

# I Am a Small Business Boss

—Learn from Suzuki, Surviving the Auto Crisis

By Masaomi Ise



Osamu Suzuki  
Chairman, Suzuki Motor Corporation



*Suzuki's fighting spirit is shining through the unprecedented depression that grips the automobile industry. Toyota operating profit plunged from a 2.27 trillion yen profit last year to a 46 billion yen loss, while Nissan posted almost 140 billion yen in losses. Thanks to strong sales in motorcycles, Honda held onto profits with almost 190 billion yen in operating profit, which was still down 80% from the prior year. In the midst of all this, Suzuki's profits were predictably down by about half, but it still managed to post gains of 77 billion yen.*

*It was 28 years ago in 1981 that Suzuki and General Motors formed a business alliance. The pairing of GM, at the time number one in the world, and Suzuki, at the bottom of the pack in Japan, was seen as a very strange match-up. Journalists wondered if Suzuki would not be swallowed whole by the likes of GM.*

*Suzuki's chairman answered such doubts by saying, "GM is a whale. Suzuki on the other hand is not even a baitfish in comparison—more like a mosquito. A baitfish might well be swallowed up by a whale, but in a pinch, a tiny mosquito can always soar high up into the air and fly away."*

*Now a violent storm has sunk that whale deep into the ocean, without any signs of ascending, while that tiny mosquito has somehow managed to stay in the air, though buffeted by strong winds. In order for the whale to resurface, it may well need Suzuki's technology for building small cars at low cost. This is the work of the leadership of self-avowed "small business boss" Osamu Suzuki, president and chairman of Suzuki Motor.*

---

Osamu Suzuki joined the company in 1958. He did work for another company after graduating college but joined Suzuki when he became the adopted son-in-law of second generation Suzuki boss Shunzo Suzuki. He was 28 at the time, and remembers his first impression this way.

“I was really shocked when I first walked into the motorbike factory. It was more like a shack than a factory. There wasn’t even a conveyor belt for the assembly line. The bikes were kept on push-carts that the workers would push from station to station whenever the boss blew his whistle. It was a manual conveyor belt.” (quoted from “I Am a Small Business Boss” published by Nihon Keizai Shimbun-sha).

At the time there were more than 30 motorbike makers in Japan, and most of them were concentrated in the Hamamatsu area in Shizuoka Prefecture. Graduates from the local Hamamatsu Technical School (now Shizuoka University School of Engineering) after repatriation following World War II all aspired to be the next Honda, and were setting up motorbike companies right and left. Suzuki was one of these Hamamatsu graduates. It was a time when Honda founder Souichiro Honda, who clad in work coveralls looked in every sense like the small-time boss of a backstreet factory, could say with a perfectly straight face, “We are about to become the number one maker of motorbikes in the world.” It was an age of youth and dreams in the Japanese automobile industry.

Osamu Suzuki did not receive any special treatment because he was the son-in-law of the head of the company. In fact, he had to take on, at the young age of 30, responsibility for new factory building projects. Any success was hard-won. But he was able to join forces with co-workers of his generation to overcome all barriers.

Osamu became president of Suzuki in 1978. Sales of low-priced *kei* cars or minicars grew tremendously during the 60s when Japan was relatively poor, but as the period of high economic growth continued, people began to want more serious passenger cars, and minicars fell to just 13% of the new car market. If the minicar market continued to disappear at this rate, Suzuki stood to lose more than half its business.

Osamu continued to wonder if the age of minicars was really over, when one day he noticed that a considerable number of Suzuki employees were

commuting to work in light trucks complete with pick-up beds. When he asked, he found out that many employees worked in the fields planting on their days off and used light trucks when they had to transport supplies or cargo. Or sometimes the story was that the wife had a shop and the small truck was handy for helping with purchasing goods for the shop.

During the period of high economic growth, the full-fledged passenger car was the object of desire, and it was a bad form to have to ride around in a commercial vehicle or truck, but by this time there was a growing desire to have casual use of a more practical car.



New Alto

That’s when it was decided to launch the Alto, which was at that time under development as a passenger car, as a commercial vehicle instead, taking a large portion of the rear end as cargo space. Boldly pricing the Alto at 470,000 yen, at a time when even minicars were more than 600,000 yen, Suzuki worked hard to cut costs so they could make a profit nonetheless. It helped that there was no commodity tax on commercial vehicles, while there was normally 15-30% on passenger cars. The price of 470,000 yen received a warm welcome at the product launch, and the Alto went on to become a big hit for Suzuki, resurrecting the minicar market which was thought to be doomed. Minicars today have come to represent about one-third of the new car market in Japan.

