

KANSAI PAINT HAS DONE MOST OF ITS business in recent decades sheathing cars on Japan's assembly lines with attractive, durable colors. But as it approaches its 100th anniversary and expands internationally, the Japanese paint maker has also found that its roots in the construction sector offer a new path for innovation: paints to combat disease. ALES Shiquy is a plaster-based indoor product that captures odors and traps viruses and bacteria, making it a natural for clean rooms and clinics. ALES AntiMosquito is a mosquito-repellent paint that the company introduced in Malaysia and Indonesia to help combat the spread of the dengue virus.

Overseeing both the global expansion of Kansai Paint and its development of technologically advanced products is Hiroshi Ishino, a former Mitsubishi Corp. executive who became Kansai's President and Representative Director in 2013. At the company's offices in Tokyo, we spoke with Ishino about the intertwined threads of innovation, trust and endurance that are the hallmarks of any successful business. Ishino stresses attention to customer satisfaction and making sure core business offers a clear benefit to society. Most important, he insists on a flexibility that seems more typical of a much smaller company. "I don't believe in a 'one size fits all' approach," he says.

The company's values can be traced back to its founder, Katsujiro Iwai, who was born near Kyoto in 1863. His childhood was an exciting time for Japan: in 1868, a long era of samurai leadership and national isolation policy was over. A new emperor designated his reign "Meiji," or "enlightened rule," and set the country on a path of modernization that resulted in sweeping social transformations over his 44-year reign.

Founded in Osaka in 1918, Kansai Paint was a product of that push to modernization. But in shaping the company, Iwai also carried with him traditional values learned from his parents – values Ishino still considers bedrock for Kansai's success. From his father, Iwai was instructed to "become a human being who benefits the nation." And from his mother, he was taught to "bear all difficulties, no matter what."

How does Iwai's commitment to endurance – "bear all difficulties" – still inspire the company? Some things can't be done overnight. For those, that "never give up" spirit is absolutely needed. Taking on challenges, doing difficult things, enhances your sense of purpose – it makes you alive.

Making paint is surprisingly difficult. There are all kinds of elements in the chemicals and the conditions of its intended use. Temperature, humidity, the material being painted – they all need to be considered. Then there's equipment and skill.

Faced with a difficult problem, you need the ability to carry through with it. That's what we mean by "never give up." After that – and this is true in any industry – you must be innovative to succeed. We were the first in the country to create lacquer – the traditional paint in Japan – from petroleum products. That type of innovation is one reason we have maintained our products for a long time.

Another reason is how we respond to the changing needs of the age. In each generation, some people join the organization who see how we can better serve customers. Over the last 50 years, our business shifted from building construction to shipbuilding and from shipbuilding to automobiles. Since the Lehman Brothers collapse, around 2007 or 2008, we have also become more international.

President **HIROSHI ISHINO** tells Brunswick's **DAISUKE TSUCHIYA** how innovation and traditional values are the drivers of Kansai Paint's global success

Catch that BUZZ



The top coat is applied to an automobile body at a Kansai Paint painting booth at a factory in Japan.



That ability to change is the point. Our endurance as a company comes back to our motto: to contribute to society and be customer-focused. In our mission statement, that's the first line, our top priorities. That means we're ready to be flexible and respond to the customers' needs.

Can you give an example of how the company has changed as it evolved in these areas?

In construction, the keyword was trust – earning the trust of the customer. That's not necessarily a matter of just innovation, but is more about never shirking from providing good service.

For ships, the differentiating factor was a paint specifically designed for ship hulls, which collect a lot of barnacles, algae and marine organisms. These increase resistance on the vessel as it moves through the water. We developed paint for the hull that those organisms can't easily stick to, while also meeting new environmental regulations regarding the use of tin and lead. That is true innovation. Technology like that is our No. 1 strength even now.

And the paints for ships and automobiles...

Are completely different. Ships and construction involve "ambient temperature drying" – you just paint without baking, and that's it. Automobiles are mass-produced: you put on a layer of paint, then heat without waiting for air-drying, then paint again and heat again. That changes the chemical reactions of the paint. And you're cranking out one car every few seconds. You have to address all kinds of problems, such as quick-drying properties, what temperature to use, the time it takes to cool down, and the temperature at which resin will deform.

With automobiles, the cosmetic factor is important, where with ships, if marine organisms don't attach themselves to the hull, and if the paint lasts a long time, that's good enough. The degree of precision is completely different.

Now we also need to address quality on a global scale. We paint the coating on one out of every two Japanese automobiles. But we had to follow our clients globally and supply the same services wherever they went to be a global supplier. If we couldn't keep up, we'd get dropped.

What were some of the difficulties in that transition to global supplier?

