

Top Interview: Specialty of the New President who Created “Cool Takkyubin”

Yamato Holdings

President and Representative Director Kaoru Seto

Specialty of the New President who Created “Cool Takkyubin”

No amount of luck triumphs geographical advantage. Geographical advantage is no match for a united front.

There are no companies that are doing well all the time. The really strong companies have become stronger every time they overcome the difficulties in their course of development.

Yamato Transport Co., Ltd. known as “*Kuroneko Yamato*” is also such a company.

President Kaoru Seto takes command at Yamato Holdings Co., Ltd., which is the holding company.

We asked him about the secret story of “*Takkyubin*” and “*Cool Takkyubin*”, wisdom from the experiences at Human Resources, managerial problems nowadays, resolution and so on.

Kaoru Seto

Profile

November, 16th 1947: Born

1970: After graduation from Law Department of Chuo University, Employed by Yamato Transport Corporation.

(October, 1982: The name was changed to Yamato Transport Co. without using Chinese characters for Yamato)

1999: Managing Director; President of Kansai Branch

2003: Managing Director; Human Resources Department General Manager

2004: Managing Director and Officer in Charge of Human Resources and Improvement of Business Control

2005: Due to the change of its trade name, the name was changed to YAMATO HOLDINGS CO., LTD.; Executive Managing Officer

2006 to Present: Representative Director and President

Quantum leap experiences for “Development of *Takkyubin*”

Editor: During this valuable time you gave us, what I would like to ask are the experiences and lessons that you learned from them. I will be asking you how these are helpful for you to take leadership as an executive. I would like you to talk about the management assignments you are implementing as an executive with a lot of experiences in Human Resources and Personnel. And at the end of the interview, I would like you to talk about the future dreams and ambitions that you and your company have.

So I would like you to begin with experiences that mark epochs of your life. Human development is to be able to do something you could not do before, through various career experiences. Can you please talk about some of your quantum leap experiences (experiences chronologically that brought you up to the next level), by looking back to the positions you had previously until you became the top of Yamato Holdings?

Mr. Seto: The first one could be when I was developing a delivery service, or “takkyubin.” From Mr. Ogura(■1) I learned not to work for yourself, not even for your company, and it was important to totally stand at the customers’ standpoint, to view everything through the customers’ view.

For example, it is normal to add some more cost so it becomes pricy if a customer wants to send a parcel to the top of Mt. T sukuba. However, it is not the case from the customer’s standpoint. What Mr. Ogura said: “It is easy for customers to understand and use our service if the fee is the same for all the destinations”, opened my eyes. To make the fee all the same, to set no limitations on parcels, to deliver the next day and to go and pick up a parcel by a phone call. These are the ideas created by the customers’ point of view. In short, it is to pursue the easiness to understand and to use from the customers’ standpoint. Our main customers are housewives. The parcels from a house are often sent by a wife not by a husband. That is even why it is necessary to make it easy to understand and to use.

■1

Masao Ogura was a creator of “takkyubin” service of Yamato Transport. In 1924 he was born in Tokyo. In 1947 he graduated from the Department of Economics, Tokyo University. In 1948, he started working at Yamato Transport (Now it is Yamato (not in Chinese characters) Transport. The company is a 100% subsidiary of Yamato Holdings Co., Ltd.) where his father Yasuomi was the president. In 1971, he became the president. In 1987 he became the chairperson. In 1991, he became the advisor to the executives, but in 1993 he advocated the crisis of the company and came back as the chairperson. After he stepped down as the chairman again in 1995, he worked on creating places for people with disabilities to work independently, as the chairperson of Yamato Welfare Foundation. He fought the former Ministry of Transport (now the Ministry of Land, Infrastructure and

Transport) and the former Ministry of Posts and Telecommunications (now Japan Post) about reducing the takkyubin regulations. Because of that experience, he was known as a proactive regulation reducing activist and also worked as a member of Administrative Reform Committee and so on. On the 30th of June, 2005, he passed away, aged 80. There are many writings of Masao Ogura. His first writing was “Masao Ogura’s Business Administration” Nikkei Business Publications (1999). In this book he talked in detail about his own theory of leadership as a manager and how his innovation, takkyubin, was created and became successful. In this interview, he referred a lot from this book so I would like you to enjoy it as well.

Think from the consumers’ standpoint

Editor: Is what you have just said equivalent to “think from the consumer’s standpoint” in “Requirements for Takkyubin Development”(■2) that Mr. Ogura advocated in 1975?

Mr. Seto: Yes. “Requirements for Takkyubin Development” emphasizes the standpoint of consumers first. Thorough rationalization is last. So we do not care how the company works (laugh). The things in takkyubin we are implementing are the ideas from Mr. Ogura. As a working group, we listened to what Mr. Ogura had to say and made it into a product. That was our job back then.

Mr. Ogura came up with next-day delivery and the one standard fee as the first great principles. I think its business model had been already established in his head when he told us about “Requirements for Takkyubin Development”. It was a bit later, but the idea to go and pick up a parcel when asked by phone was also Mr. Ogura’s. We often forget about the standpoints of consumers and customers. Even now I sometimes think about the company and myself before the consumers.

