

**Mr. Masahiko Matsuo, President, Calbee Foods Co., Ltd.**

**Establish continual business system of “Agricultural and industrial unification”, “Commercial and industrial unification” and logistics**

Born in 1941, the 16th year of the Showa

1965, the 40th year of the Showa Graduated from Faculty of Laws, Keio University

Entered Fujikyuko Co., Ltd.

1967, the 42nd year of the Showa Entered Calbee Foods Co.,Ltd.

1970, the 45th year of the Showa Board Member, General Manager, Utsunomiya Office

1972, the 47th year of the Showa Executive Director

1975, the 50th year of the Showa Senior Executive Director, Sales Division Director

1982, the 57th year of the Showa Vice President

1992, the 4th year of the Heisei President

**Chronology of Calbee Foods Co.,Ltd.**

1905, the 38th year of the Meiji Jyuhachiro Matsuo, Great-grandfather of the current president manufactured persimmon-bean jelly in Hiroshima Pref..

1949, the 24th year of the Showa Matsuo Food Processing Co., Ltd. was incorporated.

1953, the 28th year of the Showa Father of the current president reorganized company at the age of 41

1954, the 29th year of the Showa Corporate Name changed to Calbee Foods Confectionery Co., Ltd.

Started business of Arare crackers with wheat flour not rice, which was predecessor of “Kappaebisen”, shrimp-flavored crackers

1963, the 38th year of the Showa Discontinued selling candies accounting for 60% of the total sales

1964 the 39th year of the Showa Sold Kappaebisen being a big hit next year Recorded ¥1 billion in annual sales

1967 the 42nd year of the Showa The top at that time visited the U.S. focused on Potato and Chips

1970 the 45th year of the Showa Founded Calbee America in L.A.

1972 the 47th year of the Showa Sold “Sapporopotato” potato-flavored crackers

1973 the 48th year of the Showa Head office moved Hiroshima to Tokyo. Corporate Name changed to Calbee Foods Co., Ltd.

1974 the 49th year of the Showa Founded mash potato factory and warehouse for potatoes

October 1975 the 50th year of the Showa Sold Potato and Chips, Suffered from the sales at its startup, Started business reforms 1976 the 51st year of the Showa Start freshness control as clear challenge of the Sales Dept.

1980 The 55th year of the Showa Founded Calbee Potato Co., Ltd.

1983 the 58th year of the Showa Started Business Process Re-engineering and TQC

1985 the 60th year of the Showa Started Jump 85, Introduced Aluminum evaporation package

1986 61st year of the Showa Recorded the best ordinary profits of ¥6.34 billion

1988 the 63rd year of the Showa Entered cereal business, RTE, Ready to Eat

1989 the 1st year of the Heisei Started TPM, Total Productive Maintenance, for nationwide sales of cereal

1991 the 3rd year of the Heisei Nationwide development of TPM

1994 the 6th year of the Heisei Started TCM, Total Communication Maintenance, Opened the renovated head office, Designed corporate logo

1995 the 7th year of the Heisei Started activity of “Fresh Calbee45”

### **Profile of Calbee in 1996**

Capital ¥221.52 million

Sales ¥94.5 billion (at the end of fiscal year of 1996)

The number of Employees About 2,300

People working in a company don't treat direct consumer products sometimes feel envious of a company treating such products because they can see user faces. Snacks are familiar to us. It's been more than 30 years since Calbee started to sell “Kappa Ebisen”. The products debuted in 1964, the 39th years of the Showa era when the baby-boom generation should be 15 or 16 years old. If their junior got married within ten years and their kids had the products, the product would have three generation users. After that, the company introduced new products such as Potato chips and cereal. Everybody remembers a copy of “Yamerarenai Tomaranai, everybody can't stop eating and wants to have more.” The product is surely familiar to us. Calbee may be more famous than a larger scale of production-goods company. However, we generally don't know its business system and philosophy although we know its products and the name of company. The company has various kinds of activities which can't be expressed in a word that “The company is just a manufacturer of snacks” when we take a little look at it, which characterizes the history of the company.

For example, the strategy for material production is tremendous. When Mr. Matsuo, President talks about potatoes, he became so heated by talking about potatoes. He has a belief to maximize all of various nutrients included in the product without purifying food resources. In order to manufacture “Kappaebisen” Calbee used instantaneous frozen whole fresh and raw shrimp not dry shrimp. He's also persistent to logistic strategy for processed delivery. Mr. Matsuo talks about freshness with his voltage high. In addition to that, he developed the delivery strategy for consumers while he convinced people in the same age as his parents when he was still young. He established double networking in the process. It means on one hand, he arranged a conflict between agriculture and industry to establish new method of contract cultivation. On the other hand, he arranged a conflict between commerce and industry to create new cooperation system.

The fundamental business philosophy of Calbee is to supply insufficient nutrition in Japanese food with processed food resources made by surplus or unused food resources. Few people know the corporate name of Calbee consists of composition of calcium and vitamin BI. If anyone knows it, he really understands the company very well. That is an exaggerating philosophy but Calbee continues to pursue it honestly, which can be said as its history. The company repeats to make reforms of continual corporate management system in the

history.

We had an interview with Mr. Masahiko Matsuo who continued to run for a long time with his father as well as substantially the founder, Takashi Matsuo, Honorary Chairman and asked him the growth process of Calbee.

### **When “Kappaebisen” started to be sold in Japan, I entered Calbee**

**Editor:** Everybody knows products made of Calbee, however, nobody knows the system and philosophy on the background of products development. Where did the most important basic value that this company should observe such as “Make good use of unused food resources“ and persistence to raw materials like the uses of potatoes come from?

**Mr. Matsuo:** Children started to have snacks of Calbee when “Kappaebisen” became a national brand. I entered the company in the 42nd year of the Showa era, 1967. It was 29 years ago. When the company just started to expand to sell “Kappasebisen”, I entered there.\*1

The founder was very plush person.\*2 He started the modern management in the early times, but experienced the failure, too. As the result, He also mainly focuses on manufacturing only the best products as other founders do.

Kappaebisen was hit\*3 when the founder was 55 years old. He did various things until then. After the war, he had a narrow escape from the death and went back from battlefield to Hiroshima when he was 33. In the damaged place by Atomic bomb, he started business from a raw material shop finally to a shop of consumer’s goods and fulfilled his dream of manufacturing products for end users. As I told you he did various things, he started to manufacture substitute food, food for school lunch, mainly made powdery juice and candies. From the 29th of the Showa era, 1954, he started to make two main products of wheat arare and candies. When he became 50, he decided to do a big thing from nothing. I mean he stopped business of candies which accounted for 60% of the total sales and focused on arare making which accounted for 40%. That’s why “Kappaebisen” was born there.

\*1 The history of Calbee started to manufacture persimmon-bean jelly in the 38th year of the Meiji, 1905 in Hiroshima prefecture. In the prewar period, this product was designated as a manufacturer of special protective foods. After the war, it manufactured caramel and candies in some period however in the 29th of the Showa era, 1954, it changed the name of the company from Matsuo Food Processing to Calbee Foods and Confectionery Co., Ltd. and started to manufacture snacks of arare like “Kappaarare” which was made of wheat not rice. It introduced “Kappaebisen” to the market in January, 1964, the 39th year of the Showa era. The next year of the introduction, the product became very popular and racked up annual sales of ¥1billion. In the 48th year of the Showa era, 1973, the head office of company moved to Tokyo from Hiroshima to expand its products in Japan as national brand.

