

Masami Mori, President, Mori sheet metal manufacturing Ltd. (Moriban Co, Ltd.)

1971 Studied Kurume University

January, 1978 Joined Mori Sheet Metal Manufacturing Ltd.

April, 1984 Director

March, 1985 President

Persistently observe seven conditions to keep high-value added management

Faculty of Business Administration has started to educate working people on the graduate level of business administration since the 1st year of the Heisei, 1999. It arranges the education system as professional graduate school since the 14th year of the Heisei era, 2002 and has provided additional fulfilled education since the 15th year of the Heisei, 2003.

Many graduates go back to the original company, but recently some of them have started their own business. In such condition, it's very meaningful for president of small business to join this top interview of Business Insight and talk about their difficult or interesting experiences on the management that president of major companies don't have, because one of our readers are working graduate school students or graduate who will become entrepreneur in the future.

Any interviewer visited to see a factory with professors of Yamaguchi University last summer. This time we had an interview with the top of its company.

History of Mori sheet metal manufacturing

Interviewer: Thank you very much for giving us your precious time to have interview. First, could you tell me your company history?

Mr. Mori: My father founded this company in May, 1966, the 41st year of the Showa era. At that time, we did the business of sheet metal for construction, I mean manufactured gutter for private building to install it. In May, 1968 the 43rd year of the Showa era, he founded a corporation, Mori Sheet Metal Manufacturing. The capital was ¥800,000. My father capitalized ¥600,000, my mother, ¥200,000 in the company. He increased its capital in 1975, the 50th year of the Showa era. He couldn't work to install sheet metal for building when it rained. Therefore, he started to do business of shipbuilding iron because shipbuilding business was very good at that time in Shimonoseki.

Interviewer: Is there any similarity of technology between shipbuilding iron and sheet plate for building?

Mr. Mori: Yes. It is because the main work of shipbuilding are welding and cutting. In cutting operation, we cut 25mm of iron sheet with gas. Since all ships are made of iron, we connect the joint of the iron by welding. If we employ anyone who has welding skills we can do shipbuilding business. Maybe in order to do the business, my father worried that the capital of ¥800,000 which was so few, so he made a capital increase to ¥1.2 million in March, 1975, the 50th year of the Showa era.

I apologized to my parents to enter his company.

Interviewer: At that time, what were you doing?

Mr. Mori: I was forsaken by my father because I left university without telling him when I was 18 years old. I went home at the age of 25, so I experienced various kinds of jobs for seven years. The last job was a security guard. I married with my present wife at the age of 25, so I thought I had to have a good job. My wife was working in a bank and had more payment than mine. I've never had a bonus before but she had an amazing amount of money as bonus in the certain period. In such situation, I had a great esteem for her so I couldn't have a drink and became an overbearing husband. Then, if I went home and apologized to him, I could take over my father's business. That's why I went back to my house.

When I went back there the corporate management of his company was terrible. My father became self-employed. He worked in a cement company for 18 years and started the present venture. He could work as a tech-head of sheet metal but was poor with figure. He hired a tax accountant and called him a teacher to do as he was told. If we only know how much earnings, expenses and cash and inventory we have, we easily know how to deal with an accounting for manufacture. The Finance Ministry at that time made us keep the books to understand it easily for them. That's why a tax accountant exists. We don't hire him for us. He just teaches us how to do it for a tax office. It is very difficult, so everybody asks him to do it.

In such situation, I went home. The company increased its capital to ¥6 million in Sep.1979, the 54th year of the Showa era. I added ¥2.1 million at that time and joined the management. After that, I became very oppressive to him because I was also one of the investors.

Interviewer: You became an employee as corporate investor.

Mr. Mori: Yes. Older generation mix public with private matters. He thought he possessed the company.

Interviewer: Your father said the company was his own thing.

Mr. Mori: Yes. I had quarrels with him about it every night to say that it was all investors. I was in their 20s at that time. Then, we had no jobs because shipbuilding business fell into a decline due to the Nixon shock and the oil crisis. But he couldn't reorganize the company because he was a merciful president and did nothing for the situation while he played every day. However, the company had a loss in the personnel cost soon with leaving it unattended for six months. Regardless of such severe situation, he could change nothing even if I told him to change the condition. If we change business from shipbuilding to other jobs on the land, we have to change all equipment.

In order to renew them, we had no choice but to make a loan because we had a deficit. If we do so, we need a representative sign to do anything first. He was so stubborn that he thought me as a rival and refused to put his signature anywhere.

Interviewer: What business did you do at that time?

