

Past JETRO Client

Chicago Powdered Metal Products Company

April 2008 — Established in 1948, Chicago Powdered Metal Products Company is a family-owned and operated business that is dedicated to unsurpassed product quality and customer satisfaction. The company, currently in the midst of implementing the Toyota Production System, is one of the largest independent powdered metal parts manufacturers in the United States and is located in Schiller Park, IL, near Chicago's O'Hare International Airport. In July 2007, Chicago Powdered Metal Products (CPMP) established its first international office in Nagoya, Japan. Max E. Rumbaugh III, Sales Manager for the company, shares his insights on why this medium sized manufacturer made the commitment to establish a presence in the Japanese market.



It's About Building and Maintaining Trust — As Defined in Japan

Mr. Rumbaugh indicated that the North American subsidiaries of Japan's automotive original equipment manufacturers [OEMs] had recently become interested in CPMP's technology. The company is focused on serving the Japanese automotive OEM community in North America. CPMP's expertise in customer support, manufacturing quality and engineering quality has made them one of the best in the metal forming industry category. Mr. Rumbaugh indicated that while CPMP could provide customer service and sales support for the North American subsidiaries of Japanese automakers from the Chicago area, they did not believe this would be sufficient to communicate its engineering quality to Japanese OEMs in the Midwest and Japan.



After careful consideration, the company decided to articulate its engineering excellence directly to the automotive supply companies' sales engineers in Japan. The firm then initiated to study how best to establish a business presence in Japan.

Mr. Rumbaugh said that developing a business plan for Japan must be done in a Japanese manner. For example, he explained, "for American businesses, we would typically use a 38-page PowerPoint presentation. In Japan, we retooled our presentation into a precise, clean-looking brochure, almost a storyboard, for use in Japan customer meetings. Also, the Japanese customers like to examine samples of our parts at these meetings."

By establishing a subsidiary in Nagoya, CPMP is within a two-hour radius of approximately 80% of the company's potential Japanese customers. Mr. Rumbaugh said, "With its central location in Japan,

Nagoya is an excellent location for us. It also has attractive costs, international airport access and an excellent transportation network within Japan.”

Mr. Rumbaugh noted that the company’s presence in Japan allows it to foster a level of trust with Japanese sales engineers that would otherwise be impossible. The key role for CPMP’s Japan office is to keep their customer’s design engineers in Japan informed and up-to-date on the company’s parts and technologies so CPMP’s components will be in a better position to serve their Japanese subsidiary companies in North America. As a result of having a business presence in Japan, Mr. Rumbaugh cites a tremendous increase in the number of meetings with potential customers by Max Kataoka, manager of CPMP’s Nagoya office.

Challenges - On Utilizing Powdered Metal Parts

Japanese engineers historically have had a conservative view towards the use of powdered metal sintered components. They have resisted utilizing powdered metal parts out of concerns over the metal’s strength barrier. In the past, powdered metal parts may have been too brittle and were at risk of crumbling under stress.

However, continuous research and development by CPMP has resulted in greater strength and durability of the metal parts. Employing new techniques, the company can now achieve a core metal density of 7.5g/cc, far beyond the typical density of 6.8g/cc for sintered parts. With one additional operation, certain critical areas of a part can be raised to a density of 7.8g/cc. With this localized strengthening, the powdered metal piece is equal to fully dense iron or greater than cast iron.

There have also been significant breakthroughs in the sintering process that allow specific parts to be precisely heated but without any warping or dimensional change to the part. Mr. Rumbaugh said, “When the part comes out of the sintering furnace, it’s very close to what the customer needs as a final part compared to a metal casting or iron forging which requires added cost in the form of machining and additional operations to obtain a final product.”

Powdered metal processing offers a low-cost, high quality alternative to traditional die-cast iron or forged iron and because powdered metal products require less additional machining, it also is a quicker process. New innovations in powdered metals allow for innovations in the design and manufacture of automotive parts. This is compelling news to Japanese sales engineers. Mr. Rumbaugh indicated, “Once they understand our sintering technology process, you immediately obtain a sense of how they might have used our powdered metal parts on past projects.” This is the challenge for the company’s Nagoya office, articulating these innovations in the sintering process and explaining the benefits of these developments to potential customers in Japan.

The process of setting up an office in Japan was very smooth, Mr. Rumbaugh said. The company spent a lot of time evaluating the costs, benefits, and capabilities of Japan’s different business structures.

The management thoroughly researched the different business structures and meticulously examined the pros and cons for the representative, branch and subsidiary offices. The firm reached out to JETRO, who supplied a great deal of assistance. Mr. Rumbaugh said, “JETRO was a large part [of our entry into Japan]. Their guidance was a tremendous benefit to us.”

The trust that was built between Chicago Powdered Metal Products and JETRO was just as important as their business research. JETRO assisted the company with questions regarding incorporation and site selection. Later, when the firm was ready to hire a manager in Japan, JETRO’s Nagoya office introduced the firm to a number of candidates. Because the company had been working with different groups within JETRO, including JETRO Chicago, it was easy for them to trust the recommendations of personnel, which made the difficult process of hiring the right person much smoother. It was through JETRO Nagoya’s efforts that CPMP found Max Kataoka, the company’s Japan manager. Mr. Rumbaugh said, “After speaking via teleconference with my president (John Miller), Max became our first employee of CPMP’s Japan Branch.”

Guidance for American Companies on Developing Business with Japanese OEMs Mr. Rumbaugh indicated that it is very important to first develop a relationship with a Japanese customer and then business will come along. “When your company’s Japanese customer contact rotates away from you and into a new position, he will make sure that the same level of trust you have with him is transferred to his successor.” Therefore, the person may change, but the relationship between your company and his does not. Mr. Rumbaugh puts a two to three year timeframe into developing trust with a Japanese customer. If nurtured properly, this relationship will last for a decade or more.

Mr. Rumbaugh also stressed that “being up front and open with Japanese OEMs is the key to building partnerships. Inform them immediately if delivery will be delayed for one or two days. They will understand if you inform them ahead of time and don’t wait until the last minute to call. Do not overreach or over-promise what you can do for a Japanese company, only to admit later that you cannot keep your commitment.”

Mr. Rumbaugh advises American companies initiating investment in Japan to keep office staff small until increasing business demand enables the company to hire an additional associate. There’s no need for an initial investment in Japan to include three to four people in the office. He also said that it is important to have your Japan-based manager in place three weeks to a month prior to establishing a business presence in Japan in order to respond in a timely manner during the process of incorporation. Mr. Rumbaugh said that having Max Kataoka on board during the final push to incorporate was a tremendous benefit, and something that most foreign companies overlook. Most importantly, firms that want to do business in Japan need to do their homework in advance and learn as much as they can.

* Note: The time it takes to establish a Japan office varies from company to company.