**\*2** The actual founder of Calbee was Mr. Takashi Matsuo, a grandfather of the present president who started “Kappaebisen”. He is Honorary Chairman now.

**\*3** It was 1967, the 42nd of the Showa era.

### **Break away from the small /medium sized company**

**Mr. Matsuo:** The actual founder of my father succeeded to manufacture salable products. Whatever he made products, he could sell well. When this small midsize company started to sell national brand of “Kappaebisen”, we had to change various things in the company. For example, when we built the second factory, we sometimes couldn’t continue the operation soon and closed the factory for a while. We couldn’t entrust people on site with the operation because we didn’t have management system enough to operate it well. Therefore, we were such company that we closed down when we built the second factory. This is a feature of small / medium sized businesses. In order to build the second factory, he had to convince me to join the company because he had to make someone to be reliable run the business.

When I entered the company, there were many features of the small /medium sized enterprises in various places. The first problem I faced was a dispute between labor and management. I served as a chairman of election administration committee in the first labor union and told people how to do election. It was so easy for me to do such thing because I was a president of the student council and also served as a chairman of the student union at university. This was a start point to make the substantial labor union.

Apart from the chairman of the election administration committee, I did everything in the organization except for jobs of the top. I mean the top means a founder of the company. He always thought about manufacturing the best product. He focused on it and we increased to manufacture more products. However, we have more difficult problems not to be solved easily like that. I solved most of the problems. I made all things including the present company’s philosophy and image of snacks while I was doing such things, I always thought about by myself why growth company would develop for example what organization system we should make. In short, I was doing the opposite thing to what the top did. So, if I didn’t digest various things and understand them by myself, I couldn’t make innovation. The top focused on having an idea and innovation to manufacture the best products therefore I was always in the middle between them. I was working as a kind of his assistant.

### **Reform starts with frontier, and pursue natural thing**

**Mr. Matsuo:** Since the founder originally ran a raw materials store, he knew everything such as how those materials became worse before he received or how he received false materials. He thought about how to send them from production site and how to directly connect the production region to our factory, or how to ship what he got in the producing district.\*4 Briefly saying, we had problems of raw materials. We do such kind of thing as other manufacturers do. How we can provide consumers fresh products? We don't think about strategy or something, but we just want to provide customers with the best products honestly. So, all we have to focus on is how quickly we can make consumers eat the best products with good materials.

When we do such natural things, we have a lot of difficulties. We have to overcome them. That's why we started to do various management systems. For example, we have to study various things including marketing. If we try to do ordinary thing, it's natural it always doesn't go smoothly in the world. Things aren't so easy in the real world. A new hero is always in a sense an outsider and I can understand the meaning of a word that "Reform starts with a frontier."

For example, we built our factory for manufacturing "Kappaebisen" and would like consumers to have fresh products in various places. There were original wholesaler in Tokyo, Osaka and Nagoya. They said, "If you don't check products at my counter, I don't allow you to sell them here." We thought this system was really strange and tried to make a reform in distribution innovation. We would like to connect the wholesaler close to the local area. Like this case, if we tried to do ordinary thing, we inevitably faced a problem in the system and had to fight with it to break the wall.

As J.A. Schumpeter said, "Innovation means creative deconstruction because it will be continued endlessly".

We can understand it very well the simplest principle in the free market economy is innovation. Conversely speaking, if we make some new job in the exiting organization, we have to give up innovation.

I will summarize what I want to say. First, we do natural thing. We have to put much importance on good materials in case of food. Distribution reforms means an innovation of food. Then, we have to continue to make innovative challenge of problems in the reform. Mr. Suzuki, President\*5 of Seven-Eleven Japan Co., Ltd. says, "Do basis thoroughly and do action according to changes." He also said how important the innovation was when we doing basic.

\*4 Calbee calls this agricultural and industrial unification. The productivity of the land will be said to be close to double if processed food manufacturer and manufacturer cooperate to start agriculture. Taking an example of potato of the main product of Calbee, cooperation of Calbee and agriculture and industry enabled to increase the product amount from 1.5 to 3.0 ton. Calbee also has a theme to integrate with distribution as well as agricultural an industrial unification to improve control of product freshness based on "co-prosperity and mutual benefit".

\*5 He is a Chairman of Seven-Eleven Japan Co., Ltd

## **The walls of growth and management reforms**

**Editor:** I heard the company reached about ¥1billion in sales when you entered the company. After working in other company\*6 for two years, you entered Calbee. Since that time, you've experienced innovation of certain management pattern.

**Mr. Matsuo:** Yes. We can do nothing without innovation.

**Editor:** If you don't make an innovation of your company, the sales still should be ¥1 billion, it's impossible to increase to ¥10 or ¥100 billion.

**Mr. Matsuo:** If we grow the company, we have to change various things otherwise we can't do it well. It will naturally occur. We just overcome ordinary problems as we do them naturally. Or, as I told you before, we might have some problems in the distribution system or in-house labor management system. We'll have various difficulties. If we break them step by step and overcome problems, the condition will become better naturally. We just did it with honest.

Fortunately, since consumers contributed us to buy much more products, we just sailed with the wind at our back and increased the sales to ¥10 billion from ¥1 billion for five years. We aimed to increase the sales to ¥100 billion from ¥10 billion and finally reached ¥84.75 billion in 1986.

Now, we face a big wall to achieve ¥100 billion in sales. This is a challenge for the next generation. We could come here in a momentum however we have to do one more innovation.

I think this is a maturity created by human beings. If we succeed in doing anything, we'll be sure to become the cock of the walk. If people made a reform in their 20s and 30s in the same generation as the founder and they have the authority to the company in their 40s and 50s twenty years later, they stand on the position to break themselves this time. However, they can't manage to do it. Since there are many people with such successful experiences, our present challenge will break their successful story.

If we don't succeed in doing this, we'll be in the condition like a hypothesis\*7 that Mr. Kagono proposed, "We sometimes do our best and fall into a decline slowly". When I heard his proposal that it was wrong to sometimes do our best, I thought it could be absolutely applied to our present condition that we had continued since seven or eight years before.

**Editor:** When our business falls into a sudden decline, we feel it too much trouble and could make a big innovation with unexpected power. If our business declines a little by little or becomes better, we'll loosen the feelings of drastic innovation as a result the sales and profits will level off.

**Mr. Matsuo:** Yes. Five years later, it's easy to say after the incident that we happened to fail to do or succeeded in doing at that time. I thought we could overcome the wall from ¥80 to ¥100billions if we do well. We just did the same as hitting a mole. That's too bad for us, so we formulated the medium-term innovation plan five years

ago. We made the management patterns to make us complete the basics. The foundation is the distribution control system to focus on the freshness of product.

