

*Japanese Major
Consumer Electronics
Companies have lost
Global Reach*

**Diversity and Mutual Respect:
Keys to Success**

Australian Executive Chairman of Lenovo Japan, Rod Lappin, has had an affinity with Japan for a long time. He first came in 1986 then did more than a few stays before he landed in his Roppongi Hills' office in 2008. His sister has also been living here for nine years so the love for Japan is a family thing. He describes himself as "Mr. Fixer." Having worked in the technology field for over 18 years, he has always been the one on call to solve problems around Asia and especially in Japan. One of his biggest achievements was the tie-up with NEC a year ago. Lenovo is now number one PC maker in Japan with 27.2% market share, as well as in China with 34%, and in India with 16.9%. Busy with all these results announcements, Rod Lappin still took some time to share with JQR his views on the Japanese PC market along with its challenges.

- I was hired here by Lenovo but for a job in Singapore and I came back in 2008 right after the "Lehmann crisis." It was good to come back with fresh

with 27.2% market share.

The main challenge when taking over the Japan business was culture difference. I mean not Japanese to Foreign culture differences, Lenovo here employs mostly Japanese people. Company culture differences are the most difficult challenge to deal with. NEC PC has a very strong data and planning background, as Lenovo is more to execution and speed. NEC PC has a lot of process, as Lenovo is empowering people with decision making. At first working together was not easy, but I think we are complementing each other very well now. They know the Japanese market more than anyone else, they understand the Japanese consumers perfectly.

We had launched in the consumer market before the joint-venture, as complete new-comers and it was very difficult to start from scratch. With the long heritage that NEC PC has here and their strong customer relationship, which is extremely important in Japan, the joint-venture was key to develop quickly and steadily. On the other hand, we brought speed and global

Interview with Rod Lappin,

Executive Chairman of NEC Lenovo Group Japan

Photo / Tomoya yakai Text / JQR

eyes to have a look of the business. We were quite successful at that time in Japan. We went from 3% market share to 8.2% three years later. So with this gain and the confidence that the company had with the team here, we went on to a joint-venture with NEC. Now we are #1 PC company in Japan

reach. NEC PC was just in Japan, so now they can make use of our global supply chains and networks.

"Difficult" is not the word I'd use to describe working together with a different company culture. I would rather talk about "patience" because you definitely need a lot of it! Our partner is a little bit more conservative

and looks at things in a different way than we do. I like to take risks and see what happens. NEC PC is 90% planning and 10% execution, but I am definitely 90% execution and 10% planning! So we are complementing each other quite well. Mutual respect is the most important factor to be able to listen to the other, understand each point of view and come to a right answer. It's good! It has definitely brought a new level of diversity to our original management team. Both our companies are almost 100% made of Japanese employees, so unlike some other foreign firms, all our meetings and communications are conducted in Japanese, so we avoid any language misunderstanding. The differences are more on the approach, the process, the decision making, etc. I personally speak the language too, which certainly facilitates management.

"Nemawashi" before meetings adds complexity for a Westerner

The nuances are very important here. You have a lot of decision making done before you actually get to the meeting. There is a lot of pre-wiring in Japan, where in America or Australia you go to the meeting to make a decision. I don't think it is slowing down the process, but from a westerner's perspective, it adds a lot of complexity. It works totally ok in Japan of course, but when you're looking for the speed I am talking about, you want everybody in the same room, take a decision, then when people leave that room, that's what will be followed. Here I found that often people still want to change that decision afterwards and you have to make sure you manage that. So what we have been doing and works

pretty well is that we've been very open with each other on expectations. As long as everyone knows exactly what is on the agenda and what sort of decision we want to make, no one gets surprised when they arrive at the meeting and we can then be very effective and make commitments that make us move forward.

