

Business Insight

Interview Volume 49

Top Interview: Insights of Top Management

Let the Yamaha Brand Shine as Everyone in the Company Thinks Strategically

President and Representative Director of Yamaha Corporation

Mr. Shuji Ito

November 1942: Born in Iwata, Shizuoka Prefecture

March 1965: Graduated from Department of Economics, Keio University

April 1965: Joined Nippon Gakki Co., Ltd. (currently, Yamaha Corporation)

July 1984: Representative Director and President of Yamaha-Kemble Music (U.K.)

June 1988: Director of Yamaha Corporation

July 1993: Managing Director, Yamaha Corporation

April 1994: General Manager of the Musical Instruments Group of Yamaha Corporation

June 1997: Senior Managing Director and Representative Director of Yamaha Corporation.

April 2000 to present: President and Representative Director of Yamaha Corporation

June 2000 to present: Outside Director of Yamaha Motor Co., Ltd.

June 2000 to present: President of Yamaha Music Foundation

On the front cover of the *Annual Report 2004* of Yamaha Corporation, there is a photograph with children wearing light violet clothing (Yamaha's corporate color), listening to music pleasantly, enjoying the music with their eyes closed, and looking happy. Below this photograph, there are stylish icons in relief of a keyboard, speaker, a bathtub, semiconductor chip (or so it appears), a resort, and a golf club.

The page proudly declares Yamaha's corporate objective: "Yamaha will continue to create *kando* and enrich culture with technology and passion born of sound and music, together

with people all over the world.*”The short version of Yamaha’s slogan is “Creating ‘Kando’ Together.” These words are intended to suggest that in its corporate branding activities Yamaha wants not only to make one product or brand of its business shine but the whole of Yamaha Corporation. President Shuji Ito, who manages Yamaha and leads such activities, was appointed as President and Representative Director on April 1, 2000. As soon as he was appointed, he said, “Let’s make the Yamaha brand shine” and created the slogan “Creating ‘Kando’ Together” through discussions and communication with young staff. He made it the slogan of Yamaha’s corporate activities.

“Kando” is a Japanese word that signifies an inspired of mind.

Not even long-lasting corporations always have smooth sailing. Even as distinguished a company as Yamaha was not an exception. For around two years, before and after Ito was appointed as president, the Company reported losses, and Ito was passed the torch in this difficult situation. After that, he changed Yamaha’s corporate objective, reorganized the businesses, introduced an in-house recruitment system and producer system, created many new and interesting products we are familiar with and implemented management improvements. As a result, Yamaha reported net sales of ¥540 billion in fiscal 2004 and a return on sales of 8.4%. After becoming president, he not only launched new musical instruments, such as the Silent Guitar, Shining Guitar, and STAGEA (a new Electone™ electronic organ) but also had the Company enter the software product sales field through a website channel. On the other hand, he was always creating something to talk about, such as LSI sound sources for cellular phones, as well as the suggestion and analysis of a future idea known as sound life, which is being tested at a testing facility called “OtoBa”.

Yamaha’s business segments include musical instruments, AV/IT, lifestyle-related products, electronic equipment and metal products, and recreation, but it also makes golf products, automobile interior wood components, and factory automotion (FA) equipment.

In this Top Interview, we asked President Ito about these developments that have drawn our interest at Yamaha during the last few years. We also asked about the roots of the Company, Yamaha’s corporate strategies during the two years before and after his appointment as president, some stories related to his career, his thoughts about leadership

and other topics. I would like you to listen to his thoughts and ideas that aim at creation, change, and innovation.

From Organ Repair to Founding Music Schools – Yamaha’s Early Days

Editor: Yamaha is a well-known company, but can you tell us about its roots so we can understand the kind of company Yamaha is?

Mr. Ito: It started when Torakusu Yamaha repaired a reed organ* in 1887. In that sense, Yamaha was originally a musical instruments manufacturing company. In order to produce musical instruments, we had to use woodworking machines. The piano is a very special product, so there is no way to make it just by using multi-purpose machines from other industries and materials that are suited to other products. In our Company’s case, we have been making all of these by ourselves.

* An organ that uses vibrating reeds to generate its sounds by sending air with a pedaling ventilation system.

It turned out that having to do everything by ourselves was a good experience. Materials we used included metals, chemical products, and FRP*, and our sporting equipment business and lifestyle-related products business apply the skills we mastered in making these materials.

* FRP: Fiberglass-reinforced plastics

History of Yamaha Corporation

November 1887	Torakusu Yamaha succeeds in building the first organ in Japan.
March 1889	Yamaha’s predecessor company, Yamaha Organ Works, is established.
October 1897	Nippon Gakki Co., Ltd., is established with capital of ¥100,000.
January 1900	Production of upright pianos begins.
March 1921	Production of wooden propellers begins.

