

Nagasaki University  
International Business

# **International Business Management in the U.S.**

**~ Lessons learned through turnaround experience ~**

**12/6/2024**

**Ex-SVP NEC, Ex-CEO NECAM**

**Takayuki Okada**

# 最初に質問

- Integrityという言葉を知っていますか？

# 皆さんへのお願い

- 講義を聞いた後に、**心に残ったキーメッセージ**を最大3個まで、フリーフォーマットで書いて送付してください。

特にない場合はなし、でも構いません。

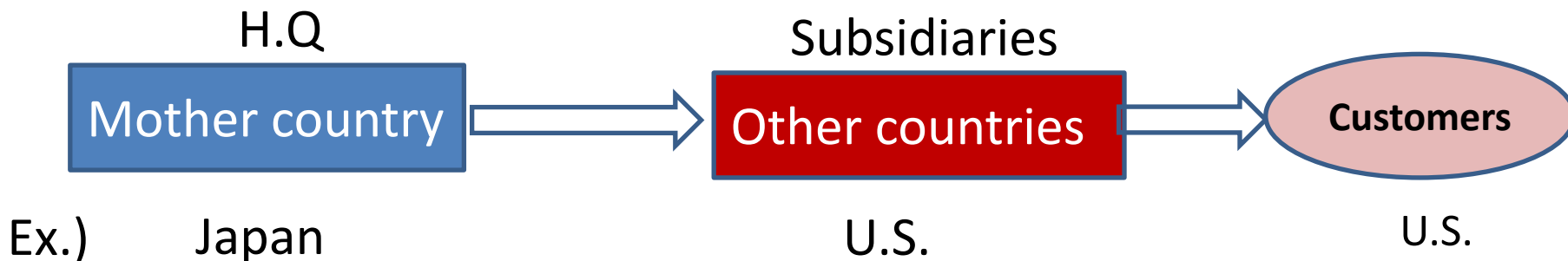
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# Objectives (目的)

- To provide an opportunity to think about what are points to **manage international business outside the mother country** (皆さんに考えてもらう機会を提供)
- By sharing my **turnaround (再建) experience** in the U.S.

## International business & management



# Agenda

1. Introduction
2. Before & after turnaround
3. Design & plan transformation
4. Execute transformation
5. Points to make international business successful
6. Points for individuals to succeed in international business
7. Lastly

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# 1-1. Who is Mr. Okada?

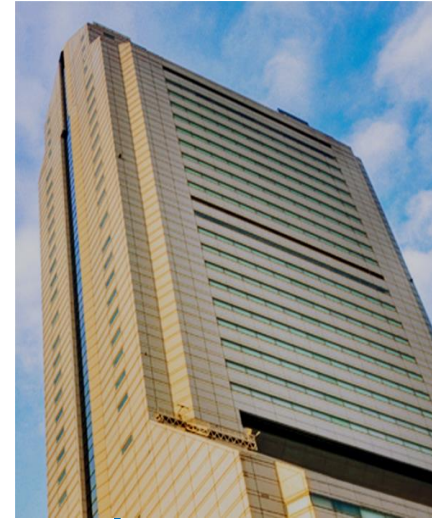
## ■ 1975-2014 NEC

- Started my career as database software engineer
- Most of my career is related to Information Technologies' **software business**. Both engineering and business side.
- International business: **Worked in the U.S. twice, totally for 8 years**. Business with China, India and Europe.

## ■ 2009-2012 President & CEO, NEC Corporation of America(NECAM)

- Did **turnaround** (再建) from consecutive (連続) 3-4 years' unprofitable (赤字) company **to profitable (黒字) company**. Got NEC's President Award in both 1H & 2H of FY12.

# 1-2. Who is NEC? (2009年頃)



Established: July 17, 1899

Capital: ¥ 397.2 billion

Consolidated Net Sales: ¥ 3,043.1 billion (3兆円)

Operations of NEC Group: IT Services, IT Platform, Carrier Network,  
Social Infrastructure, Personal Solutions,  
Others

Employees: NEC Corporation  
24,237

NEC Corporation and Consolidated Subsidiaries  
100,914

Consolidated Subsidiaries: 257  
(子会社の数)

Financial results are based on accounting principles generally accepted in Japan.



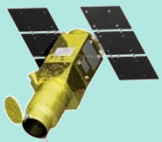
# NEC major business (2009頃)