By the way, when the takkyubin business was launched, there were no such businesses in Japan. There was only one company that could be our raw model, an American package delivery company, “UPS (United Parcel Service)”(■3). So I read and studied about it. That was also an eye opener. What amazed me was the system for their drivers to be able to depart to deliver as soon as they arrived at work.

Editor: When was that famous story of Mr. Masao Ogura, “At the Crossroad of Manhattan”(■4)?

Mr. Seto: I think it was about 10 years before he talked about the takkyubin idea, when these four trucks of UPS stopped at a crossroads in Manhattan inspired Mr. Ogura. So he had this idea for a long time. He was probably thinking about it all those years. I just cannot believe how long he was

thinking about it (laugh).

■2

“Requirements for Takkyubin Development” was established in 1975 and it contains 5 basic concepts in terms of takkyubin business. The concepts are

1. To deal with all sorts and kinds of customers and parcels,
2. To think from the standpoint of the consumers,
3. To maintain better service than others and serve the customers equally,
4. To see takkyubin as a continuing and developing system,
5. To thoroughly rationalize the system.

■3

UPS is the world largest package delivery company that globally provides specialized transportation and logistics services. Its HQ (headquarters) is located in Atlanta, Georgia USA. Sales in 2005 was US \$42.6 billion. The number of the employees is 407,200 (348,400 in US and 58,000 outside US).

■4

Masao Ogura, in “Masao Ogura’s Business Administration”, says that “If we can establish a national collection and delivery network, it will become a business. It was four UPS trucks at a crossroads in Manhattan that I saw that made me think that this hypothesis would work for sure.”

Getting Potential Customers in Kyushu and Route Licenses in Yamaguchi

Editor: What was the next important experience after the takkyubin development?

Mr. Seto: I think it was when I was striving to get potential customers in Kyushu. It was the delivery of Arao pear that I was laboring over the most at that time. There is a special pear, large and sweet, called Niitaka around this area. If our company could get a contract to deliver the pears, our business would be on the right track because we could get the basic quantity we wanted. So I visited farms one by one and talked with the farmers seriously and closely. Sometime I got too close to the farmers. Firstly, the start was to get them believe me. Starting from Arao, Iki Island, and then Iizuka, I expanded the takkyubin areas one after another. Back then, it was the time to expand the area as much as possible. It was like a game to expand our territory. It was the best thrill.

Editor: So you did not have a particular ground even though you were told by the company, “You are

in charge of this area”. I see, it was just like a game to conquer areas one by one. There were pears or fish depending on where you went. In the words of Mr. Ogura, it is an “aggressive management”. People actually working in the field also apply the “aggressive management”.

Mr. Seto: Yes. It was just like a conquest game. I did not have anything to build on. The theory that Mr. Ogura was always sticking to was the principle of self-sufficiency (to do it with what you have). So I just went to a place all by myself and when I had collected a sufficient amount to deliver, I started to build an office there. Once the business started rolling, I got someone in charge at that office. We kept doing it.

The next one was when I moved to Yamaguchi as a branch manager, from Kyushu. At that time we had a route license for Yamaguchi that allowed us to deliver only on Route 2. Because of the route license, we only had offices on Route 2. The law said that we could not have any offices along the Sea of Japan and on Route 9. So we went to Ogori, Hagi and to a little bit before Tsuwano every day for business. Of course, we applied for the route licenses, but nothing was done, not even a discussion, for many years. So I went to the District Land Transport Bureau Office in Yamaguchi almost every day. The administration in the past had a style that they would give us a permit without them doing anything if we had all the paperwork. For example, they told us to get a permit from Trucking Association and so on, even when we just wanted to have only one more truck. So we protested against the administration telling them it was so harsh. And we told them, “We have such customers and demand, so please let us have one more or two more.” This is how we gradually expanded the routes. Thanks to this, I became a good friend of the Section Manager and the Assistant Section Manager at the District Land Transport Bureau.

Editor: The common strategy was to expand the areas in Kyushu and Yamaguchi. The difference between collecting the potential customers in Kyushu and getting the route license in Yamaguchi was negotiating persistently with the administration that held the power over you. It was the difference in a sense, wasn't it?

Yamato Transport continuously shot the first arrow called takkyubin followed by the second and third arrows. As another experience that brought you up to the next level, can you tell me something you vividly remember?

“Cool Takkyubin” Created From Complaint

Mr. Seto: I returned to the HQ from Yamaguchi and I become in charge of the development of Cool

Takkyubin as the third Section Manager of Takkyubin. It was heavily invested in. Perhaps, it was the first and the last time we have invested that much in the development of one product. Usually delivery companies do not invest much in development of a product.

Cool Takkyubin is a typical case of a success that turned a complaint into a need. When the HQ started developing Cool Takkyubin, I was in Kyushu and Yamaguchi. Around these areas, there were predominant needs to deliver seafood. So at that time we used to put fish on top of ice in a Styrofoam box and deliver it. When the box arrived the next day, it was just right. It was in the best condition with ice melting a bit. Almost all the parcels arrived, but one or two parcels had to be returned to the delivery center because no one was home to receive them. And then we received complaints from both sender and receiver.

