function for other British electronic component manufacturers who wanted to develop busi-

ness with Japanese firms. ELA, like JEBA, introduced UK suppliers directly to the key designers in the Japanese factories and ensured that opportunities for British firms, including firms new to the market were followed up. ELA was not an agent or a distributor, but a liaison company, which acted like a '*nakodo*', the go-between who still plays a role in many Japanese marriages. Our clients face to face in Japan did the selling. Our role as a go-between was a key to success.

Our clients simply wanted sales. But they had to learn how to prepare, how to manage the meetings, how to avoid misunderstandings, how to follow up and what not to do. In this way we were definitely part of the sales process but not direct salesmen. We would introduce and help UK companies. We were a nonpartisan source of information to Japanese companies. This kept the door of their design centres open to us, and we would often be asked for advice e.g. 'do you know any UK company who does X?'

Japanese companies had good networks, research offices and technology scouting operations in USA, but often didn't know what was available in the UK. Together with the embassy and the consulate-general we were able to explain what Britain could provide. Our Japanese staff consisted of retired employees of Japanese companies who had worked in the UK or USA. Our first and most senior staff member was Awaya Takahiko, who had been design director for Panasonic TV in the UK. They were not employed to sell British products. Their role was to act as links and intermediaries with Japanese business. The retired manager of the Philips liaison office in Tokyo, Tanaka Hisao, joined us from the start of this venture; his reputation and contacts gave us additional gravitas in Japan.

In the twenty-first century, electronics business increasingly moved more and more out of Japan into other Asian countries. As a result UK suppliers did not have the same clear focus on Japan as they had had earlier and the number of new clients in the electronics field was not increasing sufficiently to cover the much higher costs of full-time staff. So it was decided that this venture would have to close. ELA now became a small scale consulting operation and the office in Japan was closed.

The BIC initially had a financial guarantee from the DTI, although this guarantee was never called on, as the centre was fully funded by its tenants. It grew for several years, but as tenants moved on to set up their own offices the numbers reduced. The DTI decided to withdraw the guarantee and it closed.

## OUR SUCCESSES

Over twenty UK companies were clients of ELA. Ten companies won some thirty significant contracts.<sup>2</sup>



Our most successful client was TTP Communications Ltd of Cambridge, spun out of The Technology Partnership to supply software and semiconductor IP for mobile phones. They grew their business in Japan with our help to £10 million per year. They then asked us to help recruit a Japan country manager and set up TTP Communications K.K. Other clients of ELA such as Wolfson also set up their own Japan office and worked closely with distributors. Our network of Japanese electronics contacts continued to grow.

Apical Ltd, another of our clients, had unique image improvement technology, which could help to improve photographs taken with digital cameras. As Japan was at that time the leading manufacturer of digital cameras, they focussed on the Japanese market. Their first customer was Nikon. Olympus regarded them as the most Japan oriented supplier they had ever met. Apical appreciated the support, which they had had from JEBA and ELA.

Elixent Ltd was enabled to develop such significant business with Panasonic Corporation that Panasonic decided to buy the whole company, and set up its 'Panasonic Bristol Design Centre' with a staff of over thirty. They had had no experience with Japan until they worked with us. They had the right technology at the right time, and thanks to links with senior Japanese executives their CEO made a particularly good contact with Toshiba in his first week in Japan. They accepted all the challenges of the Japanese market and worked hard to meet Japanese targets. The late Kenneth Lamb CEO of Elixent knew how to do business in USA and was determined to make a success of the Japanese market. He told us frankly that he knew nothing about Japan, and asked us to teach him everything that mattered. His *only* large customers were in Japan.

After Apical had gained four Japanese customers, they considered setting up their own office or at least a support facility for their customers. A new joint venture company, Electronics Link Japan, with a sales and support function was set up under Steve Crane who brought some former members of the staff of the company for which he had acted as CEO. As time passed, Apical's customers lost business to other Asian makers, and some Japanese customers developed their own technology.

Other companies, such as ARM, CSR and Imagination Technologies, have made a huge success in Japan by having the advanced technology and the absolute commitment that Japan was central to their plans.

## CONCLUSIONS

The most successful companies were those where senior directors (including CEO) were *personally* involved with their sales *in* Japan, and were willing to learn.

Japanese companies at times seem to be among the worst with which to do business with their pressures over quality and delivery, endless questions and seeming delays in decision-making. Yet they could be the best long-term partners and most reliable customers.

The main requirements for success in Japan were:

Top level support (CEO) of UK company,  
Face to face meetings in Japan,  
Making commitments and sticking to them,  
Accepting challenging targets, and never giving up,  
Having Japanese business as an essential target, not just getting an initial order,  
Getting to know honest and open Japanese intermediaries and listening to them,  
Willing to learn.

These basic rules apply not just in the electronics business area but in all areas of doing business with Japan.

To sum up: maintain consistent high level Japanese relationships, understand how they work, introduce the best people in your company, ensure that they make the efforts needed, listen and learn, support them intensively and never give up.

#### ENDNOTES

- <sup>1</sup> Painful discussion at times, maybe, but a real bond was formed between us. When he joined the JEBA programme, he was willing to pass on his excellent advice, not only to our high tech members, but anyone we introduced to him on the mission, indeed it seemed he liked to teach all who come across his path.
- <sup>2</sup> As listed on the Electronics Link Asia Web site:  
Since 1996 ELA has helped its clients achieve more than 30 significant sales successes in Japan, including:  
ESM: sales to Panasonic Semis 2000-2001  
TTPCom: sales to Shintom, Panasonic Semis, Panasonic Mobile, Sharp Mobile, Toshiba Semis, Toshiba Mobile, and others 2000-2006  
Philips/AIK: sales to Panasonic and Sony 2000-2001  
Prestwick Circuits: sales to Sony and others 2000-2003  
Alan Group: sales to Fuji-Copian, Hochiki 2000  
Elixent: sales to two major companies T and P 2003-2004  
Celoxica: sales to Omron, Toshiba 2003  
TTP: sales to five major Japanese companies (names withheld) 2002-2006  
Magic4: sales to two major Japanese mobile companies S, P 2003-2004  
Apical: sales to Nikon and five other major companies O, KM, SE, K, R ( see 'success stories' page) 2004-2006