

ICI Japan: Confidence in Quality

By Takashi Suetsune

As far as the Japanese market is concerned, ICI is serious and determined. In October 1987, it opened the ICI Japan Technical Center in the Tsukuba Science City north of Tokyo. Earlier that year it inaugurated a new Agricultural Research Station in Ushiku City in Ibaraki Prefecture, and on December 8 the company was listed on the Tokyo Stock Exchange. In the summer of 1990 a new 'Melinex' polyester film line will be operating in Ibaraki Prefecture. ICI's sales target for Japan for 1995, just five years away, is three times current sales.

ICI stands for Imperial Chemical Industries, Ltd., and ICI Japan is the British-born goliath's beachhead in Japan, 100% capitalized by its parent. Like many other international conglomerates, ICI is scarcely known to most Japanese despite its long history in Japan. The fact that ICI is the world's top supplier of almost every chemical product imaginable from pharmaceuticals to aerospace components, is something that is only generally known within the industry itself.

None can compare

But while the general public in Japan only enjoys the high-quality derivatives of ICI products and technology, to Japan's chemical industry, ICI has always been a model of high technology and innovation. Even today no Japanese chemical company rivals ICI in scale or breadth. Japan's trademark has become high technology, but her grades in chemistry could learn something from this British mentor. Melinex polyester film, for instance, widely used in floppy disks, printer film, photography and other fields, and absolutely essential to the world chemical industry today, was originally developed by ICI.

"Up until now, none of the Japanese chemical companies have become international," says William F. Madden, president and CEO of ICI Japan Ltd. "That is slightly surprising, considering that in

electronics and the automobile industry Japanese companies are very much international." ICI could teach them a thing or two. It first set foot in Japan in 1920 as the trading company Brunner Mond & Co., opening offices in Kobe and Yokohama. In 1926 the merger of Brunner Mond & Co., British Dyestuffs Corporation, Nobel Industries and United Alkali Co. would result in ICI. But in Japan, ICI operated under the name of Brunner Mond until 1952, when it officially became ICI Japan.

ICI's expansion in Japan can be broken down into four phases. Before World War II it exported alkali products and chemical fertilizers to Japan, adding dyestuffs after the war. Then came technology licensing. The third phase arrived in the 1970s, when ICI started joint ventures with Japanese companies. Today, in phase four, ICI is investing directly in the Japanese market.

"ICI Japan is basically a trading company set up to sell ICI's technology and products to Japanese customers," Madden explains, "but in the 1960s and 1970s, we did not know much about the Japanese market. The easiest solution was to go into joint ventures. In those days there were also regulations which made it virtually impossible for foreign companies to operate here on their own. No such regulations exist anymore." Today ICI has six joint ventures in Japan. "All of them are prosperous," asserts Madden, "but it is time to sell directly to our Japanese customers. If joint ventures are successful, why not direct investment?"

Confidence in quality

The investment ICI has in mind is not aimed at exports. Rather, ICI wants to sell in Japan its own products made in Japan. Land for factory sites is notoriously expensive here, Madden admits, but he feels the expense is worth it. He knows that Japanese customers prefer buying from Japanese suppliers even when for-

foreign products are just as good quality-wise, but he has confidence in the superiority of ICI's technology and innovations. "Austin Rover is prepared to buy its parts from Japanese suppliers if Japanese suppliers can provide better products," Madden says. "And even if Japanese customers prefer buying from Japanese suppliers, you can still sell to them in the same way if you can demonstrate you have a better product and can provide something superior."

So far, foreign chemical companies have only a small share of the Japanese market, but ICI Japan hopes to upend the ratio. Moreover, ICI's marketing strategy calls for doing that in high-tech chemicals, an area where Japanese companies are particularly strong.

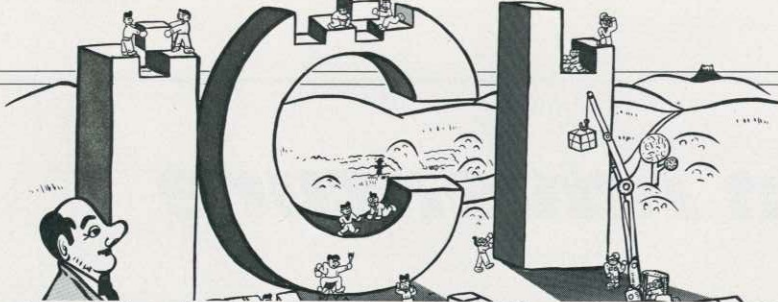
"The merit of being in Japan," maintains Madden, "is that you can stay close to your customer. The customer may want a modification of a particular product. You can provide that quickly if you have your own laboratory here. Japanese customers are not always prepared to commit themselves heavily to suppliers who are not around. So we believe our specialized assistance is significant."

The ICI Japan Technical Center at Tsukuba was built specifically with this in mind. There, some 60 Japanese scientists are busily engaged in research and development on ICI products. There are only two British staff in the entire lab.