So when I was actually working in the field, I quite often asked the HQ to develop Cool Takkyubin as a product. I said, "Please make it work; what is it taking you so long?" We, working in the field, thought all we had to do was to keep it cool and deliver it. We just had to have a fridge and keep the parcels in it if they had to be returned to the delivery center due to the receiver's absence. So we thought it was easy to do.

"3 managerial problems" to overcome

Editor: But you became the one who had to develop Cool Takkyubin and make it work with the founder, Mr. Ogura, when you returned to HQ.

Mr. Seto: Yes. When I was working in the field, I thought all we had to do was to deliver parcels cool with ice in a Styrofoam box. I did not think it would be difficult. However, when I had to make it work and saw the product through the customers' point of view, I encountered an assignment: what sort of condition of the parcel would be the best when it was handed in to its receiver? Of course, it is important to keep the parcel cool. But senders want their grandchildren or their children to eat the product as fresh and delicious as possible, just like when they had it themselves. It is not a simple issue of just keeping it cool. When we thought about it at the consumer's standpoint, we had to make a system to bring deliciousness, per se, to the receiver

Editor: But it would cost too much for controlled temperature of each parcel. So which is better, two systems of keeping cool and frozen or three systems by adding ice temperature? The amount of investment varies depending on which temperature control is applied, so the demand prediction is very important. Wasn't it around this time when Mr. Ogura said to you, "The demand prediction is

such and such”? Can you tell me about that a little more?

Mr. Seto: Since it was clear that the investment would be as much as 15 billion yen, I knew it would be a big risk to take as the manager. We definitely cannot commercialize if there is no demand. So I needed to explain to Mr. Ogura how much demand there was.

Then, I checked the contents of all the parcels; a half of them were food. About 20% of them needed to be kept cool, but they were usually sent in the normal temperature because the customers thought it would be fine because the parcel would arrive the next day. The major key point was to control that well.

Secondly, when I researched the amount of the circulation of the vegetable and fruit wholesale market in Kanda, it had decreased for about 10% in fruit such as oranges and apples since around the time when takkyubin started. That meant we had delivered the amount corresponding to 10% of the fruit directly from the local places, since the amount of fruit produced should have been the same. If seafood was led to a similar trend to what happened to the fruit, we could predict that about the same proportion of sea food in Tsukiji could be delivered through us.

Thirdly, it was an issue of price setting. When I calculated the break-even point from the prediction of plant and equipment investment and the number of products, it took me a long time to set the price. I studied demand prediction and price setting academically a lot.

Editor: Wasn't there a story that Mr. Ogura brought an old notebook of his student days at Tokyo University and taught you demand prediction? It shows Mr. Ogura's character very well, doesn't it?

“Academic Q&A” with Mr. Masao Ogura

Mr. Seto: Yes. I did not really understand theories and statistics, such as the demand prediction curve and least-squares method. We did differential and integral calculus as well. Mr. Ogura was serious about academic studies. We went through demand price, cost price and competitive price■5 and at last we decided to focus on demand price the most. We proceeded as if we were reading some kind of marketing book.

Back then, it was a market where there were no competitors, so we did not have competitive price; therefore, the price determination depended on demand price or cost price. But if we choose the cost price, the price would become very expensive.

For example, we had an idea to have temperature control on each parcel. We got a venture company to make a test product. The product was to put some kind of a cooling stick in a special Styrofoam and keep the inside around -10°C , 5°C or 3°C . However, if we wanted to use the product, it was very expensive because the Styrofoam patent was held by the company, and the company tried to make a profit out of it. Besides, we had to pay for the equipment and materials. Probably the estimation was something like ¥800 back then. Eight hundred yen was not acceptable at all in a point of view of demand price. So we decided not to use the product.

The next idea was a refrigerator style. We decided to keep the temperature inside the box from rising by cooling the temperature around the parcel down, by using an external cooling system. This is the refrigerator style. As I proceeded with the research, we found three temperatures that could keep food freshest; the cooling-temperature around 5°C , ice temperature around 0°C and freezing temperature that could keep the food fresh longer. This is it, I thought. So we started to examine these three temperatures.

However, if we applied the freezing temperature, the investment would go beyond 15 billion yen. In other words, we had to make the equipment overly strong. If we only applied the cooling-temperature, we could keep the cost down. So I was going to give a proposal that we should not apply the freezing temperature because there was not much demand for it. Then I checked out cold chains^{■6}, and they were not well-developed back then. Thus, I concluded that the reason why the cold chains were not developed well was because basically there was not much demand for it, and I told him that.

But Mr. Ogura said to me, “Well, there are two ways to interpret these research materials”. And he continued, “You could say there was no demand. Or is it because the cold chains are not well developed that there is no demand for it? It could be both in this case.” “I think it is the latter. I bet on this. If we can create the system, the frozen food will increase its demand at once”, he said. So, my proposal was rejected there right away and I had to reexamine it.

Investment was not easy to do, so it took us a while to reach a conclusion. The most expensive investment was trucks. We did not have many offices, so the refrigerators to be placed at the offices would not be so expensive. However, if we set up such equipment on trucks, we really needed the 15 billion yen. Actually at the beginning we set up the equipment on trucks gradually, like one out of five trucks and then one out of three.