**\*6** He entered Fujikyuko Co., Ltd. when he graduated from university.

**\*7** This is one of the lectures developed in “Reform of Corporate paradigm, Kodansha in 1998” by Mr. Tadao Kagono, Professor of Faculty of Business Administration at Kobe University who majors in corporate strategy. Especially, a phenomenon of boiled frog is famous and actually more terrible case. Noel M. Tichy, Professor at Michigan University who promoted a research of corporate reform management and the leadership said few environmental changes caused a frog not to recognize the necessity of changes. However, drastic environmental changes enabled it not to be boiled gradually but to jump for changes. This is a hypothesis of boiled frog. Actually, because people can get some results if they jump a little, they think the condition will be better only if they sometimes do their best and don't have to jump a lot. If they continue to such activity little by little and stop making drastic changes and innovation, they will be in a trouble.

Figure 1 Roadmap from ¥1 to ¥10 billion, Established Utsunomiya factory, Yamerarenai Tomaranai, Kamen rider, Sapporo potato, Date indication, BarbeQ, Started to sell Potatochips

### **Make innovation with relationships with distributors (or wholesalers)**

**Editor:** As the distribution innovation, you changed the business terms in 1974 when you were around 30 years old. You overcame the wall of difficulty with a trail wind of customer's support. In a few years after entering the company, you went out to the most competitive places to establish national brand as well as develop from ¥ 1 to ¥10 billions at the age of 30. When you look back on it, what do you think of it?

**Mr. Matsuo:** I thought about various ideas. However, our wholesaler was 30 years older than me. If we gave them new business terms, we had to tell them to write off what ancestor did and to do them as we said, so we were also high spirited. The new hit product on our background enabled us to be successful to do it. In any case, we would write off business terms acquired from their long-time experiences and negotiations.

**Editor:** The key point of new business terms is whatever scale wholesalers have, you would like them to have a contract on the same business terms across the country.

**Mr. Matsuo:** We told them to believe us with such severe terms, this was a rude story. However, they would be tired in the times of various changes and might hope we would do something different. By the way, Kao established sales branches. At that time, supermarkets increased more and more and became more powerful. Therefore, wholesaler seemed to know they couldn't survive in this condition. They couldn't help accepting such load for this change. It was true there was such outside conditions. Even if snacks became so popular, we

couldn't make a lot of money because we sold at a loss. It was the time like that. They had a request of this industry they could make money. Although I can say it now, they were older than in ages and I sometimes made my feet chatter when I explained it to them. When I talked about it, they told me that they understood it not to be stupid.

**Editor:** One more important point is that you evaluated wholesalers with good distribution function.

**Mr. Matsuo:** The key point of our success was to give them enough incentive. In fact, first, we evaluated them without saying it. Second, we told them to evaluate it and implemented it publicly. We clearly evaluated it and paid much more money than before at that time. After that, we gave more money to wholesalers with good physical distribution function and gave them advantages. The purpose to evaluate them wasn't to change their bad function. When we made a reform of agriculture, we succeeded in doing it in the same way. Of course, as a result, it made us profitable due to reward. Even so, we openly promoted to make a reform with incentives. If we implemented it only to improve us, we couldn't manage to do it. However we had a good cause\*8 and could receive a reward to accomplish it.

\*8 It means manufacturers cooperate with distributors to improve physical distribution and distribution based on the concept of co-prosperity and mutual benefit.

### **Make innovation with relationships with farmers**

**Editor:** In addition to the relationships with distributor, did you innovate with the relationships with farmers? Did you have many difficulties in overcoming to have relationships with farmers?

**Mr. Matsuo:** As for agriculture, we have started to buy in potatoes in Hokkaido since 1973, the 48th of the Showa era. There was an organization of agricultural cooperatives in agriculture. It wants to take the initiative in the distribution of agricultural products. This was a kind of political discussion. It wanted to take initiative on its own and dominated the distribution. However, we wanted to cooperate with farmers directly. So, we had a conflict with it to acquire hegemony for five years.

We had a good cause to develop highly value-added market of potatoes for processing which only gave farmers few valued for starch. Of course, we had consumers on our side and farmers would rather sell us potatoes than making starch. So, we took those people on our side.

Then we had to fight with middle brokers. Although we can say the same thing in the distribution, we are said to make light of them if we use the original wholesalers. Therefore, we had to clarify the reason to do it. However, this political conflict to take the initiative was not logical. This was a conflict which could hold hegemony. That's why we were in a trouble with them for five years. When we were small company, they told us



easily they didn't have to do it however five years later, we became a bigger company so they couldn't compromise this and said "We must not give it up." We had such dispute in 1980, the 55th year of the Showa era.\*9 We started to ship products in 1975, the 50th year of the Showa era,\*10 so the volume of potatoes exceeded 100 thousands tons in 1980.

Hokuren desperately tried to win whether they placed such big user who used 100 thousand tons of potato to make products except for starch in its cage. How did the conflict occur? We build a warehouse to store potatoes in the production area of Hokkaido. We had to develop farmland for that. In order to do it, we had to receive permission from agricultural committee. Hokuren has authority of agricultural committee. If the agricultural committees said "No", despite our contract farmers started to plant potatoes in spring, we couldn't build warehouse. If we didn't start building it four months before planting, we couldn't make it in time for the harvest. For the reason, we had to get the permission from the committee until March. Without it, we can't start the construction. It said not to give it to us. We told them we wouldn't buy potatoes of farmers unless they gave it to us.

At the same time, we had another problem that contracted inland farmers sometimes sold potatoes to other places, depending on the market price. If the demand increases, the price will go up. There is a possibility that they sold our potatoes to other vegetable markets at higher price. We had a trouble of only receiving 70% of the contracted. In this north area, Hokuren disagreed with us building the warehouse and farmers in the southern area sold our products to others before we know it and we couldn't get them. We faced how we should solve them despite we had such relationships with them. Therefore, we stroke a bargain with Hokuren in summer of the 55th of the Showa era, 1980.

My father solved the political problem.\*11 As a result, we couldn't help solving political problem with political power. The second problem was to reconcile a conflict of interests between manufacturer and farmers. We couldn't solve the problem if we only had customers on our side. Since manufacturers were used to treating purified materials or parts, if they gave farmers severe request in quality, they tended to think of getting good materials. However, it's wrong. Farmers are engaged in agriculture with a fight against the nature. They can't manufacture the same potatoes every time due to different weather. They manufacture bad products as well as the best products. They have both good and bad harvest. Agricultural theory is different from industrial, so we have to think about now and should do it. Therefore, we checked the instructions in the advanced areas of America and Germany and received them honestly to overcome difficulties. There is an American wholesale dealer in the production area of potatoes. He said farmers were the same in the world. To put it the other way around, manufactures also have the same thought in the world. Second industry has its common culture and so does the first industry.

What I feel through this experience is there is a language problem between American and Japanese when we communicate. People in the first industry and the second can't communicate each other even if they are Japanese. People in the same industry would rather understand each other easier even if the other is non-Japanese.

\*9 Calbee Potato Co., Ltd. was founded in the same year.

\*10 Calbee started to sell Potato and Chips in May, 1975.

\*11 He was the founder, present Honorary Chairman.