### Cut One Yen off the Cost of Every Part

Suzuki’s constant battle to cut costs is expressed in the annual “factory audit,” when Osamu Suzuki and his team walk every Suzuki factory in Japan and abroad themselves, spending a whole day

---

checking every corner of each plant, keeping tabs on any possible wasteful practices. In principle every officer and executive member of Suzuki headquarters participates in these factory audits, so there may be more than 100 people following Osamu Suzuki around the plant. While it's called an audit, a main objective of the tour is to show the difficulties and struggles of the factory to the Suzuki leadership, and to affirm their roots as manufacturers.

While the president and executives do troop along through the factory, it is not like a state procession, and doesn't follow a set course. The group

by even one gram, so as to lower the volume of raw materials used.

From this idea came Suzuki's current effort to "cut 1 gram and 1 yen from every part." It is not accurate to see this as simple parsimony. After all it is the mission of the manufacturer to keep waste at a minimum and deliver a value-added product to the consumer cheaply.

### He Took What We Said Seriously

This serious effort to cut costs would come to flower at the Suzuki factory in India. Suzuki first decided to establish itself in India in 1982. The president was

It's said that in manufacturing the difference of one yen can mean life or death... If the part's cost goes up by even one yen, there goes two-thirds of Suzuki's profit. One way to raise profits even a tiny bit is to make parts lighter, by even one gram, so as to lower the volume of raw materials used.



Suzuki Arena Store

might stop at a particular production line that concerns them, and ask the supervisor what's going on. If they're still not satisfied they'll catch up to a regular worker and ask him or her. They may look up at the ceiling and say, "Is that fluorescent fixture really necessary?" If it is, they may have a skylight opened up so as to bring in natural light. If the factory is using an electric conveyor belt, they'll make the workers consider if they couldn't just as well be using a gravity-powered chute. Sunlight and gravity are both free, after all.

It's said that in manufacturing the difference of one yen can mean life or death. This is no exaggeration. Let's assume that Suzuki makes 3 trillion yen on sales of 3 million vehicles, with a profit of 90 billion yen. Sales on a single car are about 1 million yen, for a profit of just 30,000 yen per vehicle. If we assume that one car uses about 20,000 different parts, there is no more than 1.5 yen profit on any given part. If the part's cost goes up by even 1 yen, there goes two-thirds of Suzuki's profit. One way to raise profits even a tiny bit is to make parts lighter,

on a business trip to Pakistan at the time, and on his way home found himself reading a local newspaper on his Air India flight, where he came across an article stating that the government of India was looking for a business partner to develop a national car program. As soon as Suzuki read this he ordered that a proposal be made immediately to the Indian government. He felt that "it would be nice after all to make our employees feel proud of being number one somewhere, even if it's a really small market," since Suzuki was after all Japan's smallest automobile maker at the time.

But the deadline for proposals had passed, and Suzuki's application was rejected. Osamu sent a team of employees to India to try again, saying, "Listen, rejection is when the game of salesmanship really starts. Get back in there and negotiate." That proposal was rejected too, but on the third try Suzuki was authorized as a deputy partner.

Some time went by, and then one day without notice came word that an inquiry commission from the Indian government was coming. Luck would

---

have it that Osamu Suzuki was just about to leave for the US for talks with GM, which Suzuki had joined up with the previous year. Somehow he carved out time to meet the Indian delegation at Haneda Airport, and to pay a courtesy call to the Imperial Hotel where the group was staying.

Though he meant to stay just half an hour, the Indian representatives said they already had a factory under construction, and then proceeded to sketch the layout of the factory in detail. Suzuki ended up talking with them for about three hours. The Indian representatives listened closely to what he had to say. When Suzuki took his leave, he asked how long the group would be in Japan. They replied that they would leave for India on the 15th. Suzuki would not be back from the US till the 16th. It was with some

organization was in an uproar. "Did somebody go to India?" But nobody had. "Do they really think they can build cars there with that level of business sense?" But with all the doubts, this boat seemed to have already gotten under way, so Osamu Suzuki himself left for India to sign the agreement.

The India's representative told Suzuki that Japanese-style management would be fine, and that the Japanese auto maker had full authority to run the factory. But when Suzuki actually got to the newly built factory, he found that private offices for executives were being built. "We have to make the layout of the office Japanese style too. I absolutely reject the idea of building walls between employees and their leadership with these private offices." Suzuki had the builders tear down all the walls in

... he is a small business boss at heart, one that is always walking around his factory, looking for places to cut costs by even a single yen, Suzuki's heart has been able to communicate with a nation that wants to provide its ordinary citizens with a quality car that is within their reach. His is a fundamentally different approach than those that sit peaceably at home in Japan dreaming about "one world."

reluctance that he invited the group to visit a Suzuki factory while he was gone.