May 1949	Yamaha lists on the Tokyo, Osaka, and Nagoya Stock exchanges.
May 1954	Yamaha Music School system is inaugurated.
November 1954	Production of motorcycles begins.
July 1955	The motorcycle division was set up as a separate company, Yamaha Motor Co., Ltd.
October 1958	Production of Electone™ begins..
	Yamaha de Mexico, S.A. de C.V., Yamaha's first overseas subsidiary, is formed in Mexico City.
January 1959	Production of metal alloys begins.
June 1960	Yamaha International Corporation (Currently, Yamaha Corporation of America), a U.S. subsidiary, is set up in Los Angeles.
May 1961	Production of lifestyle-related products begins.
August 1961	Manufacturing of sporting goods is commenced.
May 1962	Entered the recreation business with the establishment of Central Japan Tourism Development Co., Ltd. (Name changed to Yamaha Recreation Co., Ltd., in November 1981).
October 1966	Production of wind instruments begins.
May 1967	Yamaha absorbs Miyatake Music Instrumental Manufacturer Co., Ltd., through a merger.
May 1968	Production of audio equipment begins.
November 1969	Yamaha absorbs Tenryu Music Instrumental Manufacturer Co., Ltd., through a merger.
May 1970	Yamaha absorbs Nihon Wind Instrument Co., Ltd.
April 1971	A semiconductor manufacturing plant goes into production.
May 1975	Manufacture and sale of furniture begin.
October 1983	Production of custom-made LSIs begins.
February 1987	Yamaha Kagoshima Semiconductor, Inc. is founded.
October 1987	The company name is changed to "Yamaha Corporation" from Nippon Gakki Co., Ltd.

June 1990	Yamaha Resort Corporation is founded for developing Yamaha's recreation business. (Yamaha Recreation was merged into this company in April 1991.)
October 1991	Yamaha Livingtec Corporation is founded for lifestyle-related products business.
November 1991	Yamaha Metanix Corporation is founded for electronic equipment and metal products business.
October 1993	The Silent Piano series is launched.
May 2002	Yamaha Music & Electronics (China) Co., Ltd., was established as the Company's investment management company in China.
September 2002	Yamaha Music Holding Europe G.m.b.H. is established in Germany.
October 2002	Yamaha absorbs Yamaha Resort Corporation through a merger.
July 2004	Yamaha absorbs the Kiroro Resort through a merger.
(Source) Yamaha Corporation	

In the case of digital musical instruments, which have made major contributions to our performance, when we entered the electronic organ business, we bought various semiconductor materials from other manufacturers. However, this outsourcing approach was not satisfactory, so we started producing semiconductor materials concentrating especially on the sound source, which is the core part of our products.

Also, in order to cultivate potential customers, we started music schools*. We need people who not only enjoy listening to music but also like playing and enjoying musical instruments; otherwise, we cannot sell many musical instruments. So, we went beyond being a musical instrument manufacturer and entered the music education field. This strategy was very successful. However, musical instruments, especially pianos, are long-lived products; so, eventually we knew the market would be saturated.

* One of the roles of industry leaders is to start up new industries, and the leading companies must work toward the wider diffusion of industries. The value of these new industries will be seen in their long-term goodwill, whether, they

can easily maintain continuing competitive superiority, and whether the diffusion activities are successful in times of strategic changes. The diffusion process often takes the form of educating the consumers. For example, it is proven by a study of the process by which new agricultural machinery was created and diffused. Refer to *Communication of Innovations: A Cross-Cultural Approach* by Everett M. Rogers with F. Floyd Shoemaker, 2nd edition, New York: Free Press, 1971.

I joined the Company 40 years ago, and since then there have been discussions about business “diversification,” or, in other words, how much we should have expanded the scope of our business portfolio. On the one hand, we became involved in businesses closely related to our current business, but, on the other hand, we are always looking for new businesses to prepare for the saturation of the markets where we are currently doing business. These considerations are always on our minds.

As regards our business structure, at the moment we are trying to realign the businesses we have diversified into by “selection and focus.” In particular, we are planning to be a company with operations centered on sound and music, which are the areas of our core competence.*

* The composition of sales by segment (for the fiscal year ended March 31, 2004) was as follows: Musical instruments 54.4%, AV/IT 14.5%, Lifestyle-related products 8.3%, Electronic equipment and Metal products 14.3%, Recreation 3.7%, and others 8.4%. Theories of management strategy in business administration itself have changed as follows: (1) Diversification (including not only horizontal diversification but also vertical integration), (2) Competition strategy in the business fields that companies have entered, (3) Selection of the fields of activity – strategic positions for selection and focus, and (4) Creation of capabilities in the selected fields, and pursuit of core competence. Michael Porter advocates that “what not to do” is an important strategic determinant. It is not the era in which we should do everything, but it is said that a combination may have a positive effect when core competence can be shared in different fields.

Editor: So, Yamaha has been dealing with music since it was started. Is that correct?