Looking back, I think we missed an opportunity to gain familiarity with the US and Europe because we didn't do things ourselves. Europe is especially advanced in production methods – a very advanced

production method that emphasizes cost appeared in the 1990s. Nearly all Japanese manufacturers, not only us, failed to notice the change taking place. Conversely in India, the Middle East and Africa we did things by ourselves and although there were areas in which we struggled, that struggle enabled us to discover what was necessary to succeed.

When you approach a problem with modesty, all kinds of things come into view that you might not have seen otherwise. At the very least you must develop a habit of looking at things this way – how would we do it if we had to do it ourselves? Otherwise you'll no longer understand key points.

That's an important lesson for companies in general. Are there others from your experience?

Japanese companies are very disciplined when it comes to production details and commitments to one another. That earns trust. That's where Japan's strength lies – but it's also a weakness. Japanese companies are not in the habit of standardizing management, or spelling out the kind of discipline they expect in a process or an agreement. This may be fine within Japan, but when a company undertakes global expansion, it suddenly can lead to problems. You have to clearly specify what is to be done and not to be done, and communicate and educate everyone. From here on, as Japan globalizes, this will be an increasingly important point.

So the innovations in automobile paint led to the emphasis on technology?

It was an important step, yes. Automotive paints continue to be the main focus. If we can consistently win through technology, we can differentiate ourselves and have an advantage over our competitors. So automobiles are our main customers and our base is Japan, where we are established. Without this strong foundation, we couldn't take risks. So, where do we take risks? We take risks in our products for construction, and in our business in India, Africa and China.

Taking risks in new markets and developing paints like ALES Shiquy?

Yes, both. The location affects a great deal about the product we offer. Repainting is done in Japan after seven to 10 years, so there we prioritize quality. Overseas, depending on the location, painting is done every year. In that case, it has to be inexpensive and how long it lasts is not a priority. It's hard to make something inexpensive.



The Kansai Paint factory near Osaka is shown in the photo, taken in 1937. The smokestack in the center carries the company's name in Japanese characters. The company was founded in 1918, and the oldest section of the factory appears in the lower left corner.



IN JAPAN, the terms “pine”, “bamboo” and “plum” (*shō-chiku-bai*, or 松竹梅) are commonly used labels to rank the quality of something. “Pine” is associated with high quality and most expensive; “bamboo” with medium quality; and “plum” with lower quality and least expensive. These three plants are all resistant to cold weather, yet each also has its own distinct character. In other contexts, the three represent different qualities, such as endurance (pine), honesty or flexibility (bamboo) and nobility (plum).

In terms of competitive ability, if you do only the “pine” in the symbolic “**pine, bamboo, plum**” trio*, you can’t take part in the fight. “Pine” is only the top 5 percent of the pyramid; the main part would be the “bamboo” part – you can’t do business without this volume zone. That’s where Japan’s electrical machinery manufacturers fail.

But it isn’t easy to differentiate with “bamboo” for the mass market. To establish a brand you need to keep at it for a long time – things aren’t easy for a latecomer. So first, to improve our name recognition, we sponsor the soccer team Manchester United. It helps to get people talking about the brand. Then we demonstrate a difference through technology. When we put out insect repellent paints or other products with greater functionality now, we of course expect that they’ll grow, but also expect name recognition and brand power from such products. They demonstrate we have that level of technology. As a latecomer in the global market, if we don’t show that we’re innovative, we can’t establish a brand.

Behind that is also our contribution to society – a top priority. We don’t want our new paints to be just sustainable or non-toxic; we want to make things that contribute to better health. Insect repellent products are important not only in developing countries, but in developed countries too.

This represents a new phase that we must do from here on out. Companies are being asked how they can contribute to sustainability and health, not through charity but through their core business.

How we approach CO2 emissions is a good example. Lowering the temperature or shortening the time for automobile paint firing reduces CO2 emissions. Likewise, we have a product to coat the inside of a liquid natural gas pipeline to reduce friction – that increases the transport efficiency by about 20 percent. Those pipelines can run thousands of miles. When the interior is smooth and transport efficiency increases, the necessary amount of CO2 and energy required for the transportation are lowered.

This is the best way to contribute to society. We could not be invested in a corporate social responsibility program that was disconnected from our core commercial business.

Did the company set out to make antibacterial and anti-virus paint?

No. Basically, we first began research on how to affect humidity or eliminate odors. We then found that there happened to be antibacterial and virus-killing effects in the product we developed. We had a professor at Osaka University demonstrate this. When Ebola appeared, we thought it could aid in preventing secondary infection in on-duty nurses and physicians – a real problem in the treatment of patients. So we decided to use it to coat cloth; now we can coat paper and film too.

What led you to think of using plaster?

