

**International Business
Transactions and Conflict
Management**

***Promising Future of Japan-
ASEAN Business Cooperation***

Presentation for: Kobe
University, Summer School of
Asian Law and Dispute
Management

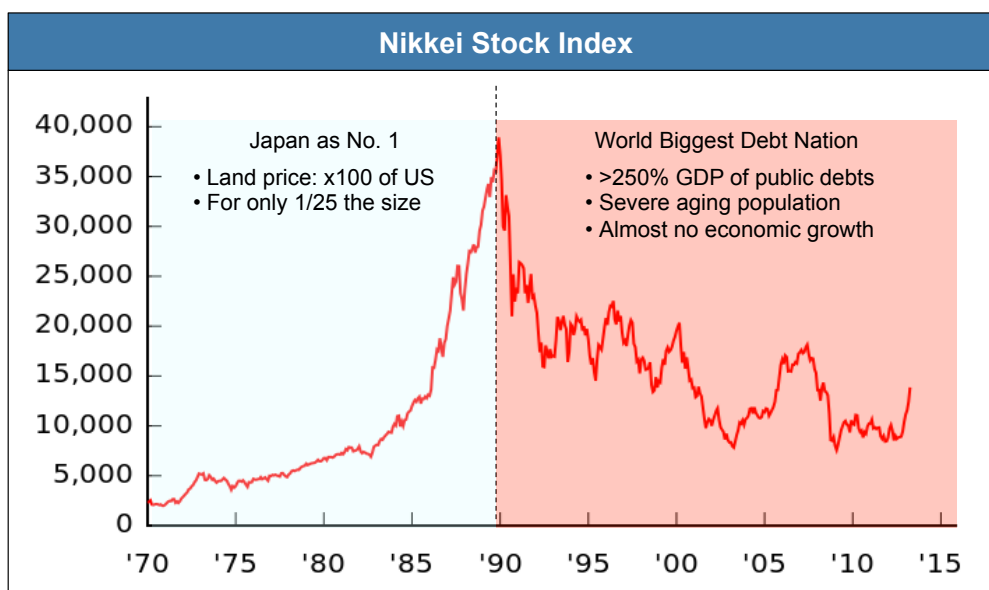
By Loong Kok Hong

Tel: + 60 (12) 278-0708
email: loong.kokhong@gmail.com

Reference: 001lkh_salad14

Promising ASEAN Introduction *Boom and Doom*

Japan is the first advance country to experience asset bubble



... there are many lessons for us to learn from

This lecture aims to inspire participants to go beyond the boundary for opportunities

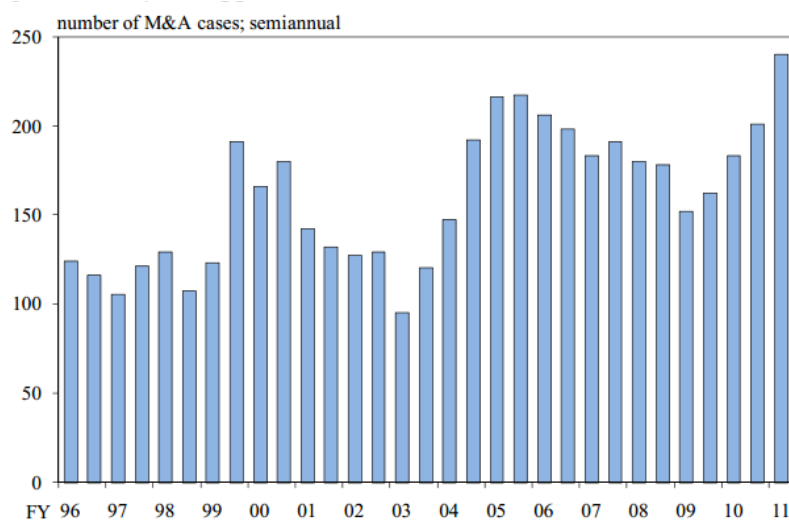


'There is no security on this earth. Only opportunity.'

