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Koji Yamada in India (A): Managing an India-Japan Joint Venture

JapanNetworks Communication's Global Ambitions in the Mobile Phone Market

"Should I send the proposal for the revenue enhancement project (REP) to Tokyo?" Yuto Suzuki noticed a slight grimace on his boss's face as he asked the question. After a brief pause, Koji Yamada, chief strategy officer (CSO) of the mobile phone operator joint venture (JV) Shivani-JNC, gave his reply: "Yes. Send it in."

Despite his assent, Koji retained some internal misgivings. The REP was great; he was sure of that. He had designed it and he was confident it would increase the JV's revenue. The idea was to acquire high net worth post-pay customers by setting up a high quality, mid-tier plan, churning in customers from the competition and giving existing customers the opportunity to move up from their prepay plan.[1] JapanNetworks Communication (JNC) had tried some of the measures in Japan before creating the Shivani-JNC JV in 2008 with Shivani Mobile – the mobile phone subsidiary of the Indian telecommunications conglomerate Shivani Group (see **Exhibit 1**). The plan, which would be launched all across India, was sure to have an impact.

The ground teams in India, where Shivani-JNC carried out its operations, had also assured him of the plan's success: "This is exactly what we need to increase revenue," he remembered one vendor saying. Others on the grassroots level of distribution and sales had expressed similar sentiments. Furthermore, the CEO of Shivani-JNC, who had been told about the REP by Koji's superiors in Japan, was apparently pleased with the idea (see **Exhibit 2**). Despite this optimism from the ground level and the tacit approval of the CEO, he still had a knot in his throat.

[1] Prepay customers pay phone carriers up front for mobile service by purchasing a phone or a calling card with a set number of minutes and data usage volume. After the minutes/data are used, and if additional service is not purchased within a few months, the commercial relationship between the customer and phone carrier is terminated. Post-pay customers, on the other hand, pay for mobile phone service on a monthly, contractual basis. Post-pay plans are generally more expensive but offer higher quality.

This case was prepared by Fuyuki Saka, MBA Student, under the supervision of Professors Yih-Teen Lee and John Almandoz, with the assistance of Michael Cheely, Research Assistant, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. October 2015.

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He had received very little input from the mid-level Indian management partners in the JV. Though support from Shivani-JNC's CEO was necessary for the REP to be permitted to launch, it was up to the management partners to actually execute the plan. He had solicited their feedback of course, but all of his requests had been rebuffed. "We are very busy, but go ahead," or "Yes, yes. We wish you the best," were some typical responses. It did not help that most of their offices were in Delhi (where major Indian telecom players are based in order to be geographically close to the governmental regulatory bodies), but he worked hours away in Mumbai (where the Shivani Group has its headquarters).

The more that Koji thought about it, the more this aloofness on the part of the Indian partners distressed him. Rajiv Singh, the JV's influential chief operations officer (COO), had not responded at all. "Why wouldn't the Indian partners want to be involved in the process?" he wondered. There was obviously a need for the project: the performance targets for 2014 that had been set out in the 2008 shareholder agreement called for annual revenues of $678 million. They were currently forecast to reach around $350 million for 2011. Clearly, they had a lot of ground to cover by 2014. The REP, which introduces procedures for all stakeholders in India and Japan to collaborate as one unit with more cross-functional interaction, would simply be a first step toward reaching the 2014 targets.

After wrestling with the question for another moment, he convinced himself that the Indian management partners would see the need for the REP and would rapidly get on board with the plan despite their initial reticence. "Yes. Send it in," Koji repeated a second time, more for himself than for Yuto.

The Companies and the Industry

JapanNetworks Communication (JNC) was the long-time, dominant mobile phone operator in Japan, but it was running into trouble by 2008. New competitors had reduced JNC's market share to 52% and had caused a 26% drop in the company's operating income since 2002. The problems were only expected to grow more severe. Competition was expected to ramp up and Japan's mobile uptake rate (number of mobile phone subscriptions as a percentage of the total population) had already reached 80% and was projected to hit 100% by 2012. At that point, JNC would no longer be able to increase profits by attracting first-time mobile phone users. They would only be able to achieve domestic growth by churning subscribers from competing mobile phone companies, but this was a battle that JNC was already losing. It became clear to JNC management that if they wanted their company to continue as a top mobile operator, they would have to seek opportunities for growth outside of Japan.

The executives at JNC set their sights on India. It was a country with a rapidly growing subscriber base and an untapped potential for 3G technology. Furthermore, JNC's rigorous, data-driven marketing methods and sales and promotion experience would likely generate value in a country that was plagued with disorganized business practices.

Rather than selling their products and services in India directly, JNC opted instead to form a JV with a local Indian mobile phone company in order to take advantage of their knowledge of the Indian mobile phone market, regulatory framework and business practices. In November 2008, JNC took the first step with a $2 billion purchase of 25% of Shivani Mobile – a mobile phone subsidiarity of the multinational Indian conglomerate, Shivani Group. The Indian company's strong brand recognition, transparency in business and growth potential were seen as key assets. Soon thereafter, the two companies formed the JV Shivani-JNC and prepared to begin operations in the Indian cellular phone market. Except for the CEO of the JV (based in Mumbai), most of the personnel for operation, marketing and distribution were hired from previous competitors for the newly formed JV, and they were based in Delhi.

Shivani-JNC achieved impressive results almost immediately. They were able to launch GSM service in 2009, and continued the streak to launch 3G in 2010.[2] By December 2010, Shivani-JNC had an impressive 40 million subscribers, up from 30 million when the deal was made in 2008. Despite these positive figures, the JV was suffering from a whole host of problems by May 2011: communication between the Japanese and Indian partners was fragmented, the regulatory framework of India was in flux, operational expenditure was out of control and, most importantly, the company's revenue was far from achieving the targets set out in the shareholder agreement for 2014 (see **Exhibit 3**). Consequently, JNC decided to send some new representatives to India to take a more hands-on approach to achieving the revenue targets. Koji Yamada was given the position of CSO and sent to India in June 2011 to lead this effort. The REP was designed by the Strategy Department headed by Koji, as an increasing effort of JNC to address the issue of weak performance of the JV in terms of revenue over the past two years.

Koji Yamada

Koji Yamada, 55 years old, was born in Japan but he grew up in Mexico City and Philadelphia. He received degrees in economics and computer science from the University of Pennsylvania and Kyoto University. After graduation he began work at JNC and advanced rapidly from positions in domestic sales to international business. He spent over a year working on a company project in Bangladesh and impressed his superiors with his ability to involve himself at all different stages of any given process. He was as comfortable talking sales with the street vendors as he was discussing strategy with high-profile managing partners. His talent and strong determination caught the notice of his superiors and, in 2011, when Shivani-JNC was running into serious revenue problems, JNC's CEO gave him a call to offer him the position of CSO at the JV.

"Do they really want me to jump on that landmine? I thought I was getting a promotion, not a death sentence!" Koji said, only half-jokingly, to a colleague shortly after receiving the offer. In Koji's mind, the position was full of warning signs. The hypercompetitive, fast-growing Indian market was filled with legal and regulatory uncertainty. Furthermore, the home company's difficult financial situation and massive $2 billion investment in the JV meant that all eyes at JNC would be fixed on India. No slip-up would go unnoticed. Alternatively, if he could perform and turn the JV around, there would be no limits to his advancement at the company. He accepted the offer and headed to India.

[2] GSM, an abbreviation for Global System for Mobile Communications, is the second generation (2G) of digital cellular networks.