

Sumi Agro France



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I. Introduction to the Sumitomo Group

A. History

- Sumitomo was founded in the 17th century in Kyoto.
- The company prospered for two centuries in copper smelting, copper mining and trading.
- After the Meiji Restoration (1868), Sumitomo entered into various businesses such as coal, machinery, electric cable, forestry and banking.
- After World War II (1945), Sumitomo was split into several companies. The trading activities of Sumitomo were taken over by Sumitomo Corporation.
- Sumitomo Corporation became one of the main Japanese integrated trading companies (*sogo shosha*) along with Mitsui & Co. and Mitsubishi Corp.



I. Introduction to the Sumitomo Group

B. Key Data

- Sumitomo Corporation conducts commodity transactions in all industries and also provides related customers with various financing, serves as an organizer and a coordinator for various projects.
- Sumitomo Corporation has 38,000 employees on a consolidated basis and a direct presence in 71 countries.
- In the year ended 31 March 2004, Sumitomo Corporation had total revenues of JPY 1,709 billion (USD 16,429 million) and a net income of JPY 67 billion (USD 641 million).
- The company is headquartered in Tokyo and listed in Tokyo, Osaka, Nagoya and Fukuoka.



II. Sumi Agro France (SAF) within the Sumitomo Group

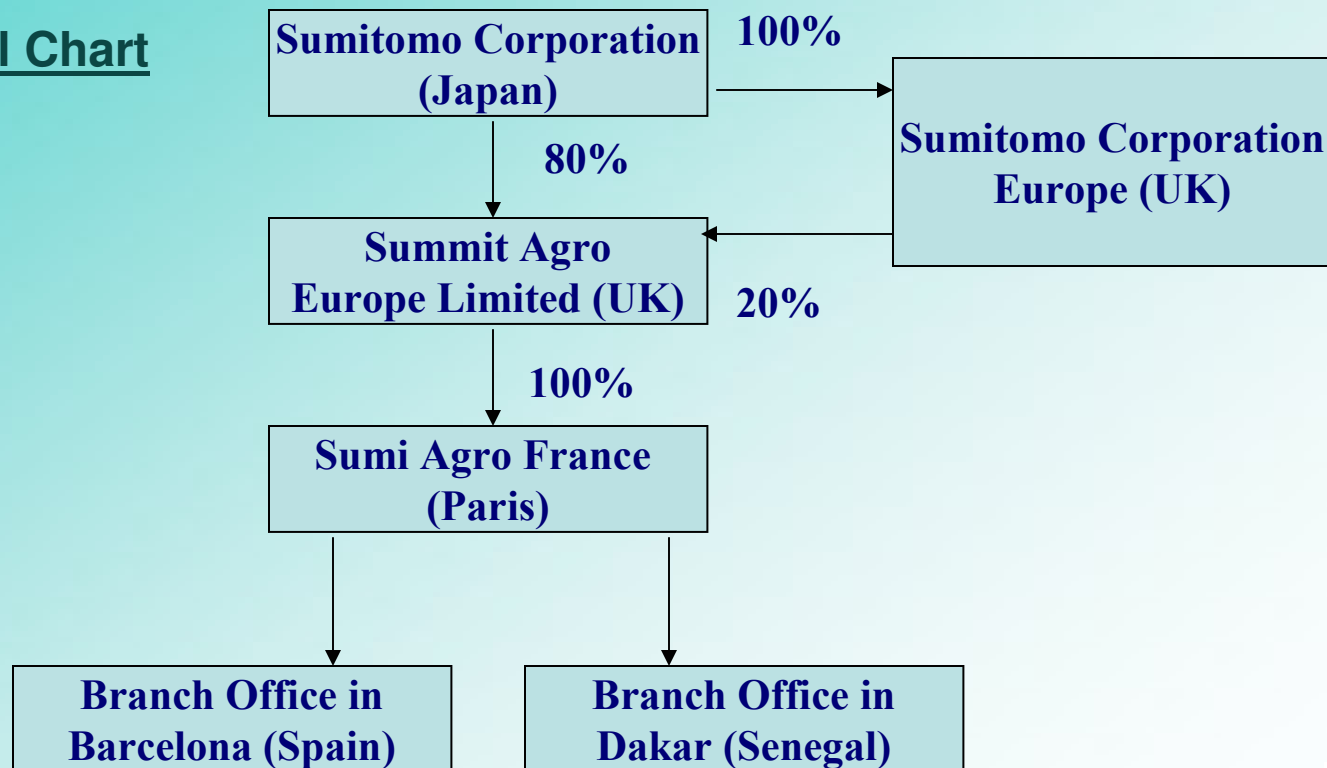
A. Overview

- SAF is a wholly owned subsidiary of Sumitomo Corporation established in 1996 in Paris.
- In 2004, SAF had 16 employees and a turnover of €33 million.
- Among the 16 employees, there were:
 - 14 local employees, including:
 - ✓ 10 French
 - ✓ 3 Japanese
 - ✓ 1 Spanish
 - 2 Japanese expatriates from Sumitomo Corporation, including the president
- SAF is too small to have a dedicated HR department and to give training to its employees. This is why SAF hires only experienced professionals, usually from the competition.



II. Sumi Agro France (SAF) within the Sumitomo Group

B. Organizational Chart



II. Sumi Agro France (SAF) within the Sumitomo Group

C. Business Areas

- SAF deals with two ranges of products:
 - Agro-chemical products
 - Public hygiene products
- SAF extends its sales network in two zones:
 - Zone 1: France & Spain
 - Zone 2: Africa & Middle-East



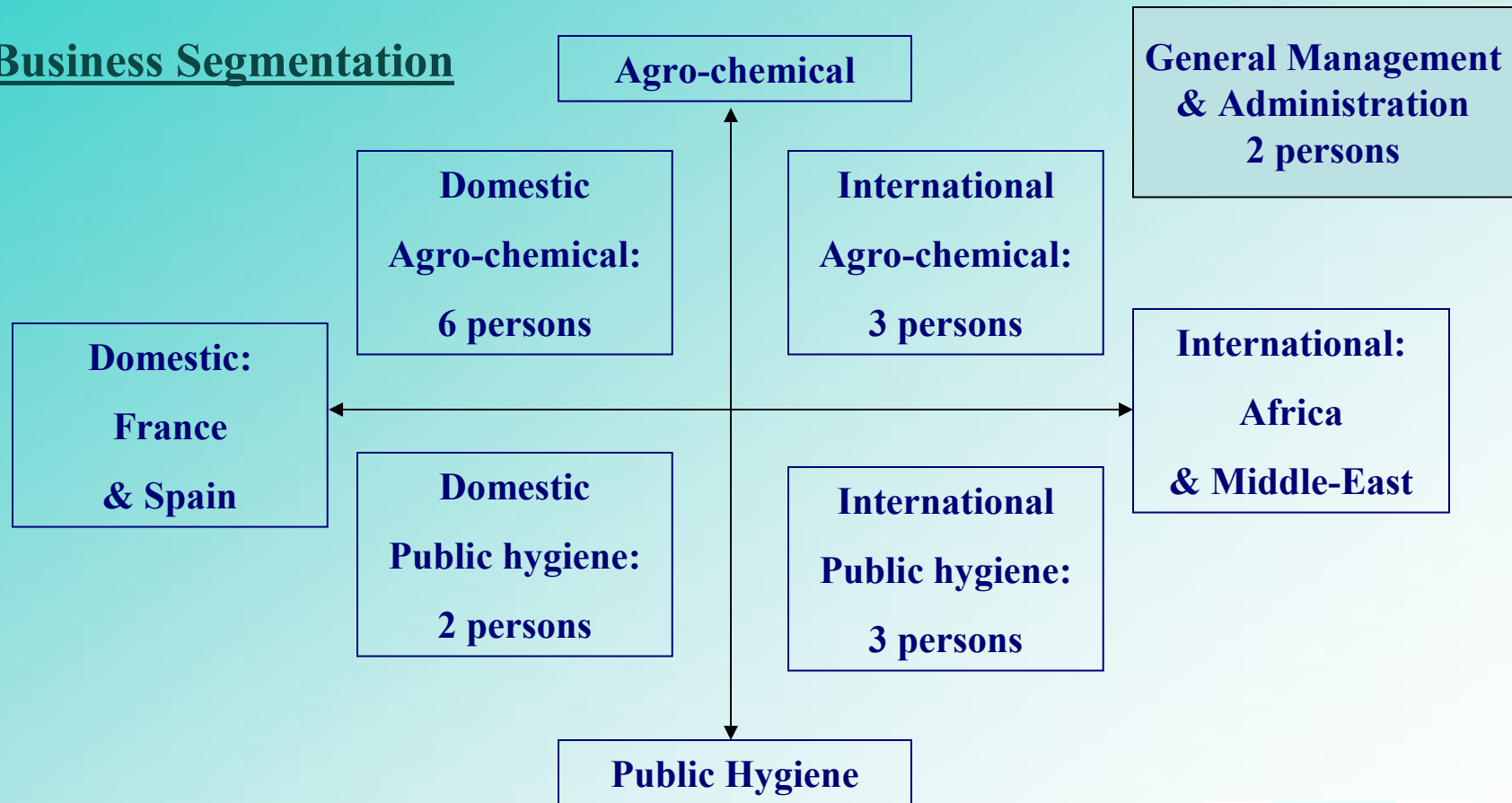
II. Sumi Agro France (SAF) within the Sumitomo Group