...by Douglas MacArthur

- This lecture highlights several useful thoughts that may serve as 'pointers' for participants who are in search for their respective future paths;
- A list of reading materials is provided. Participants are encouraged to read through them in order to participate actively in the lecture.

Japan strives hard for economy breakthrough: Japanese companies are increasingly active in expanding to overseas; M&A is gaining popularity



Source: RECOF Corporation

The objective for international expansion is different this time: COEs want overseas market expansion – not just a production base



ユニバーコム株式会社
代表取締役 北条銀行代表
高橋 謙久
「グローバル10」戦略



Bob McDonald
新興国でシェアを拡大...



代表取締役社長
逸藤 清貴

内なる充実
、外への発展



尾崎 元規
「グローバルな成長」



佐光正義
東南アジア...本格参入



代表取締役社長
田中 稔一
国内は勝ち残り 海外で事業拡大

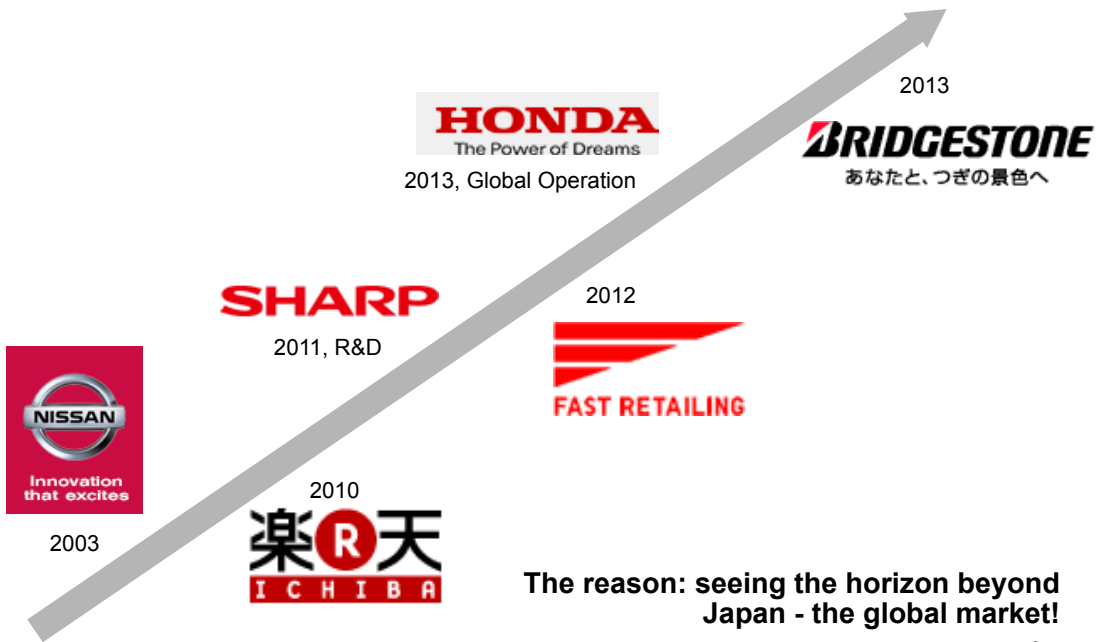
Why?

“The Japanese market is shrinking while overseas markets are expanding,”

.... Professor Hideki Yoshihara



At the same time, an unusual trend has emerged: Japanese companies adopt English as corporate language...



Asia, for example, as compared to Japan is by far a much bigger market, offering tremendous opportunity for growth



Even ASEAN is six times bigger than Japan, in terms of population...



...but with diverse income levels, languages, religions, and cultures.

Imagine that if you were a CEO, how would you globalize your business?

Blanked on purpose



Let's treat it like a baseball game: first, get on to first base! (be clear on your objective)

[http://en.wikipedia.org/wiki/Batting_order_\(baseball\)](http://en.wikipedia.org/wiki/Batting_order_(baseball))



Case Study on Japanese Fast Moving Consumer Goods (FMCG) Companies:

Is Japanese company competitive?