The reasons why ICI wanted to set up a laboratory in Japan are clear-cut. First, ICI wanted to take advantage of Japanese science and technology for developing original advanced technology. Secondly, by interacting with Japanese customers, Japanese scientists can both maintain customer relations and can find potential new clients. And in fact, the new Japanese Technical Center, in close collaboration with Japanese companies and customers, is developing new products in data storage and retrieval, advanced materials and films and other product areas that need to be developed in harmony with Japanese

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technology. "The advanced materials business involves tailor-made materials for the specialized purposes of particular customers," says Madden. "For that, it is essential that materials development should go hand in glove with customers that are at the leading edge of their own technologies."

While functioning as intended, the Technical Center is not immune to difficulties. ICI's worldwide policy is to staff local offices and laboratories with local people. The problem ICI Japan faces, though, is the increasing difficulty of recruiting Japanese staff, especially scientists and researchers. ICI Japan wants eventually to staff its Technical Center with 200 to 250 Japanese scientists. And indeed, in the whole of ICI Japan there are at present only 15 non-Japanese, compared with about 300 Japanese employees. It is not difficult to attract qualified staff from Europe or the United States, Madden says, even given the difficulties with educating their children in Japan and the high cost of living. But ICI's policy is always to strengthen the local staff. "Since my long-term objective is to build up local management, every time I bring an expert in from abroad I am delaying the time Japanese can take over," Madden says.

Close connections

But while he invites experts from abroad only when he has a highly specialized position to fill, Madden admits the necessity of having some foreign staff. "When your company is growing very fast, you need some people who are non-Japanese," he explains. "When you are trying to grow very quickly, you need very close connections with other parts of ICI. If you don't have some people who have worked in other parts of the company, it is difficult to get that close connection."

Selling products and technology directly to the customer is the motto of ICI Japan. But the company has not given up on joint ventures with Japanese partners, either, so long as it can find the right partners to do the job with. If ICI Japan had a new project today, Madden says, the first thing he would ask himself would

be if ICI could do the job 100% itself. That's because, by doing so, ICI would get the best advantage from the market place. But he admits that there are circumstances in which a joint venture could be absolutely right, and says he would not be surprised if ICI starts one or two more joint ventures in Japan over the next few years. "But," he stresses, "if we do, we will do it for different reasons than in the 1970s."

The polyester plant which ICI Japan is constructing at Tamatsukuri in Ibaraki Prefecture is no joint venture. It is 100% owned by ICI, and will mark a significant step forward in ICI's Japanese market strategy. It is also a challenge to the company's former Japanese customers.

Turning point

Thirty years ago, when ICI first developed and commercialized polyester, later dubbed Melinex, some Japanese companies bought the technology from ICI. In the end, the licensing appears to have done the Japanese more good than it did ICI. ICI lagged behind Japanese competitors in polyester product sales in Japan, and then Japanese companies began to develop and sell even more sophisticated products, using ICI's licensed technology. The situation was awkward for ICI. Its decision four years ago to build its own polyester plant in Japan thus marked a major turning point in the company's marketing strategy in Japan.

ICI Japan is also actively involved in Japan's agricultural industry. The ICI Japan Agricultural Research Station in Ushiku has 4.7 hectares of rice fields on an 8 hectare site. The station tests newly developed agrochemicals to see that they meet Japanese environmental and regulatory requirements. In Japan, ICI has a 6% share of the agrochemical market. ICI's herbicide is widely used on Japanese rice paddy fields. Madden said, "Japanese farmers get maximum yields from very small amounts of land, and they are always trying to increase productivity. I believe that the agrochemical market in Japan will continue to be good for those companies who have very good products, like ICI."

Today, ICI Japan has entered a period of aggressive expansion. And of course, that means it is going to be encountering tough competition from Japanese manufacturers. Madden, however, says he has no intention of competing on price. He wants to compete on product range, and sophistication of service and technology. In the eyes of ICI, high technology is no Japanese monopoly.

Madden has a number of tips for foreign businesses that want to set up shop in Japan. "Any international business, if they want to do real business today, should come to Japan," he says. "Japan will clearly be one of the industrial engines of the 1990s and the first years of the new century. Moreover, as the market is changing rapidly in Japan, you have to have your own people here in the Japanese market selling to interactive customers. You can't do that through long-arm trade relations. You need to build strong relationships with Japanese customers. Unless you are here, you cannot understand the dynamics of the market."

"Lastly, you need to be patient. In Japan, it takes time to establish essential relationships. Don't expect success in just one or two years."

Madden recently had an interesting experience that has much to say about doing business in Japan. It was October 1987, and the ICI Technical Center in Tsukuba was to be formally inaugurated. Madden asked Denys Henderson, chairman of ICI, to come to Japan for the inauguration. Usually in Britain, building such an institute would take two years, and Madden became apprehensive when the construction site was still bare in January 1987. His apprehension kept growing when in March there was still nothing on the ground. Madden questioned the contractor, who assured him there was no problem. By now Madden was more than worried. But on the last day of September, he had what he wanted. The ICI Japan president laughs when he tells the story. "Patience," he says, "is important here." ■

Takashi Suetsune is a Tokyo-based freelance reporter.