Mr. Mori: I wanted to stop installation business because we were a manufacturer. At that time, we went to customers to assemble parts on the ship. We manufacture parts with rough dimension in our factory because we attach them by themselves. As a result, we have difficulty in fixing it there. I didn't want to do such rough work but manufacture parts according to the drawing. If we make them according to the design, we will become a manufacturer to make precision sheet metal. We had to make parts precisely according to the drawings.

For example, if we need a product with the dimension of 100mm, we have to make it precisely not with 99.9mm or 100.01mm. If we manufacture the same product as the instruction of 100mm, it's easy to assemble it. I wanted to do such business. In shipbuilding business, we cut long parts by gas and weld short parts to make it long. I thought there was a little problem to do such rough work because I couldn't do it. Our jobs depend on workman's skill. We will receive an order from customer if we have suitable workman for the customers' request. Simply saying, we weren't a company. It's an individual skill. We flatter him into working to make a strange world.

I entered the company later and couldn't do such thing, so I couldn't help mechanizing the operation to change the way. We could have no help of financial institution due to a loss. We couldn't help relying on public fund to implement it. However, when we borrow it, President opposed to do it.

Interviewer: You mean your father did.

Mr. Mori: Yes. We had a machine for shirring, cutting iron sheet to use it on shipbuilding business. We can cut 13mm thickness of sheet metal by this machine. However, I wanted to purchase it more precise machine at that time. I went to him to explain it with a booklet of the machine, but he opposed to buy it because we had the machine. He really wanted to interrupt me because he regarded me as a rival. I knew a word of impiety but also found a word of being a bad father for kids. I always thought why he disagreed with what I wanted to do. Maybe because he thought I was too young and had no experience.

We increased our capital again from ¥6 to ¥19 million in 1984, the 59th year of the Showa era. My father invested ¥8.4 million, my mother, executive director, ¥4.5 million and me ¥6.1 million. I became a director in April, and relieved my father from his post on February 28, 1985, 60th year of the Showa era.

Be President instead of my father and Restart from zero

Interviewer: You became President.

Mr. Mori: After becoming President, I boldly changed everything because I could remove a heavy stone for making pickled vegetables. Soon after doing it, all employees quit the company. We experienced it three times that we only had one employee in the past.(He laughed.)

Interviewer: It was the first time, the 60th year of the Showa era, 1985.

Mr. Mori: Yes. There is nobody in the company.

Interviewer: In order to do the business, did you fire the previous staff members?

Mr. Mori: No, they didn't think to be worth while to work here and quit here by themselves. This is because we changed the fundamental way to manufacture products and doing such thing was a taboo at that time in Shimonoseki. The top of the second president who refused to listen to parents and ignored staffs was out of question. They judged to be impossible to follow this top because we also introduced new machine. Therefore we started the business from zero. I had no master to make products. I didn't learn anything from anybody and employ anybody because there was nobody to teach me how to do it. That's why I made it by myself and taught my employees my original way.

Renew equipment. Take the first step to become highly value-added company

Interviewer: You repeated trial and errors many times. By the way, what is the reason to build up the base as precision sheet metal company?

Mr. Mori: We manually manufactured all products in any fields of sheet metal, iron and construction at that time. I mean we used the analog method that was projective method. There is folding process in all process of sheet metal. You can understand it when you imagine origami paper folding. The sheet metal is the second dimension of flat panel. If we repeat to fold this part and cut this point, we can make three- dimensional parts. What part of the products do we cut? We cut it according to the original dimension called it "Marking" It's the same as a carpenter marks with an ink bottle. We mark it with the projective method. Simply saying, it's the same as ruler and compass. We have to do visual check there. If we do so, we can't mechanize it.

You can easily understand if you imagine an operation to make a hole. There is drill machine called pole. It first punches the place for making a hole, which is called "Marking". Without punching, we don't know where to drill. However, if we have a jig for fixing the sheet, we can know the place and make the hole without marking. How do we fix the sheet? We use trigonometry to do it.

Everybody had marked where to cut or fold with compass and ruler however we changed the previous operation to new ones with trigonometry. It could lead us to indicate every process with the figure and calculate everything including the place to make the hole with angles and figure. We do it with machine called NC or CNC(computerized numerical control). We can manufacture products by program. So, we don't have to hire a person who can use gas cutting machine well.

When I started business on the land alone and had no job, an industrial machine manufacturer asked me to make hopper for material supply. If I manufacture it in the conventional way with projection, I can't make the same of two products. However, if I calculate all dimensions with trigonometry, anybody can manufacture the

same products. This is none of the craft man's world.