At the beginning we applied the cooling system by refrigerant to the trucks. But we thought since the cars had engines, we could put another compressor to keep the parcels cool. So it became more mechanical. Probably it would have cost us more than 20 billion yen for the investment if we had

wanted to apply the mechanical style from the beginning.

■5

The basic principle of price setting by a company has 3 views, demand, cost, and competition.

Demand price is set based on perception (perceiving value) of the consumers towards demand or value. Cost price is set based on cost. Competitive price is set based on the prices on the competitive products.

The Reason why No one could Catch Up

Editor: When I look at the movement of the industry, the other companies could not catch up with your Cool Takkyubin. In other words, it was difficult to get into that market. What do you think the cause was?

Mr. Seto: First of all, it costs a lot, investment-wise. Our specialty is to take initiatives and grab the share. If our competitors try to beat us, the only thing they can do is to make it cheaper or to provide a better system. However, it is too late. Our plan was to develop the three temperature control system up to a high level and to popularize it in the market at once. But Mr. Ogura was really worried about the catch-up from the other companies. He said to me, “Our opinions are pretty much the same at last. Ok, then, this is it. But this is super confidential, ok?” He confirmed my confidentiality. Cannot tell at the office. Cannot tell others outside the office. Cannot even tell the companies that produce cooling systems or freezing systems. Then how can we make the system? (laugh)

Editor: Mr. Ogura was famous for the keyword, “Think it over and over”. Like the UPS story, he was thinking about takkyubin for 10 years. There are some people who used to work for him saying that he was a “slow decision maker”. However, there is something I notice every time I hear your stories. Mr. Ogura maybe was a slow decision maker, but he had characteristics that once he decided he never lost his focus and that he rushed into the task with lightning speed. You did the development task where you had to create something from nothing beside such a manager. What is the lesson that you learned from this development of Cool Takkyubin?

Mr. Seto: First of all, it is to stand at the consumer’s standpoint. The customers’ voices were the only tool to persuade Mr. Ogura. I had to go around and ask customers a lot of questions and get sweaty and go to him with a report saying, “This is what the customers think”. Otherwise, he was not convinced. Also, I had another lesson that when we want to decide something it is necessary to see it

from various directions and think about it. It is like this: there are many ways and many sizes to create a piece of equipment, but we should apply this way because of such and such reasons.

Editor: As followers, we can only see an already-decided matter. So those leaders look decisive to most people. But Mr. Ogura took a long time and thought over and over again before making his final decision. Only those who were trained directly by their manager could see such aspects of their manager. It is necessary to work close with the manager to see how much the manager suffers, thinks and researches. Are there any differences between the times when developing takkyubin at the beginning and Cool Takkyubin?

Mr. Seto: Yes, there are some differences. When developing takkyubin, Mr. Ogura gave us the idea and we just developed it. But this time, we did it all. At the time of developing Cool Takkyubin, it was like “Mr. Ogura vs. the Sales Promotion Division”. Mr. Ogura also researched various things using his friends, such as demand and cooling systems.

Editor: The president was doing the homework on his own. It is like a double-check, isn't it? Is there quantum leap experience that brought you up to the next level that you can think of after that?

■6

Cold Chain is a temperature-controlled supply system that is an uninterrupted series of storage and distribution activities which maintain food at a low temperature. It is necessary to develop storage, distribution and sorting to keep food from deterioration. Cool Takkyubin of Yamato Transport can keep food fresh and delicious with two kinds of temperatures, the freezing temperature (-18°C) and the cooling temperature (3°C) all through the delivery process, receiving, sorting and delivery.

“Measures against Absence at Home” that Pained Me a Lot When I Was the President of Osaka Branch

Mr. Seto: After that, it was maybe when I was the president of Osaka Branch. It was in 1994. What pained me the most then was measures against absence at home. It was around then when we created the system to deliver the parcels wherever the customers want.

The story goes like this. Osaka branch was located Suminoe ward, and the west side of Suminoe was originally an industrial area or harbor area. In that area, without us noticing they built a humongous apartment complex called Nanko Port Town. The residential population was 30,000. There were 53 buildings and all of them were 13 stories. Somebody was at home in the morning but they left in the afternoon. So if we tried to deliver the parcels during the daytime, 50-70% of the

residents were not home. So we went back at night. As a result, our drivers had to work long hours, until 10:00pm.

I was Personnel Section Manager after Takkyubin Section Manager, so I had a strong interest in short-time working. Getting the union involved, we discussed how we could reduce working hours by dealing with the daytime absences. Then a division leader working in the field said, “When I started delivering from 7:30am, there was less absence at home. But after 9 or 10am, no one was home. So I think that the delivery around that time is a waste.” Then I said, “Alright? I should go and check.”

So I stood at this train station of a new transportation system and observing from 7am to around 10am for 2 days. I got it. Basically, fathers and university students left home first, and next junior high, high school and elementary school students. Mothers came out last. Mothers come out between 9 and 9:30. We could deliver by 9:30am without bothering any of the family members. We tried to finish the delivery around that time. The way we could make that happen was to gather delivery people around that time. This was the only way. The apartment complex is a pain in the neck with the absences, but there should be a lot of available laborers as well. So we placed advertisements for part timers who only worked for two hours in the morning. We received a lot of applications. Then, we delivered between 7:30 and 9:30 all at once. So, we solved all the problems. That was the best feeling I’ve ever had.

