

Toward a com

Boeing's partnership with Japan—a unique market that's home to important customers, the same: The critical role of personal relationships

By MIKE WIEGAND

PHOTOS BY BOB FERGUSON/BOEING



Like many relationships, the Boeing-Japan relationship had humble beginnings, starting in 1953 with the establishment of Boeing International Corp. Boeing hoped to gain a foothold in a promising new market against entrenched competition. The new operation was funded with \$1,000 and staffed by five U.S.-based directors. Yet this initial formal presence in Japan was the beginning of a profound partnership and friendship for both the company and Japan. In the past five decades, Boeing and Japan have made aerospace history together—and are setting the pace for defining the future of the industry.

“Japan has worked with Boeing over the decades on both commercial and defense programs,” said Hirofumi Katase, former director of the aerospace and defense industry division, manufacturing industries bureau at Japan’s Ministry of Economy, Trade and Industry. “Today, Japanese aerospace industry is jointly developing the 787 Dreamliner and Boeing is offering support to Japan’s Mitsubishi Regional Jet program. We have worked together on many defense programs such as Chinook and Tanker.”

Japan’s aviation requirements are unique. As a small island nation with dense population centers and high air-traffic demand, Japanese airlines have the highest flight cycles on some of the densest routes in the industry. Airplanes must be infallibly reliable, exceptionally capable and highly efficient. Maintenance must be impeccable. Top-notch customer support is critical.

Meanwhile, Japan’s defense challenge is formidable. Some of its neighbors are among the world’s ascending economic powers, while others represent security concerns. Accordingly, Japan’s defense objectives combine a strong desire for protection in a complex region, with its

Above: Don Morton (left), a Commercial Airplanes Field Service manager at ANA (All Nippon Airways), stands with an ANA employee at Haneda Airport. Right: The Imperial Palace is in Tokyo, near the Boeing Japan office.

Common benefit

as well as expertise in industry—is evolving and strengthening. Yet one element remains



aspirations to be a leader in international relief efforts, disaster response and the fight against terrorism.

Boeing recognized early-on that investment in developing exceptional products for this unique market was the only solution. Such development clearly required close partnership with the Japanese in defining requirements and designing commercial airplanes and defense solutions along with the right level of superior customer support. Japan's well-known expertise in process-focused manufacturing and high-quality products made partnering with Japanese industries as suppliers inevitable as well. The relationship deepened and broadened.

Today, Japanese engineering and manufacturing plays a significant role in every single jetliner Boeing builds. Japan's partnership role began with the F-86, then steadily increased on several military programs including the F-4, the F-15 fighter, the Apache attack helicopter and the Chinook heavy-lift helicopter. The extensive collaboration extends to space, telecommunications and many other areas.