Mr. Ito: Yes. It was particularly correct in the beginning. The brand name of Yamaha is the last name of the founder, Torakusu Yamaha. I have heard that he was a repairman of medical appliances. He was originally from Wakayama Prefecture. When he was in Hamamatsu to repair an imported surgical appliance in a hospital, he also had to repair an imported reed organ at Hamamatsu Primary School at that time. In those days, reed

organs were very expensive. While Torakusu was working on the organ, he found it very interesting. He thought he could make a cheaper one, so, while he was repairing the organ, he drafted a design for a reed organ. Then, he made one by himself. He went to the Music Investigating Committee of the Ministry of Education (which today is the Department of Music, Tokyo National University of Fine Arts and Music) in Tokyo with his organ and asked the director of this committee, Shuji Izawa, to have a look at it. He was informed that there were many problems with tuning and the sound of the organ. It was then that Torakusu realized that it was not enough just to create the shape of an organ. So, Torakusu studied theories of the music and tuning as a special auditor in various courses and returned to Hamamatsu. Then, he founded the Company after collecting investment capital.

This is a bit off the topic, but what makes me think that Torakusu was an very interesting person was that he founded the Company as a corporation from the beginning.* It was 10 years after he repaired the organ in 1887 and it was quite rare back then. But, anyway, we have a long history compared with other corporations.

* Nippon Gakki Co., Ltd. was established on October 12, 1897, with capital of ¥100,000 and with Torakusu Yamaha as the first president.

Music School that Consistently Has Stuck to Group Lessons

Editor: In general, there are many companies that remained small stores managed by individuals for a long time. But, Yamaha solicited investors and started his Company as a stock corporation from the beginning. By the way, the Yamaha Music School we discussed previously also has a long history.

Mr. Ito: Yamaha Music School marked its 50th anniversary in 2004. First, we had an experimental music laboratory in the basement of the Yamaha Ginza shop. We assembled a number of top-class music teachers, and they gave lessons to children.

Editor: When you joined the Company, the music school had already started, had it not?

Mr. Ito: Yes. This is my 40th year at the Company, so when I joined, it had been about 10 years since the school started. It was a relatively large-scale operation. Currently, we have our own schools, but then we used rooms at a kindergarten. And we had a music school there with a reed organ for a class that was a little different from the one designed for a home. During daytime, these rooms were for kindergartners, and when they finished their curriculum in the late afternoon, we moved the reed organ out of the back of the classroom. Then, a teacher of the music school started to teach children. When the kindergarten class was finished, the children's mothers came and picked them up. Then, we used the classrooms after that.

The method of teaching in the Yamaha Music School was not easily accepted from the beginning. Until that time, piano and other music lessons were commonly taught individually. From the Meiji period onward, it was thought that music should be taught as in individual lessons at home in the same way as it was in schools, such as Tokyo National University of Fine Arts and Music. Despite this prevailing notion, we started a music school that provided group lessons. So, we received some criticism, such as "No real musicians can be trained in such a manner." However, we explained to them, "No, we are not trying to train musicians, we are working to foster people who like music." We also answered our critics by saying, "Group lessons can help children to develop communication skills, and they are very good for children's education." Mothers also come to the lessons and learn with their children. They can help their children with preparation and review of the lesson and provide leadership for their children. We thought this would motivate children more strongly.

I mentioned that last year was the 50th anniversary of the founding of the Yamaha Music School. We have consistently kept two features intact: namely, "Group Lessons" and "With Parent(s)" over these 50 years. When I have seen issues related to children's education, I think they may be caused by a lack of communication between children and parents at home. In addition, there is a problem that children cannot communicate with their friends at school. To prevent such problems, we have consistently kept the two features, group lessons and lessons with parent(s), for 50 years.

I am using the word "consistently" for a good reason. At times, we had intense discussions

between the Marketing and Instructors Divisions about whether or not we should insist on the principle of “with parent(s). This was because of the low birthrate in Japan and the growing diversity of lessons that children had to take. Arguments were along the lines of: “Because we tell the parents to come with their kids, we cannot get students” or “Since all of the couples work, forget about it, and just let children come alone.”

We have had these discussions for about 10 years now, but the Instructors Division has “consistently” kept that “with parent(s) principle. I mentioned this story to the newspapers last year when we had the 50th anniversary. The response to it was really good. We were favorably appraised again, and people told us, “Yamaha’s schools are running their business while consistently keeping their principles and policies.” I do not think that was the only reason. The number of the students of the music schools has started to increase since last year. This increase follows declines over the previous 14 years.

If we had had a different conclusion 10 years ago, the current situation and the evaluation from people would have been a bit different.

Opening Up a New World with the Corporate Objective, “Creating ‘Kando’ Together,” after Mr. Ito’s Appointment as President

Editor: The fact that diffusion became a theme offers proof that you created an industry that had not existed in Japan in the past. It means that you had some principles and policies that you could not give up. When you and your top managers came to Kobe University to give our students a lecture*, we had relatively many students who used to go to Yamaha Music schools. Can you please tell us what it was like around the time you were appointed as president of a company with such a tradition?

* Yamaha was in charge of the Top Management Seminar for the first half of the fiscal year 2004 (April – July). The report on the seminar was prepared for Yamaha’s employees and called “*Kando* Creative Management at Yamaha” (Yamaha Management Planning Office, March 2005).

Mr. Ito: I was appointed president in the year 2000. These two years, the previous year and

the year after my appointment, were the years when Yamaha reported its first losses since listing on the stock exchanges. To return to profitability, I asked our younger staff members to discuss the future of Yamaha. It was the millennium year, so we called this gathering of the youth, the “Millennium Board.”