### **Triple difficulties in 1980, the 55th of the Showa**

**Mr. Matsuo:** It's important to understand mutually through communication. As I mentioned before, both distribution and serious problems between the labor union and employees occurred in 1980, the 55th year of the Showa era. We also had such problem with farmers therefore we had triple difficulties.

We had a struggle with labor union since 1977, the 52nd year of the Showa era. In the 1970s, 50th year of the Showa era, it was no longer out-of-date the union did its best. The time of dispute of Mitsui Miike was over however this company still had it. There was such dispute as a strike of National Railway at that time. There was no conflict in that period. Regardless of it, Calbee negotiated with the labor union until 12:00am every day from March to the bonus period in July. Our employees had a strike to refuse overtime working despite the fact that we're really in trouble in solving it. On the other hand, we couldn't receive potatoes. Furthermore, we had a distribution problem.

They refused to overwork and went home at 5:00pm. We received more calls from 5:00pm and got orders to send some cases tomorrow however we didn't have potatoes so that we couldn't manufacture products. In addition to that, nobody stayed in the office at 5:00pm. We didn't have time to conflict with the labor union. During the three months, we branch office managers and center presidents worked on site.

This in-house problem occurred as a result due to the rapid growth of the company. The business of Potato chips was growing increasingly. If we grew too fast, we had more difficulties among labor relations because we had to manufacture products several times as quick as usual regardless of few human resources and little equipment. Therefore, we couldn't help working harder.

As the result, we had a dispute with labor union. As I told you before, the founder was only interested in making the best products to respond to our customer's request. Therefore, we also worked on holiday. However, we sometimes had to take a day off because of no potatoes on Sunday. We were suddenly told to work or we need to take off if we had any problems. Our employees had difficulties in working like that.

**Editor:** The triple difficulties are the first thing is the relationship with contract farmers who don't give you potatoes. The second is the relationships with the labor union and third is the relationship with distributors to evaluate the physical distribution function and reduce a shortage of products.

## Reduce distribution stock without shortage of products

**Mr. Matsuo:** A large distributor felt frustrated on such condition therefore it directly contracted with agricultural association to manufacturer Potato chips as private brand or generic brand. At the time, instant coffee of Nestle and our Potato chips disappeared from shops.

**Editor:** You had a lot of confusion and conflict in connecting with material supplier by agri-industrial unification for stable supply and in making relationship with distributor for co-prosperity and mutual benefit.

**Mr. Matsuo:** At that time, we didn't have correct logistic style. If we said the logistic strategy at that time, we just built a factory near the consumption area. To distribute more fresh products at lower distribution cost, we built more and more factories in the nationwide consumption place and were growing rapidly. We had had a logistic problem since 1982, the 57th year of the Showa era. It was the time of surplus to requirement. It means to accomplish the freshness without shortage.

It gave us new innovative distribution system in a convenience store, which enabled minimum lot delivery and diversify the demand to give various products. In short, the surplus to requirement enabled us to change our social system. Until then, we controlled freshness to keep shortage of product. We don't manufacture unnecessary products. We stop overproducing products with less supply than demand to completely sell out products. Such freshness control had changed since the 57th year of the Showa era, 1982.

Since then the situation became different. We were told to prevent shortage of products by retailers. It is natural manufactures often have shortage of products supply, so wholesalers and intermediate distributors try to keep inventory. Then, the shortage of products by controlling the supply gave us excessive distribution stock. To prevent such condition, we studied logistics very hard to reduce distribution stock. However, it caused us to increase stock. If wholesalers reduced stock without shortage of products, Calbee would have it. Furthermore, diversification of products made us impossible to control freshness.

Therefore, we had a theme to develop new management system to reduce stock without shortage of products in the 61st of the Showa era, 1986. However, we couldn't make this innovation very well. When we made this proposal, we had the biggest record of profits and sales. All people became overconfident and thought why they had to change the conventional method. We aimed to boost sales of a ¥1 to ¥100 billions on a turnover of ¥ 80 billion. We thought to have a miracle growth, so if we were told to change physical distribution, we couldn't simply do it. Everybody couldn't listen to what we said. People who made the proposal had few awareness of a reform in mature company and tried to make a reform with a trail wind of the growth, so we couldn't manage to have a consensus.

However, we reached the peak of the growth this time and faced the period of maturity, we can't necessarily have a trail wind. We couldn't find social changes during the five years. To make matters worse, our success by the price increase of products in the bubble economy caused us to delay recognizing stagnation.

Due to the previous strenuous top, if we told him to do anything, I couldn't help considering various things deeply between him and other staffs. This stagnant five years gave me a good chance to think about various

things deeply.

**Editor:** If you always try to do anything in a proper way with a theme of innovation and reform, you will have a conflict with the existence system. In such process, you are persistent to the important things such as focusing on raw materials and freshness. When you look back on it, you stick to not top-heavy strategy by someone but advanced management innovations of strategic actions in each case while repeating the most important things on site in the face of triple difficulties.

### **Calbees' corporate philosophy: Make effective use of surplus food resources**

**Editor:** When we consider your business and corporate philosophy, your employees try to supply products with surplus food resources that Japanese don't use up well if we leave it as it is. We often hear the catch phrase on TV "Yamerarenai Tomaranai". On its background, it seems to have something beyond the business activity of taking the leadership in snack industry. Could you tell me your present opinions or ideas about this?

**Mr. Matsuo:** As for surplus food resources, as a result Calbee will clarify the point in the future. Generally speaking, once we are successful to certain degree, we think to be successful whatever we do. However, we can't manage to be successful even if we do anything we thought of. Success comes from process of trial and error to overcome various difficulties.

If we manufacture ordinary products, there are some people who have already manufactured it. For example, if we make potato snacks with potato flakes, Nabisco has already made it. If anyone started to sell it, the supply system for such products has already established.

If we follow him, we have lot of difficulties to do it. So, we have to reach the point that we have to think about different thing from that. If we aim to have a small success, we don't care about it. However, if we do it, we have to reach the same level as competitors, otherwise we can't survive there. Briefly saying, with higher level of romance and objective to accomplish, we have to think it deeply to that level. We can't find different materials focused from everybody without manufacturing ordinary products.

In fact, today I talked about a product. It's a story that Tofu manufacturer collected bean curd lees after making tofu and made a form of Calbeecake. It has been 15 years since I got this idea. This is really healthy products to us. Japanese throw away all healthy food. We only have tasty parts of food. This is true. Eighty percents of us only eat food without thinking too much, so they waste good materials. The idea of surplus food resources involves in this case.

That's why our founder developed products in unordinary way. For example, the origin of "Kappaebisen" is arare made of wheat. We didn't use rice but wheat. The reason we made it was because there were many strong competitors in the market although we could make more tasty food with rice. We stopped to manufacture candies because there were so many strong competitors in the field. If we, follower company do ordinary thing,

we don't have any chances. It is follower companies to create new products. If follower companies get into a business, they have to create other chances not ordinary things. Therefore, we're supposed to have a concept of "Undeveloped surplus food resources" or "the effective use" in the future.

The current healthy food industries mean the development of surplus resources. When we see company philosophy of food manufacturers, we find most of them say the same thing. They just change the expression.