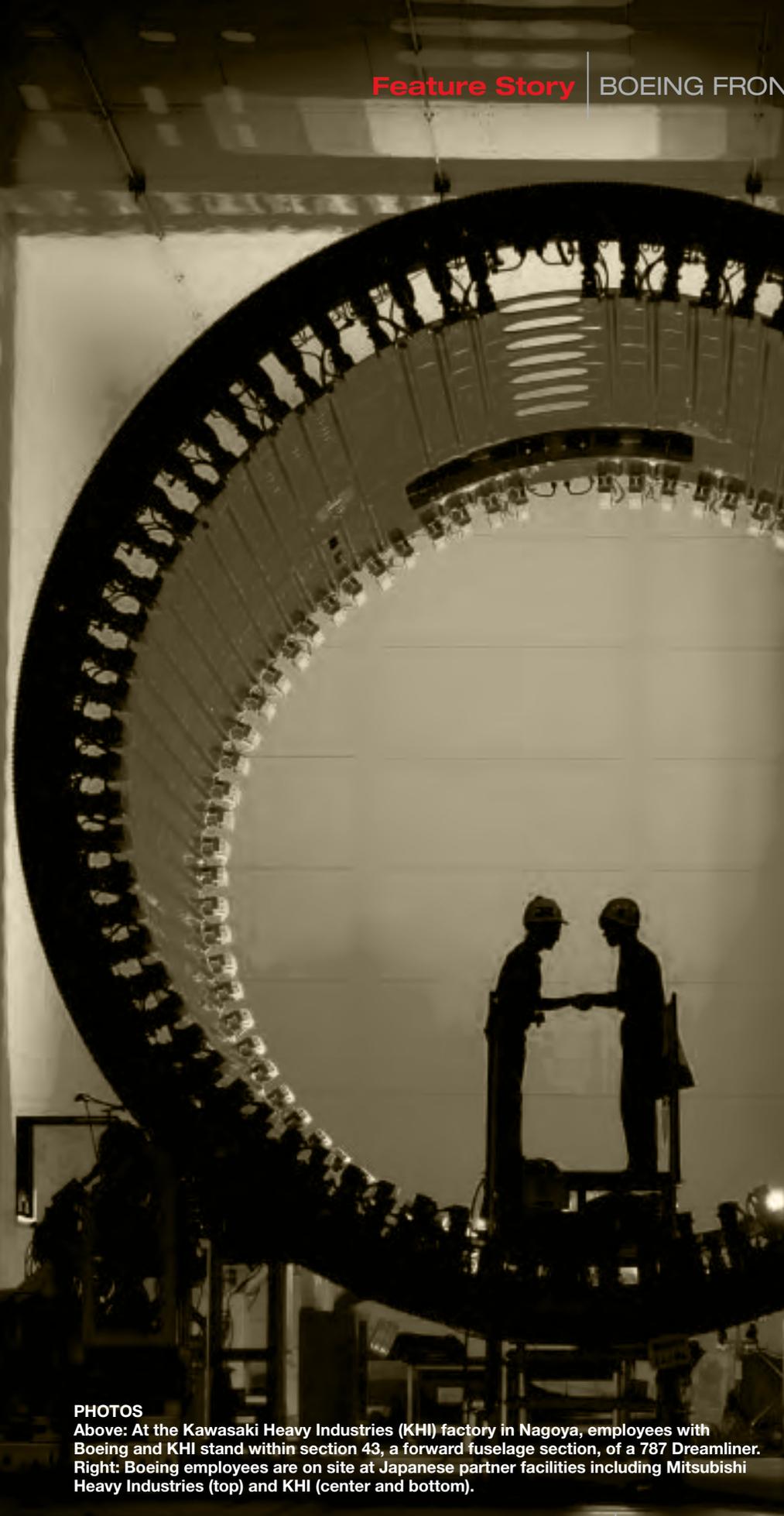
Japan is playing an increasingly central role in launching major new programs such as the 787 Dreamliner, the 777 Freighter and the 747-8 Freighter. The Japanese "heavies"—major industrial companies including Mitsubishi Heavy Industries, Kawasaki Heavy Industries, and Fuji

Heavy Industries—produce components almost exclusively for Boeing. The Japanese also launched Commercial Aviation Services' 767-300 Boeing Converted Freighter, Airplane Health Management and Integrated Materials Management programs, as well as the 767 AWACS (Airborne Warning and Control System) program. Japan was also one of the first customers for the KC-767 Tanker. Launching such significant programs from across Boeing businesses is comparable to the role traditionally filled by major U.S. carriers and the U.S. Department of Defense. Japan has also been a primary influence and mentor for Boeing in such key areas as Lean manufacturing and quality improvement.

What began as a customer-courting maneuver by Boeing more than 50 years ago has now evolved into a uniquely close relationship in which Japan is a customer, supplier and risk-sharing partner. The risk-sharing role is an especially significant commitment. In support of the 787 Dreamliner program, for example, Japan has invested billions of dollars over the past several years. Like Boeing, the future of Japan's investment rides on the long-term success of the program.

In addition, all of Integrated Defense Systems' Japan programs involve Japanese industry in some way. Kawasaki Heavy Industries is the direct contractor for the tanker sustainment program, but Boeing works





PHOTOS
 Above: At the Kawasaki Heavy Industries (KHI) factory in Nagoya, employees with Boeing and KHI stand within section 43, a forward fuselage section, of a 787 Dreamliner. Right: Boeing employees are on site at Japanese partner facilities including Mitsubishi Heavy Industries (top) and KHI (center and bottom).

with KHI, Itochu and Japan Airlines to provide support needed. Through Support Systems, IDS provides training and service engineering, parts and components that ensure the Japanese tankers are maintained well.