We discussed what our corporate objective should be and expressed it in the words “Creating ‘Kando’ Together.” We especially discussed the word “together” very hard. That is because there are companies who use *kando* as a strategic key word or have the word in their corporate objective. But not many corporations use “together.”

For example, when you explain that “This TV has a beautiful picture”, it would be like saying “It can show a beautiful picture because it uses this new technology and has scanning lines like this. So, doesn’t it make you feel *kando**?” However, musical instruments and services we provide not only have the kind of *kando* that is created by some types of tools, but on top of that we provide “opportunities” and “venues” to “share = together” the *kando*. That is why musical instruments alone are not enough. “Musical instruments make good sounds” does not create any *kando*. Of course, just by playing a musical instrument, we can compare good and bad sounds, but people are not satisfied by that. “Together” is important. There are musical instruments, software content, and people. They all created and shared the *kando* together. How can we provide that? That is our assignment.

For example, there are the fields that we currently focus on: IT, digital, and network. The “Ringtone melody/ringtone song” business is getting attention even now. We also deal with “networked musical instruments.” That is a service that allows players of musical instruments to connect directly to the Internet and provide entertainment that had never been around before. Now, we are thinking very hard about what kinds of opportunities can be created and how our customers can enjoy them by connecting a musical instrument to the Internet.

For example, we have a website called “MUSIC eCLUB,”* which is separate from Yamaha’s website. This website has 30 million page views per month, and has grown quite a lot. If the same person visits the site 10 times a day, 3 million people monthly and 100,000 daily visit

the site.

[*http://www.music-eclub.com/](http://www.music-eclub.com/)

We have various content ready on the site, for example, a community service called “Kingdom of Players.” This service allows members to upload their songs and music performances and share them with others after simply registering themselves free of charge.

Currently, there are more than 30,000 musical compositions, including songs, shared and the number of access hits is displayed. They are accessed a lot. We are thinking about creating a new business model out of this. It is just a “place” where “You can freely upload and listen to the music,” but, by actively supporting the activities of music lovers, we are able to create many other things, and some music lovers become professionals.

Like eBusiness, there are functions to buy songs and music scores and also other contents. “Pasokara,”* which lets you enjoy karaoke with your personal computer, is gradually earning income. Also, we are thinking about eLearning through the Internet with Yamaha Music Foundation.

* This is a service that allows people to enjoy full-fledged karaoke at home as much as they want for ¥630/month (tax included).

I am seriously thinking about the future development of music schools that I mentioned previously and the Internet world that I mentioned now. We have been implementing our Internet business model more than five or six years. Now, we are starting to invest more management resources, including human resources. Thus, as the extension of both, we are studying “sound” at home based on the concept of “Sound Life*” at a test house called “OtoBA” that is actually a house.

* Aiming to achieve a new sound network business by using the core technology of “sound”, the “Sound Life Strategic Promotion Office” was set up in February 2004.

Determination before Entering the New World and Business Portfolio

Editor: We have heard about recent trends at Yamaha; so, now can you tell us the turning points that led you to where you are now? Yamaha music schools created demand, and Yamaha expanded the ownership of pianos. You have had this business model for a long time now. What kinds of turning points did you have during that time? You told us that you had internal discussions about whether pupils should attend your music schools “with parent(s)” or not. How many times do you think there have been re-examinations or reviews of your business model since you joined Yamaha?

Mr. Ito: When we look back at the history of Yamaha, we can see that we have been expanding the scope of our business areas. Some of the biggest turning points in the history were entering the electronic device field, the losses we reported for two years that I have mentioned, and some major changes in direction after that.

The reason why I chose these three is that seven or eight years ago, the sales of the device-centered fields rose to just under ¥100 billion. The thin-film magnetic head business that we would withdraw from later and the CD-R business had grown to a significant size. Then, the president said in an interview for the newspapers, “The Yamaha brand will get in our way from now on”. This statement created much attention in the press.

From then, Yamaha started to have more B-to-B business*. As a result, Yamaha faced a lot of problems and reported a loss. Yamaha had only one path to take; withdrawal from the business.

* B is business, C is customer. B-to-B means Business to Business. B-to-C means Business to Customers. C-to-C means Customers to Customers.

When I look back at the device-related business, we originally started making semiconductors as sound sources for digital musical instruments and sold to them to others. We entered the areas of thin-film magnetic heads and CD-Rs because these were a natural extension of technologies we were developing at the time. However, Yamaha was not a company that dealt with these devices as a real business.

At that time, I said, “Just creating devices is not good enough. We have to think about what Yamaha is as a brand and what our strengths are again”. Returning to “Sound and Music”, we should use the Yamaha brand even in the devices. Otherwise, we cannot win. That’s what I thought.

Usually, it is necessary to invest substantial amounts of around ¥100 billion to develop devices. Our company, whose sales were ¥500 billion at the time, had entered a field where companies risked several hundred billions of yen to develop a single device. Indeed, for a while, we made a profit and grew significantly, but after that, some distortions emerged; so, we had to review what we had done or should do from then. I believe that review was the biggest turning point for the Company.