## Public business

Safety



Satellite system



Digital TV transmitter

## Enterprise business

Banking system



Office solution

## Telecom Carrier business



LTE network



Undersea cable



Radio communication system

## Smart Energy business



xEMS



Quick charger of EV



Storage battery for home

Horizontal solutions

Cloud infrastructure

Software Defined Network

Big Data

## Products



Server/ Storage



Unified communication products

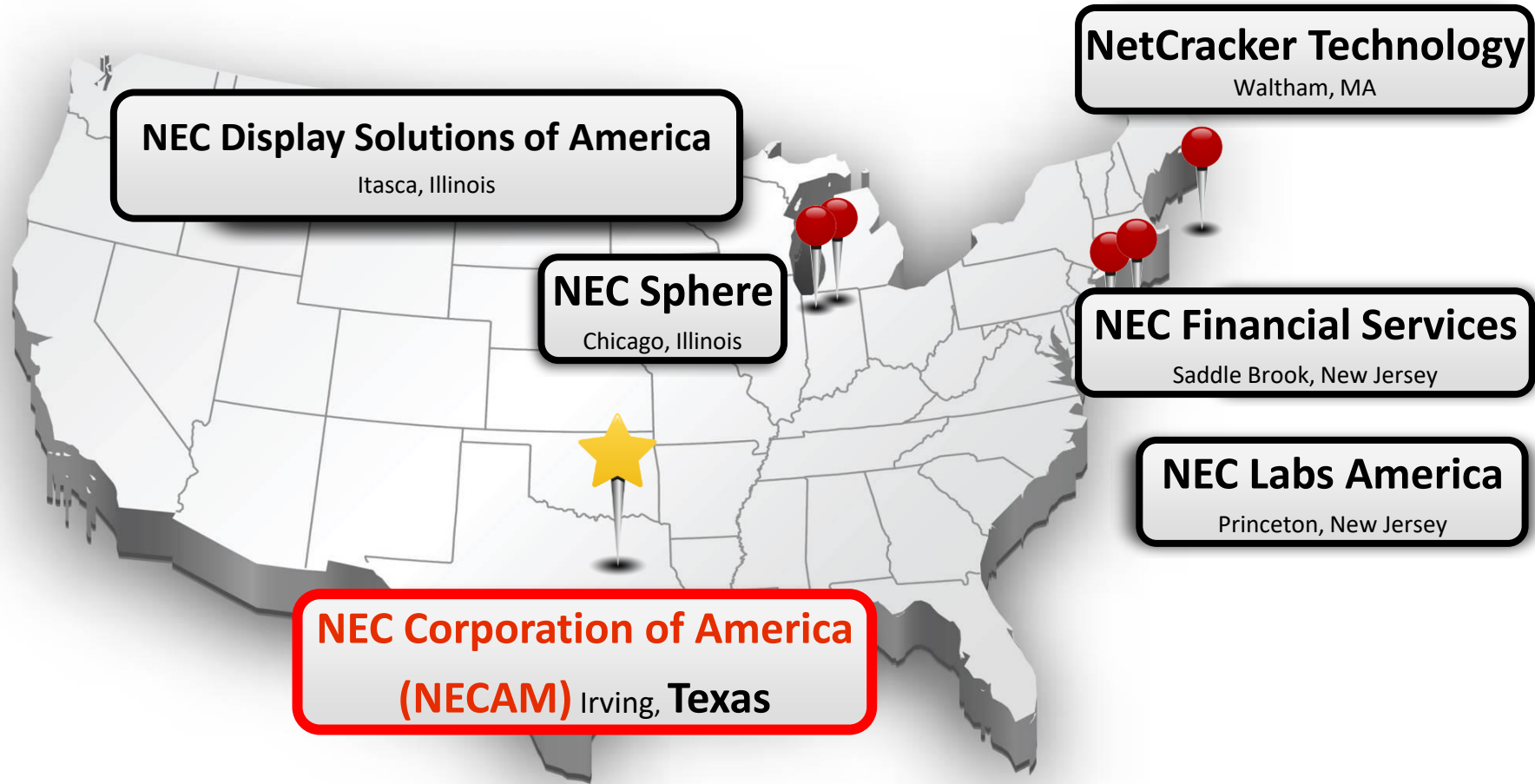


Business PC/ Tablet



Display

# 1-3. NEC group in the U.S. (2009年頃)



# Who is NECAM? (2009年頃)

- Revenue (売上): **\$700M**, number of **employees: 1700**
- **6-8 subsidiaries were integrated** to a company, which is current NECAM
- HQ (本社): Dallas in Texas
- Four major offices (Texas, West & East coast) +  
Many sales offices and field support offices
- **Four major business: almost the same as NEC HQ**

# NECAM's four major business

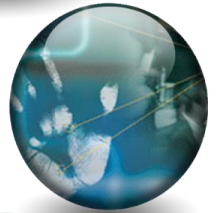
## 1. Enterprise Communications business (企業向通信機器)

- Unified Communications solutions (電話機など)
- Voice Over IP (VoIP) products & solutions
- Network Managed Services



## 2. IT Solutions and Services business

- Biometric solutions: 指紋、顔認証など
- Retail Solutions: セブンイレブン向け



## 3. IT Platform (HW & SW) business

- Servers and Storage products
- Cloud platform (クラウド用サーバ、ストレージなど)



## 4. Carrier Network business

- Radio Microwave Communications products (携帯基地局、AT&T向け交換機など)



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## 2-1. NECAM's Status before turnaround

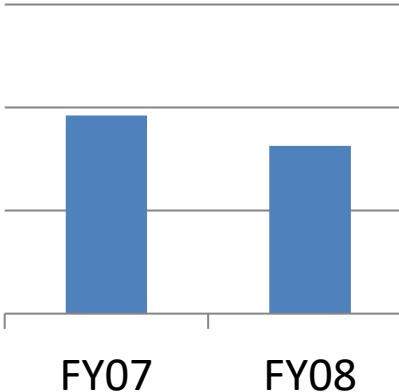
### ■ Unprofitable for consecutive 3-4 years (Fig.2-1)

- \$??-??M loss per year (赤字)
- Large head count reduction every year (解雇)
- No merit increase, no incentive bonus paid (定期昇給、賞与)

### ■ Employees' morale: very low

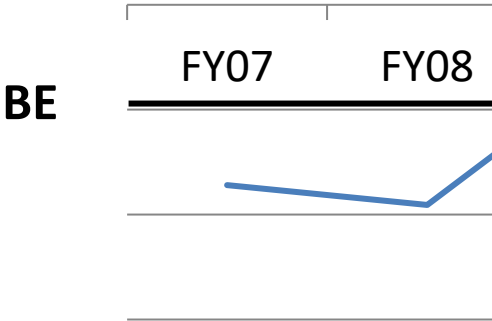
# Fig.2-1 NECAM's performance before FY09