But the closeness of the Japan-Boeing relationship goes beyond business. It's ultimately founded on a vast and intricate network of personal relationships between thousands of people over several decades. The depth, breadth and extent of these relationships are an integral part of doing business in Japan.

Japan and Boeing have weathered a wide variety of challenges and pressures over the years, and both have benefitted. But the greatest challenges—and opportunities—lie ahead, especially as more nations invest in building aerospace manufacturing capabilities, creating intensified competition.

Strategic international partnerships—like the partnership between Boeing and Japan—will be the key to global competitiveness. Many countries and companies are pursuing international collaboration and global relationships. For some of these competitors, this is relatively new ground. But for Boeing and Japan, it is very familiar territory that's created a competitive edge for the future. ■

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Boeing Japan President Nicole Piasecki, in front of the Imperial Palace in Tokyo, said Boeing and Japan have “progressed from a stage of mutual benefit to strategic interdependence.”

‘A formula for success’

What makes Japan important to Boeing—and vice versa?
Boeing’s top executive in this market explains

BY MIKE WIEGAND

Pioneering customers. Innovative technologies. Manufacturing processes that are practically synonymous with quality. These are hallmarks of Japan, which is important to Boeing in myriad ways. Among them: It’s the home of the launch customer of the 787 Dreamliner, as well as one of the first air forces to procure the KC-767 Tanker.

For additional perspective and insight on Boeing in Japan, *Boeing Frontiers* spoke with Nicole Piasecki, president of Boeing Japan.

Q: Why is Japan so important to Boeing?

A: Japan is uniquely important for many reasons. We’re proud of the 50-plus years we’ve been doing business in Japan and our important achievements. But it’s much more than that—it’s the character and quality of the relationships we’ve built from the ground up during those five decades. It’s the way we’re working together to lead industry innovation and advance aviation. Boeing and Japan each bring different but highly complementary capabilities to our partnerships, and it’s a formula for success.

If you look at Japan and Boeing today, you’ll see that Japan has been assuming a position that until recently was filled mainly by major U.S. carriers or the Department of Defense. In the past few years, they’ve been launch customers for major programs on both the commercial and defense side.

As partners, we’ve progressed from a stage of mutual benefit to strategic interdependence. The world is changing, shrinking. More countries

and companies want a piece of the action. But while competition is increasing, resources are constrained. Whether you’re talking about capital or materials or talent or ideas, the best aerospace player will be the one who can secure those assets. Not everyone will succeed or even survive, and no one can go it alone. Strategic partnerships with the right set of partners are key.

Q: What makes Japan a good strategic partner?

A: It comes down to the basics of strong partnerships and friendships. We have such a stable, well-developed, deep relationship with Japan. They are among our best customers. Japan’s airlines are our largest wide-body customer, and overall Japan is one of the largest and most profitable commercial markets for us—we have 85 percent of the market share there. Japan also has one of the largest defense budgets in the world, and we’ve collaborated on several key programs, including the space and F-15J/DJ programs. Our Japanese customers make us more globally competitive as they push us hard for more leading-edge products.

In Japan, we also work with some of the world’s best aerospace structures manufacturers. They play a significant production and capital investment role with us—especially with the 787 Dreamliner. We benefit from such risk-sharing and technology access on both the commercial and defense sides of the business.

And as Japan shifts its supply chain to other up-and-coming, low-cost, high-quality suppliers, we’re able to leverage and benefit from

those partners as well. We gain new, top-notch suppliers and potential new customers from these additional relationships.

Q: What are the advantages for Japan?

A: Japan faces some serious economic and security challenges. Its people live and work in a very complex and rapidly changing part of the world. Many of its neighbors are becoming major economic and military powers in the region.

Japan is wrestling with how best to transform the Japan Ministry of Defense to respond to the changes around them. In addition to a defense build-up to expand mission capabilities, the ministry is undergoing procurement reform. They are working for a much more transparent process, taking some of the decision-making out of the back rooms. This will increase value for money spent, and allow them to take much more of a life-cycle approach to acquiring new aircraft. They understand we are well-positioned to help them respond to their defense challenges with the products, services and expertise such a comprehensive transformation requires.