Service Improvement by Introducing “M-Type Employment”

Editor: Mr. Seto, you are best known as an executive who knows a lot about working out in the field and HQ (headquarters), and also HR management and personnel. This story is one that has a complicated interaction of business and personnel, isn’t it?

Mr. Seto: Yes. Another task was to deal with the place called Kitahama, the center of Osaka, where we had a small market share. So we asked our customers to participate in a survey research. The request that we had most was to deliver between 9 and 11am and to collect their parcels between 4 and 6pm. Both delivering and collecting had 2 hours time range. Ok then, we should get employees for these two hours. We thought if the same person who delivered pleasantly in the morning returned to the same customers to collect their parcels, the customers would be more pleased to have their parcels collected. And women were better for this. That is why we developed M-Type employees. They work between 9 and 11 am as a delivery staff, then they are off work, and then work between 4 and 6pm as collecting staff. Is it possible to hire employees with that strange work schedule? That was a new problem.

If we pay them 1500 yen per hour, they might work for us. But it is still 6000 yen per day. It is still better than hiring full-time employees, and the service would be improved. So we should do it.

That amazingly worked well and made me really happy. On the very first day when a large number of young women went out to deliver the parcels, we had a lot of phone calls at the office. I was not there so I don't know if it is true or not (laugh). Apparently we had a great response like "Get that girl to come and collect my parcels". That very month was a 150% increase from the previous month. And it kept going up, and in about two years, we took over the market share in that area, as far as I remember.

Editor: Mr. Seto, on one hand, you did the great jobs such as takkyubin and Cool Takkyubin that had a great influence on the future of the company, and on the other hand you accomplished the important tasks in the actual work field. And you know that, through experience, the key factor to being successful out in the work field is human.

There are often people who think about strategies but never understand the actual work field or who work hard at the actual work field but never draw a big picture for the future of the company. Therefore, it is a very valuable experiment for you because you could do both, I think.

Besides, I find it very interesting that you have experienced both a personnel section manager and a HR department manager.

"Effective Use of Short-time Working" as Personnel Section Manager

Mr. Seto: Oh, that reminds me that I did something called an assistant system when I was a personnel section manager. That was in the middle of the bubble economy and we did not have enough employees. Our employees had to work for a long time, so I analyzed how I could make working hours shorter at once. I mentioned UPS a bit previously. They can go on the road as soon as they come to work. But our staff could finally go on the road 2 or 2.5 hours after they arrived at work because they also had to prepare for the delivery. When they were done with the delivery, they had to do additional tasks for 1.5 or 2 hours. Thirty to forty percent of their work had nothing to do with delivery and collecting.

Then I recalled the book of UPS. Ok, we just have to separate the tasks. Basically we separate the tasks into sorting groups, loading groups and delivery and collecting groups. If the drivers come to

work and go on the road around 8 a.m., all we had to do was to get the other groups to sort and load the parcels by 8 a.m. There were many wives and older people who wanted to work, so we needed people to sort and load the parcels between 6 and 8am. At the same time, we got rid of the working hours of the drivers after they came back from collecting parcels. That is, we eliminated the four working hours of the drivers. However, if we had just left it there, it would have had just cost us. So we asked them to work to improve productivity for two hours out of four hours. And the rest of the hours were reduced. In other words, we used the two hours of four hours, which was created by reduced tasks, to deliver and collect parcels so that the productivity would increase. By doing so we covered the expenses to hire new employees.

Editor: You had this experience when you were the personnel section manager, and then the measures against absence at home at Nanko when you were the president of Osaka branch and M-type employees in Kitahama. How do you sum up the lessons form these experiences?

Mr. Seto: Well, it was the time when I worked on the assistant system when I was the personnel section manager. In order to make this system work, I had to analyze the working hours, I thought. How long does it take to do this task? I made a formula to show how the working hours would differ, or example, when there were 100 parcels and when there were 150 parcels. As the Result of this formula, I started to see a lot of things. Mr. Ogura used to say, “Service is first, and profit is after that. But the profit will follow”. That is in his thought a “good cycle”. The essence is density. Basically, if we provide a good service, many parcels will come to us. When we have a lot of parcels, or in other words, when the area becomes more “dense” with parcels, the productivity increases and we can make profit. That is the theory.

It is understandable that because it is “densified”, the productivity improves, by words. But I wanted to know how the logic would work? So I did some calculation with the formula and it clearly proved his theory. Indeed, the number of parcels and the working hours are not in proportion in terms of the delivery and collecting group. But in almost all the other tasks, they are almost perfectly in proportion. We should cost less in the sections where they have a proportional relationship. Moreover, the mileage is reduced if the “density” increases. In short, I found that if the speed of the delivery per parcel increases, the productivity increases aggressively.

Because I am an executive from “Personnel Department”

Editor: An increasing number of people put more value on systems that improve people working out in the field, as well as strategies. For those who want to link the strategies and the power of the

actual work field, your stories are full of the lessons.