### **Depth of Domain Definition**

**Editor:** The expression of your company is deep in this point. Even so, there are other companies to express it deeply. For example, Glico doesn't supply candies but candy-like energy which enables people to run 300m per piece. The name of the company originated from glycogen, nutritional source. The corporate philosophy is to contribute to improvement in physique. The founder of Glico made business meaningful like that. Now you make new corporate philosophy as "Taste and Health". The name of Calbee originated from Calcium and vitamin B1.

It's very important to express the reason to do business with corporate philosophy. For people in charge of product development, manufacturing products in the factory, people in sales to customers, deep corporate philosophy and domain definition leads them to be proud of their jobs or give them daily energy. We human beings want to do meaningful thing. We felt empty if we work without the profound meaning. Even if other people related such as supplier employees in the company and customers receive severe requests, they can understand them very well if they directly and clearly connect to the philosophy. Even if they sometimes have a conflict, they can easily have trustful relationships in the profound sense. Or when students enter this company, company should have such domain definitions\*12 that make them change what they expect to company. There will have gap among ordinary image of snacks, business system on the background of products that Calbee established and philosophy that supports it without ideas of "Unused resources" and "Surplus resources."

A management scholar said in the interview with you and gave you an advice that you should make healthy food and snacks like a Chinese medicine and do something beyond the area of snacks to approach those products to aging people as well as young people. I feel something deep not in a word of snacks but "Unused resources" and "Surplus resources" and "Undeveloped".

**\*12** Domain definition means definition of how the company thinks about the whole business area. A compact word to express it is called domain definition.

**Mr. Matsuo:** We can't maintain business without such things. We need to have a power to make people being attracted. The management scholar put much emphasis on such power.

When the top takes the leadership, such attraction gives employees energies. It's also important in the distribution system because the business consists of connection with people. In a small company, we can finish

everything and just say “Do as I do.” However, the bigger a company becomes, the more important the attraction will be. As company grows rapidly, we need it more.

When I worked as an assistant of founder, I felt I had to communicate with people to get publicity in such style as the founder’s request. Publicity doesn’t mean what advertisement we’d like to make by an advertising agency. It also includes how we explain if we had panicky selling in distribution like the triple difficulties. Or if we ask wholesalers who sell small products like chocolates or chewing gums to start to sell our bigger product, we have to convince them to do it.

In a company with more than 1,000 employees, we have to have more difficult jobs. I mean if we keep stable in certain scale, we don’t have such attraction, but if we make employees overcome difficulties, it’s very important we have to have such attraction.

**Editor:** Relating to the expression of unused resources and effective use of surplus resources, you used a long expression that “We’d like to give people natural blessing of food resources which concentrated on producing in the annual limited area and seasons in 365 days of consumption life to be helpful at any place and at any time”. I heard the importance of making people attracted or appeal to them. Did you make it with the founder? Although it’s a kind of stupid question if I ask you, did the original idea come from him, the present Honorary Chairman? Did you play a big role to change them into easier expression or how did you actually explain them in front of people?

**Mr. Matsuo:** I developed the expression of “Annual production, and consumption in the 365 days.” To make farmers colony and collect more and more raw materials based on the concept of agricultural and industrial unification is the idea of the founder. One of his talents is procurement of raw materials. When we discussed how to put it in the corporate philosophy to develop food business, we could make a new style to overcome the conflict between the founder and the actual on-site condition.

As Mr. Nishizawa, present president at Tohoku University explains, a Japanese word of “Kou ( 工 ), Industry” The first line of the word means the first industry, the bottom line is the third industry of commerce and the middle line connecting the first and bottom lines is the second industry.

We’ve already completed unification of commerce and industry before the foundation of Calbee Potato Inc. So, we aim at establishing the system of “Trinity of agriculture, industry and commerce” in the project of “Fresh Calbee 45”<sup>\*13</sup> which we’ll be remodeled next time.

**Editor:** You aim to build trinity. When did you start to use this word of “Effective use of unused resources”?

**Mr. Matsuo:** The founder started to use it in his youth.

**Editor:** Is it the time for him to start to make “Kappaebisen” with the whole shrimp?

**Mr. Matsuo:** No, it was before the time. It is a story of before the war. When a brewer purifies rice, it grinds 50%

of them and throws the rest of them. He collected them to do business. For example, he used the powdery rice as raw material to make glue and made glue for dyed cloth of Yuzen in Kyoto. Or he thought about how he used brewer's grains and bad rice to do business. I mean since there were many brewers in Hiroshima, he gathered what they threw out and divided them to supply for various use.

**\*13** This is the recent activity to control freshness. The meaning will be described as follows.

### **The retirement theory at the age of 47: Part 1. Activate the middle-class managers**

**Editor:** After working as an assistant of the founder, you finally became Top and had a theory the top had to take the initiative in making a reform. On the other hand, I guess you think there is no solution if the middle-class managers fosters good environment of the company. In this point, we often can see many dark stories about the middle on newspaper or magazines however could you tell me what you expect to them?

**Mr. Matsuo:** On one hand, I say badly to give them gloom but on the other side opposite to my words, I also say they have to support our company. Taking an example to make him depressed, I propose "The retirement theory at the age of 47". As management framework, I've said it since before that we only need a person between on-site manager and the top. Briefly saying, we need the minimum unit of manager, a person to understand the whole schedule and a person between them in charge of president. If I take an example of accounting for settlement, I need three phases of accounting, one for on-site manager, president and branch manager to run several worksites or factories. I've finally known recently that there is each different purpose in financial accounting, tax accounting and management accounting. The financial accounting is for the top and investor and makes outside people relieved. This doesn't relate to on-site people. We have to clarify what accounting makes on-site people energetic. Mr. Inamori, Kyocera Corporation proposed "Ameba Management System" which implements the accounting with on-site cell and put it in practice in his company. The bosses of several on-site cells collected by unit of the management equal the middle managers. The accounting for the worksite cells, manager of the worksite, investors and tax accounting for calculating tax exist. I position the middle like this. We're relieved we recognize inventory as an asset in the financial accounting, but in the on-site accounting, we warn them against it because they overproduce products. This results from the instruction by the middle. I propose "The retirement theory at the age of 47" which would rather give the middle a bad influence than encouraging them. However, it really comes from positive ideas. We've been said we will know our fate at the age of 50. This theory gives information of how smoothly the middle can get into the 50s when men have unlucky age at the age of 41-42. In the middle term from this unlucky age to 47, men become caught between their seniors and juniors. They can understand how people on the lowest level such as new employees who entered the company last year feel. They are in the generation to understand the top. They should become a branch manager or factory manager until this age. If they become 50s, they can't understand people in their 30s

or younger generation. They would rather become people in the generation to live with their belief. Therefore, a factory manager should be in their 40s. If he is 30 years older than his junior staff members, he will come to take care of children's generation. People in their 40s can share with new employees who entered our company yesterday. If we are in our 50s, we have to discover our profession. It doesn't necessarily mean to become a manager to take care of people. People who entered us as sales might become a branch manager. However, it's the best to become sales men being helpful for customer while they support the whole organization in the company. For example, so a doctor, lawyer and a teacher at elementary school do. A real professional such as a doctor sees a patient who has a cold when he becomes a doctor. However, when he retires at the age of 65, he still sees a patient having a cold. It is the most difficult job for him to see him. But people who do politics are an exception. They would rather be like president because giving missions as the top means politics.