We also continue to collaborate with Japan

on industry-leading, profitable commercial endeavors. We initially entered Japan to gain access to the market. But over time the relationship has evolved significantly. We've helped them develop their aerospace manufacturing and air-travel industries. Mitsubishi Heavy Industries is developing a regional jet and we have agreed to consult on the development of that airplane, providing selected marketing, development and post-sales expertise. We will benefit in turn as MHI strives to improve design and manufacturing processes for future collaborative aircraft development. Of course, we can't take these benefits for granted. For example, Japan will pursue aircraft projects whether we collaborate with them or not.

Q: You frequently reference the quality of our relationships in Japan. How were we able to succeed where others have failed?

A: In Japan, we were very fortunate in that we recognized at an early point we needed to understand and honor Japanese culture. We realized relationships for the Japanese develop differently than, for example, in the U.S. It's crucial to respect that, and have the humility to try to earn those relationships and the trust

that goes with them. It's also important to remember these aren't just relationships with people in business—the Japanese government is a powerful and important part of all industrial activity and economic development. So part of relationship building is negotiating these two important spheres of influence in Japan and understanding it's all tied together.

Part of the beauty of our partnership is the relationship has developed and grown at all levels—from the CEO to the factory workers and engineers collaborating together to improve our product. Over the years, we've often brought Japan teams to the U.S. to work with us, and sent Boeing teams to Japan. My first job at Boeing was as a Customer Engineer on the 777. It was amazing for me to watch ANA (All Nippon Airways) and JAL (Japan Airlines) as launch customers provide the kind of operational and maintenance insight they brought to our working together design teams. They made important contributions in creating a better product. The 787 program was no different, with both ANA and JAL taking the lead in defining the requirements for the aircraft and staying close to us the entire way through the process.

Joining up for these kinds of large, innovative, and complex efforts—efforts that involve some risk—makes you closer partners. You come out at the end and it's inspiring to see what you've accomplished together. It's like climbing a mountain together and standing at the summit.

Another thing that's helped us in Japan is our own company culture. We're in such a long-term industry, with products that are in service 30 to 40 years. Designing and manufacturing a single new product takes years. The Boeing culture strongly reflects the nature of the industry. We value patience, respect, experience and loyalty. We approach our challenges methodically, never forgetting the long term. The Japanese culture embraces similar values and a longer-term perspective on developing and honoring relationships.

All that said, our relationship with Japan is like any other deep, complex long-term relationship. There are always challenges.

Q: What challenges have you faced as the Boeing leader in Japan?

A: I started in this position at the beginning of 2007, and it was mainly a year of responding to specific program challenges and the resulting impact to customers. Even though we've successfully worked together with Japan for many years, there are always new

Boeing Japan President Nicole Piasecki holds a framed display of the ads from Boeing's "Made With Japan" ad campaign. The campaign reinforces Boeing's five-decades-old partnership with Japan.



and sometimes difficult challenges. Last year there were delivery delays on the first Japan KC-767 Tanker, challenges to the long-term affordability of the Japan Apache program due to its unique indigenous structure, and the 787 design and production issues.

We're working hard to restore the trust and confidence of our Japanese friends and customers. We delivered the first two KC-767 Tankers earlier this year. While one was delayed, the other was right on schedule, and our exceptional customer support team has done a great job of showing the Japan Air Self-Defense Force that we stand behind our products. In fact, a tanker conducted a successful contact flight and a fuel passing with an F-15 on Aug. 18. So this outstanding result means these new tankers are moving closer to entering service. And as for the 787, we've been successful in resolving most of the airplane's issues and we're back on track now. I'm very pleased with the great job the 787 team has done in turning things around.

Last year, we also developed and implemented the Japan Enterprise Strategy—a unified “One Boeing” approach to all of our Japan efforts. This year our focus has been on putting together the right team for Boeing Japan, stabilizing the organization, and establishing enterprisewide communication. By next year, I expect us to be focusing more aggressively on growth and future opportunities and working more smoothly together as “One Boeing.”

