

## DRIVE in Japan (AVEX)

By Mike Huszar

### AVEX

In last month's newsletter, I informed you that we had the pleasure of visiting three manufacturers in Japan, including Toyota and AVEX, a tier two supplier of valves to Toyota. I described what we learned while visiting Toyota. This month I would like to share what we experienced and learned at Avex.

AVEX makes many different types of valves for Toyota, so there are numerous machining centers and grinders (post heat-treat) that machine to very tight tolerances. There is an extreme, intentional focus on quality. However, that's not what I want to share with you today. What really impressed us was Avex's focus on people.

First, when we visited the plant, our host set aside time for our team to observe their facility and identify improvement ideas. We then consolidated our ideas and reported those ideas to their leaders (the Plant Manager, a Group Leader, and a finance person). They were very interested in hearing our ideas for improvement and stated afterward their desire to conduct more exercises just like that one to get an outside perspective. In the west, we are always touring facilities for the first time, at the company's request, and often, as we are sharing what we see, we are faced with defensiveness at best and outright hostility at times. It was refreshing to see openness.

In the afternoon, we witnessed a presentation by the owner, Kato-san. His father was the founder of the company and had handed the ownership over to him decades ago. Today, Kato-san, although still on the board and the chairman of the company, is mostly retired and has handed over leadership to his son, the President. Kato-san is a no-nonsense, matter-of-fact leader who described his focus on people to us for hours. I think he could have presented for days. He was loaded with passion and enthusiasm when he spoke of his people. It was as if they were an extension of his family.



## HUMAN DIGNITY

Kato-san talked about managing with respect to human dignity. Some of it got lost in the translation, but it appeared that he was taking servant-leadership to the next level. He stated that human beings are not to be trained, but to be cultivated and nurtured, to exert potential that nobody knew they had. He obviously felt a great deal of satisfaction, pride, and even joy at the prospect of what he has done with the employees at Avex. He has created an environment that allows everyone to have a “rich life.” He considers the growth of every staff member to be the driving force behind the company’s development. Although he agreed that the company’s resources were People, their products/services, and capital, Kato-san placed the people at the very top of his list in order of importance. Many companies do place people first, based on the guiding principles on the wall, but very few walk them out in the hall. In other words, very few companies actually walk the talk of, “People are our greatest asset.” At Avex, Kato-san ensured that they truly do.

## FINANCIAL CRISIS

You see, in 2008, at a time that they called, “The Lehman Shock,” Avex lost 39% of their sales almost overnight. Kato-san was very concerned that his company could go bankrupt. In fact, he informed his wife that they might lose their house. His son wanted to lay off about 40% of their people, just like every other business that was being impacted by this economic downturn. Mr. Kato would have no part of that. He told his son that, although he had thought he was ready to hand over the reins of the company to his son, he couldn’t because his son harbored bad thinking that would prove to be detrimental. In fact, Mr. Kato waited several years before allowing his son to run the company. It was when Mr. Kato realized that his son’s thinking was “correct” that he allowed his son to take charge. There was no layoff with the 39% volume downturn. Every day, Kato-san would be at the bank, trying desperately to get cash, so he could pay his workers. Every single day! This took many months. Finally, he met with a banker who understood his thinking and covered the company’s financial needs until things stabilized. Today, revenues are almost triple what they were in 2008. The family atmosphere and loyalty at Avex are truly noteworthy. Kato-san said, “Nobody considered removing 40% of the machines in the factory, and we all had previously agreed that people are even a greater asset than machines. Why now, were people willing to remove people, our greatest asset?” Kato-san actually lists his people as assets on the balance sheet! Now that’s putting one’s money where one’s mouth is! How does he justify this? He stated that people can do many great things within a company, but two of the most important



are to find (surface) problems and to solve problems (permanent corrective actions such that the problem never recurs).

## NO REGRETS

The message that he sent to the company at that time was, “Let’s live a life of no regrets.” We don’t want to make any decisions that we will regret later. He focused everyone on finding and eliminating waste. Over time this focus allowed them to rebound even better than before 2008. His admonishment to other companies: Ensure all your efforts stem from profound thought and be determined to get things right, and you will become stronger. I’m not sure I can add anything to that. Here is a man who has truly lived it and come out on the other side as a prophet saying, “You can do this too.”

DRIVE is pleased to announce that we are hosting Japan study tours to AVEX, Toyota, and other manufacturers in Japan. The next trip is the week of May 7, 2017, with an October 2017 trip following. If you are interested in this facilitated learning event [click here](#), or for more information. You can also contact Paul Eakle at 865-323-3491 or via e-mail at [Paul.Eakle@DriveInc.com](mailto:Paul.Eakle@DriveInc.com).



Some members of the DRIVE team with Mr. Kato at AVEX in Japan.