

Case Study 6

I-GLOCAL

Based on the perspective of value creation, the company changed from an organization powered by one person, the founder, to an autonomous organization driven by employees

I-GLOCAL has a top-class track record of achievements in Vietnam as an independent accounting firm. It was founded by Mr. Yusuke Kaburagi, the first Japanese person to become a qualified CPA in Vietnam, and increased its earnings in tandem with the development of the Vietnamese economy. However, in anticipation of the future, it set out a policy to switch to a system that promotes autonomous growth by employees. The founder dramatically reduced his involvement in actual management, and thought that the culture, which was the company's strength, would be passed on when local employees took over as executives. This is the first case where the framework of value creation was implemented in a region outside Japan.

1 Background

Mr. Yusuke Kaburagi, the founder of I-GLOCAL, joined Arthur Andersen's Tokyo office, and after performing accounting audit work for three years, he became interested in working abroad and was transferred to Arthur Andersen's Vietnam office at the age of 27.

Vietnam at that time was in a period of transition to a capitalist system, and the economy was continuing to grow with rapid momentum. Impressed by the dynamic way the nation was developing, Mr. Kaburagi ended up feeling that he wanted to grow together with the growth of the country. However, since he was an expatriate, he had to return to Japan eventually. He left his former position at the end of 2002, as he was determined to become independent, and in September 2003, he set up a local subsidiary of an accounting firm that was the first to be established with Japanese capital in Hanoi.

I first met Mr. Kaburagi when he was still working at the Tokyo office. At the time, I was in charge of training brand new staff, and the fact that I was playing the role of communicating the culture of Arthur Andersen to the youthful Mr. Kaburagi may have been another fateful event.

Subsequently, we did not see each other because he ended up transferring immediately to Vietnam, but when he had just become independent, he visited Value Create once. At that time, we presented him with the framework that we had just completed and talked about value creation, but he did not seem to be inspired by it at that time.

Unrelated to this, Mr. Kaburagi's office grew strongly. At the time, Mr. Kaburagi was the only Japanese person qualified as a Vietnamese CPA who was active in Vietnam. While investment in Vietnam by Japan was increasing steadily, he was in the valuable position of being familiar with the local economy and business conditions while also understanding the structure of Japanese companies and Japanese people. Clients grew steadily, especially Japanese-affiliated companies, and in the year after I-GLOCAL's foundation, Mr. Kaburagi also opened an office in Ho Chi Minh and the number of employees suddenly increased to several dozen. In the meantime, I-GLOCAL grew to become a powerful accounting firm in Vietnam.

However, the more the company grew, the harder it was to manage based on Mr. Kaburagi's hands-on management style. In addition to the four offices in Vietnam, I-GLOCAL established a local subsidiary in Cambodia. Including the head office in Japan, the office network expanded to three countries. Moreover, competition ended up appearing in the Japanese-affiliated company market, where the company had been unchallenged, in various regions and the competitive environment also became fiercer.

Mr. Kaburagi, who realized it was time to change the management policy, delegated authority for the local subsidiaries to the main executives. He also decided to devote himself to the role of overseeing all offices in light of the business trend in the global accounting industry. Based on the guidelines brought from the Japanese head office, he expected that new forms of business that suited local conditions would be created at each office.

This aim was largely successful, but there were elements that also did not work. For example, staff that he expected to empathize with the company's way of thinking did not readily understand guidelines and messages. Mr. Kaburagi therefore began to seek some kind of way to lift the company to a new stage.

2 The situation surrounding management

Mr. Yusuke Kaburagi, the founder of I-GLOCAL, joined Arthur Andersen's Tokyo office, and after performing accounting audit work for three years, he became

Figure 6-9 I-GLOCAL up to 2009

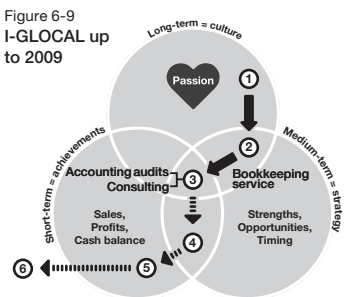
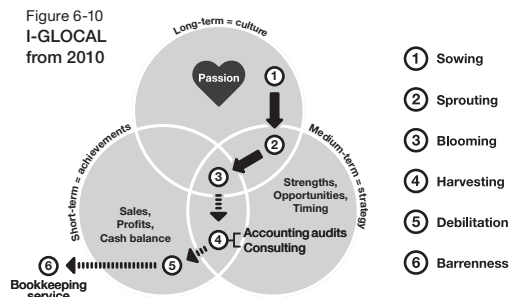


Figure 6-10 I-GLOCAL from 2010



interested in working abroad and was transferred to Arthur Andersen's Vietnam office at the age of 27.