When Suzuki got back from the US, he found that the Indian delegation had extended their stay, and was waiting for his return. Of course the group had met with other Japanese makers, but according to them, "Mr. Suzuki was the only one as president of the company to meet with us directly and take what we said seriously. That's why we came back to Hamamatsu again." At the time, the automobile industry trade wars between US and Japan were heating up, and none of Japan's major auto makers were thinking seriously about India at all.

### **I Reject the Idea of Building Walls**

The commission returned to India, and about two weeks later came the following—"Want to draw up basic agreement, please come to India." The Suzuki

the office area to make one big open space. This is the hands-on way a real small business boss would have done things at his factory.

The Indian executives showed a great deal of resistance to Suzuki's Japanese-style idea that they should take their lunch in the same company dining hall as the regular workers. Suzuki took it upon himself to set an example, and when he went to India every month, he would always have lunch in the employee dining hall, standing in line for his meal together with the workers. The executives started off giving him a cold stare, but after about six months they joined him in line.

Under Suzuki-style management, executives wear coveralls too, and they also do clean-up. The Indian executives ignored what they were told, saying that cleaning was the work of lower-caste people. Osamu Suzuki was angered. "It's no joke—all

---

operations of this factory are to take place under our leadership. If you can't do what is asked of you, well then so long to India, we're pulling out."

The Indian representative interceded, saying "If Mr. Suzuki is willing to go that far, shouldn't you do what he says?" By and by, the leadership class began to wear coveralls and made their way out to the production lines. Japanese-style management had begun to sink in.

### Her Son's Long Cherished Wish

In fact, in conjunction with the start of automobile production, Suzuki had made a 15-minute short film for the employees titled "Let's Go Forward Together." Osamu Suzuki wrote the scenario himself, which first depicted burned-out scenes of immediate post-war Japan, then showed how Japan grew and developed. The message was, "Each of us worked as hard as we could, and that's how Japan recovered, and achieved what we have today."

The film also served to convey just what Japanese-style factory operations were like, by showing scenes of managers and regular employees sitting together in the employee dining room, chatting while enjoying their meal, a scene of a team leader visiting a sick worker at his home after hours, and other scenes.

Prime Minister Indira Gandhi attended the factory opening ceremony on December 14, 1983. Gandhi acclaimed, "Suzuki has transplanted the Japanese work ethic to India." That day also happened to be the birthday of the prime minister's second son Sanjay. He had loved cars very much, and had been the one who launched the national car program and started construction on the factory, but had unfortunately died prematurely in a plane crash. The Suzuki project had taken over Sanjay's factory.

Prime Minister Gandhi said, "The cherished wish of my son is finally realized today. If he were alive today, he would surely be overjoyed." A mother remembering her child is a sentiment understood around the world.

### Communicating Heart to Heart

When the Alto-based car finally launched, it sold rapidly, practically right off the production line. In India at the time cars were heavily taxed, and were basically out of reach of the ordinary citizen. The Suzuki car was called the Maruti 800 and incorpo-



Maruti 800

rated a second generation Alto model. Cumulative production totals reached in excess of 2.7 million units, and it is still no exaggeration to call the Maruti the national car of India.

Suzuki has over 50% of new car sales in India, excluding multi-purpose vehicles. Japanese visiting India are surprised to see, on cars everywhere they look, the familiar Suzuki S-mark.

When Osamu Suzuki first signed the agreement for the India project, he said at the press conference in India, "Human beings are all the same. It is important for us to communicate heart to heart, even if our language, customs, and habits are different."

It's really because he is a small business boss at heart, one that is always walking around his factory, looking for places to cut costs by even a single yen, Suzuki's heart has been able to communicate with a nation that wants to provide its ordinary citizens with a quality car that is within their reach. His is a fundamentally different approach than those that sit peaceably at home in Japan dreaming about "one world."

The year 2007 was the 60th anniversary of India's independence. *The Times of India*, a major newspaper, commemorated the date with a special issue listing the "Top 100 People Who Made India What It Is Today." There were only three non-Indians on the list, and one of them was Osamu Suzuki. ■

---

*This article is adapted from the mail magazine, JAPAN ON THE GLOBE (599), May 24, 2009. Masaomi Ise is editor-in-chief of the magazine. URL: <http://come.to/jog>*