That's why I changed the personnel cost for employees who left our company into equipment expenses. If I could pay off ¥200,000 a month for five years, I can purchase machine which costs at ¥10 million. When I renewed all machine, I thought this business would be sure to become well.

Since I lived in the local area and had no opportunity to see new machine, I went to see international trade fairs. For example, when I went to an exhibition of machining tool, I saw there were lots of sheet metal products and cover there. If only 10% of exhibitors give us some jobs, I will be very happy and profitable. However, there were no such manufacturers in Yamaguchi prefecture and no companies of sheet metal. Therefore, I should have finished our business as tinsplate shop but I gradually could gain recognitions in the industry that I could do a great job even though the cost was very expensive.

At that time, I focused on manufacturing products and selling them by myself, so I didn't see the finance. One day, our customer asked me who manufactured products. I said, "I do." He said, "Who found a customer?" I said, "I do." "How about delivery?" "I do." "Yes, I do everything." "How much is your salary?" "I take ¥200,000 a month." "How many children do you have?" "I had three children." "After working, do you work as a thief? Otherwise, you can't live your life with your family." He said, "Show me your company's financial results." So, I went to show it to him. When he saw it and said, "You have already become bankrupt."

Things that I learned after studying accounting so hard

Interviewer: We often say that the weak point for the top of venture is that he is unfamiliar with accounting and labor management.

Mr. Mori: I hadn't understood the finance yet. He told me that it was wrong, therefore I went to a bookstore to buy books "How to read balance sheet easily." Or "Easy statement of accounting" I read a lot of books like that. I really read them very hard to solve it by myself. I read them for three days and knew them easily. Then I corrected the account statement soon. I made incredible financial results before. The financial statement at that time had three categories of final results, for bank, tax office and the real account. We had to pay tax to borrow money from a bank therefore we decided how much taxes we would pay first and went back to make the figure.

As a result, I found it interesting gradually. The company borrowed money on my father and mother's personal time deposit. The financial institution which helped local small companies told them there was a little difference between interests of deposit and loan interests, the company took out a loan on the personal name of time deposit without distinguishing individual from company.

There is a bill in the Japanese interesting custom. We receive a bill instead of cash. If we do so, we can't get cash until due date. We can borrow money against the bill. The bill has a brand and different interests. For example, some company's bill have low interests, others have high. All interests are different. Regardless of it, we have to put a seal on the back side of the bill. We didn't have to do it because there was such ranking on a bill.

Interviewer: Banks has differentiated the interests and understood how they can trust you with the bill in order to prevent them from having a loss.

Mr. Mori: If we tell them to give us the stable rate regardless of the brand because we finally put a seal on the back side of the bill, they've never done such like that.

Take over parent's investment and become President both in name and in reality.

Interviewer: Is there any other interesting stories?

Mr. Mori: This was my father's story when he was president. When he was asked how much income he had, he said it was ¥500,000 and ¥1 million to keep up appearance or to make him look good. He could decide the price because he was the top. However, in fact if the company was in debt, he couldn't receive it. He had to pay the salary to employees even if it was in severe condition. When he couldn't get the designated salary, he wasn't satisfied with such situation and described a shortage of his income as credit in the statement accounts. I was very surprised to find it. It was so ridiculous.

Interviewer: So, what did you do about it?

Mr. Mori: I said to him, "When you were president, you decided expensive salary beyond the level of earnings and place it as credit on the statement. I would like you to change it to a capital."

Interviewer: This is exactly the same as banks have recently done debt-for-equity swaps for delinquent borrower.

Mr. Mori: When we increased our capital from ¥6 to ¥1.9 million, I also invested money but they transferred all credits to company's capital because they didn't have money to do so. Then, we wrote off for extraordinary depreciation on equipment and had ¥23 million in deficit. When we had no entity equity, they gave us equity. It was the 63rd year of the Showa era, 1988. We altered the proportion of the capital to ¥1.8 million for me and ¥1 million for my wife. Therefore I became president legally both in name and in reality.

We had a capital of ¥50million and increased it to ¥30million on the 2nd year of the Heisei, 2000 and to ¥50million again for moving here so that the financial institutions could easily loan us.

Start real business and build a factory at Asahi-mura

Interviewer: Could you tell me a story that you transferred your factory to Asahi-mura from Shimonoseki, Yamaguchi prefecture?