The decision about the device business was, indeed, a major one. This shifting back from B-to-B to B-to-C was for Yamaha a return to its home territory of the “Sound and Music” domain. In terms of technology, we had to set our direction to the technologies related to sound and the world of the craftsmen who created musical instruments. As Yamaha’s business areas, we have the acoustic world that includes pianos and wind instruments, as well as the electronic world, such as semiconductors. We thought that if we expanded further in the world of sound, we could combine the creation of the sound in the acoustic world and Yamaha’s unique wood technology.

Editor: In summary, Yamaha originally created “soft” products but, at one time, became a company that made “hard” products, such as semiconductors. But, it retraced its steps to go back to making soft products related to sound. However, does this mean that Yamaha not only “returned to its origins” but also is endeavoring to become a corporation that will create a new kind of “soft.” Is that correct?

Mr. Ito: You may be right. We still have the semiconductor business. But, if we create the sound drawing on “soft” sensibilities, the semiconductor business becomes related to the sound domain. When I replanned our strategies with everyone again, I came to view the semiconductor business from the standpoint that the core business is “sound and music” and the other are related businesses.

When the device business was successful some years ago, I also thought the semiconductor business would be the center of the device business. However, even in the same semiconductor business, we should fight and win in the world of “sound and music” that is the core of Yamaha’s business.

Basically, even though it is the semiconductor business, we should not continue competing in the hard product world. Our semiconductor business should exist for the soft product world of “sound and music.” We redesigned our view that the semiconductor business should be used to maximize the strength of Yamaha. So, we will not keep going further into the semiconductor or device field, which is in the hard product world. We will steadily manage our business operation in our core world, “sound and music.” That is our policy.

Editor: From the viewpoint of management strategy, it appears that the withdrawal from the thin-film magnetic head business was an important strategic decision. What do you think?

Mr. Ito: When I was Senior Managing Director, I stated my opinion that we should withdraw from the thin-film magnetic head business. Until then, our practice was to create everything we needed on our own initiative. So, we could have made the best thin-film magnetic head because we followed that practice. However, the magnetic head industry was not big enough to earn back the investment we would have had to make in our own technology. So, we decided to withdraw. Even if it is for diversification and entering a new business, I really think from the bottom of my heart that it will not succeed if we just enter a field where there is nothing integral to our business, or we have none of the necessary human resources or technologies.

A Good Company for Those Who Work Harder – Taking Care of People Who Can Make the Brand Shine

Editor: Because of the producer system, you have interesting activities going on in your Company, and it helps to create new products. As the president, how do you see these kinds

of activities, and how do you support or control them?

Mr. Ito: When I was appointed as the president during the two years when Yamaha showed consecutive losses, what I felt first was that everyone had become introverted. So, I told them that we were going back to the starting point, and we changed the words of the corporate objective and created a new slogan, “Creating ‘Kando’ Together.”

On the other hand, as an extension of that slogan, we are doing something called “*Kando* of the Year.” What we do is to think about what creating *kando* together means, collecting *kando*-related stories at work, and suggesting the products and services of our dreams. As part of these activities, we plan events to give awards to employees who engage in excellent activities.

If the employees become introverted, middle management will be dysfunctional, and these are the people who see the Company’s situation clearly. So, I decided to go around them and thought about a lot of things on my own. Then, I tried out many ideas, including the producer system, the suggestion system, and the open opportunity posting system.

Although this is not a directly related story, we invited a reporter from *Nihon Keizai Shimbun* to give us a lecture about 10 years ago. That struck me. We were told that Yamaha must take responsibility for local communities and its employees, especially for its employees. Our employees joined the Company because they liked music, and that was the only reason why there were staying in Hamamatsu. People in managerial positions should consider that idea more. Managers should worry whether employees are losing their motivation or not, what they think about their work, and how the local communities evaluate the Company. Managers needed to be reviewing these things all the time. That, in brief, was what he told us.

He also said that if the Company was in Tokyo, the employees could have opportunities to work for a different company. However, the employees of Yamaha would not be able to change jobs so easily, even though they might begin to think that their work at Yamaha is not very interesting. This is because they joined Yamaha because they liked music and Yamaha is located in Hamamatsu; so, they came Hamamatsu especially to work for

Yamaha. It would be difficult for them to find another company where they could continue to play “music as their hobby.” Managers should always know how the employees feel about their jobs and think about whether or not the Company is trying to return something to the employees. Although the reporter talked about other subjects, these are topics I remember the most clearly.

Editor: I see.

Mr. Ito: I have recently heard many discussions about who a company belongs to, as a part of corporate governance. I also tell our employees in various situations that, theoretically at least, the Company belongs to the shareholders. However, I think it would not be very useful if we bought a company without employees but with a lot of money. Because there are employees, a company can create its brand, products, know-how, and other things. As a result, these things come together to form the value of a company and that is what people assess when they evaluate a company. After all, the employees are very important, I think.

I always tell people this without hesitation. If asked whose company it is, I say “the employees.” The employees are as important as the shareholders. The management should act with that in mind. Theoretically, Yamaha belongs to its shareholders, but I want Yamaha to be a company that motivates its employees and whose brand still shines even though the shareholders may change.

