

# RESEARCH AND PRACTICE IN HUMAN RESOURCE MANAGEMENT

## Keynote

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## Business Strategy in the Era of Globalisation: The Case of Konica Minolta

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### ABSTRACT

**A major concern for international firms is how to optimise their competitive potential. Despite the availability of a wide range of technological innovations, ultimately, the more successful companies have realised the worth of organisational stakeholders, which include talented, committed employees. This paper is adapted from a Keynote Address delivered by Mr Yoshikatsu Ota, who is the President of Konica Minolta Holdings, Inc.. It was presented at the 10<sup>th</sup> International Conference on Global Business and Economic Development in Kyoto, Japan between 8 to 11 August 2007, and illustrates these important features. Whilst, the ongoing promotion of economic globalisation is further advancing rationality and efficiency, it is also true that this process has created various problems. A dominant belief within Konica Minolta is that it is the responsibility of all involved stakeholders to industriously tackle such problems and to find positive solutions. It is a great pleasure to share the concepts and targets of the Konica Minolta Group with the sincere hope this will be useful information for other institutions and their constituents.**

### INTRODUCTION

Konica Minolta was established in August 2003 through a merger of Konica and Minolta. Konica was founded 130 years ago, and Minolta was founded 79 years ago. Before the merger each company had long been active in the photographic industry, each with its own specialties in the production of films, mini labs, cameras and lenses. Both companies, through epoch making technology as well as activities to stimulate demand and other efforts in keeping with growth in the photographic industry, had introduced products which gained many customers around the world. However, business equipment such as full colour multi functional copiers/printers and advanced optical components that are installed in liquid crystal TV, mobile phones, hard disc drives, and DVD players, have recently become Konica Minolta's main business lines. In addition to these business fields, Konica Minolta is engaged in such businesses as medical equipment, industrial measurement equipment and planetariums. The company has endeavoured to anticipate the needs of the times, while focusing on growing business fields. Obtaining a leading position in the relevant fields is a healthy strategy that makes the best use of the firm's competitive advantages.

Foreseeing customer needs and fulfilling them is exhibited with the involvement of Konica Minolta in the photographic industry. As a result of efforts in focusing on selected business fields with a high growth opportunity potential and profitability as well as maximising the efficient use of operating resources, Konica Minolta management decided to exit from the traditional photo imaging business. This strategy was announced in January 2006. In spite of the size of the photo imaging business being very limited today the general world perception of Konica Minolta remains as a manufacturer of films and cameras. Therefore, the big challenge now for the company is to maintain the good image of the Konica Minolta company, which was established through products for general consumers such as camera users, while creating a new company image based on customer business. This overview illustrates the Konica Minolta management philosophy of 'The Creation of New Value', and the management vision

is to become 'an innovative corporation that continues to create inspiring products and services in the field of imaging', and 'a global corporation that leads the market by advanced technology and reliability'.

## **PRACTISING THE KONICA MINOLTA CULTURE**

### **Management Transparency and Good Corporate Governance**

The management structure of Konica Minolta is based on the independent operation of business companies. Since the merger of Konica and Minolta, the holding company of these businesses has been strongly aware of the need for management transparency and good corporate governance. In fact, Konica Minolta is one of a few companies that adopted the committee system before the revision of the Company Law in Japan. The term for directors and executive officers is one year, and the three committees for audit, nomination and remuneration are all composed of non executive officers. At the same time, the majority of each committee consists of outside directors. Even the CEO does not participate in any of these committees, and Konica Minolta maintains stern enforcement and surveillance systems. In addition, the corporate audit division, along with the audit committee, enforces strict internal control within the company.

According to the financial results for March 2007, consolidated net sales were 8.6 billion dollars, and operating income was 867 million dollars, based on an exchange rate of 120 yen to a US dollar. Konica Minolta currently has about 150 affiliates around the world for development, manufacturing, sales and other activities. As a result, over 70 per cent of sales come from overseas business, and about 30,000 people work for Konica Minolta around the world, including the company outsourcing. Konica Minolta has been expanding the business worldwide under the premise that the company has customers in every country and region in the world. Whilst having faced many problems in dealing with technological and intellectual property rights, and regulations regarding commerce and taxation, as Konica Minolta develops the business globally, these difficulties have been gradually resolved.