Diversity is important

I like a very diverse management team. When I arrived here the demographic of the leadership team was effectively the same: Japanese men, between the age of 35 to 55, all commercial guys of one company background, one mentality in total. At that time, we were going to enter the consumer market with our trendy netbook and the target was women from 16 to 34! So you can imagine what would have happened around a table trying to choose product colors! I changed the management team and put in a lot of diversity, which I think is very important in all cultures. We now have people with consumer background, women managers, foreigners, people from various backgrounds. NEC PC's team on itself is not very diverse, but blended as a group, it brings a strong traditional Japanese culture into a foreign global company culture, with a mixture of demographics of people, all this is perfect when you want to think differently in a market that has not been doing great.

The biggest challenge I have now in Japan is the consumer market. It has not been growing at all. When the government sponsors with "eco-points" incentives on flat screen TVs, people go to the retail stores and while they are there, they buy other things. This helped us to recover quite quickly after the disaster last year. But this year as the program has stopped, people no longer go to the retail stores. When you look at year-on-year data the PC market is nearly down by 14% compared to last year. Smart phones and tablets are not replacing PCs as they come as "extras" to the PC, but their purchase definitely affects the consumer's wallet.

Learning from high-level services

The service level in Japan is incredible. It has to be the highest in the world. And what is difficult with this is not to have your teams manage it, it's to explain it globally to the rest of the Lenovo Group. For example, when we joined with NEC PC, they told us we

needed a free-for-life telephone service. That is if you buy a product from us now you can still call us any time even way past warranty and get free advise. You won't see that from most global companies. Another example is when Lenovo sends over a PC, it comes in a box primarily designed to protect the PC itself during freight. But in Japan, the box has to be as immaculate as the product! That's really hard for people outside Japan to understand. We have a re-boxing service here in case a cardboard box has a scuff on it. We will re-box that product to perfection before it goes to the retailer because the Japanese consumer wants that level of perfection. Where in the US that would not be a problem, because people want the PC, they don't care about the box.

If you learn from the very demanding Japanese consumer standards and you're a good global company, you can try to drop them into the rest of the world and have a superior level of services. At Lenovo we take a lot of learnings from Japan. For example, we have two product development teams here, Yamato, our partner that engineered the ThinkPad since it's launch in 1992, and the NEC PC development team. We combined them to create our Japan Development Organization and they now design products for the entire world. We also do best practice sharing globally and a lot of ideas from Japan are implemented in other countries.

The domestic PC market is crowded with competitors!

There is a great retail market here, it's very busy, because there are so many players! This is one thing about Japan that is different to a lot of parts of the world, as the local PC market is shared by a great number of competitors. It's very hard for foreign firms to compete on consumer electronics here. Lenovo on it's own would have had quite a hard time and that is why the joint-venture with NEC was so good for us. Combined now we are number one! On a personal level I think that living and working here is extremely convenient. People are so polite, I often joke with my friends saying that if you stop your car right in the middle of the road, no one will toot you: they'll rather think "oh the poor guy must have a terrible problem!" If you do that anywhere else in the world, you'll have all the cars behind tooting, some big guy will come out and bang at your window! When I leave this time I



will really miss the cultural aspects of Japan.

Japanese PC makers should globalize

One think I really want is Japan to get better. My first electronic products were all Japanese! Japan was unbelievably innovative. "Japan = technology" I think is still true. A lot of PC parts still come from Japan. Many car companies or consumer electronics companies still buy a lot of their material from Japan. But for some reasons major players here have been so busy focusing on the domestic market that they've lost their global reach and they've been beaten by competitors from other countries. I personally believe that they need to globalize more, they need to diversify.

PROFILE

Roderick Lappin has been Executive Director of Global Sales for Asia Pacific at Dell for several years before joining Lenovo in 2007. After a year in Singapore for the firm, he was appointed President of Lenovo Japan and now acts as Executive Chairman of Lenovo NEC Holdings. He was born in Melbourne and grew up in Sydney, Australia, but has spent most of his career life outside his country and mainly in Japan where he actually resides with his wife and 3 daughters.