Mr. Mori: Actually, we thought to move to Asahi-mura 13 years ago. We didn't have our own house and land in Shimonoseki. We rent the place there, so couldn't use it as collateral. We managed to have large place and parking lot. At the same time, a person of the village talked about it but we had a lot of difficulties to do it. It

took about eight years to negotiate the site.

After the signing ceremony, we couldn't get loans from the financial institutions because of the non-performing loans when we built our factory. The cost was ¥700 million. The institution said, "Despite we only had ¥240-250 million in sales, it was too ridiculous to take ¥700 million to build it." Therefore, we bought the site first with our own funds because we were unnecessary to buy it with loan.

We decided to build it in the best period. General constructors had no work due to the recession. Therefore, we asked 16 constructors to estimate the expenses and could underbid the construction contract from ¥700 to ¥400 million.

Interviewer: As it's often said that we should build a factory in the worst recession, you implemented it exactly as it is.

Mr. Mori: It took ¥300 million or less to build only a building including a company housing and ¥100 million for equipment. We marked the highest record of ¥500 million in sales in such bad economy although we had about ¥240 million in sales before. We were in the best condition when we built the factory.

Overcome high-yen recession and the sales doubled

After the collapse of the bubble economy, develop customers as a peddler

Interviewer: You really had difficulty in changing the industry from shipbuilding to sheet metal factory for precision machine. Did you have any chance or any big job to be confident of continuing the business as the company of precision sheet metal?

Mr. Mori: I felt confident that Yamaguchi prefecture lent us ¥50 million when we had annual sales of ¥50 million at that time and purchased a machine for it. It was high-yen recession but couldn't overcome it without the machine. Soon after introducing it, our sales increased from ¥100 to ¥200 million.

In my case, I started to develop customers in all places in Japan as a peddler, because there was no demand in Yamaguchi prefecture. How big the world is! I found some customers and started to do business with them. The business relates to semiconductor. They told us that they couldn't believe a company with such skills like us still existed. Since the company scale was small and we still had used the name of sheet metal manufacturer. Everybody thought as automotive panel beater or construction sheet metal worker when they heard our name.

Semiconductor was considered as one of the leading technologies however still closed its door with a lot of secrets in our business. Therefore, it resulted in less innovation in the sheet metal for semiconductor. The drawings were still as old as that of 20 years ago. The cost will become high even if anybody estimates. Even if the cost was expensive, the semiconductor manufacturing device was sold well. However, we as an expert of trial production started to propose new idea more and more. Before we know, we were involved in the cost competition but we finally could win it because we had equipment to manufacture products at lower price.

Interviewer: The sales relating to semiconductor accounts for most of the total sales.

Mr. Mori: Yes.

Interviewer: You mean you share semiconductor industry's fate.

Mr. Mori: No, I don't. There is sheet metal parts used in the semiconductor industry. This is also used in the medical and food equipment. However, there is Japan standard Industry classification. It sorts out parts by the field. If we bring its parts to construction and food industries, it'll be useful there. The financial condition of the semiconductor industry is very promising now, so we sell it there. If the medical industry becomes well, we'll sell it there. We don't care about where to sell our parts as long as we can observe the life of our employee.

Interviewer: Do you develop such users or customers by yourself?

Mr. Mori: I stop developing new customers. People say they suffer from the deflation and ask us to reduce the cost if we find a job there. We have to overcome low-cost competition with manufacturers of Taiwan and China. If our customers compare us with them, we want them to degrade their quality. It's impossible to provide products with the same quality at the same cost as them. Only if our employees work as a slave and steel materials, we can do it. That's why we stop to find new customers for a while.

We are in the time to survive. Who will win or lose competitors or us? In such condition because we have much fewer fixed expenditure, we gain an upper hand than others.

The top of small business should specialize in accounting.

Interviewer: Due to an influence of the deflation, do you receive any impact on sales, business result and profits?

Mr. Mori: When we moved here three years ago, we marked the highest record in sales and profit. Unless we take any measure for it, we will lose a half of them as tax. If we do nothing, we'll lose it. We force to keep books for a tax office to easily understand. However, there is a way of legal tax reduction. The important thing is whether the top knows it or not.

I mean unless the top of small companies know what becomes expense or not, he'll be in a trouble. All things he has to do is to judge what is good or bad for a company.

Interviewer: What do you mean it concretely?

Mr. Mori: Concretely saying, benefit package is recognized as expenses. We underclaim profits as welfare. You can understand it to see the statement of accounts. It means premium paid including mine as well as employees'. There is an interesting Keyman insurance called full tax which regards all as allowed expense.

This results in reducing profits however if we cancel this, we can receive the expenses. This is regarded as expenses when we pay but it provides us taxable profit when we cancel it.

