

Daily communication builds mutual trust.
Let's talk more.



Senior Executive Officer
Kenichiro Ito

Kenichiro Ito joined DENSO in 1985. He was assigned to the Air-conditioning Planning Div., and was in charge of cost planning. In 1997, he actively led the profit planning team of the Air-conditioning Business Unit. In 2011, he became Director of the Corporate Planning Div., and was later appointed Executive Director. He is CEO for North America, and concurrently serves as CEO of DENSO International America (DIAM). He has been in his current position since 2016. Since 2019, he has been serving also as Senior Executive Officer.

Profit planning for business growth

To ensure sustainable growth, a company's management must strike a balance between short-term revenue and future investment. That means profit planning must be challenging, yet feasible. I'd like to share my experience of the time I was in charge of profit planning for the Air-conditioning Business Unit, which was extremely challenging.

When I joined DENSO I was assigned to the Air-conditioning Planning Div. For a while I was in charge of cost planning for new products, then in 1997 I reached a turning point: I was 35 and an assistant manager. I was transferred to the profit planning team and put in charge of profit planning and tracking the results for the Air-conditioning Business Unit.

We decided to set KPI targets and create budgets which were feasible for nearly 20 departments, to enable the Air-conditioning Business Unit to achieve an ambitious target it had set for itself. We also had to monitor monthly results such as revenue, profit, and KPI, and take action throughout the business unit. I was in charge of PDCA for the entire business unit, including product development and manufacturing. I knew nothing about profit planning, which was different from cost planning in terms of operations and scale. At that time, the Air-conditioning Business Unit was a cash cow for DENSO, with high revenue and profit, and we were naturally expected to keep the profit at 10% or more. When I took over, I was overwhelmed by tremendous pressure like nothing I'd ever experienced before.

Another mission, new challenges

In 1999, the Air-conditioning Business Unit announced in its Long-term Plan that it would produce the world's best product that was compact and fuel efficient and that would satisfy global customers, and that it was aiming for a global market share of 30%. The main challenge was to raise the level of management of overseas group companies and thereby increase the global competitiveness. An entirely new consolidated management system was introduced in 2000 throughout the company, and this indeed helped improve the management of overseas group companies. Specifically, their profit and loss statements (PL) and balance sheets (BS) were consolidated by business sector to enable management by objectives (MBO) based on ROA.* This new mission brought about a dramatic change: in addition to the conventional revenue management, the efficiency of using assets had to be taken into account in profit planning. I had to work out how to do this, and solve many daunting challenges.

* ROA (return on assets):

This is an index of the profitability gained by using a company's assets. It is calculated by dividing net income by total assets.

Gaining the trust of various associates

As part of the profit planning team, I believed from the outset that it was essential to gain understanding and cooperation from other people so that I could take on leadership roles. I knew I had to gain the trust of associates in the business unit, otherwise no one would listen. In retrospect, I was able to do this by focusing on building trust with the head of the business unit, respective departments, and my team.

First, I had to gain the trust of the head of the business unit. He had just been assigned and had a very strong sense of responsibility. He was particularly harsh with people in the Air-conditioning Planning Div., who served as advisers for the unit. During one particular meeting, he shouted, "I don't understand what you're talking about!" at me and my supervisor.

One day, I was summoned into his corner office. I was nervous, but he asked me, "It's difficult to understand what they're talking about. Would you explain in simple terms?" He had probably asked me because I was relatively young; it was difficult for a man in his position to ask others. I immediately understood the situation, and was pleased that he relied on me. I clearly explained the technical terms used in accounting and planning, the definition of KPI, and the details of the BS related to ROA. I gained his trust gradually. Later on, I was summoned to his office again for something, and then I found that he had neatly filed the explanations I had previously prepared, so that he could easily find them. This made me very happy.

At that time, my supervisor told me "to build relationships so that you can talk on equal terms with managers who are two ranks higher than you for planning." I could directly talk and build trust with an executive who was four ranks above me. This experience greatly helped me overcome challenges.

I also focused on building trust with directors of respective divisions of respective departments and on-site associates. The profit planning team had to communicate with on-site associates and monitor the situation because we were responsible for drafting budgets and setting KPI targets for respective departments. I went to the site whenever possible and talked with each associate. They said I was the first person in charge of planning to visit so frequently. The genchi-genbutsu practice and face-to-face communication show what's happening on site in a way that's not possible through documents. Each problem in respective departments was clearly visualized. This helped me draw up realistic profit plans for the head of the business unit and directors of respective divisions and build strong relationships with on-site associates.

Profit planning requires teamwork with the whole section. When I was appointed manager in 2000, I had to build a strong team with 16 staff. To raise morale, I really worked hard on close communication. Although sometimes I was strict, I also praised and encouraged them at other times. I also listened to them when they

talked about their problems and tried to be kind when giving advice. This helped build strong teamwork based on mutual trust and meet the tight schedule in drawing up the annual plan. I still feel grateful to those team members.

The power of communication

Although we faced challenges every day, mutual trust built on close communication created a strong sense of unity throughout the business unit. We were committed to attaining the long-term and annual profit targets and contributing to society and the company, involving the head of the unit, respective divisions, and overseas group companies. Overseas group companies in the Air-conditioning Business Unit readily accepted consolidated management, and this helped globalize DENSO's operations from 2000.

In profit planning, we must accept the actual numbers and then set targets. Logical thinking is critical. However, it is our associates who must then take action to meet those targets. Communication requires both logical explanations and compassion to understand their situation, otherwise it is impossible to influence others and build trust. My five years of hard work, experience, and lessons laid the foundation of my subsequent career, including temporary transfers to North America and Italy and tackling new challenges in the Corporate Planning Div.

On a final note, I would like to give a message to readers who are having to cope with changes. Daily communication with associates around you is very important. The first step in building trust is to deeply understand them and think from their viewpoint. To change the company in the future, it is important to understand the past. My experience is just one example. By all means, let's actively create opportunities for communication between supervisors and subordinates and between senior and younger associates and widely share valuable experiences in order to learn about the past. If you are inspired by such experiences, please draw up your vision of "This is who I want to be" in the future. Creating a positive vision leads to the vitality of each and every one of you. When they all come together, I believe they will create a driving force for DENSO's future growth.

Learning from challenges

To make changes, it is essential to learn about the past. Learn from the experiences of senior associates and supervisors by talking with them on a daily basis. Find out what difficulties they faced and how they overcame them. Such knowledge is a valuable asset.



If you hear of impressive things through communication, develop a sense of ownership and reflect it in your current work. Also, learn about the past and have a clear future vision of yourself in five or ten years' time. Maintaining a positive vision increases motivation toward work and helps change the company.



message

Be motivated to work by learning about the past and developing a future vision.