Editor: I think you have 800 people in middle management positions. I believe that is the reason why you thought about the message you should give them before you talked to them and then told them, “Let’s make our brand shine again.”

Mr. Ito: What I care about the most is our brand and our people. People are the most-important aspect of a company. Yamaha has many talented people. It is necessary to state clearly that we should have talented people and they should stand out. Otherwise, Japanese companies tend to drag down talented people. I think Yamaha should have a lot of talented people and that is very good for Yamaha.

And I want our employees to think about the trends in the world over the long term. We have a study session called “Brand School”. We gather together about 20 young employees in their 20s and 30s and provide opportunities for them to learn about the brand and ask them for suggestions.

What should we do now to prepare for the time when those staff members currently in their 20s move into their 30s and 40s in 10 years? If we think about that now, we can make a different world.

Our current customers and Yamaha fans in their 40s and 50s believed in what our Company did 20, 30 years ago. This kind of accumulated effort is what we call the “brand.” It is important to be appreciated for what we do now, and that is going to be very meaningful in 10 or 20 years. I, especially recently, think like that.

The First Experience of a Turning Point at Work and Lessons Learned: We Cannot Satisfy All Requests, Never Take Notes

Editor: Now, I would like to change our point of view. Please let us ask about you. What have been the significant turning points in your work experience?

Mr. Ito: When I listen to young people, I am encouraged because they seem to be very strong and reliable. When I was a student, at the time I joined the Company and after I joined, I was not thinking about anything. In that sense, my turning points were every single moment when something changed.

The biggest turning point was around the time when I went to Tokyo as a marketing specialist in charge of wholesalers. That was probably three or four years after I joined the Company and I was the Chief of the Tokyo Branch Sales Division 3rd Section. I think I had one subordinate. Although I had not had much job experience before, I learned and experienced a lot at that time. That was very important experience.

There were not enough pianos to meet demand at that time; so, dealerships told me various things: “Do this or do research on that” and so on. In the beginning since I did not know anything, I took notes. And I wrote things down: I was told such and such. I also took notes in my dreams. (laughter) So, I stopped taking notes. If I could not solve an issue when I was asked, I would not do anything about it. So, even now I do not take many notes. When I look like taking a note, I am writing down things that are completely irrelevant. (laughter) No notes. I made a habit of it.

I realized that the way I took notes was not good. I think my co-worker sitting next to me was working 10 times more than I did. This is what I tell people even now. Because my job was selling to musical instrument shops, the managers and presidents of these shops asked me a lot of things. Then, my co-worker sitting next to me started doing things that he was asked. Sometimes he could not do one or two. My workstyle was what I have already mentioned. I did not deal with normal requests. I did those one or two requests that my co-worker who worked 10-fold could not do. I was not doing it intentionally, but, as a result, that is the way I worked.

After a while, the clients started admiring me even though I did not satisfy even 80% to 90% of their requests. It is more like they were thinking “He is more trustworthy” than admiring what I did. I realized that fact.

Satisfying clients is not about responding to all the client requests but about knowing what they want you to do the most. They want us to offer solutions to the most-troublesome matters. In today’s language,, basically “they have their priorities.” They may mention a lot of things, but these are just add-on, sometimes spur-of-the-moment requests. The essential matters for their business and work may be quite different. They would not appreciate you if you only responded to the add-on, spur-of-the-moment requests. They would say “He is really not very good,” because you did not address the most-essential, the priority matters. I realized there were such things in the world one or one-and-a-half-years after I went to the Tokyo branch for the first time. That made me think, “Wow, that is how things work.”

That was one turning point. And another turning point was when I was seconded to work overseas. When I went overseas, I was not able to speak any foreign languages.

Working Overseas – A Lesson in How There Are No Differences in Work and People

Editor: I heard that working overseas was a bolt out of the blue for you. You were told, “Go to Berlitz (a language school) and cram up on the language.” And you studied English one on one, right?

Mr. Ito: I asked the then-president, “Why am I going overseas?” He said, “Because you have no kids.” (laughter) Those who were working overseas tended to be people who had graduated from overseas universities.

My case was different. I was originally working in Japan and was sent overseas. This is one way of doing business overseas. They asked several employees to go, but they refused because they said their children’s education would suffer. Thereafter, the Human Resources Division started selecting those who did not have kids. At that time, there were three who went overseas after receiving an official notice from the Company. But none of us had kids.

Then, as a result, I started working overseas. And I thought, “People are the same after all.” That is the best thing I noticed. It does not matter if they were parents and their children, men or women. They are not much different from us. It made me comfortable and I thought, “Ok, that is the way things are.” Of course, we have a language problem, but I just used my common sense and went and talked to them.. It worked. In short, “Dirty” is dirty. “Beautiful” is beautiful. What makes them think that “they are family” is what makes us think that “they are family”. These kinds of sensibilities are almost the same.

Editor: Speaking of how people are the same despite their being of different nationalities, there were many Yamaha Group employees from overseas at “*Kando* of the Year.” “Sound and music” does not make us feel boundaries.