Q: Why so much emphasis on the Enterprise Strategy and “One Boeing”?

A: It all comes back to relationships. We've had many instances of Boeing teams from various parts of the business trying to meet with the same Japanese business or government leaders, duplicating efforts or in some cases making conflicting requests. This is not very efficient and it makes it appear that Boeing representatives from defense, commercial, space and the rest of the company don't know what the others are doing—and that we're content to waste the time of our Japanese friends with disjointed, overlapping efforts. We've also had many situations where talented, smart people make assumptions about how to get things done in Japan—based on how business works in the U.S. and elsewhere.

But the Japanese business environment is different, and it's important to tie in with the Boeing people who work in Japan and know the market and culture. That's the best way to ensure success and avoid mistakes that can compromise an opportunity.



The Enterprise Strategy is a way to integrate our efforts and unify our messages. It opens up opportunities to create value. By keeping each other informed and coordinating our efforts, we're better able to leverage all of our Japan relationships. And we will make it much simpler for our valued friends in Japan to do business with us.

But that means everyone must join. *Everyone*. There is no room in 21st century aerospace for silos and turf battles, because the world continues to get more competitive every day. Forget the silos and turf—we're in this together. “One Boeing” is a better way to work and a powerful way for us to lead. It allows us to get the most value out of our collective abilities and resources.

This isn't limited to Boeing people who work in Japan or work on Japan-specific issues or projects. We all need to be aware of what the company does around the world, beyond our specific work location. In some way we all have a connection and impact on our Japan efforts. The more aware and informed we are, the better able we will be to help Boeing succeed—in Japan and around the world. We are all part of a single Boeing. And the more we understand, think and work that way, the more competitive Boeing will be. ■

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“Part of the beauty of our partnership is the relationship has developed and grown at all levels—from the CEO to the factory workers and engineers collaborating together to improve our product.”

– Nicole Piasecki, president, Boeing Japan



PHOTOS: Japanese carriers Japan Airlines (top) and ANA (All Nippon Airways) (bottom) are strong Boeing airline customers. Meanwhile, at Komaki air base (center), workers review documents for one of the Japan Air Self-Defense Force's KC-767 Tanker.

For a stronger partnership

Meet some of the many Boeing employees who are building relationships in Japan

You've heard the saying that people do business with people, not companies. In Japan, that's not just a saying: It's a way of life. Boeing employees working in Japan have taken that aspect of Japanese culture to heart. Their success at work has come about not merely through their expertise and customer focus, but also through their abilities to nurture and develop relationships with their Japanese partners. It is through these interpersonal relationships that Boeing is able to forge a stronger connection with its Japanese customers and partner companies.

Here's a look at some of the many Boeing people whose relationship-building efforts are strengthening the Boeing-Japan partnership.



Yasutoshi Masuzawa

One of the hallmarks of the Boeing-Japan relationship is that it is not about one relationship, but many. Yasutoshi Masuzawa has more than 35 years of experience working engineering and marketing for the commercial airplanes business of Boeing (and McDonnell Douglas), and he understands better than most the intricacies and value these relationships represent.

In Japan, the development of business relationships requires patience and stability. "Building respect for each party is critical," said Masuzawa. "People in Japan value the closeness that comes from climbing mountains together and working through the inevitable valleys."

Thus, a short-term view of partnership and the revolving door of staff can work against Boeing in Japan. As employees with Boeing's Japanese partners grow through various assignments, they no doubt will be developing ties with Boeing workers in Japan. "This is where real value begins to emerge," said Masuzawa. "By the time people reach the top of Boeing, airlines or the 'heavies,' it is quite possible a long-time relationship has developed. If you're going to sell billions of dollars of 787s to a customer, you need to have a friend on the other side of the table."

—Mark Hooper

"Building respect for each party is critical."

Michael Merrow

"I've become more people-oriented since being here," said Michael Merrow about the people at his customer's site. He is the Boeing field service representative providing on-site support for the Japan Air Self-Defense Force at their Komaki airbase.