### **Konica Minolta Guiding Principles**

There are two things that can be noted from experiences gained in globalising the business. The first point is to be fair at all times. Of course, as long as it's business, it is very natural for both the selling and buying parties to try to gain profits as high as possible. Simultaneously, as long as a company seeks to continue its business with its established brand, being swayed by temporary profit motives or seeking to entrap the other party needs to be avoided. In short, it is not right to do whatever it takes in order to survive. The same can also be said in relations between countries. Nobody is happy to receive unfair treatment, and Konica Minolta, especially, has to be careful not to show any unfair behaviours that could injure other people's character or positions. If Konica Minolta was to steal the achievements of others, its success is likely to be short lived. Hence, the most important thing to be done is to first establish trust with one's counterpart. A fair recognition of each other's position should be the basis of how to think and deal with others. At the business level, various factors are at work, and sometimes unsatisfactory results are reached because of misunderstandings and other factors. In such cases, the trust between the two parties could be impaired, and repairing this relationship requires a lot of energy. People must also realise that mistrust not only affects the concerned parties, but can also affect the brand and the degree of trust in each other's country.

The second point is about not imposing the culture of Konica Minolta on other organisations. Even if there is no intention to impose on receiving countries, the promotion of global standards will nevertheless significantly affect their systems, customs and social structures. In particular, standardisation led by mainly economic and rational considerations is driven by the culture and logic of advanced countries. The forced introduction of this culture and logic could destroy the culture and society of receiving countries, and could well trigger chaos.

While it depends on what is being introduced, it is believed that seeing the entire world become the same with uniform content due to popularisation and globalisation of the Internet is not a desirable outcome. Consumers will have less choice, and things that had been rooted in one culture could be denied in other cultures. This does not need to happen. Who in the world wishes to see boring societies where every one is doing the same thing under the same social system, and tradition becomes a thing of the past or something that is 'rare'?

The adoption of culture can influence values and ways of living. With the development and the spread of IT technology, the world has become one, and information can spread around the world in a flash to be shared by everyone. Without physically moving, people around the world have easy access to any information including politics, economies, industries and cultures. When doing business internationally, there is a great deal of difference between having and not having world standards. World standards, such as safety and quality, unified accounting standards, trademark rights, intellectual property rights and simplification of tariffs and other conditions for international commerce are required for rationality, efficiency and transparency, and further efforts by respective countries to reach agreements on such standards is to be expected.

It would be nice if rationality and transparency that are necessary for the safety of people's lives, convenience or investing activities as a result of advanced technology could be secured. However, important issues are sometimes overshadowed by such expressions as 'openness' or 'reform'. Sometimes the logic becomes demanding instead of giving. If people go too far in pursuing their own logic, efforts will be perceived as 'centralisation by the strong with force'. Globalisation led by advanced nations could transform economic rationality into invasive development. Hasty globalisation could create a structure of 'the economically strong versus the weak' that never existed among receiving countries in the past, and such an outcome could cause discord. It is questionable whether standardisation can be promoted just by saying 'individuals will give some time to consider, but nevertheless do it eventually', or by assuming that 'it is a right thing to do anyway'.

Konica Minolta has many Japanese employees stationed in affiliates in many parts of the world. They attend in-house seminars prior to their overseas assignment and are told to adjust themselves to the local people's ways of life and cultures. Of course, studying may help, but people have to be in the country to see the reality. It is also very difficult to convert mindsets suddenly after living and working in Japan for so many years. Although the situation is improving, in a few cases it has been observed Konica Minolta employees have formulated a negative impression of the local culture and society after being transferred to a foreign country for the very first time. It is expected that employees will try hard to let the local people understand Japanese culture, customs and views while trying to accommodate to the local lifestyle, despite the nicety of the occasional opportunity to communicate with the local people to exchange views. However, at Konica Minolta employees are challenged to avoid conflicting situations by avoiding the making of statements on religion and politics without having sufficient knowledge. On the other hand, Konica Minolta has had some employees playing down their own country by accepting whatever they see due to the strong admiration for other countries or societies.

Even with the development of IT information technology that allows the accessing of information from around the globe, true mutual understanding cannot be built overnight. And it cannot be built by logic alone. At Konica Minolta it is felt that the first step in establishing global standards is to seriously consider the viewpoints of others. The world is made up of people, and whatever is done, nothing can be achieved without trust and respect for each other. Konica Minolta will pursue business engagements in the world, but will not try to do business just as a Japanese company. Konica Minolta endeavors to develop employees who can behave with the awareness of the different perspectives of other people from other parts of the world.

