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Press Release

A view to global success: The key may lie in Japanese companies synergizing traditional business with current market best practices

Report and panel event highlight ways in which Japanese companies can identify a new way to execute corporate expansion through business transformations

Tokyo, November 18, 2014 - Based on market data and corporate sentiment, business leaders in Japan today are ready to take their companies global. This has been seen in increasing waves of outbound M&A emanating from the country, transactional activity that has shown new vigor over the past four years.


However, becoming a global corporation requires more than the completion of a handful of cross-border transactions. Doing so means re-evaluating internal operations, optimizing business structures, and maintaining best practices that have worked in the past while discarding those that have not. It also involves integrating innovative and international ideas into the existing corporate conscious. Japanese corporations seem to stumble on these "global transformation" issues – whether due to cultural and linguistic differences, or the very size of major domestic corporations that make nimble change hard to achieve.

The launch of today's report entitled *'The Global Challenge: Applying Business Transformations in Corporate Japan'* addresses these challenges in a systematic way. A total of 200 respondents consisting of senior executives from 100 Japanese, 50 European, and 50 US corporations were asked tactical questions surrounding motivational and operational issues encountered in their cross-border transactions. The report, which was commissioned by Baker & McKenzie and written in collaboration with Mergermarket, highlights similarities and differences between the eastern and western regions of the world in an effort to start the discussion over best practices that can help Japanese corporations reach their full potential in becoming truly global.

“What is insightful from our research is that business transformation, if done correctly, opens up substantial opportunities for Japanese companies that want to succeed in the global business community. Taking traditional ideas on how to complete cross-border transactions and finding synergies with contemporary best practices concerning business structures and internal operations really makes a difference. The two co-exist and are not independent of one another,” said Hiroshi Kondo, head of Corporate/M&A at Baker & McKenzie Tokyo.

The report launch coincided with a high-level panel discussion held in Tokyo that explored some of the key issues addressed in *'The Global Challenge'*. The panel included: Ayumi Wada, Senior Manager, Social Infrastructure Systems Company & Legal Division, Toshiba Corporation; Tetsuro Tomioka, Senior Manager, Strategy & Operation, Hewlett-Packard Japan, Ltd.; Hiroshi Kondo, Partner, Baker & McKenzie; Ryutaro Oka, Partner, Baker & McKenzie; and was moderated by Hideo Norikoshi, Partner, Baker & McKenzie.

Even as Japan's outbound M&A buying spree continues, many Japanese corporations have noted how they can often feel vulnerable when they fail to take enough time to consider the challenges they will face. Panelists felt that cultural differences were the most significant challenges that often hindered pre-deal strategies and post-deal implementation. Yet, they noted, this is realistically just the tip of the iceberg.



Across the globe, corporations are transforming, deploying a variety of tactics to instill change and enter the global arena, where higher returns and new sources of revenue can be found. Japanese corporates are also following this trend, although perhaps at a different pace than their counterparts around the world. This very pace, and their overall strategies and approaches, could be having a profound impact on successes for Japanese corporates as they tackle the global challenge.

” Japanese companies continue to face a number of challenges as highlighted by the report. Not just cultural and linguistic differences, but issues to do with proper planning and execution, as well as problems surrounding clear vision, leadership and engagement, and human resource management in the targeted company,” said Ayumi Wada, Senior Manager, Social Infrastructure Systems Company & Legal Division, Toshiba Corporation.

Noting these trends, Tetsuro Tomioka, Senior Manager, Strategy & Operation, Hewlett-Packard Japan, Ltd., highlighted the true global nature of HP. "The leadership of the company is based all over the world, consisting of different nationalities and skills adopted from various global economies. We spend great time and efforts in realizing tax opportunities and enforcing compliance thoroughly as well, compared with Japanese corporations."

Out of the multitude of key areas of focus, the report delves into compliance, human capital, tax and IT, where Japanese corporations have struggled in their cross-border strategies. It also highlighted areas that affect post-deal integration and pre-deal success. These also present the greatest opportunities moving forward for them – an opportunity to embrace change as and when necessary, and allowing this change to afford greater global success.

“This report aims to act as the beginning of the discussion on how global transformations can occur at longstanding Japanese corporations. The four areas highlighted were particularly insightful during the survey, but much research and work still needs to be conducted in various others areas, from a financial, philosophical, and even psychological perspective, especially on a case-by-case basis due to the fact that each corporation is unique,” notes Kondo.

Highlights from the report include:

- 85% of Japanese respondents said that access to new markets and customers was their main strategic and financial objective when seeking to complete cross-border M&A;
- Generally, US and European corporations rate themselves 75% or more successful in implementing and executing various global expansion techniques, compared with their Japanese counterparts who rate their successes much lower;
- 76% of Japanese respondents cited "cultural difference" as their greatest deal challenge, compared with only 51% of US/European respondents. "Language barriers" was ranked second with 66% of Japanese, but only 42% of US/European respondents;
- Compliance was one of the top-of-mind issues for both survey pools, with 95% of all respondents stating that they had implemented robust anti-corruption and antitrust compliance programs;
- Results show that under HR Management, both Japanese and US/European respondents state that securing the right professional talent remains one of the main priorities of business transformation. However, when planning and conducting business integration, Japanese respondents stated that they must pay extra attention to salary structures and corporate culture compared with their Western counterparts;
- Tax still remains an area of improvement for Japanese corporations with only 34% of Japanese respondents saying they had a dedicated tax director compared to 96% of European and US respondents;

- Various integration teams involved in a transaction during the pre-deal phase was largely aligned on both the Japanese and US/European sides, however, discrepancies were seen during the post-deal phase, where local management and functional leads were used by a higher percentage for US/European respondents. All functional leads played a much less significant role in the post-deal phase, across various functions.

**Click below to download the report
'The Global Challenge: Applying Business Transformations in Corporate Japan'.**

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