Merrow first worked at the base near Nagoya with JASDF in February 2007. They've purchased four KC-767 Tankers, two of which have been delivered, and his job is to serve as liaison between JASDF and Boeing Engineering, Product Support and Program Management. Initially, he spent about four months with the customer, making sure the manuals were properly translated. He returned a year later when the first two tankers were delivered. Since then, he's been supporting JASDF on scheduled maintenance requirements and its test program.

He said he loves the work. "They approach everything very methodically, and test and test again to make sure everything will work right the first time. They're eager to work, eager to learn new things and great troubleshooters. And they're excited about adding KC-767 Tankers to their fleet."

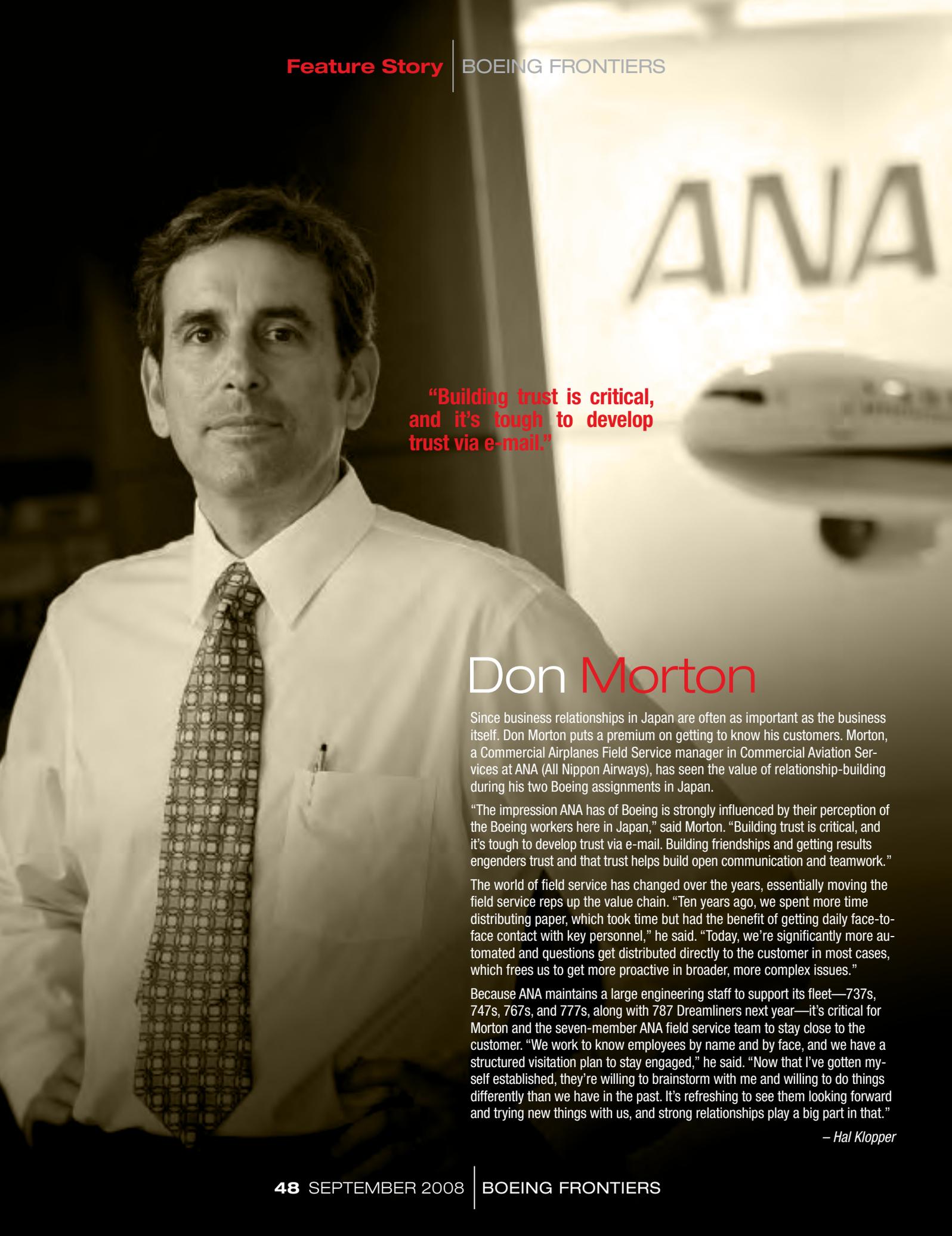
To build relationships with JASDF counterparts, Merrow said he's learned to adapt to a different business etiquette. Those changes range from offering pleasant greetings to everyone each morning—"In the States I might have been grumpy one day and not greeted everyone," he admitted—to celebrating local festivals with his work partners.