## **The Creation of 'New Value'**

Earlier, it was presented that the Konica Minolta management philosophy is 'The creation of New Value'. Just what is meant by 'the creation of new value'? It does not mean that the company simply creates and produces something new and original. Konica Minolta belongs to society in the form of a corporation, and is doing business by using resources on this planet, including people. Ideas such 'as a profit making company, that only needs to make as much profit as possible', 'Konica Minolta only needs to pay as much tax as possible', or 'Konica Minolta only needs to pay as high dividends as possible or raise the share price' should not be the only aim of corporations. Of course, what the company can do for the investors as a profit making company is to achieve sustainable growth in order to pay reasonable dividends to shareholders. However, as long as Konica Minolta is allowed to remain as a corporation, only products that are beneficial to people, societies, and the environment should be created. These are the kind of values Konica Minolta needs to create. An attitude of making contributions to people and society through business activities and not focusing solely on business results is the dominant management challenge.

Many tasks related to environmental issues have reached the stage where Konica Minolta is pressed for time. The company has been sincerely tackling these tasks for quite some time in the course of providing products to customers around the world. In the field of product development, cost and time can be saved by simply acquiring inexpensive materials producing non quality goods and neglecting the notion of environmental sustainability. However, few are now living in societies that tolerate such practices. In Konica Minolta, many drastic improvements have been made in the concept of the so called 'Three Rs', namely Reduce, Recycle and Reuse when new products are launched. The 3Rs have long been the base of the entire business activities of Konica Minolta, not just for product development activity. A fundamental attitude of the Konica Minolta engineers in product development is to design products by conserving energy and resources, while the mission of production facilities is to produce by conserving energy. Indeed, the notion of the 3Rs must be precisely reflected in designs of new products, and the designs will not be materialised if there are insufficient efforts in introducing the 3Rs concept. In addition, Konica Minolta introduced a procedure called 'Green Procurement'. In this procedure, harmful chemical substances from each and every part of the procurement process and the products are completely removed by collaborating closely with vendors. This system entertains the procurement of materials. Even when products that are useful to people in the world are created, Konica Minolta contributes to the conservation of limited natural resources and energy and to the improvement of the environment of our societies. Otherwise, the company cannot endorse the slogan, 'The creation of new value'.

Recently, a visit was made to Europe to meet institutional investors as a part of the Konica Minolta Investor Relation ('IR') activities. The purpose of this visit was to deepen their understanding on the Konica Minolta company strategy, and it explained to these investors about the past growth and the future plans through 'Question

and Answer' sessions. These investors had strong interests in issues such as environmental conservation and natural resources. There were many investors who consider such aspects as key factors in making decisions whether to make investments or not. Throughout these meetings the importance of the conservation of the environment was reconfirmed. Indeed, the notion of 'the creation of new value based on CSR management' has been previously expressed in the annual CSR reports. Thus, there was a level of confidence that the investors would have a good understanding of the Konica Minolta business activities. Specifically, the report presented Konica Minolta's efforts to conserve energy, and achievements that have been made in the conservation of electricity, reduction of paper consumption and packing/transporting materials, and environmental burden. The report further explained that the entire company is aware of the need to conservatively use all resources in the Konica Minolta offices and facilities. It also presented the contribution Konica Minolta can make to the environment by using organic electroluminescence in future lighting systems, which was previously announced in March 2007.

The Konica Minolta organic electroluminescence project is an exciting initiative. Lighting that is generally used in offices and homes are tungsten lamps or fluorescent lamps. However, massive resources are used to create electricity for these lamps. The intention is to use organic electroluminescence to realise alternative lighting that would dramatically reduce the effects and risks to people and environments. Konica Minolta is aiming for practical use in three years by collaborating with General Electric in the United States. The company is planning to use organic EL in a form of film that can be bent freely in order to produce illumination on curved surfaces. By doing so, Konica Minolta hopes to be able to provide products that have reduced environmental burden with high added value. This technological advancement endorses the Konica Minolta management philosophy that 'The creation of new value' is not applied only to 'products'. Konica Minolta believes this creation is also possible in the fields of 'corporate behaviour' and 'people'.