Mr. Ito: In terms of music and *kando*, I really felt that they were the same when I was living outside of Japan. Feelings such as “Children are cute” and family relationships are the same. We cry when close friends die.

Management Experience Overseas - Learned How to Make Decisions on My Own

Editor: An increasing number of company presidents have had experience in overseas subsidiaries, even among Japanese management, such as Mr. Ujiie, the former president of Nomura Securities and President Nakamura of Matsushita. I heard that you have experience as the president of an overseas subsidiary called YCE* and as General Manager of the European office.

* Yamaha Corporation of Europe (YCE): YCE was founded in London in November 1986, based on Yamaha's Music Instrument Business World Strategy (Global Strategy). As one of the regional headquarters, which were located in Japan and four other areas (namely, the Americas, Europe, Asia and Oceania), it is in charge of all of Europe and Africa.

Mr. Ito: It had been just one year after YCE's founding. I was the third president of YCE and General Manager of the European office.

Editor: In addition to your overseas experience, you have experience as the Branch Manager of the Kobe Branch. I am sure that you drew up major plans and visions for the future of the Kobe Branch. Did you draw even bigger visions as your career progressed?

Mr. Ito: I do not think I was aware of doing anything like that. (laughter)

Editor: I see. At a lecture you gave us at Kobe University, you spoke to us about the difference between No. 1 and No. 2 of a company. You told us that the gap between a senior managing director of a company and the president seems larger than the gap between the security guard at the gate and a senior managing director. That is why I asked you the question. Maybe if you look back, you might have been subconsciously aware of the differences in the visions you formulated after becoming president.

Mr. Ito: Yes. You are right. That was when I was the president of an overseas subsidiary. I did not make final decisions when I was in Japan. As a president of an overseas subsidiary also, I had to ask the opinion of management and others in Japan, but there were a lot of instances where I had to make quick decisions based on the local legal regulations. So, aside from the sizes of the visions I formulated, that was a very important experience for

me.

I went to YCE alone. Even though it was a very small organization, I am sure that it must have seemed to be outrageous for those already in that organization who had been working overseas and who had foreign language capabilities when a guy like me, who did not know much about the country, came and went so far as to construct a building for the overseas subsidiary in just one year. (laughter)

Editor: When Yamaha's producer system was brought up on a TV show in Japan, you were also interviewed.* At that time, you said, "What I was surprised at when I came back from my assignment overseas is that we had more of a silent majority in Japan now. There seem to be more people who do not say what they want to say".

* The show was broadcast on TV Tokyo, BS Japan, B-Wave, "Reproducing the Creation: Creativity of Yamaha" broadcast on August 11, 2002.

Mr. Ito: I really thought that was correct. At that time, I saw the "silent majority" phenomenon most clearly among those who were in the position of the middle management. When I talk to young people now at seminars and on other occasions, that has changed a lot. When I go to study meetings in the Company, the young people make me think that they know what they are doing. If these people can do their best in their work, I believe the Company can change even more.

On one hand, women are more active these days. About 10 women who were chosen through Yamaha's open opportunity posting system, which announces special opportunities, and participated in a project to discuss positive (affirmative) action.

I would like them to move up to positions in middle management, and we now have a bit of a foundation for women to be active and successful.

Editor: If there was a place like "A School for Presidents" to train and educate people to become company presidents, it is said that they would have to become presidents to really get this kind of training. I think this means that the only way you can learn how to make decisions and act as a president is to become a president. What is your comment about that?

Mr. Ito: I agree. You cannot be a president for just a short while. In a TV show or video game, you can turn right and see what happens. Then, you can turn left and repeat the same actions again, and, after that, choose the better outcome. You cannot do such things in real life.

Editor: This is connected to the story previously mentioned that there was a huge gap between No. 1 and No. 2.

Experience of Having Seniors and Peers as Subordinates – A Subordinate was My Senior

Editor: We have heard about your experience in dealing with wholesalers in Tokyo and your experience overseas, all during your 40-year career at Yamaha. Can you please tell us about other experiences that brought you up to the next level in your career?

Mr. Ito: I have one more story to tell about the time when I was Branch Manager of the Yokohama Branch and, therefore, head of an organizational unit at a relatively young age. It was 1977 and I was 33.

My direct subordinates were five or six department managers, and, under them, there were assistant section managers and section chiefs. There were four positions in total. It had been only 10 years since I joined the Company. However, the Company was very interesting. Some of us were promoted very quickly and skipped over other positions. I had this experience. It may not have been very comfortable or interesting, and my subordinates were all my peers and senior to me. This continued for a long time. At last, there are no subordinates who are senior members anymore. (laughter)

For a long time, my subordinates were senior to me in the Company. So, I just stopped worrying about it. Perhaps, those senior members who became my subordinates might have been aware of the fact more than I worried about it. I think that was an experience that brought me up to the next level.

Editor: It has become more common nowadays but you had subordinates who were senior than you at an early time in your career.

The Experience of Getting Enthusiastically Involved in Something during Youth is Important

Editor: At the end of the lecture at Kobe University, you emphasized the advice that you want students to get enthusiastically involved in something when they are young.