## Sales



Decreased year by year

## Operating Profit (営業利益)



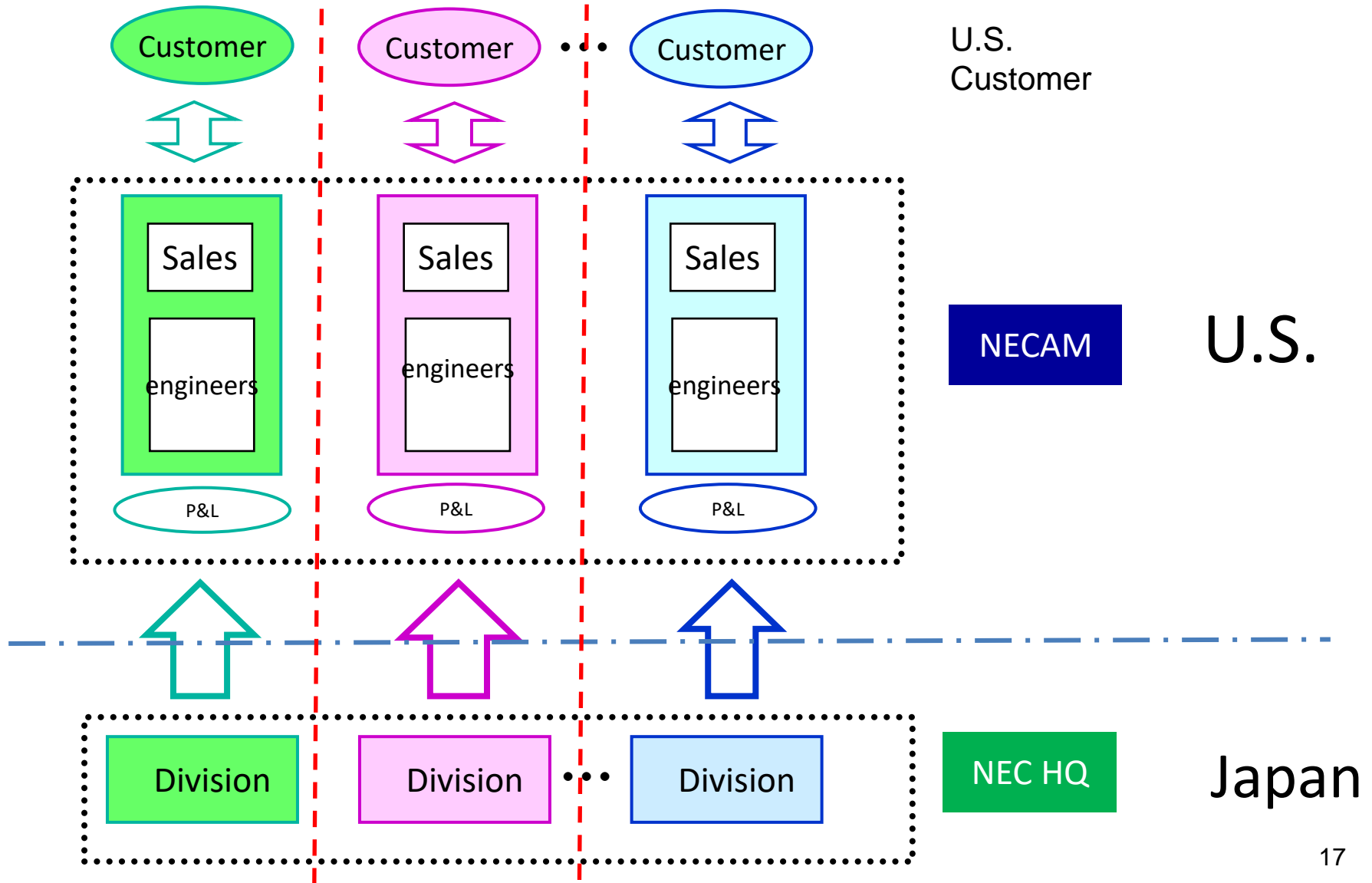
Continuous "huge" loss

# 2-1. NECAM's Status before turnaround

- **Unprofitable for consecutive 3-4 years** (Fig.2-1)
  - \$??-??M loss per year
  - Head count reduction every year
  - No merit increase, no incentive bonus paid
- **Employees' morale**: very low
- **NEC HQ's intent: to control everything** about NECAM (Fig.2-3)
  - Because NECAM management had been **losing credibility** (信用ナシ)



# Fig 2-3 NEC HQ controls everything about NECAM



# 2-1. NECAM's Status before turnaround

## ■ Unprofitable for consecutive 3-4 years (Fig.2-1)

- \$??-??M per year
- Head count reduction every year
- No merit increase, no incentive bonus paid

## ■ Employees' morale: very low

## ■ NEC HQ's intent to control everything about NECAM (Fig.2-3)

- Because NECAM management had been **losing credibility**

## ■ NECAM employees have “No trust to CEO “(信頼なし)

- Every two years, CEO was replaced and dispatched from NEC HQ. NECAM's direction & strategy were changed every time.
- Local people's hidden voice was “**Let's wait until “a storm passes”**.”(嵐が過ぎ去るまで待とう)



“**Survive or die**” (生きるか、さもないれば死ぬか)

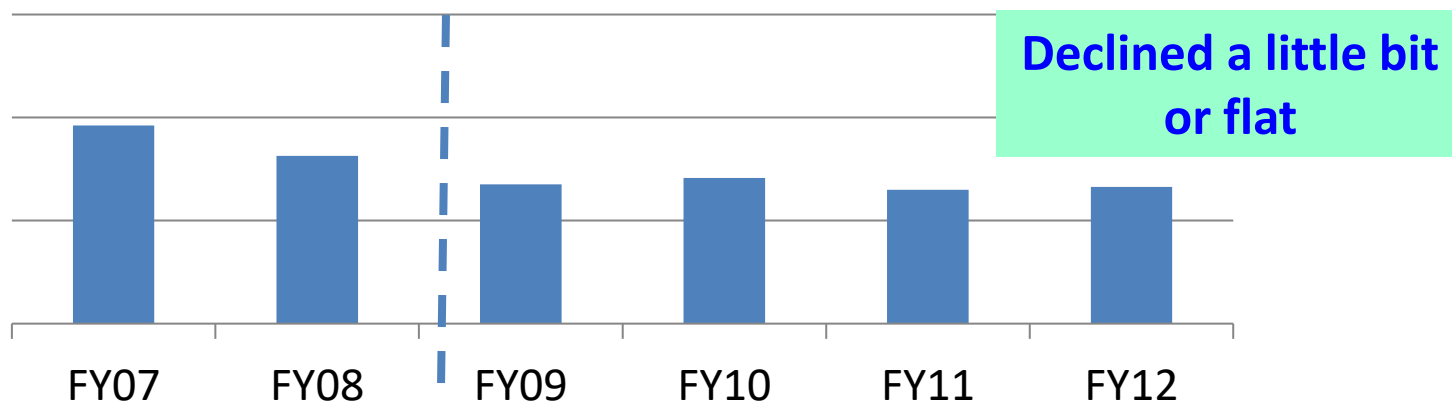
# Background: Why couldn't stop bleeding (赤字)?