**Editor:** In case of teacher, a person who becomes a superintendent of schools. In case of doctor a person who becomes an executive of a medical association or director of a hospital.

**Mr. Matsuo:** Yes. They are in charge of doing politics in a group like an organization or company. We have to decide where we set our vocation before the 50s, or 47 or 48 years old. I became president when I was 51, I have the way to understand what my ideal job is. I mean we have no hesitation to do anything, therefore 50 years old is a boundary.

It's said we don't hesitate anything in our 40s however we are in the ultimate of hesitation. We set our mind on doing something in our 30s. In the late 30s, we can work as if we can come to power. As I told you before, I did make a distribution innovation. In the late of 30s, all people in their 20s and 30s and being older than us work as we say. I want people to experience such things. After the period, we intend to become older as we are, however we will have unlucky age at the age of 41 and feel to carry something too far. That is in the late 40s after the time we had no doubts. After that, with clearly looking at the back of people, we spend time taking responsibility to manage the company.

**Editor:** When we work so hard in the late 30s, we haven't thought about a theme of taking care of other people.

**Mr. Matsuo:** No. I mean you are on the way to go forward to your belief.

### **Self-actualization in the self-contained world: Part 2 Activate the middle-class managers.**

**Mr. Matsuo:** We will talk about more bright stories. I experienced achieving self-actualization in a sense in this medium-term management reforms. So, we introduced the local divisional system to challenge producing as many people who try to achieve self-actualization as we can. We made the middle autonomous management in



this system. As I said before we had three managers. We would make such organizational structure as each manager becomes self-contained in each position. That's why we have three phases. We also need three phases in the accounting. We exist and our society exists around us. We have three positions such as a geocentric theory. We have three phases. We want people who are patient to do such phases to take these positions and achieve self-actualization in the self-contained world. We think it good to have a lot of such positions. It's better to increase such positions. If we implement it in the council system by three people, we can't do it fast.

We have to devise to give the middle a clear image of what they want to do with their intension. I mean they are like a colonel or colonel of a regiment in the army or a captain in the navy. A colonel is also in charge of the captain of battleship. They are captain. Taking an example of army, the middle takes up such position from the bright viewpoint.

When we take the leadership, we have to think everybody has different thought respectively. Since speed is important on the worksite, we have to decide what we should do quickly. If we do so, the top has something to be careful to activate the middle. This is a culture to promote speed-before-quality operation. I mean we would rather work quickly even if we operate roughly. We should be always careful of speed-before quality operation to encourage young people. When people with many experiences see people on site from the above, they can see their mistakes. However, we don't have to tell it to them in each case. I work with sense of my value. I tell the middle to manage on-site division with their sense of value.

When I built a factory in Utsunomiya, I found the top gave an instruction without understanding the worksite. I could understand this because I had such experience. We can't understand anything without such experiences.

Anything starts with failure. Even if the top tells them to do what he imagines, people on site can't do it. If the top says what they don't think about, they can't do it on site. Even if leaders draw a picture of management and try to accomplish it, they can't do it first. Even if they can't do it, they can solve it with PDCA, plan-do-check-action cycle.

It's important to be fast and before-quality operation in the management. Although I didn't know it in my youth, the founder focused on rough and ready decision. When I regretted he should tell me to wait a while for preparation, he had already started to run first. Then, he failed to do it. I thought it good I was his assistant because after he started to do it first and failed, I went to fix it. I could work high-efficiently because other persons failed first instead of me. I thought it was my ability before, in fact it wasn't. Because other people failed, I could do it. I might have such luck when making a reform.

### **Unlucky age cycle of founder and life cycle of organization**

**Editor:** You talked about unlucky age. When the founder was 41 years old in the 28th year of the Showa era, 1953, the company was just in the period of reorganization. You became Vice President at the age of 41 and used words of undoubted time, unlucky age and fate in your story. Did you have actual experience relating to them?

We have each challenge at the level of each development in our 20s, 30s and 40s. I heard about how you should work after the 30s or after the age of 47 to 50. Do you have any reason to be persistent in unlucky age in your 40s?

**Mr. Matsuo:** I'm talking from a different angle. The origin of Asian culture is Qigong. What I told you before involves in it. Asian cultures come from the Qigong. Unlucky age comes every nine years. The mind has a principle of change. We have good and bad times in the nine-year cycle.

When I see my father, the founder of this company, I could see it in his life. His company became bankrupt when he was 40 years. Nine years later, he could avoid closing the company at the age of 50 but everybody said it wasn't strange the company would go bankrupt at any time. As I told you before, he stopped to make candies but seek for new business of snacks at the age of 50. When he was 59 years, the sales declined at 20%. He moved to Tokyo from Hiroshima and tried to find other ways to survive. It was immediately before the oil crisis, the 40th year of the Showa era, 1971. It was the time before we sold "Kamen rider's snack"\*14. It was at the peak of Kappaebisen, the time before we produced the next products. We reorganized the company for six months so we couldn't see the decline in the statement of accounts. After 59 years old, he had triple difficulties at the age of 68. The next cycle comes when he was 77 years however I wanted him to retire in the year before unlucky age and to become Chairman.(He laughed) The mind cycle of the top gave a impact on the whole company.

My unlucky age comes two years later than his. Therefore, two years after the triple difficulties, the 57th year of the Showa era, 1982, I had the worst year. At that time, I became Vice President but because I wasn't crazy about working, I didn't affect the company.( He laughed.) I mean the mind cycle of the top will give a big impact on the company. I was an assistant, so there was nothing influence in the company. If I had an unlucky age at the age of 41, It might be the case that I had difficulties in reorganizing the manufacturer of Potato chips of "Tokyo snacks" \*15 for six months. President of the company was 18 years older than mine. I mean his cycle was the same as mine. In my case, I didn't have any clear unlucky experiences when I was in the time. The next unlucky age of 41 years old come at the age of 50. I kept quiet at that time. The next unlucky age will be 59 years old. I still have four years until that time. I'm planning to quit President until then. ( He laughed.)

\*14 It started to sell the product in 1971. There was a very popular TV program called "Kamenrider" and the company sold this snacks with cards of "Kamanrider" or "Monster". It was a hit because children competed to buy it. Most people bought it for getting the card, which caused to be social problem.

\*15 Tokyo Snack Food Corporation, founded in 1958 was a pioneer of potato and chip manufacturer in Japan. In 1980, it had difficulty in keeping the management therefore Calbee helped it with joint capital.

### **Corpus of previous management reforms**

**Editor:** I could hear an interesting story from unexpected point. I would like to ask you big strategic decisions, actions or the surrounding change management in the corporate history.