Ok now, the story will lead to the time when you were appointed to an executive. How would you describe the whole picture of a series of your quantum leap experiences, up to the appointment to the President of Yamato Holdings?

Mr. Seto: I used to work at HR, so I think most about how I can bring 100% out of the employees. To do so, the executives must show direction to the employees. Is the direction really appropriate if the world sees it? Or do we really understand the pain of our customers by viewing from their standpoint, and is our direction leading us to eliminate the pain of our customers? I think these are the most important things.

Editor: You learn through your own experiences, and you also have learnt a lot from Mr. Ogura. What is the essence of what you have learned from him?

Mr. Seto: Well, it is hard to follow, but what influences me is our company's core, "Service is our priority" and "Management by all". Especially, "Management by all" is the keyword for us since we are in the labor-intensive industry. The main employees of "Management by all" are sales drivers (SD). Of course, other employees are working with the same ideology in their own groups.

However, after all, the fact that the SD keeps the ideology of "Management by all" is most important because they are the one who deals with our customers directly.

Editor: If the SDs are the fulltime and lifetime employees, what do you think about maintaining the motivations of the employees who have done the same job at the same place for a long period of time? When I asked your Human Resources department manager at a Human Resources research meeting, the answer I got then was that he tried to make a promotion system in each SD group and motivate them. But when he talked about it to Mr. Ogura, Mr. Ogura told him that he did not have to do such a thing. He was told to make a system that would keep them motivated even though they had to do the same job for a long time, not just by promotion. After all, what motivates the SDs is the positive feedback from the customers, since the drivers directly provide the new developed products and service. That is what he told me.

The Reason of Continuously Producing "Good Products"

Mr. Seto: It is true that our employees also want to be promoted. So they try to become a chief of the group and the office. It is good. But from the customers' point of view, "It is better if the SD is the

same one for a long time and knows us well”. That is the theory of Mr. Ogura. That is why we want SDs to be in charge of the same area. But the level of the motivation of the SDs will never go down. As long as the customers appreciate them, their motivation will never decrease. The customers give them smiles because their services are good. The customers’ smiles make the SDs happy, so they want to give them better service. It should be this circulation.

In short, we want our customers be happy. This is big. I am quite often asked, “The drivers of Yamato are so good. How do you train them?”. We do not do special trainings. I answer them, “The customers train them”. However, even though our customers train our SDs, they will not be happy if our products are not good. The SDs are appreciated by customers because they provide the good products. Of course, those SDs who are appreciated try to give better service. That is why, in general, the SDs of Yamato are thought to be good people. But when they go back to their offices, it is not true that all of them are good people. They are just normal. They can be selfish and also complain. But they are different in front of their customers. They are trained by their customers. To be trained by their customers, we create good products. If the products themselves are not good, that reduces motivation. We keep producing good products because we want to avoid that.

Concrete Strategies of “The Third Phase of Change”

Editor: Now I would like to change a view a little bit. I would like to ask you about the second theme, managerial problems. If there are some quantum leap experiences and turning points of companies, I think the biggest turning point of Yamato was the start of takkyubin business after 1976. While talking about some of the turning points in the strategies, can you tell me about the managerial problems of current Yamato that you are aware of?

Mr. Seto: It is our third phase of change. The first one was in 1929. It was 1929 when we changed from charter business to logistics. The leader was the founder, Yasuomi Ogura. The next one was when Mr. Ogura changed from logistics to takkyubin suddenly. When he started takkyubin in 1976, he started to cut down the other businesses. He burnt our bridges and focused on changing its business structure.

And it is the third phase of change now. While takkyubin is still going well, based on the management resources that we developed through takkyubin business, we will get into business related to logistics. It does not matter the size of the market. Even if the market is small, we want to increase the rate of returns by thoroughly increasing the market share by providing products that only we can provide. At the moment, we have about 50 businesses. I want to make it 100 and each

business will earn a billion yen. That is what I want to do. I want to found 100 businesses that have absolutely unbeaten products, all with 10% profit ratio. We have various networks that we created through takkyubin, the network of people, the network of places and the network of information. Take a good advantage of these networks.

And we also have the first settling business among the industry. It is called “Takkyubin Collect”. For example, when a grape producer sent a product to a consumer, up until now they had to get paid by transferring the money into their bank before the product was sent, or they had to get the money after the product was sent by postal money order. They are both troublesome. This Takkyubin Collect is not a system that we collect money when we deliver the product and give the money to the sender. It is the system that we pay to the sender for the person who ordered the product. In addition, we have an IT division called Yamato System Development. The second one is to expand the settling business into the B2B world by unifying the total strength of these businesses.

Another thing is to gain profit by providing for customers more cheaply through using our buying power. These are the major things. And I would like to strengthen the international expansion since it is slow.

Training “Leaders to Start Business”

Editor: We found it very interesting that your strength is that you are familiar with both strategies and personnel. It looks like takkyubin is the business that embodies the idea that the actual work field and business strategies are indivisible. As the president of Yamato Holdings, what kind of view do you have in terms of training people who can be in charge of 100 businesses? Could you talk about some wisdom in terms of training business executive managers.