Merrow said he's pleased with how he's developed relationships on the job. "JASDF trusts me and they believe in the work I'm helping them to do," he said. One instance, he recalled, concerned getting work done while awaiting updated tanker manuals: To maintain progress, Merrow issued interim scheduled maintenance tasks and procedures. "At first they were reluctant, but now, JASDF is pleased because it allows them to continue with their maintenance tasks and rigorous test program, while waiting for the updates to be incorporated," he said.

"Michael Merrow works hard with us from early morning until late night to expedite and solve issues of concern," said Capt. Tomoharu Kitagawa of JASDF. "I like him a lot and I wish I could have another five Michaels. We truly work as one team."

—Kathrine Beck

"I've become more people-oriented since being here."

A man with dark hair, wearing a white dress shirt and a patterned tie, stands in front of a blurred ANA airplane. The background is a warm, golden light, suggesting an airport setting. The man is looking slightly to the right of the camera with a neutral expression.

“Building trust is critical, and it’s tough to develop trust via e-mail.”

Don Morton

Since business relationships in Japan are often as important as the business itself, Don Morton puts a premium on getting to know his customers. Morton, a Commercial Airplanes Field Service manager in Commercial Aviation Services at ANA (All Nippon Airways), has seen the value of relationship-building during his two Boeing assignments in Japan.

“The impression ANA has of Boeing is strongly influenced by their perception of the Boeing workers here in Japan,” said Morton. “Building trust is critical, and it’s tough to develop trust via e-mail. Building friendships and getting results engenders trust and that trust helps build open communication and teamwork.”

The world of field service has changed over the years, essentially moving the field service reps up the value chain. “Ten years ago, we spent more time distributing paper, which took time but had the benefit of getting daily face-to-face contact with key personnel,” he said. “Today, we’re significantly more automated and questions get distributed directly to the customer in most cases, which frees us to get more proactive in broader, more complex issues.”

Because ANA maintains a large engineering staff to support its fleet—737s, 747s, 767s, and 777s, along with 787 Dreamliners next year—it’s critical for Morton and the seven-member ANA field service team to stay close to the customer. “We work to know employees by name and by face, and we have a structured visitation plan to stay engaged,” he said. “Now that I’ve gotten myself established, they’re willing to brainstorm with me and willing to do things differently than we have in the past. It’s refreshing to see them looking forward and trying new things with us, and strong relationships play a big part in that.”

— Hal Klopfer

Greg Stare

How good a relationship has Greg Stare built with his Japanese partners? He's earned a permanent role on source inspections.

Stare is a quality systems specialist, Program Quality, Philadelphia Rotorcraft, who's worked for six years at the Kawasaki Heavy Industries factory in Gifu. Last winter, Takahio Inotsume, KHI's manager of contracts for the CH-47J/JA program, asked if Boeing would send Stare with the team from Japan on an upcoming inspection of the Philadelphia facility, where sectional parts and components for the helicopters are built. Under this contract, KHI provides Chinook helicopters to the Japan Air Self-Defense Force and the Japan Ground Self-Defense Force under Boeing license.

"Greg-san has a very good understanding of the unique requirements of our customer, the Japanese Ministry of Defense," wrote Inotsume in a February e-mail. Since then, Stare's participation on source inspections has been standard.

"Our Japanese partners and customers feel I understand their way of working and thinking and manufacturing. I respect the way they see things," said Stare, whose role on the trip was to serve as liaison across organizations and cultures. "Gaining someone's trust comes with time, respect, honesty, work ethic and understanding. It's more a combination of interactions over time than one single act."