When I asked young employees of your company about big changes in the company, surprisingly many of them said they changed the package of aluminum film. You used a transparent package seeing the inside before. 70% of consumers said they worried about it because they couldn't see the inside. The cost of package became higher than before. Thinking about a theme of freshness, the package is so important. So please talk about this package, the actual organization reform, activity for improving corporate constitution called "Jump 85" and "Fresh Calbee 45"

**Mr Matsuo:** "Jump 85"\*16 and "Aluminum film package" is the same thing. We did it in the same year, the 60th year of the Showa era, 1985. We tried to change our corporate constitution to change the package. In the 57th year of the Showa era, 1982 when I became Vice President, Mr. Nakata, a present Executive Director started TQC. This activity made us decide to change the package to aluminum film in the third year after we started TQC activity, the 59th year of the Showa era, 1984. This was because our competitor had already changed it earlier. We made internal reform with TQC, therefore we would get the result of in the 60th year of the Showa era, 1985. It was the fourth year since we started the reform. That was the internal reason to do it. After checking the previous result, we made a proposal to promote the activity in the whole company. There was an international movement to use aluminum package. Therefore, we finally decided to do it. These three things of TQC, competitor's movement and international movement finally made us decide to go forward.

However, on the back side, we had another important reform. That is as I told you, problems of raw materials, that is problem with farmers. It has been five years, the 59th year of the Showa era, 1984 since we had the triple difficulties in the 55th year of the Showa era, 1980. We changed the package at that time. We had to improve quality because we couldn't see inside. It was 59th year of the Showa era, 1984. We could make a big hit of the business for the trust. In the previous year of the 58th year of the Showa era, 1983. We had the worst time of having the poorest crop of potatoes. On the other hand, the next year, we had the best crops of it. This is a pattern that the next year of having the poorest crop becomes the best crop.

We succeeded in replacing with the aluminum package. We need to invest ¥2.4 billion, but since we could have the best crops of potatoes, we had paid for a half to two-third of the investment.

This success was a corpus of the previous reforms. Briefly saying, after the conflict with the labor union in the 55th year of the Showa era, 1980, we promised to make management reforms with the union and started a small group activity by TQC in cooperation with the union. In the fifth year from the triple difficulties, we made those reforms and integrated previous movements, which connected to "Jump 85". Then, we made the highest profit next year after the activity. In my change management strategy, this was the second success for me. The first success was when I made the market for Potato and Chips. It has been ten years since I experienced the first success. Since we went with the flow of the success, we started to make a reform of critical task however we didn't manage to do it well. It's been five years since we started the reform, we will know whether we can do it well or not in the next interim plan. That's about a story of Jump 85.

**\*16** The company made innovation of logistics of ordering, production and material procurement to improve no shortage of products and product freshness by all employees in the activity, which led to the following Fresh Calbee45.

### **The recent development- “Fresh Calbee 45” and “CoCoLo” plan**

**Editor:** When I heard about your story, I felt Calbee’s history had been in the process of reforms for a long time. You talked about “Aluminum film package” were related to “Jump85”. I heard you had a project of “Fresh Calbee 45” as recent challenge. Please talk about what you think of this.

**Mr. Matsuo:** I announced the five-year plan of the medium-term management reforms as a vision at the beginning, although included some amount of figure in this plan. “Fresh Calbee 45”<sup>\*17</sup> is a plan to express it with more concrete tasks. In the third year of the medium-term plan, we made a vision of the concrete tasks and clarified the final goal in detail in the fifth year as Fresh Calbee 45”.

Therefore, I decided the sales and freshness objectives in Fresh Calbee 45. On the premise of it, we promoted TPM in our ten factories. This September, we received outstanding performance awards in all of ten factories. We completed the production foundation of our factories, therefore we decided to make the reforms of business system including sales and physical distribution, material procurement and product development, which is called this “Fresh Calbee 45”

**\*17** The best-before period of product in Calbee was 180 days but it was changed into 120 days now. The company will shorten the day to 90 days, which is an extensive goal of Fresh Calbee 45. It is also called “CoCoLo Plan” The name originated from each character of high quality, high sensitivity and low cost operation. The company aims to shorten the best-before period to 45 days.

### **Pursue the third pillar: Cereal business**

**Editor:** Now we will talk about reform and innovation histories in the business pillar of product field. After 1989, cereal business became the third pillar, following “Kappaebisen” and “Potato and Chips”.

When we hear a word of cereal, we imagine corn flake, everybody has had it before however it doesn’t reach the level that everybody eats it every day. But this product may have something deep and seems to be the field to turn your company’s previous experiences to an advantage. However this is not easy business. How do you take this challenge to the third pillar? What do you think about it?

**Mr. Matsuo:** After “Potato and Chips” business became mature, we had to choose what challenge we should do next from the 60th year of the Showa era, 1985. The cereal business has started since 1989. We had a trial for the product sale in 1988. Furthermore, one and a half years before the year in autumn, 1986, we decided to start the business as the next pillar among the top executives.

We saw various business chances because we are food processing industry. We judged cereal was appropriate for the name of our company including the meaning of healthy and total process control from raw materials. Therefore, we studied various possibilities of the business in 1988 and thought it better to cooperate with General Mills because this market was exclusively dominated by international manufacturer. We started a trial to sell the product in 1988 and started to manufacture it in 1989.

We actually should start it in 1985 because we started the pillar of new business every ten years. In the 40th year of the Showa era, 1965, we started to sell “Kappaebisen”, “Potato and Chips” in 1975, the 50th year of the Showa era. However, we did “Jump 85” first so we started it a little later than we expected. After that, we didn’t work it well like “Potato and Chips” because of various reasons. I would rather persuade myself to work it well than not to work it well.

When we actually started the cereal business, we found it whoever food processing company were yearned for this business. Most of famous companies did this business but none of them sold it well except for Kelog It’s been eight years since we started the business in 1989, but Calbee has a market share of 17-18%, no more than 20%. Kelog holds two-third of the total, Calbee holds half of the rest of it. Although we don’t have an enough market share, thanks to our previous various experiences, we could reach that level now.

## **Pursue Kelog**

**Mr. Matsuo:** What will give us a chance to win? How do we get a weak point of Kelog? We had various chances before. A management scholar saw our strategy and said we could be successful in cereal business. I was so glad to hear that. At that time, I could see their two weak points clearly. Although it takes a lot of times to make it, we will make it.

Briefly saying, Kelog is further ahead of Calbee among all of international food companies which has been great company since 100 years before. No other companies have continued to rank in the top in any market for such a long time. The company has never lost. The more I learn the company, the more excellent company I know they are. Since we fight against such a tough competitor, we can’t beat it without firm resolution. However, we found their weak points, so we could make it although it was not simple. We can’t bother our customers to sell such products in Japan because it means that we invest all of our previous profits and resources there.

It took ten years to understand potatoes from the 50th to 60th year of the Showa era, 1975 to 1985 which was the year of “Jump 85”. We have been in difficulties in using corn for ten years since then. However, why did we have certain level of the market share? We are in the conditions to keep up with it.

### **President missions: Four challenges**

**Editor:** You emphasized to work as an assistant of the founder and played a role of strengthening the foundation established by him. Of course, you might suffer from various difficulties because of being an assistant. It's been five years since you finally became the top from an assistant. What do you think the most important essence in the president jobs?