However, if we do it well, it will be untaxed. If we cancel it now in the recession like now, we will get it back.

Interviewer: Does It mean miscellaneous income?

Mr. Mori: It returns to us as other revenue but it gets balanced out to become untaxed if we get in the red.

My financial Policy

Interviewer: It's profit equalization

Mr. Mori: It's helpful for a company as well as employees. In our case, even if we make profit, we don't pay any tax until we finish preparing for everything. If we have any equipment that we won't, we'll buy it first as extraordinary depreciation. We will continue to write off for depreciation until we are unnecessary to buy machine. If we become the red for the reason, we don't care about it. We have to remain in surplus however we won't worry to become in the red for the depletion. The most important thing is how we treat our employees who follow me with trust.

If we really work hard for our employees to get profits and have to pay tax for it, we will pay it as national obligations. There are people who want to pay it to join the richest people list. When we visit the company on the list, it turns off air conditioner in a hot place, has lazy workers and some problems in the factory regardless of a top tax payer. He should improve the operational environment such as preparation for heating equipment first. Without such important thing, it's ridiculous to pay a tax for appearance's sake.

After handing over the company from my father, since I've been doing such thing, I'm used to doing it now. Therefore, we borrow money from the public fund first to make the most of the national or prefectural loan system. I didn't want to talk about private financial institutions because I had quarrels with all of them in Yamaguchi prefecture. When we talked about them, they came to see us to lend us money. They give us some sort of authority. How high and mighty they get with! Are they going to lend us money, interest-free? If so, we'll borrow money from them. We'll pay interests to them, so they should not act big. It's not worth talking about it with them. That's why we don't borrow it from them.

Interviewer: You are dependent on loans from public institutions.

Mr. Mori: Yes. Most of them are public funds. I made the most of advantage of small enterprise. We can use the law for small business.

Interviewer: What is the source of profits?

Mr. Mori: I keep it as a secret. We must not show it to others. If we show it, we're sure to be requested to

reduce the cost. Some manufacturers have no factory to make a profit. We have no distribution system. If we have a truck, our customers tell us to deliver products with our cost to their factory. We would rather make a profit on our production scale without it.

Wrong choice of machine will cause to become bankrupt

Interviewer: Last year you told me wrong choice of equipment would cause to become insolvent.

Mr. Mori: Yes. You're right. The best style of company is like us. A person with absolute authority can manufacture products and check the financial status. He can understand whether the machine is good or bad. However, general companies entrust people on site with the task. They decide the machine and talk about the cost. They think easy-to-use machine as the best, so they don't care about whether they can make more profits with the machine. They choose it according to the standard of user friendliness. People who pay money for it have a tacit understanding to buy it and think about whether it will be profitable. However, it's wrong. When they know it's wrong, the machine will be terrible for a company despite it's the best for individual. That's why the second or third president who has few knowledge of the worksite will close the company.

Interviewer: The important decision making, of course must be a top-down style.

Mr. Mori: Of course majority vote looks like the democratic way but is irresponsible system. If we fail to do anything, nobody takes responsibility for it because everybody agrees it. Small enterprises have Caesar management but if the company fails to do it, I as the top will take responsibility for it and might lose everything in some cases.

Mori's style education for new employees on site: Teach common sense.

Interviewer: Do you have some spirits of your company to educate young new employees?

Mr. Mori: We make people who don't work well leave our company as soon as possible. (He laughed.) I think it's for him.

We just teach them common sense. When they come here in the morning, they're sure to exchange greeting. Most of them can't do it. They talk in a small voice because they have no confidence. People who are confident can talk in a loud voice. When they go home, we tell them to do it again. Be sure to report to an instructor. The one more thing is to give them the right to have a failure. They have to finish products by themselves. We will give them a chance for failure to manufacture it but they have to report the reason for the failure. That's all things that we teach them. We make them work with everybody.

They work there as a trainee for four months but are treated more terrible than a slave. (He laughed.) We make them clean a toilet. If they finish it, we tell them to lick it. Their boss, manager are sure to tell it to them. If they can't lick it, it means they don't finish it completely. Because we will clean it with soup, so we can do it. It really means cleaning. They've never done it before.

After the trainee period, they will become a full-time worker. We give them the right to receive profit dividend, we will divide one-third of profits to all employees. That's why I don't want strange worker to be a full-time worker. Not me but our employees don't want him to work here because it's the best to divide it with a fewer employees. If we make a profit of ¥30million, we will give them ¥10million. If they divide it with 10 people, they can receive ¥1 million a person. If they divide it with 20 people, they can receive ¥500,000 a person. That's why they want to work with a fewer employees. They tell other employees to leave the company when they divide it. (He laughed.)