- **One roof, but not truly merged** after integration of 6-8 companies. (統合されないまま)
  - ✓ E.g. “I have no bonus but you have, while we are at the same group”
- **Since serious “pains” are inevitable (不可避)** to realize true merger, **no CEOs** were willing to **face challenges** during their short tenure (深刻な痛みを伴う挑戦に躊躇).
- **Unclear accountability & authority** for performance & attractiveness of the company. (曖昧な説明責任と権限)
  - ✓ Everything is controlled by NEC HQ. NECAM's CEO gave up to manage the company. (長屋の大家さん)
- **Supply of weapons (商材)** from NEC HQ had **weakened** for many years, while NECAM had no financial capacity to purchase new weapons by itself.

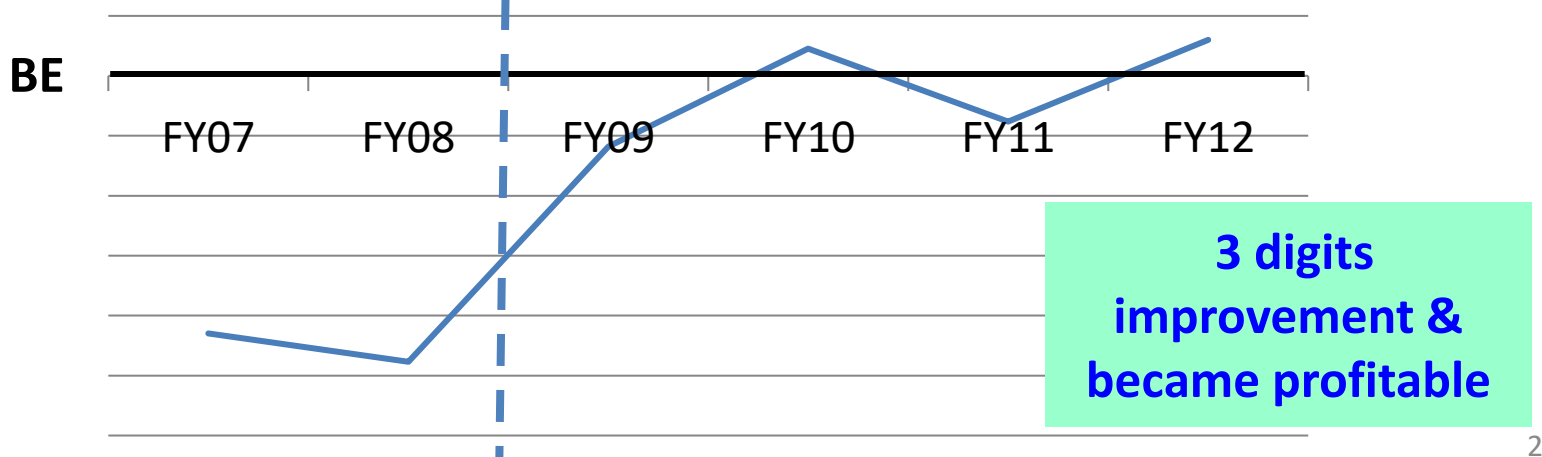
## 2-2. After turnaround (再建後)