- In zone 1, SAF acts as a local distributor: it stocks products and sells them to final clients.
- In zone 2, SAF acts as an international trader: it is the link between foreign manufacturers and local distributors.
- Distribution is a low turnover / high margin business as opposed to trading which is a high turnover / low margin business.



II. Sumi Agro France (SAF) within the Sumitomo Group

D. Business Segmentation



III. HR: the point of view of the Japanese president

Kotaro Tameda (President)

Positive aspects of working in France

- France is a mature society.
- French are results (or output) driven; time (or input) is not the measure of success.
- Education level is high.
- The flexibility in working time introduced by the 35-hour week suits well with the seasonality of the agricultural business.
- Overall, mutual understanding between Japanese and French is excellent and productivity at SAF is high.



III. HR: the point of view of the Japanese president

Negative aspects of working in France

- Coming from Japan, France is a difficult country.
- French have longer holidays than Japanese (6 weeks per year vs 7-8 days per year on average) and work shorter hours (35 hours per week vs as long as required); even higher productivity sometimes cannot compensate.
- French usually do not make additional efforts if they do not have an incentive; achievement-based incentives are a primary human resources management tool .
- It is difficult to have internal meetings with all participants because of numerous holidays.
- At SAF, there is no trade union, but in other companies, trade unions' demands are sometimes detrimental to the interest of the companies and the society.



IV. HR: the point of view of the French managers

Sion Madar (Manager, Health & Environmental Products)

- Japanese work in open space. This is very different from the typical French working environment where people have offices separated by partitions. Therefore, French people working in Japanese companies feel they lack privacy.
- People work more at SAF than at French companies.
- Commercial managers have less meetings with the president at SAF than at French companies, therefore commercial managers have greater responsibility.
- Commercial managers have more autonomy than at French companies.
- Salaries at SAF are very competitive but social benefits are better at French companies (security, health etc).



IV. HR: the point of view of the French managers

Bernard de Braquilanges (General Manager for Commercial Department)

- SAF's working environment is very Japanese; the Japanese ask you the same question several times to assess your consistency.
- No clear organization, no clear job description.
- Administrative work and reports take a lot of time.
- Complete autonomy allows to freely explore and experiment.
- Japanese have a very cautious approach to business development as opposed to Americans who want to achieve high results in the short term.
- Salaries are competitive but there are not enough performance-based incentives.
- Very low turnover of employees i.e. over all satisfaction of employees with the HR management.



Conclusion: Doing business in France

- For a foreign firm, doing business in France is a necessity, as France is one of the largest markets in the EU.
- France is often criticized for its rigid labor laws and its heavy taxes.
- However, France remains overall a good business destination that boasts a skilled workforce, world-class infrastructures, a strong welfare and a stable economic and political system.
- In order to attract more foreign direct investments, France needs to further deregulate its economy, soften its labor laws and reduce taxes.



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GROUP ES2B

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