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Managing

Bridging the Gap Between Here and There

**Executives Walk a Tightrope
In Foreign Companies to Serve
Distant Bosses, Local Interests**

By PHRED DVORAK
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When Ray O'Connor was hired as marketing director for the U.S. unit of Japan's Topcon Corp. in 1993, his friends predicted disaster.

Japanese companies were notoriously slow to trust local managers, and reluctant to adopt their ideas. Topcon, a maker of surveying and medical equipment affiliated with Japan's [Toshiba Corp.](#), was so traditional that U.S. workers warned Mr. O'Connor not to go home without saying goodnight to the boss.



Ray O'Connor

Fourteen years later, Mr. O'Connor is still at Topcon. He now runs Topcon's biggest U.S. unit, which accounts for roughly one-quarter of Topcon's global revenue and half of its profit. Last year, Topcon put him in charge of much of its European and Australian businesses as well.

The secret to his success: perseverance and working with the home culture. Mr. O'Connor wooed managers and engineers in Japan. He spent nine months re-engineering an acquisition after his Japanese boss initially balked. He didn't lobby for promotions, working for two years under a manager sent from Tokyo, then another six years as co-president of the U.S. business before getting the full title.

"It was a step-by-step process," says the 44-year-old Mr. O'Connor. "Some people don't have the patience for that."

Mr. O'Connor's story shows how local managers for foreign companies often must adapt to succeed. They need to win the trust of distant bosses who may be out of touch with local markets. And they must strike a balance between effective local leadership and sensitivity to corporate custom.

- **The Issue:** How can local managers in global companies, where bosses may be far away and out of touch, be most effective?
- **What's at Stake:** Failure to work well with headquarters abroad can cripple local operations.

- **The Bottom Line:** The experiences of managers who have succeeded show that patience, persistence and adaptability, combined with sensitivity to varied corporate cultures, are keys to success.

That can be especially challenging for companies based in countries -- such as Japan or South Korea -- with strong unspoken business traditions, says Bruce McKern, a professor in international business at Stanford Graduate School of Business. "If the local manager isn't connected to the network of the company, it can be crippling," says Mr. McKern.

Consider Howard Stringer. The American-Welsh [Sony](#) Corp. executive won points with his Japanese bosses while running operations in the U.S., with deference for Tokyo customs and an easy-going attitude on pay and promotions. When he took over the CEO job in 2005, he moved carefully in Japan, waiting until late last year to gently reshuffle top management.

Mr. McKern says local managers in foreign multinationals can help close the gap between themselves and headquarters by learning the language of the home country or spending time there. Any overseas experience can help managers understand how to navigate different cultures, he says.

Mr. O'Connor, an Irish civil engineer, joined Topcon after nine years at a U.S. maker of laser-guidance tools used on construction sites. At the time, Topcon's U.S. operation merely sold products made in Tokyo, and all of Topcon's overseas units were run by Japanese. But the company wanted to expand its optical-surveying tools into lasers and construction and hired Mr. O'Connor to help.

Mr. O'Connor quickly realized that he'd need support from Japanese managers, and shuttled back and forth almost every month to pitch his ideas and explain the American market. He wooed product developers in Tokyo, letting them take credit for tweaks he'd suggested. He earned points early on when he refused to criticize Japanese engineers who couldn't make a prototype laser work for an important U.S. trade show.

"I was really moved by that," says Satoshi "Steve" Hirano, the manager in charge of the laser, now a deputy division chief. "I went back to Japan and told everyone that Ray could be trusted."

Mr. O'Connor's tactics paid off. In 1994, Mr. Hirano and another manager, Norio Uchida, backed Mr. O'Connor's plan to buy a California company that made software to automate control of construction equipment and invest heavily in developing new products.

Yukinari "Bob" Iguchi, the Japanese executive running Topcon's U.S. operations, was skeptical: Topcon had never done an acquisition that wasn't proposed by headquarters, and its engineers knew little about software. Mr. Iguchi balked, and Mr. O'Connor spent months convincing him to put the deal back together. When it was done, Mr. Uchida was assigned to run the acquired company. Mr. Iguchi says Japanese corporate custom didn't permit him to put a newcomer like Mr. O'Connor in charge of a unit.

Mr. O'Connor says he was happy to work under Mr. Uchida, and was more concerned about getting the new business started.

The new company lost money for four straight years. Messrs. Hirano and Uchida defended the business in Tokyo. Mr. Uchida says he was comforted because Mr. O'Connor always made his sales targets, and didn't complain about pay or push for a promotion -- even when Mr. Hirano was later sent from Tokyo to run the U.S. company as co-president. The unit began making money in 1998.

In 2000, Messrs. Hirano and Uchida backed Mr. O'Connor in another bid: a big, risky investment in a company that used satellites to determine an object's position. Mr. O'Connor wanted to use the technology to guide Topcon's surveying equipment, as well as construction machinery like bulldozers. But the \$30 million price tag was more than Topcon had ever spent on an acquisition, and Topcon itself was losing money.

Again, Mr. Iguchi got cold feet, calling Mr. O'Connor to postpone negotiations the night before Mr. O'Connor was to leave for Tokyo. Mr. Iguchi says he wanted more time to convince other board members to support the deal. Mr. O'Connor persuaded Mr. Iguchi to move ahead. Then the deal was nearly derailed by a breach of Japanese etiquette. Mr. O'Connor had given the CEO of the company Topcon was acquiring a \$750 box of cigars. Mr. Iguchi says he had intended to present the cigars himself, but that the incident "wasn't so serious." In the end, the investment deal remained so controversial internally that Topcon's then-CEO refused to sign the papers even when it went through.

These days, Topcon's Japanese executives are themselves adapting, as Mr. O'Connor's unit -- and overseas markets -- grow in importance. In the fiscal year ended Mar. 31, 2006, 65% of Topcon's roughly \$870 million in revenue came from outside of Japan, up from 53% five years earlier. Topcon Positioning Systems, the U.S. unit that Mr. O'Connor was named to run in 2002, accounted for about half of Topcon's roughly \$58 million in annual net income.

Last year, Mr. O'Connor was put in charge of world-wide sales and marketing for the positioning division. Topcon CEO Takashi Yokokura says that Topcon's medical-equipment division is considering copying the positioning unit's techniques, such as a more aggressive acquisition strategy and global technology and marketing meetings. Managers in the medical division are saying, " 'We want Ray O'Connor,' " Mr. Yokokura says.

Mr. Uchida, now a Topcon director, says that Topcon Positioning Systems' latest acquisition in September -- of an Australian maker of equipment-control software -- was approved by Topcon's board in record time: one hour.

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