Interviewer: You said to divide profit into three. One-third is for employees, how will you use others?

Mr. Mori: One-third is for employees, one-third for paying back a loan, others for company.

Interviewer: You will keep other profits in your company to buy equipment.

Mr. Mori: Yes. We keep them in our company.

Stable income for employees and High-risk-high-return income for executives

Interviewer: How did you decide wages in small enterprise?

Mr. Mori: We will decide employee's salary including mine at the beginning of the year. In order to keep stable life for employees and their family, we never change or reduce it without urgency after deciding it at that time. I want to give their salary as stable as possible. This is my idea. If the company is in the severe condition, we'll reduce the salary of directors to prevent other payment from stopping because they have to take them at last. Instead of it, if the company is promising, we'll give them amazing huge amount of money, so everybody will be very surprised to know it. If the company is in bad condition, we'll give them less income. It fluctuates largely. Unless I can be persistent to such situation, I can't be the top of small company.

Seven conditions for small companies to survive

Interviewer: You told me that your core technology would keep at least for ten years. How will you direct to become a major company or keep the company stable through seeing the life of existing products?

Mr. Mori: A company will become bankrupt without doing anything. It's very difficult to maintain the present condition. If I want to make it bigger, it's more difficult. Even if we do nothing and have no profit, we have to pay social insurance. We can't end up breaking even without doing anything. In order for us subcontractor to survive, we have to clarify the following seven conditions: multi-product, minimization, short delivery, low cost, variety, variation of quantity, high quality, Product liability act. If we clarify the seven points, we can survive in this business.

Interviewer: What do you mean multi-product?

Mr. Mori: It means to have the production system to deal with any specification order.

Interviewer: How about the second minimization?

Mr. Mori: It means minimum quantity of order, order of one or two pieces of product. Even if a customer orders only a piece of product, we will receive it. I will show you a factory but we have so many orders like that. However, the system to treat such a thing is very great. Conversely saying, it might be greater than Toyota's just-in-time system. There is a word of manufacturing of a wide variety of products in small quantities. In our company, we call the mixture of the first and second points as manufacturing of a wide variety of products in the minimum quantities. We have to make a profit if we manufacture one or two pieces of product with different specification.

Interviewer: The third one is short delivery. The fourth is low cost.

Mr. Mori: Short delivery and low cost. We have little electric power usage compared to the scale of our factory, so Chugoku Electric Power is very surprised to know it. Furthermore, we make our employees give us an overworking application form in advance and write the reason because we make them aware of the cost completely.

Interviewer: What is the fifth variety and variables of quantity?

Mr. Mori: The category of product will change while we manufacture it. Three days after receiving orders, the specification of product will change completely. We have to deal with it.

Interviewer: Your customer will change their request.

Mr. Mori: They change their drawing. This is variety. The variable of quantity means to change the number of order.

Interviewer: The sixth is high quality of products and the seventh is to observe product liability act.

Mr. Mori: If we clarify only the seven items, we will continue to do business. Everybody doesn't understand it. If everybody knows such fundamental things, he will do any business. The important thing is whether he can create the system suitable for his company to clarify it.

Interviewer: Did you have any difficulties in making the production system with the seven points?

Mr. Mori: It took 20 years for me. It is still continuing.

My thought as the top

Interviewer: It took 18 years, about 20 years since you became president in the 60th year of the Showa era, 1985. You had many experiences before as the top to achieve the second business. What is the most important thing for the management, your management policy, corporate philosophy and commitment to manufacture products?

Mr. Mori: I might be a little different from others. I think I have to give up something in order to do other thing. For example, in order to make this company bigger like now, I sacrificed my family for a company. I didn't play a role of father in my family and leave them unattended. However, I made efforts to get a company this far. As I often said this before, it's impossible for us to be both a good warrior and a good scholar. Such people are sure to play a fixed game.(He laughed.) There's nobody like a superman in the world.

It's impossible to do everything perfectly. If we do our best to do anything, we can't help taking second best. Unless we can do it, we can't become successful. If we cut corners on doing something, anyone will follow us. Without anybody following us, it's impossible to do everything alone. With my wife or my right hand, I can do it.