Japanese companies can be very competitive, and has the ability to redefining the market;



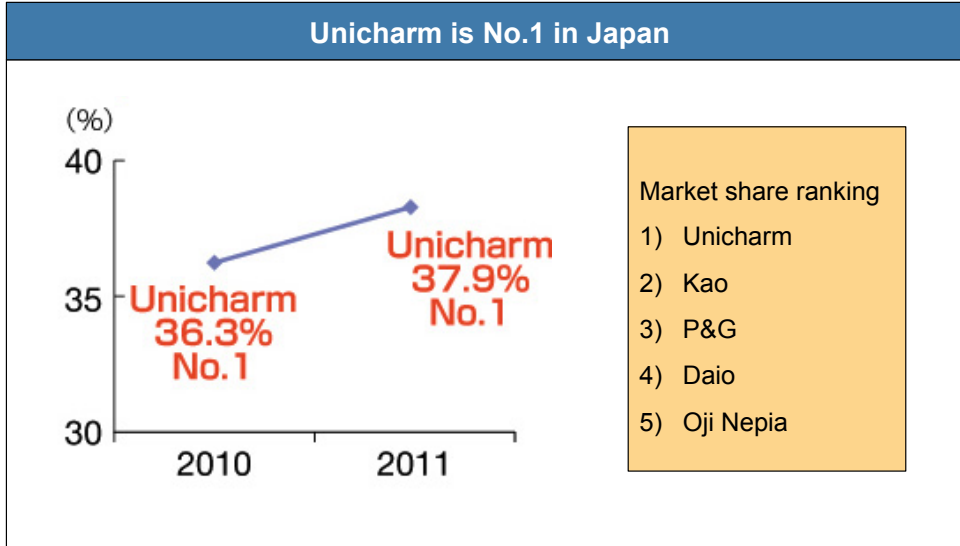
- Comparatively 'young' industry
- No clear winner in the industry

- Very matured industry
- Went through many rounds of consolidation

...but they must address the market appropriately from the beginning

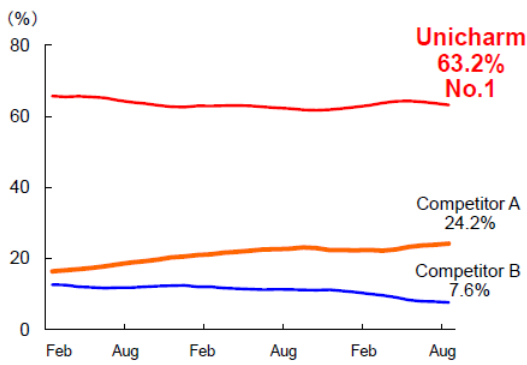
Diaper Industry

Unicharm is leading diaper player in Japan, making it the benchmarking target



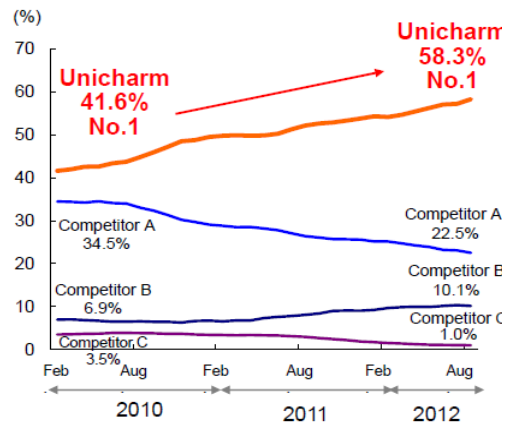
... and the target to follow through illusive data

Changes in baby care market share in Thailand (six months moving average)



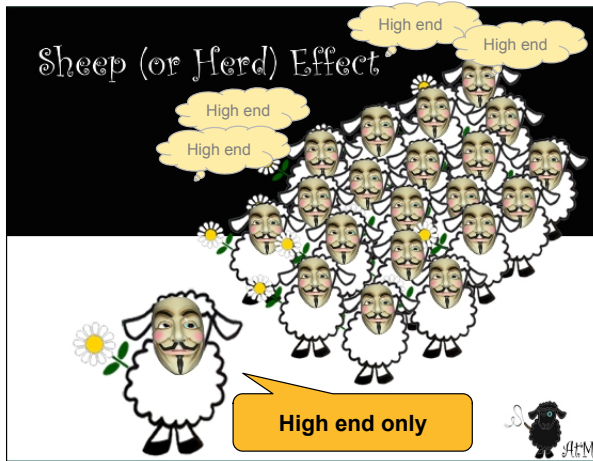
(Source: Company data)