One thing he's learned about Japanese culture is the high value placed on aesthetics. "How it looks and how it's presented is very important," he said. An issue such as a scratch or a small dent takes on more importance to KHI's Japan Air Self-Defense Force customer. When Stare accompanies the KHI team to Philadelphia, he can explain that importance on their behalf. "They care, and their customer cares," he said.

— Kathrine Beck



"Our Japanese partners and customers feel I understand their way of working and thinking and manufacturing. I respect the way they see things."

“Once I learned the value of providing the time needed for internal discussion, our meetings were more effective.”

Erna Pardede

“Bow. Take it with both hands—nothing casual, and bow. Look at the card for a while just to make sure you know the person’s name and title.” Erna Pardede is describing proper Japanese business etiquette for receiving a business card. She works for Commercial Airplanes Supplier Management Field Operations with Boeing business partner Mitsubishi Heavy Industries at its factory in Nagoya. MHI builds wings for the 787 which are then delivered to Everett, Wash., for final assembly.

Pardede’s main task is to lead wing delivery activity from MHI to Boeing for final assembly. The task involves coordination with MHI, Kawasaki Heavy Industries, Spirit AeroSystems’ Tulsa, Okla., site and Boeing Everett—the main owners of the integrated wing product built by MHI. Pardede’s job includes liaising with MHI employees in engineering, manufacturing, quality and business.

Pardede, whose family is of Chinese descent, said knowledge of other Asian cultures is helpful, but she has also learned a lot during her year in Japan. Business decisions there, she said, are made on a team basis, not by individuals. This means planning enough time in a meeting for discussion. “Once I learned the value of providing the time needed for internal discussion, our meetings were more effective,” she said.

Pardede said there is one simple idea behind the cross-cultural communication she practices on the job: “When you treat people with respect, they treat you with respect. It’s important to make sure they understand we are in this program together.”

—Kathrine Beck

“... our customers in Japan tend to be sophisticated and detail-oriented, and to demand high quality ...”

Dai Murakami

Dai Murakami is at the front end of many customer discussions. For the past nine years, as director of Regional Marketing, he has been part of the “core” customer team, working with Sales and Contracts directors. Through his focus on Japan for the past five years and his previous experience as a performance engineer in support of Asia Pacific Sales, he’s developed a good understanding of the Japanese aviation industry.

“I’ve been nearly everywhere in the Asia Pacific region in my previous jobs, and while I can’t really compare airlines, our customers in Japan tend to be sophisticated and detail-oriented, and to demand high quality,” he said.

Because of the tendency in Japanese business to change work assignments periodically, Murakami said his business relationships are continually growing. “I’ve worked with some of my customers for over 10 years, which is a significant chunk of a person’s career,” he said. “It’s been really interesting to work with the same people in many different capacities, and it definitely adds to the depth of the relationships. I’m glad I’ve been able to stay with the same account for so long.”

—Bob Saling

Yoshi Tanaka

If there's any role at Boeing where building relationships matters, it's business development. That truth isn't lost on Yoshi Tanaka, Integrated Defense Systems' director of International Business Development in Japan. For him, supporting IDS in this market—a focus country for IDS, which sees international business playing a major part in its growth—entails building relationships that eventually involve forging customer desires, needs and limitations into a package that meets everyone's needs. "Cultivating close relationships with the key stakeholders is one of the most important reasons for having a country presence. Mr. Tanaka's primary responsibility is to do just that," said Joe Song, vice president, IDS International Business Development for Asia Pacific.

Yet these business opportunities represent potential for all of Boeing, not merely IDS. By promoting internal coordination among Boeing business units and companywide functions through weekly teleconferences and biannual strategy meetings, both major business units are working together in Japan to execute the One Boeing Japan Enterprise Strategy. That plan is aimed at growing Boeing's business overall and leveraging Commercial Airplanes and IDS for the betterment of Boeing.

"Just look at what we've done to make Japan's KC-767 tankers a success and keep customer satisfaction high," said Tanaka, recalling how IDS Support Systems, Commercial Aviation Services and Japanese carriers ANA and Japan Airlines worked together to locate a necessary part for the Japanese tanker program. "It requires BCA and IDS to work together as a team—and we're doing that daily."

—Hal Klopper

"It requires BCA and IDS to work together as a team—and we're doing that daily."