Mr. Ito: I am what I am now because I was involved in sports. One more thing that is important is having the experience of losing track of time because you have been completely involved in concentrating on one thing for a certain amount of time. Often people have had this experience as children, when they became completely absorbed in studying.. We have all had the experience of being so involved that one or two hours slips by without our noticing it. I do not have such experiences now, but I think that it is even more important that we should have more such experiences. (laughter)

Sometimes, I wonder why we are able to have such experiences. When I look back, even now, I think that they were great. It is different from studying for college entrance exams, you know. Basically, it is an experience you have when you are doing something at a desk and forget about everything else in the world for a certain amount of time. For example, you may have been solving math problems. Anyway, that is the kind of experience I am talking about.

Also, as I mentioned, in my case, it was in sports that I experienced complete involvement. I have not engaged in any sports since I joined the Company. To be honest, I wish I could have such experiences at work.

Editor: I feel sure that when you devote yourself to work, you forget about everything, even about yourself.

Mr. Ito: No, not at all.

Editor: Really? Are you sure? (laughter)

Mr. Ito: Never. (laughter).

A Few Words for Those Who Want to Be Leaders

Editor: This will be my last question for the interview. Can you please give a few words of advice to those who want to be leaders?

Mr. Ito: Think hard and then take action. Taking no action is bad. If you take action, there will definitely be some kind of breakthrough. If you do not take action, other people think that you are just trying to stay out of trouble. So, whenever I am in trouble, I tell people about it or take action. Then, I solve the problems that arise. I have had many experiences like this.

Editor: I see. “Think” is a key word, but “action” is most important. Then, “If you take action, there will be a solution” and “Telling people about it” are certainly important also. Thank you for your time today.

A Note from the Editors

Many leading Japanese companies that have their headquarters outside Tokyo, including those that developed first in regional areas, are moving their headquarters to Tokyo. However, there are companies that are still located where they were founded. And those companies have created one of the world’s top-level brands, and all the members of the company respect and protect that brand. While living on a mountainside in Kobe, an employee of Asics cheers a marathon runner, Mizuki Noguchi. While watching Suwa Lake,

an employee of EPSON recalls the Tokyo Olympics (EPSON commenced its operations by making printers for recording time in athletic events.). In Hamamatsu, the great pianist Richter played a piano with the brand, YAMAHA, and, on the Yamaha premises, he said “I have become most nervous to play in front of you all.”

Rosabeth M. Kanter of Harvard Business School called those people and companies that are located locally but have built world-level brands and world-level competitive power “World Class.” The place we visited this time was not our hometown, Kobe, or the Japanese Switzerland, Suwa. It was a place where many interesting companies were located, Hamamatsu in the Enshu district, on the west side of Shizuoka Prefecture. Hamamatsu is a place where it makes you wonder if you are around the very middle of Japan when you are on the Tokaido Shinkansen, or Bullet Train. The local phrase, “*Yaramaika*” (Let’s do it), suits the active atmosphere of business in this place. It is the birthplace of Honda, and also Suzuki, Kawai Musical Instruments, Yamaha Motor, and Yamaha Corporation, the company we visited this time, and are all still located here. Among them, Yamaha is a distinguished company with a long history.

During the interview, we heard about Yamaha’s management issues and changes during the last few years. Moreover, we heard about the experiences that President Ito could not forget and the lessons he learned from them, and their significance for leadership. Our interviewers always ask “what were the experiences that brought you up to the next level” each time we go to see members of company management. From that point of view, this has been a very valuable interview. I am sure among the readers there are those who think about a strategy, trying to make changes, viewing their own career, and so on. I would like all of you to learn a lot from this Top Interview for your own benefit.

Finally, I would like to close this editor’s note by wishing Yamaha the very best in its further development, and I would like to thank those who were involved in making this interview successful.

In the story of President Ito, he emphasized on “Make the Brand Shine” and “People Can Make It Shine.” He also said, “So, shareholders are important, but employees are most important,” “we created an expression, “Creating ‘Kando’ Together” with everyone and

value the implementation,” and he wants “to bring the right strategic ideas” and “to do so, he could make big decisions.” These were some of the highlights of the interview. We hope that world class Yamaha brand continues to shine

When Simon and Garfunkel held a concert in Central Park, New York, their favorite drummer, Steve Gadd, was there. On his bass drum, you can see “YAMAHA” in large letters. Similarly, when Gadd plays behind Eric Clapton with steady rhythm, his exquisite instrument is a YAMAHA. Clapton wrote a song called “Say What You Will” for the Aichi Expo and said “Music is the universal language.”

As you can tell from this interview, Yamaha is not just a musical instrument manufacturer any more. However, with its focus on musical instruments, I would like Yamaha to give us technologies and show us the sensibilities developed from sound and music. I would also like Yamaha to give us new *kando* and the nuances of rich cultures for a long time, and we would like to create them together with Yamaha. With those words, I would like thank President Ito as well as Mr. Noburo Okumura and Michihiko Komori who arranged this interview. Thank you very much.

(Interviewers: Toshihiro Kanai, Susumu Ogawa)

(Kobe University Graduate School of Business Administration)