Vietnam at that time was in a period of transition to a capitalist system, and the economy was continuing to grow with rapid momentum. Impressed by the dynamic way the nation was developing, Mr. Kaburagi ended up feeling that he wanted to grow together with the growth of the country. However, since he was an expatriate, he had to return to Japan eventually. He left his former position at the end of 2002, as he was determined to become independent, and in September 2003, he set up a local subsidiary of an accounting firm that was the first to be established with Japanese capital in Hanoi.

I first met Mr. Kaburagi when he was still working at the Tokyo office. At the time, I was in charge of training brand new staff, and the fact that I was playing the role of communicating the culture of Arthur Andersen to the youthful Mr. Kaburagi may have been another fateful event.

Subsequently, we did not see each other because he ended up transferring immediately to Vietnam, but when he had just become independent, he visited Value Create once. At that time, we presented him with the framework that we had just completed and talked about value creation, but he did not seem to be inspired by it at that time.

Unrelated to this, Mr. Kaburagi's office grew strongly. At the time, Mr. Kaburagi was the only Japanese person qualified as a Vietnamese CPA who was active in Vietnam. While investment in Vietnam by Japan was increasing steadily, he was in the valuable position of being familiar with the local economy and business conditions while also understanding the structure of Japanese companies and Japanese people. Clients grew steadily, especially Japanese-affiliated companies, and in the year after I-GLOCAL's foundation, Mr. Kaburagi also opened an office in Ho Chi Minh and the number of employees suddenly increased to several dozen. In the meantime, I-GLOCAL grew to become a powerful accounting firm in Vietnam.

However, the more the company grew, the harder it was to manage based on Mr. Kaburagi's hands-on management style. In addition to the four offices in Vietnam, I-GLOCAL established a local subsidiary in Cambodia. Including the head office in Japan, the office network expanded to three countries. Moreover,

competition ended up appearing in the Japanese-affiliated company market, where the company had been unchallenged, in various regions and the competitive environment also became fiercer.

Mr. Kaburagi, who realized it was time to change the management policy, delegated authority for the local subsidiaries to the main executives. He also decided to devote himself to the role of overseeing all offices in light of the business trend in the global accounting industry. Based on the guidelines brought from the Japanese head office, he expected that new forms of business that suited local conditions would be created at each office.

This aim was largely successful, but there were elements that also did not work. For example, staff that he expected to empathize with the company's way of thinking did not readily understand guidelines and messages. Mr. Kaburagi therefore began to seek some kind of way to lift the company to a new stage.

3 Human asset issues

I-GLOCAL at the time relied strongly on the personality of Mr. Kaburagi, but it would not be able to grow to a certain size or more if this situation always remained the same. Therefore, as Mr. Kaburagi was seeking to transform the company into an organization that could achieve autonomous growth based on the strength of employees, he actively hired local employees because he thought that his role was to make people grow.

The fundamental evaluation axes in this case were performance and achievements. I-GLOCAL had offices in three countries: Japan, Vietnam and Cambodia. There were locally hired Japanese employees, employees hired in Japan and transferred to local offices, and local employees hired in Vietnam and Cambodia respectively. As giving the impression that evaluation lacked fairness would adversely affect motivation, it was necessary to create opportunities fairly without discriminating based on nationality or employment conditions. Mr. Kaburagi thought that if all employees were equally ranked and evaluated based on their performance and achievements, everyone should accept this. This was a very simple way of thinking.

However, these personnel appointments were not very successful. One time, an

executive who had sufficiently performed and produced achievements was selected as a general manager, and when authority for the department was delegated to her, things seemed to go well at first. However, she treated people who did not agree with her coldly, and it was discovered that she had actually appointed people around her who were mainly "yesmen." Besides this, there were situations where staff who had been entrusted with the office's accounting because their achievements had been acknowledged were engaged in embezzlement, or if they were selected for promotion because they were considered to have produced achievements, they actually delegated everything to their subordinates and no longer functioned at all as soon as they were promoted.