## **HUMAN RESOURCE MANAGEMENT APPROACH**

Production of the Konica Minolta copy machines is done in China. Ten years ago the production line was moved to China seeking a cheaper labour force and materials, just as other Japanese companies had done. Currently, Konica Minolta is locally procuring 90 per cent of materials, but when production first began most of the materials were from Japan. The Konica Minolta products require many assembly processes, and the Chinese labour force was very attractive because of its 'youth, good eyes and skilfulness with fingers'. Although production in China was attractive to such factors of the Chinese labour force, Konica Minolta began to have second thoughts. That was: 'there is no one who exists only for his or her good eyes and skilful fingers'. Konica Minolta employees are young human beings with hopes, and their motive is not to just make money by working fixed hours. Indeed, they may have a desire for further achievement or to learn and improve their abilities. Consequently, the mindset of Konica Minolta management shifted to make the best use of employee motivation.

The main factory of copy machines was established in 1994 in Guandong with about 5,000 employees. Most of the employees came from local areas and they were young and inexperienced. So the first thing that had to be done was to educate them in order to achieve the quality standard that was the benchmark in Japan. In the first few years, a supervisor at the factory was constantly busy agonising over how to deal with complaints from local employees about meals and their life in a dormitory. Initially the supervisor, who was dispatched from Japan, was persuaded to introduce several systems that were designed to give a sense of achievement to the employees, to further motivate them and to make them more satisfied with their conditions. One such system was the Quality Control (QC) Circle, which was the first step of a strategy to set the factory's goal to become the world's best factory in the industry, and to manifest this goal to all the employees. Yes, they were given some incentives to encourage adoption of the concept. A system that would make them think about how to improve the efficiency of their working groups, how to improve product quality and how to make the next process of manufacture easier was developed. This system was supposed to be implemented after having the employees acquire the basics of the QC method.

Until the institution of QCs, employees were satisfied by just doing what they were told to do. Consequently, they were taken aback by the QC activities. Nevertheless, once they became involved with the QC activities, they started to clean their workplaces to keep things tidy and in order. Small working groups submitted proposals as they aroused a strong sense of rivalry against other groups. As a result, the workplaces became very lively. These employees eagerly began to share their questions and opinions with others, and such behaviours contributed greatly to the improvements of quality and productivity. Moreover, many of them said they wanted to study the Japanese language. Some of them showed a desire to learn more about advanced QC. Young people rapidly improve if they are motivated. At a later day, when visiting the factory, it was found that female group leaders wanted to show achievements they had made. As a result the factory visit was extended. This factory introduced QC activities only a few years ago, but it has been doing well enough to be able to take part in the Group wide QC Meeting last year.

Of course, such achievements made through the QC activities would be reflected in the performance of the factory, and subsequently, be returned to the employees. However, Konica Minolta thinks it is more important to motivate people and assist people in improving their abilities. Why didn't the company realise this earlier? This is certainly a point upon which Konica Minolta has reflected. This factory is producing and exporting a massive number of colour multi function peripherals. These products receive positive assessment in the market, and the employees are always

concerned about this assessment. Many of these motivated employees obtain field data in order to realise better quality and higher productivity. Today, the operations of the factory are mostly handled by local engineers and managers who were promoted to managerial positions, not by Japanese employees. The employees are full of strong spirit as members of the Konica Minolta group, and they are key members in launching new production lines. They even gave guidance to a new factory in China that was built later.

If the local employees had been alone as in the past, they may have ended up just being workers who only do given tasks without making mistakes. Konica Minolta may have expected them to do their jobs in a way people expect newly purchased equipment or machines to perform. But, that was not the case. These people came to Konica Minolta to make the company better. And they came up with good ways to create better products while finding their jobs fulfilling and meaningful to them. They also became keen to learn and eventually improved their abilities. The management of Konica Minolta believes this is another example of 'the creation of new value' through communicating and dealing with people.

It is often said that 'people, goods, and money' are considered as the basics of the management. In addition to these, information and time are also believed to be important. A salient belief of the Konica Minolta management is the key factor in management is PEOPLE. It is people who do all the thinking and make good and bad actions. And it is also people who think about making contributions to the world and to other people. Konica Minolta does business globally, and the management firmly believes all must think and act in consideration of this planet, on which people around the world live.

## **CONCLUSION**

The world is increasingly becoming ONE with the further advancement of information technology which is bringing about the international sharing of information. If the world is to become ONE, there is a need to have shared standards. However, globalisation should not be something that denies cultures and societies of others by making everything the same. Humans are members of all living creatures on the Earth. Therefore, all people will be challenged not to waste natural resources or destroy the earth. By aiming for a safer and better life, there is a potential to polish conventional wisdom and technology to realise a world where people on this Planet Earth can find their lives fulfilling. Konica Minolta believes this is the ideal direction in which world members should take the globalisation process.

## **AUTHOR**

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