I had no guarantee and security in the past. If I went to financial institutions, I was like a criminal in their industry. They say I must not come there. If I have any dream or any goal, I was ignored by them because I had no guarantee and security. They asked me, "Mr. Mori, do you have any security?" "I don't have it." "How about a guarantee?" "I also don't have it." "That's all. See you." "I'm persistent to resist going home and ask them the reason." They said," They don't lend money for the plan of such person without someone's approval. Such person should become a guarantee." I understood what they said.(He laughed.)

The next important thing is to have a purpose to achieve. What will I do for the company? We have to have an objective and purpose. Roughly speaking, if we clarify such seven conditions, we can get business. However what is the purpose for the company? I often tell this to my employees. We make sheet metal and our purpose is to keep our company in business. We have to make a profit to do it. It's just the means. If we make more profit to manage the fishing in order to keep our business, we will buy a ship and do it with everybody. Therefore, the purpose is to continue our business. If we keep our business, we can take responsibility for employees' salary, family and everything. So, the purpose is to keep us going. The means is to make a profit. Some people mix them together.

Interviewer: We'll teach students the purpose of the company is existence, growth with a textbook of business administration, what do you think of growth?

Mr. Mori: Our growth depends on the next president. I'm not sure whether we will grow more than now...

Interviewer: You mean you entrust the next young generation with the task?

Mr. Mori: Yes. I'll entrust him with this task. If we grow more, we might make us set fire.(He laughed.) Our factory has so much potential that we will take the initiatives in doing business after the end of SARS because we've already made prior investment and prepared for running as the top. We have a production capacity of the annual sales of ¥700million and practice it so hard in the present unoccupied hours.

Therefore, we don't think about what we will do if the economy becomes bad. I'm sure the economy will be good. It'll be obviously better. All businesses will go well except for general constructors and financial institutions, if they do business in the conventional way, they won't be better and the stock prices won't absolutely go up. However, the number of royalty for patent in Japan has already exceeded that of U.S, so American companies will pay it more than Japanese companies. There are many great things in Japanese companies. But we don't talk about such great stories but only discuss the financial industry.

Whom will I give a baton of the next management?

Interviewer: You said you would entrust the next generation with a growth of your company. I want to ask you how to cultivate a successor, what do you think about whom you hand over the future of your company?

Mr. Mori: A person who can do it will take over the company.

Interviewer: I hear you have two children.

Mr. Mori: It doesn't relate to this matter. It's bad custom of small companies in Japan. If I have sons, I might say my son will become the second president or the third president. However, I took over a company and I had no inherited power. Therefore, I'm not guaranteed my children can do the same thing as I could. If I do it, I can't avoid being labeled as irresponsible for our employees and staff members. I have no guarantee that my children will become successful. If I cede my top position to them, I think it's irresponsible completely.

If I do it, I can't leave the company forever. I always have to support them on their back. I think it better for a person who has ability to do it. I mean to hire a president. A person who can manage the company should be in charge of running it. We hold corporate capital, so my family doesn't have to work so hard here. Why will such thing become impossible in Japan?

Interviewer: You possess and manage the company alone but you agree to break it after you leaving the office.

Mr. Mori: I have to do so.

Interviewer: If there is anyone talented, you will entrust him with the management.

Mr. Mori: If I do so, it's impossible for me to continue the top. The tenure of president of a major company is

about four year at most. They graduated from one of the best universities and worked hard to become the top. I've been the top for 18 years. I can't continue to do it. Therefore, I have to give a baton to a fresh and talented person. It's impossible for me to grow the company.

The conditions of the next top

Interviewer: As the leader of this scale of the company, what does he prepare for? What are the conditions to become the next top?

Mr. Mori: First, he has to clarify previous seven items. The next is that he has to completely understand to keep the company in business and can judge what is good or bad for the company not for him. If he judges everything according to his standard, he will be surrounded by people who agree with him like the constitution of a major company.

I made most systems of this scale of company on my own, so I think the best is that he has good ability of sales. We have had already completed all systems. He has to have sales skills, can judge what is good or bad for our company and keep the company going. I mean we need a person who can completely take responsibility for employees and directors, otherwise employee's family will worry about the company.

Interviewer: I think you are still young.

Mr. Mori: No, I want to retire at the age of 55. I want to leave the company while I'm healthy with good eye sight and my body move freely. I want to do something different. I've been doing this business for 20 years, so I feel a little bored.

My future dream: Improve the position of this industry.

Interviewer: Do you have any dream?

Mr. Mori: I've achieved most of my dreams because my previous dream was also the same as a dream of company. I just feel like an empty shell now. My dream was to make the present factory and company. I achieved it, so I'm thinking about what I'm going to do. It is the good timing for me now because the economy is in the severe condition. I don't have to do anything now.(He laughed.)