*<performance viewpoint>*

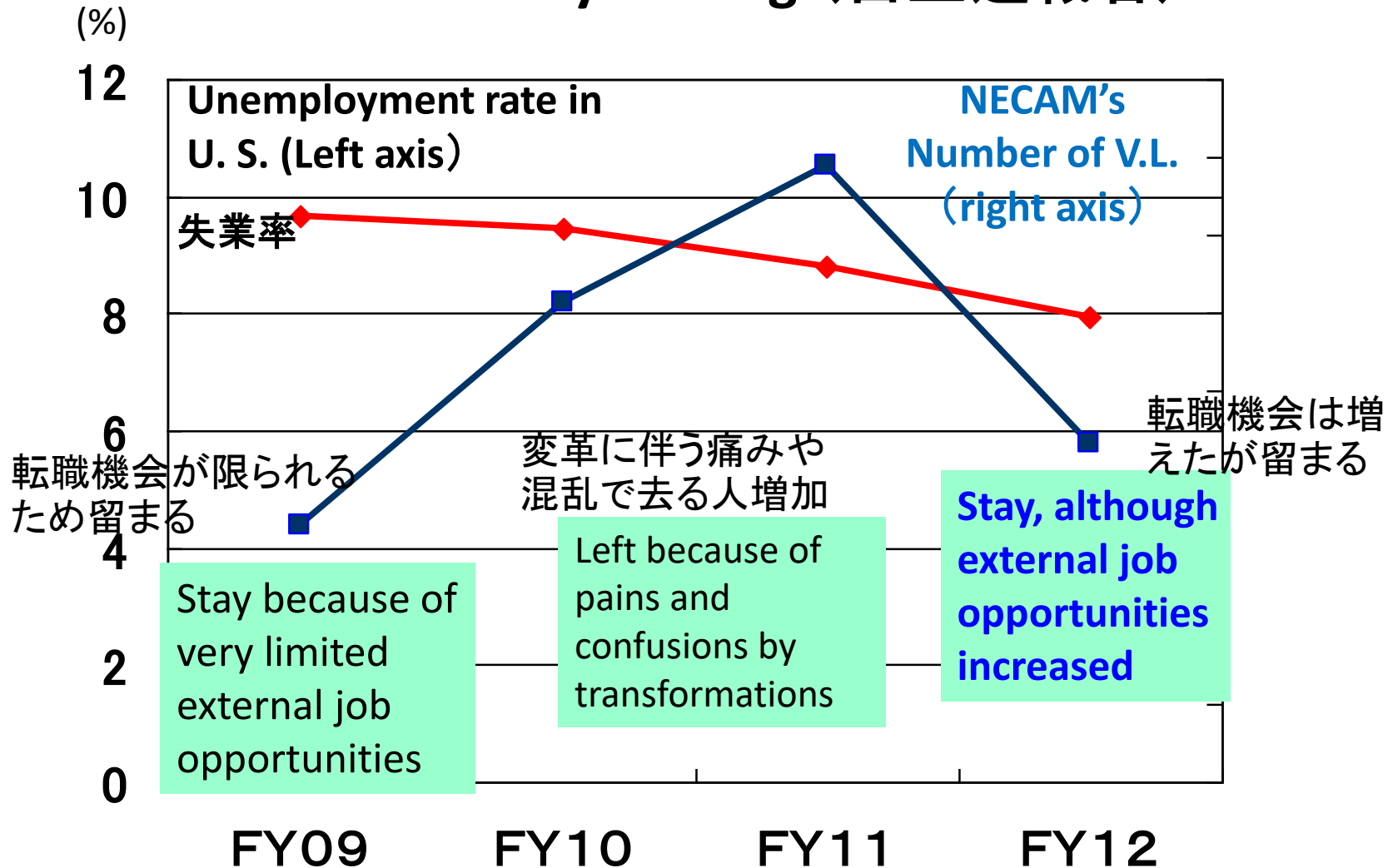
Sales



Operating Profit



# <Employees' morale viewpoint> Voluntarily leaving (自主退職者)



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Q1.

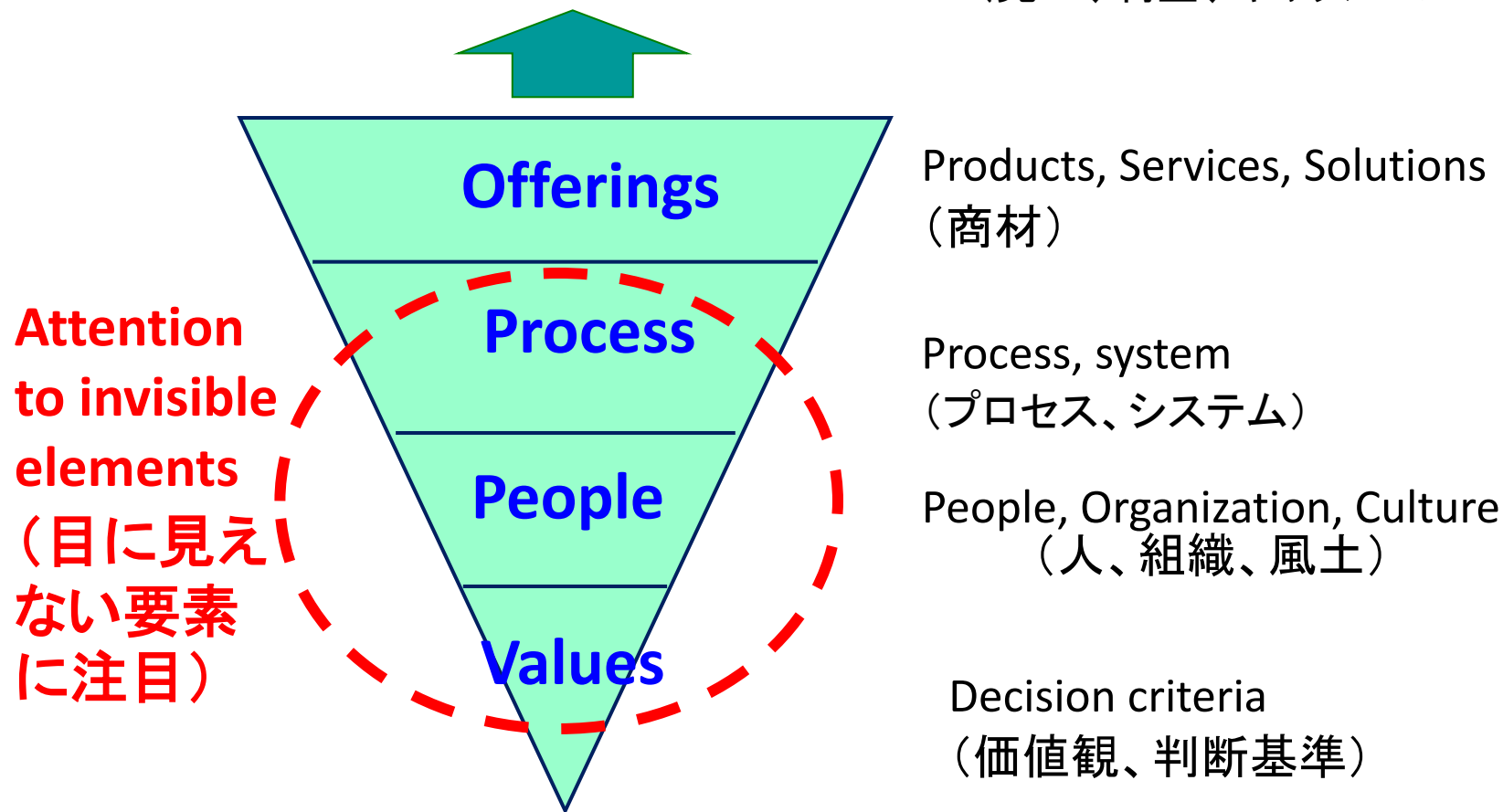
*Assuming you were assigned to be CEO of  
NECAM in FY09,  
from what kind of viewpoints (視点) do  
you diagnose (診断) the company?*

