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INTERVIEW

How Sika successfully reframed its strategy in Japan

Interview with Dr. Koichi Oba, Head of Corporate Target Market Roofing

Sika is a specialty chemicals company with a leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing and protecting in the construction sector and motor vehicle industry. Sika was among the first European companies to enter the Japanese market before World War II. Despite a long-term presence in Japan, Sika never became a major player in Japanese market except in a couple of niche segments. So, ten years ago, Sika decided to review its growth strategy in Japan, which brought its market position to another level with continuous business growth since then. We met Dr. Koichi Oba who played a key role as general manager at the time.

Dr. Koichi Oba

Could you please introduce Sika?

Sika was founded in 1910 in Switzerland. Very early the company went abroad seeking new markets. Sika's products have been present in Japan through a local distributor since 1930. In 1932, Sika was involved in an important project – Meiji Yasuda Insurance's headquarter - which is considered a national treasure. After the disruption of World War II, later in 1952, Sika founded a 100% subsidiary in Japan. Sika was certainly among the first European companies present in Japan.

Today, Sika is a 6 billion company present in more than 100 countries and has 200 factories all around the world, including seven in Japan.

What are Sika's major activities?

To date, Sika is active in seven target markets, namely concrete, waterproofing, sealing and bonding, refurbishment, roofing, flooring and industry with its high quality chemical products. In all of those sectors, Sika can bring an added value through high quality chemical products and a high level of technical services, allowing us to meet the customers' demands with Sika's innovative solutions.

Despite a long presence in Japan, Sika changed its strategy in 2007. Why is that?

To summarize, our results were too dependent on the Japanese economy. If the Japanese economy was good, like in the '60s and '70s, Sika's business in Japan was also growing very nicely. Unfortunately, the opposite was also true. Sika Japan was losing its Net Sales and profitability since the Japanese bubble economy collapsed in 1997. It wasn't enough to just follow the trend; we wanted to over perform the market, no matter how the market developed.

When I started my role as GM of Sika Japan, Japan was still the second largest economy in world (third today), but our sales were not even in the top ten of Sika's sales, ranked among 100 subsidiaries. We were performing under our potential and wanted this to change.

What were the reasons of Sika's relatively low sales in Japan before 2007?

I would say that Sika suffered from having no clear or specific

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INTERVIEW

Sika's chronological expansion in the world.

strategy for Japan. We were active in too many sectors at the same time, without having a focused growth strategy, where we concentrated our investments into various resources. We already had partnerships with a couple of good local companies, but did not show any clear commitment to further focused investment into these partnership activities. In addition, we also looked for further potential partners through acquisition activities.

Since then Sika Japan tripled its sales. How did you achieve this impressive performance?

It was a mix of organic growth and acquisitions. In 2007, Jan Jenisch, Sika's former CEO, became the regional manager of Asia Pacific and took me on board to turnaround the situation together. We tried to understand what our strengths were in Japan and what part of Sika business could be improved in order to focus on it.

For instance, in the automotive industry, we were nobody in Japan, despite a huge market potential, and Sika's large presence in other countries. We already had a joint venture company with a local Japanese company, but we did not have suitable technologies to serve the Tier 1 automotive companies like Toyota, Nissan and Honda. So we decided to localize Sika's own technologies in Japan by installing a local production line and developing the products to meet Japanese Industrial Standards. In the roofing industry, we could transfer our knowhow from Sika in the UK to Japan by sending a chemist to the UK to learn the basic chemical formulations and localizing the formulation to pass the Japanese Industrial Standard. Here, we also invested some resources to setup new local production and marketing activities.

In both cases, it was very vital to have competent local staffs who understand the Japanese market, where English skills played a secondary role.

I could also play a key role in establishing the growth strategy in a short time, as I already had founding experiences and knowhow in the Japanese market. It is always critical to select new leaders to run the business in Japan, who already understand the Japanese market and could manage people with thorough cultural understandings, thereby the effectiveness and efficiency of management skills are ensured.

Could you tell us more about the local partnerships you have in Japan and how it helped you to grow your business?

In the case of automotive, as mentioned earlier, we already had a joint venture with a local company which was essential to entering the Japanese car industry. Through this partnership, we accessed the distribution channel of our partner and are now a supplier for Japanese major brands.

In construction we also have a partnership with a local raw material supplier to develop Sika products suitable to the Japanese market.

Our latest main achievement of this partnership was involvement in the Tokyo Sky Tree project. Sika products have been used in many of the skyscrapers in Tokyo and Osaka.

In 2010, we had the opportunity to acquire a majority stake of the company Dyflex, the leading company for liquid waterproofing in

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活動
ACTIVITY

Japan and started a strong partnership. It has been possible because I spent much time with the former owner of Dyflex and gain his trust over the years. It has been particularly difficult to close the deal because the economy was still impacted by the 2008 financial crisis.

Did the 2008 economic crisis have an impact on your strategy?

Yes, it did. It forced us to focus even more on the most promising sectors we identified. We had to lower our investments in non-key markets to dedicate our resources where it was really worth it. We must ensure the generation of revenue to ensure continuous investment into the key strategic focus areas.

