

# KEYNOTE SPEECH

Commencement Ceremony  
University of Tsukuba  
MBA Program  
in International Business  
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University of Tsukuba

MBA in International Business Commencement

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Richard Dyck

I am honored indeed to be part of this happy occasion today. I am also aware of the problems of outside speakers at commencement ceremonies. Nobody is here to listen to me. You, the graduates are here to celebrate the completion of your course; family and friends are here to honor the graduates. Faculty and staff are here to take pride in your accomplishments and to welcome their summer vacation.

So, my job is tough and I will try to be brief.

First of all, congratulations. Congratulations not only on completing your course, but also congratulations on being in the right place at a good time with a valuable set of newly acquired skills. I think you have invested two years wisely. Why do I say this?

I have spent nearly my entire career based in Japan, but for the most part with an Asia-wide mission. I spend a lot of my time in China, Korea and also Southeast Asia. Among my current scope of responsibilities is a large factory in Thailand, and a customer and supply base which spans nearly all of Asia (Vietnam, Malaysia, Indonesia, China, and Singapore).

I do not think anybody will deny that in the next decade or the next several decades or perhaps the next century we will see a huge amount of growth and development in Asia. I hesitate to use the term The Asia Century, only because it has become such a cliché. But I will not hesitate to say that this is a good time to be in Asia.

And, I also maintain that Japan is a good place from which to approach Asia.

In your situation, I would think about Japan on a consolidated basis. If you think of Japan simply as the country confined to its national borders – the “home office,” so to speak—the images which may come to mind are those of a mature, slow growth economy, an aging population, and a country which some might think of as moribund, particularly when compared with the other countries in the region .

But in your situation, I encourage you to think of Japan on a consolidated basis. The economic foot print of Japan is huge and growing – it’s growing, because all of Asia is

growing. There are 17,000 Japanese companies located in the area of China from Shanghai to Chengdu – basically along the Yangtze River. Of foreign companies in China – Japanese companies by far outnumber all others.

In Thailand, 50% of the foreign investment comes from Japan. In sharp contrast, the EU (combined) accounts for only 15%, and the US accounts for 13%. We will find similar statistics for other ASEAN countries – Vietnam, Indonesia, Malaysia, etc.

So the global footprint of the Japanese economy is huge and growing, on a consolidated basis.

If we think of Japan in this way, and we think about what Japan needs most, it needs people who have the skills to manage this global economic empire. People with the basic management skills, which I am sure you have acquired here at Tsukuba, but also the linguistic skills, the intercultural skills, the cross cultural experiences and so forth. These are the skills which are scarce in Japan at a time when Japan needs them the most.

That, I maintain, is your value added. You have a set of rare skills which are badly needed. So, I predict that you are about to launch very interesting careers.

I have managed companies in Asia for 40 years. In thinking about what to talk about today, I tried to think of the three most important, most valuable lessons I have learned about management – particularly about managing in a cross cultural, cross national situation. Most of these lessons come from my experience working with Japanese companies – and increasingly, working with Japanese companies outside of Japan.

I say three, mainly because in Asia – particularly in China and Japan – people seem to remember things better when they are numbered. And for some reason, odd numbers are better than even numbers. And my time is limited, so it will be three rather than five or seven.

1. First is **Rhythm**

A manager should bring a sense of rhythm to an organization. Human beings need deadlines. Would you have completed your course if Tsukuba had not structured regular classes, regular reports, a regular schedule for examinations?

Organizations and work groups also need a regular rhythm. A regular schedule for staff meetings – I prefer short staff meetings, and I prefer meetings which start and end on time. A regular rhythm of planning and review. A regular reporting cycle.

When a group works together on a daily basis, it is easy to get out of the habit of a regular cycle of meetings, planning and reviews. When that happens, a group can lose its rhythm.

I have spent my career in high technology businesses – mainly in electronics. In thinking of how an engineering project or a design project goes wrong, more often than not, in my experience, it is because the project leader took short cuts on design reviews – particularly cross functional design reviews. This is particularly easy when a team shares the same location. When people see each other every day, and they talk about their engineering projects every day, it is easy to skip formal review meetings; and an even bigger problem is to skip the review of the engineering schedule itself. When a leader lets this happen, a project usually goes off track.

When we think of rhythm, music comes to mind. It is common to hear leadership in business compared to the conducting of an orchestra. Several years ago I had the opportunity to conduct the Tokyo Philharmonic in a private performance. For me, it was a dream come true. I chose Beethoven's Seventh Symphony, which is one of my favorites. A French conductor and good friend, Pascal Verrot, took on the task of training me for the job. Pascal put together a three week training schedule which took me from the first step of preparing the score to the final performance in Suntory Hall (in front of an audience of forgiving friends). One thing which I learned from this experience which surprised me is that the conductor puts in many more hours, usually alone, preparing for a performance than he puts in to the rehearsals or actual performance itself. This is because the job of the conductor is not only to maintain the rhythm, tempo and tone of a piece, but also to bring to the performance his interpretation of the score. A musical score is an abstraction. It can tell you a lot about what a composer like Beethoven wanted in the piece, but as an abstraction, it cannot describe everything. Between the composition and the performance, the interpretation of the conductor is crucial. This, I think, is where leadership in business is similar to conducting – as a leader takes his groups through the regular rhythm of the daily job, he constantly needs to think about the interpretation and direction in which he wants his group to move.