Indonesia (six months moving average)



... however, data released could be illusive and misleading

As a result, many follow Unicharm's footprints



自然と調和する こそる量かな毎日めざして



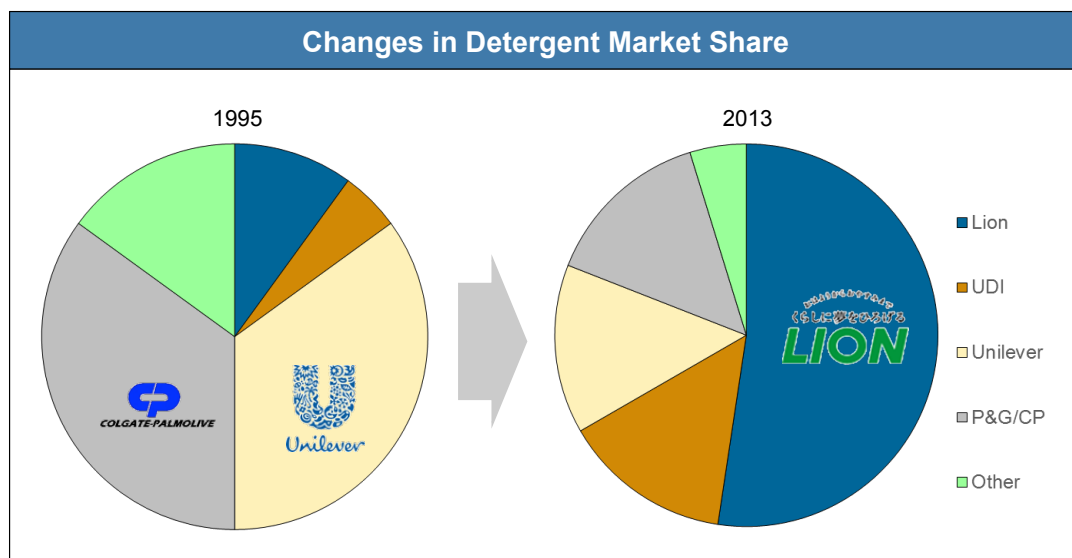
Beyond the Boundaries

It's the same old, same old... many bound to fail, or at best: no different as in Japan!



Detergent Industry

Detergent: Traditionally controlled by European and American companies...