もしあなたが当時のNECAMの社長に任命されたら、  
どういう視点・観点で会社を診断しますか？

# My framework to diagnose “kind of illness” of a company/business (病気の診断の枠組み)

**Achieve Business Targets**

Sales, Profits, Cash Flow etc.  
(売上、利益、キャッシュフロー等)





## (Ref.) Mr. Inamori's article @Nikkei newspaper, 2013

- Many Japanese companies have been **struggling** (低迷), while they do not lack for technologies, nor funds. They have excellent and diligent employees, too. Unfortunately, **leadership fail to bring out company's potential**.
- Top management **pays too much attention to "visible"** such as financial numbers and business strategies. (目に見えるものに注意を払いすぎ。売上高・利益の数字、戦略など)
- It's **much more important to transform invisible employees' mindset and corporate culture**. It's needed to develop ideas and ways to motivate and energize employees.

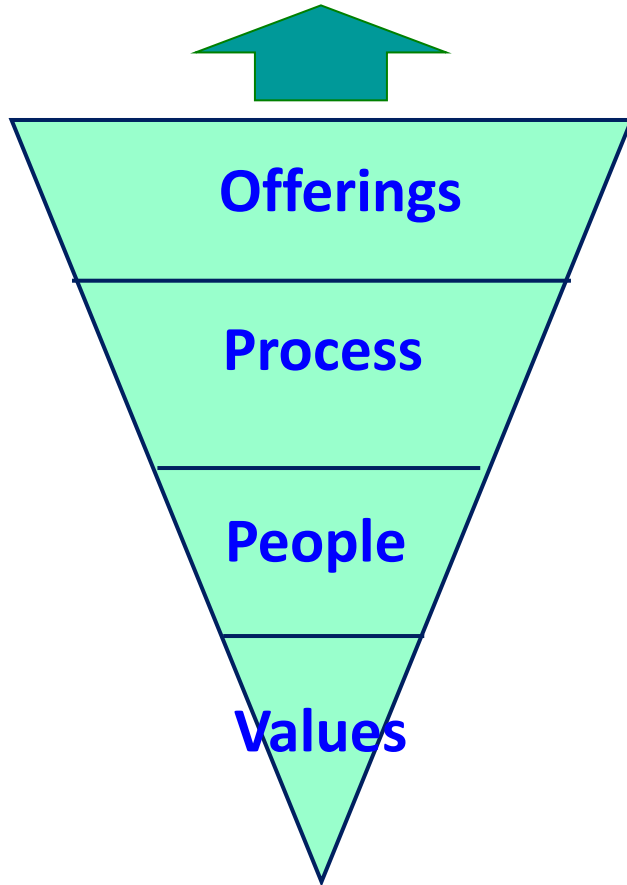
(従業員的心、企業文化など目に見えないものが  
はるかに重要)

Honorary chairman, JAL  
Founder, Kyocera Corp.



# Result of diagnostics: **many challenges** (課題) in all layers

Achieve Business Targets



<Example of challenges>

- Almost **no competitive** products & solutions
- **Legacy** business model
- **Lack** of brand

- **Poor** execution capabilities (実行能力)
- **inefficient & outdated** processes (ビジネスプロセス)

- **Very low** motivation (モチベーション)
- **Weak** management capabilities (マネージカ)
- **Silo type** organization structure (縦割り組織)

- **Unclear** decision criteria (判断基準)

# Develop strategy to treat “disease” (処方箋)

## *Broaden NEC Business to Solutions Oriented, North America-based Business*

- ***A stronger relationship with customers*** is key differentiator and key for business growth
  - ***Utilize our customer base***
  - ***Wallet Share*** (amount of customer spend on the solutions and services NEC offers)
- ***Enterprise Solutions Business*** as a new driving business
  - ***Maximize local value add***, in both IT and community
  - Focus on specific ***limited number of Vertical Markets***
- ***Competitive Products & Advanced Technologies***
  - Essential for solution business
- ***Realize ‘One NEC’*** and concentrate all resources in one
  - ***One Sales Force*** and ***One Profit Center***
  - Strengthen NEC brand reputation and positioning

**Business  
model  
transformation**

**Corporate  
model  
transformation**

# Start three kinds of transformation (変革)

**Become Profitable  
& Sustainable**

(持続可能な)

to a company that  
commands **respect and  
pride** (尊敬され、誇りの持てる会  
社に)

**Corporate model**

to **One NEC**

**Business model**

to **Solutions business**  
to a “**customer-driven**”  
company

# What I thought

- **To show NEC HQ** that “NECAM has a **strategy**”, then adjust it with NEC HQ
  - Completely **change relationship** between NEC HQ and NECAM from 100% reactive
  - Express accountabilities, then request authorities to execute the strategy (説明責任を表明した上で戦略実行の権限を要求)
- **To present all employees** with a road (**STRATEGY**) to climb a top of a mountain (**GOAL**)
  - **To bring out local people’s potential**
    - In oversea business, **major roles are played by local people**, not mother country’s people
    - The fact was they had **not truly believed my sayings for first several years**, but finally...  
(実際は現地の人是最初の数年間、私の言うことを信じてはいなかった)



What I pursued (追い求めていたこと)

To make the company **attractive enough for local people** ( Both executives and employees)

(現地の人にとって魅力ある会社に)

- **Job hopping culture.** Many attractive companies exist surrounding NECAM
- My belief : **People are No.1 KSF** for a company
- **Need develop my own management way.**
  - Can't 100% imitate (模倣) the American management way. Should not bring in (持込) Japanese way.