Interviewer: However, you might not leave the company completely.

Mr. Mori: I want to do so. I came here with my company but feel to forget doing something. It's too late to take care of my children.

I want to improve the position of the category of sheet metal. There are two industries of cutting processing and scrap handling. The first one includes lathe or machining process and has more difficult level than the second one. We belong to the latter industry and are called to have lower level. However, the cover, our product

such as safety cover helps the cutting machine and gives an image to cut parts precisely. All parts have a cover which is a product of our industry. But we are positioned at the lower level in the industry.

Advice to people who want to start business

Interviewer: We are running business school for active workers. Most graduates will go back to the original company but some of them will start their own business.

You said banks wouldn't lend you money without any guarantee. Young people will start their business with invisible skills such as their knowledge or assets as their arm to found the company. If you are a judge for their business plan, what point will you check to invest your money or encourage them?

Mr. Mori: Japan is a capitalist society, so we have to make own capital by ourselves first. For example, we will save initial deposit to buy a favorite car. Same as this case, if they want to start their own business, they have to manage to make for that. They have to show us it by themselves.

Interviewer: What will they do after that?

Mr. Mori: One more important thing is that he can understand the balance sheet normally. I mean the reason that a company will become bankrupt is because it will lose money not lose his skills. If he has difficulty in making ends meet, the company will become insolvent. Therefore, he has to have a financial sense and prepare for some money by himself.

If he does so, he can't waste his money. He will use it up soon if he lends it from others. He has to suffer from overcoming such situation first. Don't use it if he gets it.(He laughed.) It's an iron rule. It's important to understand the difference between cash and asset. He need cash but need to save an asset. The asset has to have the same value as its cash whenever he is necessary. I want him to understand them. He has to be adept with figures. In my case, I was called as a master thief in Yamaguchi prefecture. I talk back and call me "High value-added management." Sometimes the cost of material will become ¥1,000 to ¥100,000. Everybody sells the material which costs ¥1,000 at ¥3,000. In our case, it will sometimes be at ¥100,000. Therefore, I have to check finance of the company while I was doing such thing.

In this economy, it's better to work in a company.(He laughed.) If I were him, I wanted to work there. He has to tolerate to have miso soup without any filling and pickled radish for two years. The top sometimes will have no salary even if he pays it for employees. If the company makes a profit, he can receive it more and earlier than anybody. We had such period before. My wife asked me to buy our house, but don't be kidding. I'm sorry to talk about a dirty story. I have no place to become alone except for a toilet in my house because my house is so small. Once I enter there, I don't go out for a long time because I see a product catalog there. Then she said, "We saved money to buy a house." I always use the money as an initial payment to buy machine. I always tell her the same thing, "I will build a house that she requests next time." Without the sales, we had miso soup with no filling and pickled radish to give our employees their salary.

Interviewer: If we can't prepare ourselves for having a life with pickled radish and miso soup without any filling, we don't have to think to found a company.

Mr. Mori: Yes. You're right. You have to prepare ourselves for sacrificing something. You can't do everything perfectly. (He laughed.) If you have money, you will have no time to use it. It's true. If you have time, you will have no money. (He laughed.)

Interviewer: Thank you very much for talking about various things today.

From Editors

A while later this interview, I joined a factory tour. There was new bright equipment which we had never seen it last year. The company introduced new-equipment in the bad economy and was full of spirits to improve the business if the economy became better. The scale equals to the annual sales of ¥700 million including the old equipment. The company has already written off for depreciation of the old machine. He said, "If the both new and old equipment would be in full production after the economy becomes good, the company can make a lot of profits." A factory and the toilet were very clean. When Japanese electric manufacture built up its factory in the Southeast Asia for the first time, it taught local employees to clean the worksite by themselves. I remembered the investment research.

The founding family with four brothers started its business with a knitting machine as small company and grew it rapidly to an apparel giant of BENETTON Group. Furthermore, it accelerated diversification of business such as communication, high-way, airport and management of restaurant to become gigantic conglomerate company. The news said the family would scale back apparel business to receive the former brand of FIAT as president. The oldest brother Luchiano said, "I was aware of keeping up our business. I was very proud of the company growth since the foundation. We have to choose a good president. I want to keep my time and have something to do in my life."

I heard the same story as this from Mr. Mori. The scale of the two companies was different but great founder had the same thought. After the factory trip, he talked about the management over the schedule.

Different from Luchiano at the age of 68, he is still young, so I would like him to do his best to see full production of old and new machine.