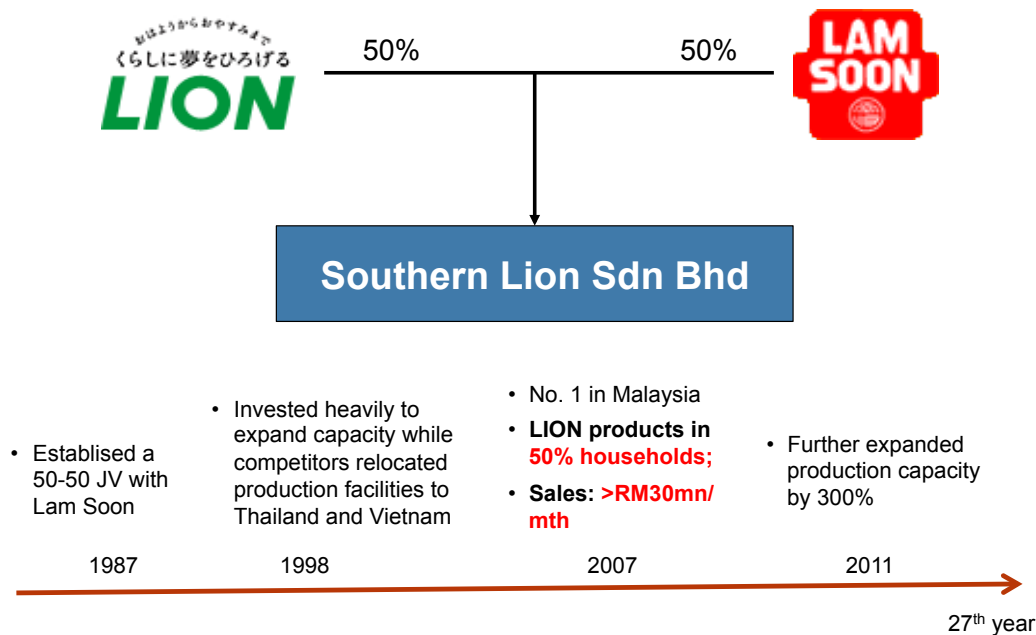


... however, LION is a clear winner today



From 1998, LION's market share continued to increase to >50%; it is number 1 in Malaysia far ahead of Kao (5% market share)



Southern Lion was able to fully capitalized on its key strengths



LION is well supported by local knowledge

		
Strategy	50-50 JV with local partner	<ul style="list-style-type: none"> • Preferred 100% owned • Priority on BRICS markets
Sales and Distribution	Local partner	Agency
Marketing	Local staffs	Expatriate
Products	Manufactures in Malaysia	Imported from Thailand
Japanese Involvement	Technical support	Marketing decision
Market share in Malaysia	>50%	~5%

Lessons to take home

- Don't trust the data until you fully understand it.
- We must have inquisitive mind; and never shy from raising questions;
- Be creative; and never follow blindly;
- Follow you own path: capture lion share in market ignored by competitors
- Compete based on local knowledge and capability
- No.2 in Japan can be No.1 in overseas
- Act local, think global

Students, please bear in mind that:

Human Resources (talent) is the scarcest resources in the world...



For example, for whichever overseas expansion path a company takes, they need talents to achieve success

• Joint Venture?



• Acquisition?



• Build from scratch?



自然と調和する こそる量が毎日をめざして

• Export?



M&A is comparatively an attractive option, but riskier - requiring a great deal of supports from talents to make it a success

Demand for...	JV	M&A	Build	Export
Financial outlay	◐	●	●	○
Operational knowhow (HR, Finance, Resources)	●	●	●	○
Product knowhow (segment, pricing, channels)	◐	◑	●	○
Speed to market	◑	●	○	●
Market/brand ownership	◐	●	●	○
Risk = Attractiveness	◐	●	◑	○

26

This man know best!

Organisation and talent (people) are priority!



Mr. Aiko Toyoda, President of Toyota Motor Corp

'We pursued growth over the speed at which we were able to develop our people and our organisation, and we should sincerely be mindful of that.'

事業規模の急な拡大で組織や、人材育成が遅れたとの反省を踏まえ、生産・販売台数より品質を最優先する考えだ

*Written Testimony for US Congressional Hearing
24th Feb 2010*

27

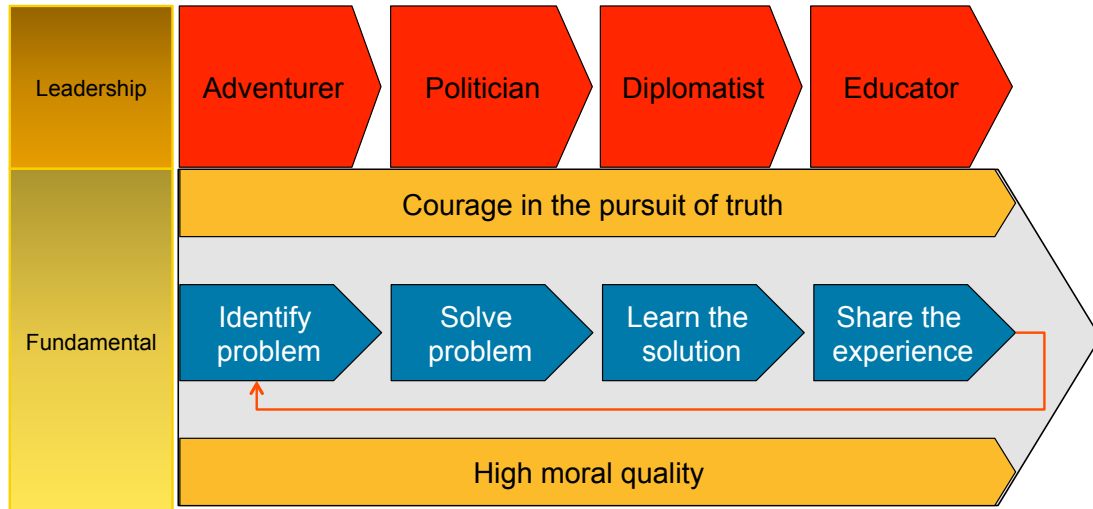
Common observations and problems faced by Japanese company's M&A in overseas