Mr. Seto: I do not have much wisdom (laugh). I do not have much intention to change the personnel management in terms of the front line at the actual work fields. The problem is leadership. I have to train leaders who can start up businesses. If we want 100 businesses, we have to train 100 leaders. It is a big trouble. In that sense, I would rather ask you to give me some wisdom. In short, it is difficult to train business managers. For example, I have been sending many employees to a business school which belongs to a major university. Yet, they don’t seem to do very well. Then I asked myself why. Perhaps, they do not go to the business school with a mission. If they go there with an “unachieved managerial problem”, it can bring them up to the next level.

Editor: They are just studying, aren’t they?

Mr. Seto: Yes. It has become a “study”. My assignment now is how I can make them think that they are studying to be a business person or they will acquire such and such at school.

Editor: What should they study to be the business person? Or what should they acquire?

Mr. Seto: We are also having trouble coming up with the solutions for it, so we want to ask you how (laugh). After all, it is important to find an idea or proposition to create a business. An insight of which part of a market could be a target and what kind of value should be provided. These are some kind of weakness they have, I think. For example, in an issue of an aging population with a low birthrate, they can say they should do this and they should do that in a vague market of the aging population. But they do not have ability to segment the group into smaller groups, like there are this kind of person, that kind of person and also this kind of person, so we can make these people happy if we provide a service like this. So they cannot fully understand what they should be doing even if they are learning from a marketing professor.

Editor: I think the most important thing for training leaders as business executive managers is that they should have an experience that is close to business creation, and also they should bring assignments to their MBA class, if they go to MBA. You might think that I’m singing my own praises, but the principle of MBA at Kobe University is to study while working.

“Words that match the Present” to Convey the Principle of the Founder

Editor: I am sure that there are many excellent executives who used to be salaried persons, and the creation of the business is the only experience that they have never done. I consider Mr. Ogura as a founder because he created Takkyubin Corporation even though it is not your own company. You had worked with Mr. Ogura closely or talked with him face to face. However, in the future, those generations who do not know about Mr. Ogura directly will be in charge of the company. How do you think about passing on the principle of the founder and the principle of the management when you pass the torch to those generations who do not know about the founder?

Mr. Seto: If I tell them the same thing as Mr. Ogura told me, they will not listen to me at all because what I say and what Mr. Ogura told us have a totally different quality, I think. Therefore, we think that it would be best if we use the words and ways that match the time. Right now I am thinking how I should tell them what I was taught, in my own words.

However, what I should show is probably that the president himself challenges an innovation, and plans a business, starts the business and manages the business well. I think it is the best way to convey what Mr. Ogura did. I think that there are many managers especially of the big companies that do not go and talk to their employees but just tell them what is good or bad.

Luckily our managers themselves take the lead in challenging problems. If they cannot find the causes of the problems they will not stop until they do. We have about three meetings a week about new businesses. These are morning meeting, BU (abb. for Business Unit) committee, and BU meeting(■7). Basically, we want to make BU one after another. We are in these meetings so that if a plan is delayed we get the person in charge and we all work on it together. By showing this attitude we can possibly pass the mentality and the principle of Mr. Ogura onto the next generations. Then we can talk to each other and tell them how they can do such and such by telling them the principles of: service is our priority, stand at the customers' standpoint, and management by all. In other words, the best thing is to share the principles in practical situations.

Editor: What this company can do or your own dream. For Mr. Ogura, Swan Bakery(■8) was one of his dreams. Can you tell me your dreams and ambitions for your companies and yourself?

■7

Yamato Group has a goal to active BU (Business Unit) more and to achieve the operating profit of 100 billion yen and become a part of HBC (One Hundred Billion Club) by 2010. The Group periodically holds meetings hosted by Yamato Holdings to check the projects with each project leaders in order to become No.1 with the highly competitive products in niche markets that are segmented as if they could see the faces of the prospective customers. They encourage each leader of each project by calling them President and they challenge them to achieve their goals with the effective, decisive and aggressive organization.

■8

Swan Bakery is a corporation that provides delicious and freshly baked bread and was co-founded by late Director Ogura, Yamato Welfare Foundation and Yamato Transport Corporation. Its aim is to achieve the principle of the normalization, "To create a society in which those who with or without disabilities can work together and live together". Swan Bakery Ginza was opened in June, 1998 as the first bakery. There are three directly managed bakeries and 17 chain bakeries nationwide. The number of people with disabilities is in the directly managed bakeries and the chain bakeries are 29 and 170 respectively. The person who named Swan Bakery was late Director Ogura, and it is based on a Danish fairy tale of Hans Christian Andersen in which an ugly duckling was really a "swan".

The Future Dream is “Yamato-san” of the World

Mr. Seto: It is again about work. After all we want to make manufacturers happy through our logistics service and also make our customers happy. We want to be a company that everyone wants. So we want to make sure to create the core system in order to be that company. Then our customers always want us and call after us, “Yamato-san (Mr. Yamato), Yamato-san, Yamato-san.” To be more specific, we have to reform the structure of distribution and get rid of the processes in the middle. In that way, consumers can receive cheap and fresh products, and manufacturers can make more profit than selling wholesale with fewer goods in stock so their management can be more effective. I want to make Japan like that. That is my business dream. I would like to expand it overseas if possible. But this would take a long time. But I will keep trying without giving up my dream..