Based on such failures, Mr. Kaburagi reviewed the personnel system. Then, in 2010, he established a group guidance system based on three trusted young executives and gave job titles to the main employees. After eliminating the extreme bias of authority, the company thus switched to a system that emphasized the autonomy of individual employees.

Nevertheless, this did not work well ultimately either.

There were employees who were motivated and had a positive attitude about actively taking on new challenges, but once there were no people to give orders, some employees ended up self-restraining their actions because they were afraid to make mistakes. Therefore, to encourage proactive endeavors and behavior, the company engaged in a repeated trial and error process by changing the personnel system and changing the evaluation system, but this did not have much effect. Sometimes, it seems that the company advocated and had employees recite in chorus corporate principles, corporate mottos and corporate philosophies borrowed from elsewhere, but this also had no effect and the work sites actually ended up becoming bored.

4 Introducing the viewpoint of empathy toward culture

When becoming resigned with the situation by thinking that differences in culture and customs were to blame, Mr. Kaburagi remembered the "invisible assets." Then, he and I met again in August 2012.

At this time, Mr. Kaburagi was researching various management methods in his search for a company that would achieve growth based on the autonomous actions of employees and was requesting interviews with everyone who could provide advice. As he empathized with the concept of invisible assets in this process, he paid me a visit.

We immediately talked to him about the framework of value creation.

What we said was the same as what we had explained ten years earlier. At that time, Mr. Kaburagi had not been impressed, but this time the situation was different. It appeared that he had found the factor he had lost sight of in the area of “empathy toward the company’s culture.”

Evaluation based on achievements did not work. So, what criteria should be used? How could employees act autonomously? The key to resolving this deadlock was empathy toward the culture.

The company should have promoted people who were motivated in terms of liking the company and wanting to make it grow. The energy that drove employees was passion and not based on authority or job titles.

Therefore, Mr. Kaburagi thought again about what the principle was that the company valued most. What came to mind was the phrase “Your growth is our growth.” This was also the behavioral principle that had motivated Mr. Kaburagi himself. In fact, Mr. Kaburagi founded the company based on the aspiration that he wanted to make himself grow together with the growth of Vietnam and built up the company with associates that he got along with while clients also strongly supported this passion.

Mr. Kaburagi, who returned to this aspiration, immediately added the question of whether employees empathized with the culture of the company or not to the items for personnel evaluation. In this way, when he selected people with high motivation for growth, which did not depend on their performance or job title, and tried giving them authority, results gradually began to emerge.

Originally, Mr. Kaburagi tended to promote the kind of people who would speak without fear, but the concept of praising people with high motivation for growth did not exist as a clear personnel policy. Therefore, he used 2-axis mapping of human assets and added the degree of empathy toward the culture as the official personnel system. Now, to make the criteria for achievements more specific, the

company has included involvement in reports and seminars as well as quantification of the degree of growth based on staff interviews in the criteria for personnel evaluation.

In regard to clients as well, by conducting analysis I can now clearly see that I-GLOCAL is doing mutually beneficial work with companies that have high motivation for growth and they are tending to associate with the company for a long time.

Consequently, the company has incorporated a management technique in line with the framework of value creation. For example, by using 2-axis mapping of customer assets, it allocates core people to loyal customers at the top right and has clarified the policy of thoroughly focusing on these clients’ expectations.

5 Conclusion

Once employees to whom authority had been delegated began to produce results gradually, signs of a change in the motivation of employees at the bottom right, who had not previously been active, also became apparent. Of course, there were also some people who left the company because of this, but people with a high degree of empathy toward the culture remained instead, and so the group of talented people at I-GLOCAL became more dominant than before. Within the company, the principle of “Your growth is our growth” was shared, people with high motivation for growth steadily grew, and with the influence of that growth, the entire company began to achieve autonomous growth.

As for clients as well, people at work sites had previously responded to clients based on judgments at hand, such as the number of complaints and the amount of remuneration, which had no relation to the axis of empathy. However, the company switched to a policy of focusing on loyal customers that empathized strongly with the company’s culture. Moreover, by overhauling the system for responding to customers and services as well, links with client companies have been strengthened further.