Observation on Japanese M&A practices	M&A is Not a smooth journey, many failures...
<ul style="list-style-type: none"> • Business Unit failed to delivered; • Second attempt directed from top down; • Very rush; and multiple deals in various countries at the same time; • Determined and deal closed by a small group of people at the most senior level; • Concrete Strategy, Processes, Resources Allocation, and Organisation not available; • Fairly generous valuation, justify entirely by financial track records; • Very high priority on business growth and expansion; • Emphasis on quantitative assessment than qualitative assessment • Preferred to use Singapore as Arbitration Centre for dispute. 	<p>The cartoon shows a red car falling into a hole in the ground. A speech bubble from the driver says, "What have I got myself into!?" Below the hole, three red arrows point upwards towards the car. The arrows are labeled: "Unclear Strategy", "Resources Allocation", and "Org & Culture".</p>

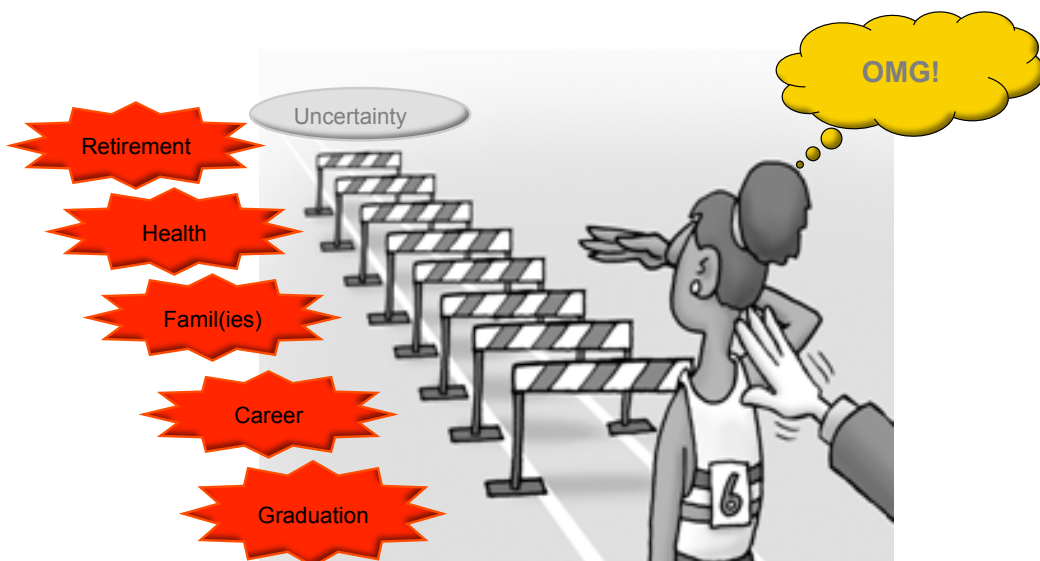
Lawyer plays an important role in business – multidisciplinary skills are of great advantage!