Editor: Mr. Seto, you started running as the new president in June 2006. I heard that you have also been running as a hobby since you were young. Are you planning to continue your hobby?

Seto: Yes, of course. Tokyo Marathon will be on 18th of February, 2007(■9). I have been working out little by little and I am almost ready for it.

Editor: Thank you very much for telling us your stories for a long time today while you are so busy. I wish all the best to Yamato Transport, and I hope your company will achieve more innovations and create new BUs.

■9

This interview was held in November, 2006.

[From Editors]

Whenever I visit the website of Yamato Transport, it always amazes me that the number of parcels on the first day of their Takkyubin business, which started on the 20th of January, 1976, was two. They created it from nothing, and it was the day when the very first creation of theirs came out to the world. I found it interesting that they still talk about it. Of course, they had the history before that, the process of development, striving and patience in the actual work field and the structure of the personnel department to support SDs (sales drivers) ..The number of parcels for takkyubin was over a billion in 2004, and it was the 30th anniversary in 2006 of the development of takkyubin (Visit <http://www.kuronekoyamato.co.jp/company/30th/index.html> for the history of 30 years. To know

about the history before that and the core of Yamato Transport, I recommend you reading “Masao Ogura’s Business Administration” (1999) Nikkei BP first before you read this interview. You can understand the interview more deeply.)

During 30 years, centered on takkyubin, Yamato Transport has actively acquired business infrastructure and know-hows that have been useful to the customers (consumers in this interview), and the other companies could not easily catch up. And with this bundle of infrastructure and know-hows as their platform, they created new services one after another. They created Ski Takkyubin in 1983, Golf Takkyubin in 1984, Collect Service in 1986, Cool Takkyubin in 1988, Kuroneko Mail in 1997 and so on. We can see that they kept shooting the second and the third after the first arrow.

In the top interview of this issue we had the best story teller who knows the turning points of the development of the company and the people in that process. Mr. Seto worked in the field, worked on development at HQ, worked at the Human Resources department and worked as a manager. He was appointed to Personnel Executive and Chairperson of Yamato Transport, and for the further improvement of Yamato Group, he was appointed to President of the pure holding company, Yamato Holdings, that was founded November, 2005. During the time that the company is entering a new stage aiming at the business development as group management, we feel very lucky that we could interview him for more than two hours. We had had a lot of opportunities to see him since he became the president of Kansai branches and heard many episodes that only he could tell. This time we could hear the episodes in an organized manner..Mr. Seto, on one hand, did a great job that could influence the whole company’s future such as Takkyubin and Cool Takkyubin, and on the other he also did the job with the same degree of importance at the front line, out in the field. And through his experience as the personnel section manager, he pointed out that it was the people who hold the key to achieving things in the field.

Thus, when he was the director of Human Resources at Yamato Transport, I got him to come to the debate where we discussed the strategic way of the management in human recourses, while he was a very busy man. The things we learned then and we confirmed in this interview are, firstly it does not matter how excellent the strategies are, it does not do anything if the people out working in the field do not have the ability to make it happen. Secondly, the people who are the key to keep things going in the field, in case of takkyubin, are the SDs (sales driver) who directly deal with the customers. Thirdly, takkyubin was not an individual service but a system with infrastructure. And in the system there is management to train the employees who can make the strategies work.

Many people out there cannot see what is going on with the workers out in the field but who always think about the strategies, and there are many people who work hard in the field but never even

draw a big picture of the company. In that sense, I think he was lucky and it was valuable to experience both sides. We could see his attitude in various points of this interview, which is that the power of strategies and the power of the actual work field are indivisible. See Mr. Seto's career and pay attention to the link between his career and the "quantum leap experiences". He had the experience of expanding the territory working in the field; in terms of human resources he experienced positions as personnel section manager and human resource department manager: there was the development of takkyubin in 1976, and there was the development of Cool Takkyubin in 1998. Through all these experiences he was taught by Mr. Ogura, during a relatively early stage of his career, the strategic way of thinking and the aggressive management based on the customers' standpoint. I find it very interesting because the combination of these seems to contribute to group management.

It is very hard to create people who can take leadership and create a new business as executive managers unless both "studying management at business school and seminars" and "managing employees in an actual working field and planning a strategy for a new development" are linked together. We learned about his idea of management education. Also, this is the first time ever, including the first time in an MBA program, that people see more value in opportunities to link experiences and theories. That means it is valuable to study while working in the field. Including the view of human resources development, in the group management, Mr. Seto's role as a story teller to young generations who will be challenging new businesses will expand. He will have to tell them about the core of Yamato Transport, the experiences that he embodied, the company principles and the lessons from them, and also his practical theory-in-use. For the future development, it will be a part of his leadership roles to talk about the management that links the strategies and the field, while referring to the experiences and the lessons of takkyubin business.

Again I would like to thank President Seto for giving us his valuable time.

(Interviewers: Toshihiro Kanai, Mitsutoshi Hirano, Ryuta Suzuki)

(Kobe University Graduate School of Business Administration)