I have a rule of thumb that whenever I am responsible for leading a business meeting, as a minimum I put in an amount of time preparing for the meeting which is equivalent to the time scheduled for the meeting itself. If the meeting is scheduled for an hour, I plan on at least one hour of preparation time, and often two or three. If the meeting is to last a full day, I plan on a day for preparation. In conducting, the ratio is probably more like 10X or 20X, or, for a completely new piece, perhaps 100X.

2. The second lesson is that a leader should develop a culture in his company which allows “Bad news” to surface.

There is a concept which was pioneered in Japanese quality control that companies can learn. We all know that human beings, as individuals, can learn. That is what you have been doing at Tsukuba for two years. Organizations and companies can also learn.

Companies learn through a process of reactive problem solving where they check results and take corrective action. In short, they learn from mistakes. But in order to do that, the mistakes need to surface.

Many years ago, when I was still in graduate school and doing a thesis on the Japanese semiconductor industry, I was able to spend a lot of time with Ibuka Masaru, one of the founders of Sony. I visited Ibuka-san many times, usually in his office in Atsugi, which was where Sony had their semiconductor operation. Ibuka-san always had boxes of semiconductors on his desk, and he always called them his mountain of jewels – his *takara no yama*. What were they? They were defective devices. Why would anybody call defective devices jewels? It was simple. The most important point in manufacturing for Ibuka-san was not how to make a good product. It was how NOT to make a bad product. And to do this, he needed to understand the defects. So, when something bad happened, it was a precious, valuable event.

In Japan, part of the genius of the quality circle movement was to encourage line workers to track and analyze the problems occurring in their work area and to provide them with training in statistical analysis and problem solving.

This is something which all of us, including American companies, learned from Japan. Now that Japanese companies are spread all over Asia, it is common to see the quality circle approach used nearly everywhere.

But the only way this approach works is if employees are encouraged to deal with bad news and mistakes. The natural tendency in many Asian cultures is to save face by not admitting mistakes, and if a company cannot overcome this natural cultural impulse, quality circles cannot function.

In our motor factory in Thailand we now have a strong quality circle system, but it took a long time to implement the program, and part of the problem was to change the culture and basic psychology of the workers on the assembly line. The problem in Thailand was less the tendency to save face than a tendency to avoid controversy and confrontation, which in turn caused employees to avoid bad news. I can remember a time, for example, when we remodeled the workers' lavatories and found crates full of defective parts. The workers were hiding them in the toilets – the opposite of what we learn from Ibuka-san's mountain of jewels.

Jim Morgan, the founder of Applied Materials, an enormously successful US semiconductor capital equipment company, put it this way:

- Bad news is good news (because it gives the opportunity to learn and improve)
- Good news is no news (because, while good news may be satisfying, we often do not learn from it.)
- And No News is bad news (because we do not learn anything).

3. The third lesson is to create a culture which puts priority on the customer.

There is a lot of talk about the various stake holders in a company – customers, employees, shareholders, suppliers, etc. Good Japanese companies, and perhaps good companies in general, are not confused. The customer comes first, and if they do a good job at satisfying the customer, the employees and shareholders benefit as well.

In the late 1990s I bought a business from my former employer, Teradyne. We carved the business out of Teradyne-Japan in the middle of one of Japan's worst recessions. Companies all over Japan were struggling with "*risutora*," including mainline Japanese companies like Hitachi, NEC and Fujitsu. When I talked to the employees, all of whom were Japanese, and explained that we were going to leave the relative security of a large company like Teradyne and go out on our own, their first reaction, without exception, was not what will happen to my salary, what will happen to my pension; it was what will happen with our customers. What will happen with this project at Hitachi? Or that project

at NEC? When I heard that reaction from our staff, I knew we could make it. They had their priorities straight – they were customer focused.

Think of the people whom you will now manage. Try to imagine them as they commute to work – in their automobiles, on the subway, whatever. What would you like them to be thinking about as they travel to work? Do you want them to be thinking about the report they need to write, the internal presentation they need to make? In large companies, many people spend most of their time on internal issues. What you really want them to think about is the customer. What can they do for this customer or that customer? How can they solve this problem or that problem for the customer.

Companies compete with each other in lots of ways. They compete on price, they compete on product performance and quality. But they also compete on customer relations, customer satisfaction and customer trust.

In a competitive situation, the easiest thing to copy is price. Your competitor lowers his price, so you lower yours. It takes more time, but it is also possible to compete on product performance. It is the most difficult to compete against a company which has built up strong customer relationships. This is the ultimate way to differentiate your business.

When dealing across national borders – a Japanese company in China or an American company in Japan, etc. -- customer satisfaction becomes much more complex. It is only natural that a Japanese customer would prefer – all things being equal – dealing with a Japanese supplier. A Korean customer would prefer – all things being equal – dealing with a Korean supplier. I would guess that all of you will be working in situations where you are dealing with a multi-cultural, heterogeneous group of customers, and how not only to satisfy but also delight those customers will be complex, but it definitely should be your top priority.

There are some businesses which do not always put priority on customer satisfaction. Hospitals and dentist offices might be an example. I heard a Japanese consultant one time say that Buddhist temples sometimes forget who their customer is. Schools and universities are also sometimes an example. For two years you have been the customer at Tsukuba, and I hope you are satisfied now and continue to be satisfied as you take what you have learned here with you on the next stage of your career.

Thank you, and , once again, congratulations.