Today, Sika has more than 650 employees in Japan. Why are human resources so important to you?

Sika has a long-term perspective, not only in Japan, but everywhere. It is part of the company's culture. Of course, when we look for the right person we try to hire someone that is already good, but it is also very more important to invest in training and provide various opportunities for professional development.

It is very vital, when the company became big. If the company runs with 30-40 persons, you can manage it by yourself, but if the company has more than 600 employees, you can only manage the company by delegating key actions to middle managers. This means that you must trust your staffs, delegating and empowering them. Personally, I believe that employees' satisfaction positively impacts customers' satisfaction, and thereby sales and profit growth.

Global Competitiveness Index: Switzerland 4th, Japan 5th

動向
SITUATION

This month, the World Economic Forum published its annual ranking on competitiveness "Global Competitiveness Index 4.0." While the report is still based on twelve "pillars," the WEF slightly modified the weighting of them for this edition.

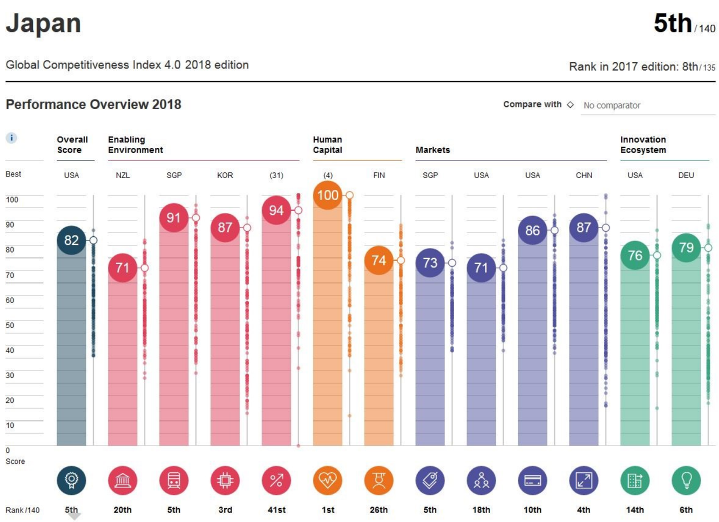
As a consequence of this change, Switzerland is no longer the most competitive country in the world (4th), which was always the case until last year. Despite Switzerland's fall from the podium it has not lost points. The new methodology highlights some pillars like ICT, where Switzerland is less competitive compared to other countries like the US (1st rank this year).

On the other hand, Japan made the most impressive progress among the top 20, jumping to the 5th rank (8th last year).

Not surprisingly, Japan is first for the pillar "Health," with the maximal mark of 100. The country also reached the top 5 for quality of the infrastructure, the level of ICT adoption, the size of its market and the "product market" (domestic competition and trade openness).

Unlike Switzerland, the difference between the 2017 and 2018 ranking is not due to the change of the methodology, but thanks to an actual improvement.

The report is available [online]



Source: WEF

Tokyo is the most innovative city in the world

革新
INNOVATION

Another ranking has highlighted the Japanese capacity for innovation this month. The Innovation Cities Index 2018 by "2thinkknow," ranked Tokyo first before London, San Francisco and New York. It is the first time for Tokyo to reach the top of this ranking, usually trusted by US cities.

Asked by Reuters, 2thinkknow said that, despite the good performance of Tokyo over the last years, the fact that the city has been able to overtake the top ranking was unexpected.

The company added that it shows how well Tokyo embraced robotics and 3d printing.

This ranking is based on around 1000 data points, filtered into 162 indicators.

Ranking:

1. Tokyo (+2)
2. London (-1)
3. San Francisco (+1)
4. New York (-2)

-

85. Zurich (-33)
117. Geneva (-8)

Source: 2thinknow
Innovation Cities Index 2018
Comments on Reuters

Tokyo Skytree:
Picture by "Kakidai"

Agenda

✓ Business opportunities and challenges for industrial SMEs in Japan
December 4th, St. Gallen, 16:30-19:30
Free of charge but registration is mandatory. Full program.

✓ Culture
Geneva: Conference of Nicolas Mollard: "Littérature d'Okinawa". Maison Dufour, Oct. 31, 19:00
Zurich: Last days of the Nagasawa Rosetsu exhibition, Museum Rietberg, until Nov. 4th.

JETRO is a government-related organization that works to promote mutual trade and investment between Japan and the rest of the world. Originally established in 1958 to promote Japanese exports abroad, JETRO's core focus in the 21st century has shifted toward promoting foreign direct investment into Japan and helping small to medium size Japanese firms maximize their global export potential.

The JETRO Switzerland Newsletter can also be viewed and/or downloaded online: http://www.jetro.go.jp/switzerland/newsletter

JETRO
Japan External Trade Organization

JETRO Geneva
80, Rue de Lausanne
1202 Geneva
Phone: 022 732 13 04
Fax: 022 732 07 72
E-mail: SWG@jetro.go.jp