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***Could I execute transformation smoothly as planned without any confusion or resistance?***

混乱や抵抗なしに計画通りに  
変革を実行できたか？

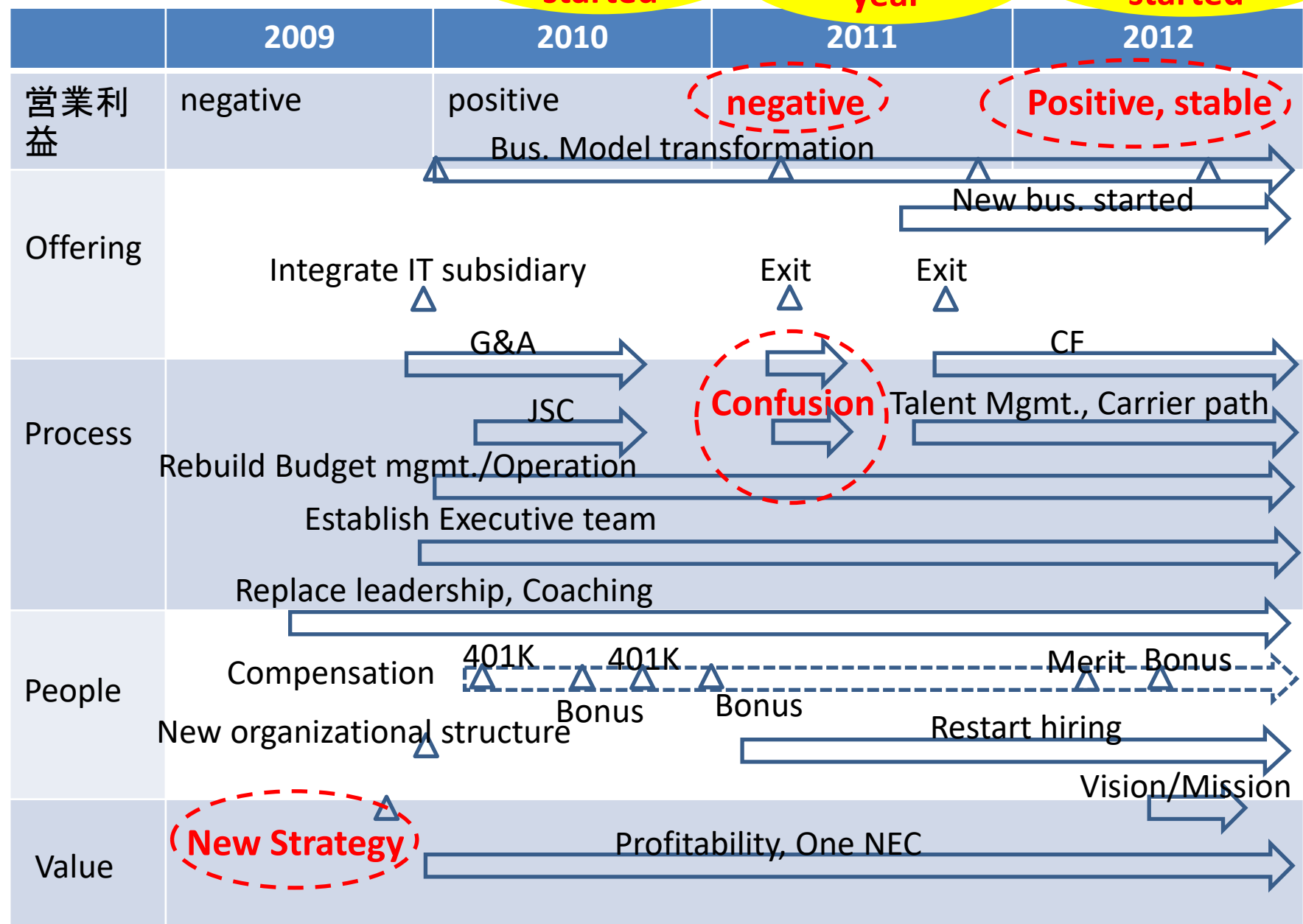
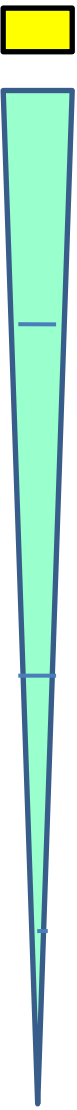


# 4 years' hard struggle

**Transformation started**

**Toughest year**

**Upturn, 2<sup>nd</sup> step started**



# Example of Resistance, obstacles & confusions

(抵抗、困難、混乱)

- **Director level showed strong resistance**, once the implementation started (部長レベルの強烈な抵抗)
  - Staff were not under his/her control any more
  - **Dislike “change”** - Much more familiar and comfortable with their former proprietary services than new shared services
  
- **Negative impact on day-to-day operations** appeared (日々の業務に支障)
  - **Complaints** from customers and partners
  - Staff left. Know-how lost, Long hours' overtime work. **Morale down**
  
- **Finger-pointing** between two groups (トップが非難し合う)
  - SVPs of two groups couldn't resolve for a couple of months

Q2.

*What should you do as CEO at this situation?*

あなたがCEOなら、何をすべきか？

# What I did

- **Switched to Hands-on\* management** (マネージメントのやり方を切替。自ら直接)
  - Investigated **by myself**
  - Collected as much information as possible **directly from field level**. Lots of mails and reports. Many various issues found out.
  - Tried to **Identify** “essential” problem
  
- Made the **hardest decision to replace a leadership**
  - **To save a company from a crisis**, although our human relationship would be damaged (最も困難な意思決定。リーダーの変更)
  - Move Operations Group under me
  - Appoint a new leadership from another group
  
- Continued follow-up by Hands-on for several months, then **switched back to Hands-off** after I judged the situation was under control (状況の安定化を見て、マネージメントのやり方を戻す)

\*) Hands off: delegate authority, and review report  
Hands on: do by myself

# What kind of company did NECAM become after transformation?

## ■ Company Performance: (業績は最悪期を脱出)

- ✓ Could **stay above “surface of water”**. Most of business became stable.
- ✓ Growth remained as next challenge.