**Mr. Matsuo:** First, I have to make my assistant. I have to work hand in hand with him. We can say the same thing as problems of reorganized customers and bankrupted wholesalers. President is just a signboard in a big company, so I have to make a good partner to support the company. Everybody said my father of the founder was a dictator however in fact he wasn't a dictator at all. He listened to our opinions carefully. We gave him different opinions from his. He listened to our proposals and just chose his own idea. Therefore, he wasn't necessarily a dictator. Otherwise we have many risks. My first challenge is to have such an assistant.

Second, I have to prepare the next president, otherwise I can't quit until the next unlucky age of 58 years old (He laughed). How can I prepare for him? I have to make him work like president and experience self-inclusion and local company division system. As I talked about the bright story for the middle before, I gave him a chance to make an innovation with his own intension to develop self-concluded organization such as a subsidiary company and become a president there. I make him experience various failures as my assistant or the top until he was in the 50s.

Third, we had succeeded in improving logistic called TCM\*18 recently. A person who become president has to innovate the products and service of the company. TCM is innovation of service

As the top in the management organization, he has to have specialties to activate organization. When I looked back on the innovation that we have implemented for 25 years, we certainly had an interesting person who activated it when we succeeded. I'm not good at activating a company. I'm too earnest to make a joke. In order to activate, we need such an interesting human resource or bright person. A company has to rack up profits and an individual needs a sense of accomplishment or improves himself through his work. A team or group has to be seen from a measure of activation. We have to see corporate organization with these three guidelines.

Seen from organization theory, there are various hypothesis, we put much emphasis on activating the group in TCM. It means what we should do to activate employees in the group. Before I consider organization from the point of improving performance and a sense of individual accomplishment however it's important to understand to activate both the company and team.

We can say the same thing in sales and factory. A word of T of TPM(Total productive maintenance)\*19 and TCM(Total communication maintenance) means participation of all people. In short, activation means all members of the team join corporate management. Organization always has to be activated. Company has to be succeeded. An individual has to be satisfied with his job. President has to know these three relationships. Or he

has to know a key point which looks like a kind of special talent though he plays a role of making a devise of activation.

In our case, it's important to establish corporate environment for activating the young by emphasizing fast-before-quality culture through this activation. As I talked about fast-before quality operation before, an expert hesitated to make young people work completely because of being risky. We have to make them do it enough. Taking an example of professional baseball, the reason that Hiroshima Carp is strong is because it gives young people more and more chances. We have to surely take a step from the first grade to graduation like an elementary school. If so, new players are sure to join the team. We try to make a chance for young people. Here is the fourth challenge for the top. This relates to the first challenge to educate the next top, how well we should retire. Even a person saying such a thing might be being seated on the top for the longest period(He laughed)

**\*18** TCM, Total Communication Maintenance is one of the corporate improvement activities and reform projects of Calbee. It was started to improve logistics including customer in 1994 and originally was for improving sales activity.

**\*19** The company started TPM in 1989 ahead of TCM. It is an improvement activity in a manufacturing factory with equipment. This is the factory improvement activities by all employees to prevent defective equipment and improve the production system that started with 5S.

### **Quantum leap experiences to improve me a lot until being President**

**Editor:** When you look back on your working experience, what is the most important experience to be an assistant or the top? Please tell me a few experiences. I would like to ask you the most helpful and impressive working experiences.

**Mr. Matsuo:** I'm talking about experiences before being a president. I've already experienced quantum jump about five times.(He laughed). I tell you one of them first. It was an experience that I couldn't manage to sell "Potato and Chips" when I started its business in the 50th year of the Showa era, 1975.

It was the first year. I started to study marketing and had hypothesis to clarify strategy. Next autumn we had a big hit of the products. I really changed my mind at that time. We had a hit of "Kappaebisen" and sold it well before. After that, we sold "Kamen rider's snack", "Sapporopotato" and "BarbeQ" also sold well and were a big hit. I developed those products and had a hit, so I was overconfident at that time. However, the situation became different. We couldn't sell "Potato and Chips" very well which made me pale.

**Editor:** You did everything very well before that. It was a big experience to make you recognize that there are

other ways.

**Mr. Matsuo:** All stories that I heard was information in the new field at that time, I studied marketing, PPM\*20(product portfolio management) and Drucker's management theory. I've never thought about these ideas before. I even didn't look for them. When I knew such new world, I had more fights with the top. I deeply suffered from such situation.

The second quantum leap experience is when we started potato business, Calbee Potato Co., Ltd., the 55th year of the Showa era, 1980. I threw all jobs from sales to marketing of Calbee at all and founded the company of potato. I would intend to quit Calbee this time. I thought to retire it and continue to manage the new company. I intended to identify my future with this company.

The first president was my father. Practically speaking, I did everything alone as Executive Director. My father mixed everything about Calbee and Calbee Potato therefore I had been doing it for five years. In the fifth year of the 60th year of the Showa era, 1985, we had a thank-you party for farmers in Hokkaido and made a visual gift for them. This was the time of Jump 85 which led to largely changed potatoes and so farmers did.

After that, we started to talk about Japanese agriculture. As we say unification of agriculture and industry, they are our partners. We connect consumption to production as we say unification of commerce and industry for consumption of 365 days.

**Editor:** You told me various stories. While you pursue natural things, you overcome difficulties in the process, which led to the present Calbee. Thank you very much for giving us concrete stories.

**\*20 Product Portfolio Management(PPM)** This is the way of mapping many business of multilateral company with the specific axis and was developed by Boston Consulting Group. The two axis of "Market growth rate" that indicate outflow of cash flow for attraction of business field and competition ,and "Comparative market share" that indicates advantageous business field in the company and the amount of surplus cash flow brought by the business are generally used. There is an effect of Experience Curve behind this theory that the cost will be down to 10-30% on the basis of this method when the total production amount of a product becomes double.

### **[From Editors]**

When we come close to Akabane station of Keihin Tohoku line, in Tokyo, we can find a big red logo of Calbee before we know it. When we see this logo, we can imagine some products of Calbee. However, we don't know it well how the company established the network with contracted farmers, distribution and logistic system on the background until we received those products on hand.

If the company does such business that students or young people who should cook by themselves to have healthy and nutritious food only make couch potato while they are watching video in a dormitory, it has few depths. However, the company has meaningful definition of "Make nutritious snacks with unused resourced" and "Make food processing resource with unused food resources." Same as "Successful aging" and "Science to



color Human beings” of Shiseido on the twelfth issue of Business Insight, I thought it was as high level of philosophy as I wanted to swear we couldn't allow them unless they took it seriously. Then I found the company aimed to accomplish it seriously.

When I wanted its young employees to have an image of write down their job flow, I was so surprised that they can describe it clearly. It proves that they are used to doing basic operation to the present job flow through continual reforms of various management systems. It also made me understand how busy people on site worked in the activity of “Fresh Calbee 45” that aimed to complete freshness control. I unconsciously gave them a comment that they really worked so hard which made them give a bitter smile. The company came to the crucial stage of the third pillar of cereal business and started to develop new business to overcome the wall of ¥100 billion in sales. We might hear the sound of new strategy development and more reforms. We are so appreciated we had this interview with Mr. Masahiko Matsuo, President who had busy schedule and Mitsunori Kawabata in these General Planning Dept. who arranged various things.

For his management viewpoint and management of Calbee, see the following reference in addition to this interview.