Talent can be trained and learned



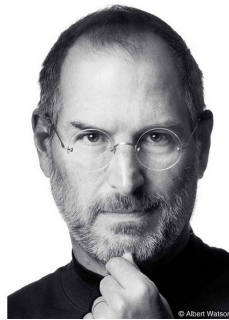
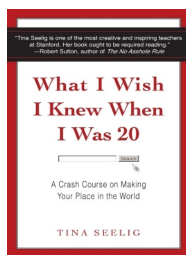
Life is full of uncertainties, where do we begin?



How about start by learning from these people?



Tina Seelig



Steve Jobs

- Steve Jobs Stanford Commencement Speech 2005

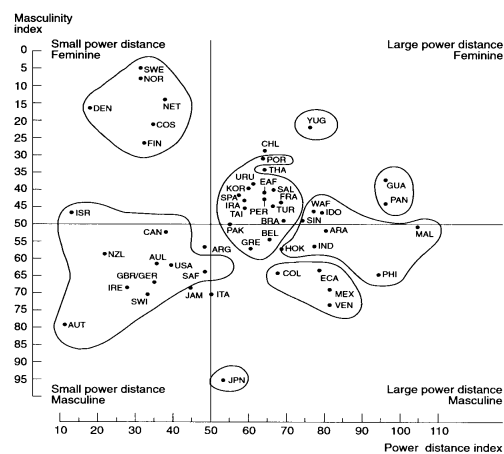
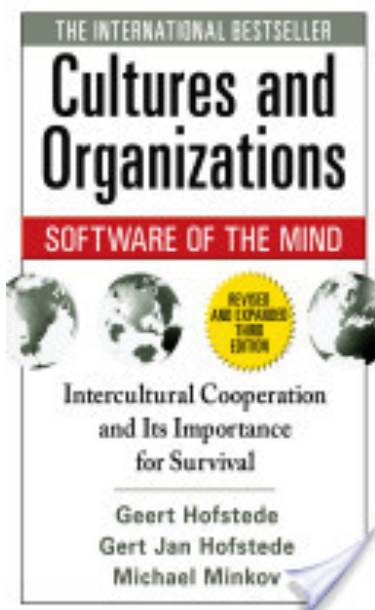
<http://www.youtube.com/watch?v=VHWUCX6osgM>



Kenichi Ohmae



... and also the aspect of working in a cross cultural environment



Key:

ARA – Arab countries	FIN – Finland	JPN – Japan	SAL – Salvador
ARG – Argentina	FRA – France	KOR – Korea	SIN – Singapore
AUL – Australia	GBR/GER – UK/ Germany	MAL – Malaysia	SPA – Spain
AUT – Austria	GRE – Greece	MEX – Mexico	SWI – Switzerland
BEL – Belgium	GUA – Guatemala	NET – The Netherlands	SWI – Switzerland
BRA – Brazil	HOK – Hong Kong	NOR – Norway	TAI – Taiwan
CAN – Canada	IDO – Indonesia	NZL – New Zealand	THA – Thailand
CHL – Chile	IND – India	PAK – Pakistan	TUR – Turkey
COL – Colombia	IRA – Iran	PAN – Panama	URU – Uruguay
COS – Costa Rica	IRE – Ireland	PER – Peru	USA – United States
DEN – Denmark	ISR – Israel	PHI – Philippines	VEN – Venezuela
EAF – East Africa	ITA – Italy	POR – Portugal	WAF – West Africa
ECA – Ecuador	JAM – Jamaica	SAF – South Africa	YUG – Yugoslavia

Reading list

- What I Wish I Knew When I Was 20s, by Tina Seelig
- Steve Jobs Stanford Commencement Speech 2005: <http://www.youtube.com/watch?v=VHWUCX6osgM>
- 稼ぐ力, by 大前研一;
- Cultures and Organisations – Software of the Mind, Intercultural Cooperation and Its Importance for Survival; by Geert Hofstede, Gert Jan Hofstede
- Agency for Economic Development
 - <http://www.edb.gov.sg/content/edb/en.html>
 - <http://www.mida.gov.my/home/>
 - <http://www.boi.go.th/index.php?page=index&language=en>
 - <http://www2.bkpm.go.id/>