## ■ Employees' bright facial expression (明るい顔になる)

- ✓ Company's performance improved -> **Bonus, merit increase paid**
- ✓ Started **believing company's future** and their **growth opportunities** in the company
- ✓ **Willing to contribute** to company's success

## ■ Really integrated as one company (一つの会社になった)

- ✓ Way to run a company, **system, process** (G&A, CF, HR, Compensation...)
- ✓ **Mindset, culture** (employees **voluntarily (自ら) think and act** across groups **for success of the company** rather than just for their group)

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## 1) Make a company **attractive enough for local people** (現地の人にとって魅力ある会社)

- To recognize their **interest, priorities and hidden voices** (company, job, leadership, community etc.) is fundamental
- Should not forcing mother country's way. Should not just following local way.

## 2) Clearly determine **accountabilities and authorities** between HQ and subsidiary

(本社との間で明確な説明責任と権限)

- Brace yourself to take accountabilities for **possible unpleasant future** (勇気をもって説明責任を負う)
- Then, request authorities needed to fulfill accountabilities

### 3) Recognize “reality” to find out what you should do (現実を直視する)

- “People will see only what they want to see.” (Julius Caesar) (見たいものだけを見てしまう)
- Utilize various approach
  - Ex. SWOT analysis, Inverse triangle management framework (See P.22)



#### 4) **Do what you should do**, instead of what you want to or can do (成すべき事をやる、やりたい事、やれる事ではなく)

- Professor **Peter Drucker** called it as “**Secret of success**”
- **Trap** in case of dispatch abroad or promotion, because of SOW’s expansion (海外出向、昇進時の罠)
- Think in-depth what should be done **at this position and at this timing** (この立場でこの時期に成すべき事)
- **Write down** what you’re **lacking** to achieve it (何が足りないか書き出す)
  - Skill, experiences, human network...
  - **Very difficult** for most people
- Develop **plans to fulfill** such gaps (そのギャップを埋めるための計画を立てる)
  - Ex. In my case, found out a “mentor” (メンター)

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# 6-1. Establish trust with local people

- **Trust is foundation** for all kind of business, especially essential **KSF** for international management (信頼はすべての基盤)
  - ✓ In overseas business, major roles are played by local people. Ex. sales
  
- Points to build up trust:  
(while culture, customs and histories are quite different)
  - **Integrity**
    - ✓ Definition: the quality of being **honest and strong** about what you believe to be right
    - ✓ Have allowance **not to instantly reject** local people's thought, **develop own belief**, and **don't easily change decision**
  - **Open and transparent communication**  
(オープンで透明性のあるコミュニケーション)
    - ✓ Especially in case of **confusion, trouble, and no good performance**
    - ✓ Ex. Recall of cars

## 6-2. Have **agility to adjust** to local environments in a **certain extent**

(現地の環境に、ある範囲で合わせる機敏性)

- Shota Imanaga (baseball pitcher of Chicago Cubs)
  - **No complaint** about difference of Slope of pitcher's mound, ball etc..  
Accept and adjust to them
  - While **keeping his strength**
- **Failure example** of Japanese expats in NECAM(出向者の失敗例)
  - No doubt about “My experiences in Japan is 100% right”. Cannot accept and adjust to new environments including the way of doing business in U.S. (日本での経験が100%正しいと信じて疑わない)
- Ex. Leadership (**リーダーシップの捉え方が違う**)
  - **Goal, Strategy vs. Wish/Hope + “Gemba-ryoku”** (Frontline employees' capabilities)

## 6-3. **Keep hungry** for learning unknown

- Much more unknown in overseas than known. An important thing is to **keep hungry for learning without hesitation or “stealing”**. (恥ずかしさ捨てて学び続ける、盗み続ける)
- Ex. In my case: **three major unknowns**/challenges in NECAM (①Run U.S. company ②Turnaround of a company ③Four major business domains)
  - Aggressively learned and stole from an American mentor and local people
- Could be a **“golden opportunity”** (黄金の機会になりうる)
  - To differentiate yourself from others by learning and challenging unknown (あなたにしかないスキル、ノウハウ)
  - a treasure of lifetime

## 6-4. **Contents and logic** are essential for comms, while minimum language capabilities are needed (内容とロジックが本質的に重要)

- “You **should ask questions if don’t understand my talk**” (これぞ米国)
  - ✓ Chinese American’s presentation at Hewlett-Packard in U.S.
  - ✓ Indian, Chinese,...: **no hesitation to speak up** even with strong native language’s accent
  
- **Content** should be **worthwhile for others to listen**
  - ✓ Fluent English but almost no valuable content << Valuable content with poor pronunciation
  - ✓ **Cultivate** yourself to have more content (自らを磨くように)
    - Skills, knowhow, experiences, insights, viewpoints etc.
  
- **Logic** is one of KSF because culture, customs and histories are different
  - ✓ Reasoning, logical connections, consistencies and systematical thinking, .....

## 7. Lastly (1/2)

- International business management has **own difficulties and challenges.**
- Encourage you to **develop your own style of management and leadership.**
- **勇気をもって若い時に海外にチャレンジして下さい。得るものは一生の財産！！**

## 7. Lastly (皆さんへのお願い) (2/2)

- 講義を聞いた後、**心に残ったキーメッセージ**を最大3個まで、フリーフォーマットで書いて送付してください。

特にない場合はなし、でも構いません。

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Thanks

Any Questions?