Plaster contains lime, which comes originally from coral or shells. Plaster has a lot of holes called pores, so it absorbs carbon dioxide and humidity. The plaster that we use has long been used in Japanese storehouses. It doesn’t just insulate the inside of the storehouses, but makes them cool and dry. There isn’t much occurrence of bacteria.

Each of the plaster pores also have countless holes inside, so there is an amazing surface area. It takes seven or eight years to harden completely. Until then, it absorbs humidity and eliminates odor. It stays alive inside, always breathing. So the material’s structure makes it natural for this type of use.

Plaster on walls has been common worldwide throughout history – an enduring technology.

Right, it’s not unique to Japan. Kansai Paint is making use of this to develop paint that is both high quality and looks good. Back at the time of SARS,

we had Professor Jiro Yasuda of Nagasaki University, who is an authority on epidemiology and epidemics, investigate the effect. He demonstrated that it's effective against all viruses, whether colds, norovirus, SARS, MERS or Ebola – they all use the same mechanism. When airborne moisture goes into the holes and adheres there, an alkaline atmosphere is created and in the end the viruses are inactivated. The limestone breathes in CO2 as well, making it a good measure against global warming.

What led you to develop insect repellent?

Four years ago, on a trip to Tanzania and Kenya with Toshimitsu Motegi, then Japanese Minister of Economy, Trade and Industry, I happened to hear someone from Sumitomo Chemical explain how the Olyset Net (a mosquito net with safe, anti-malaria mosquito ingredients in the textile) incorporates the pyrethroid insecticide. I wondered what would happen if it were put into paint, and asked Sumitomo Chemical to share it with us.

I had the paint developed in South Africa, where it could be done quickly. When we announced it globally, we offered it there and in Malaysia, where there was an outbreak of dengue fever. We could do it right away, as a dengue fever countermeasure, with local government-sponsored collaborators.

What decisions have you made that you see as major turning points for the company?

The biggest one must be Africa. We made a lot of acquisitions, but our 2010 stake in South African company Free World had the greatest effect. All kinds of things came into view – manufacturing methods, where to manufacture colors, how to integrate products and so on. We already had gone to Southeast Asia, China and India. Business in India was very different and through the purchase in Africa, we realized India offered a model for a way of doing business in Africa, particularly in the handling of supply chains. That was a phase change in our growth as a company. One supplier said to us, “Kansai Paint has finally become a global company.”

The thinking at our offices in Japan had been that ASEAN and China were the standard for our global practice. But having made the Africa purchase, we now have a completely different perspective.

Does your experience at your old company, Mitsubishi Corp., contribute to your work now?

It really does. I'll give you an example. Mitsubishi supported automobile manufacturer Isuzu's entry

into the Philippines – the last entry in the market after Toyota, Mitsubishi Motors, Honda and others. So how could Isuzu compete?

For other companies, model changes were uniform globally; doing something for just one market was out of the question for them. New models would come out once every four or five years, but there was nothing in between. We convinced Isuzu to put out a new model specifically for the Philippines every year. Making the seats nice and straight, placing a DVD player in the back, putting in massagers, bringing in side lamps that flicker, changing the grill or colors. Not significant changes but changes that were appreciated in the Philippines market.

The new models served to advertise the brand. That was our own discovery. Our advertising expenses became a tenth of that spent by other companies, and even then we did not really need it. As a latecomer to the market, finding a way to do business differently from others was key.

Business model innovations are as important as technology innovations. I'm talking about adjusting everything to meet market needs. In Thailand, there is a large demographic that uses cars for agricultural and other work, and cars are heavily advertised for their good mileage or resale value. But in the Philippines, the demographic that buys cars is wealthy and nobody would care about such advertising. Instead, they care about something that is new and fashionable. The customer demographic is different.

That's also important in my work now. I don't believe in a “one size fits all” approach. We have to search for what's best for Kansai Paint in each market. How do we create a business model that leverages the strengths of Kansai Paint? I'm flexible – thoroughly so, on a lot of things.

Your company is approaching its 100th anniversary. What is the secret of Japan's famously long-lived companies?

Customers' needs are always changing. In the end it's important to be actively in tune with that, always be sensitive about what customers and the world are really seeking. Have a long-term strategy and go forth simply and honestly without betraying trust. That's it.

A Brunswick Partner and former Japanese diplomat, **DAISUKE TSUCHIYA** advises clients active in Japan and Japanese clients on international communications. Additional reporting by **SARAH SKLAR**, a Junior Researcher, and **RYOKO HARADA**, a consultant in London.



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HIROSHI ISHINO

Hiroshi Ishino joined Kansai Paint in 2003 from Mitsubishi Corp. He was named President and Representative Director of Kansai in 2013. He is also Chairman of the Board at a top South African paint maker.

KANSAI PAINT was founded in Osaka in 1918 and is one of Japan's largest paint manufacturers. It has operations around the world and is the maker of the ALESCO brand of paint products.