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When It Rains, Open an Umbrella

Nearly twenty years ago, soon after I left the president's post at Matsushita Electric to become chairman of the board, a young news reporter gathering material for an article asked to see me. He opened with a curious question. "Mr. Matsushita," he said, "your company has grown so incredibly quickly; what, in your opinion, is the secret of such successful growth?"

For a moment I did not know what to say. If there was some "secret" to the way we had prospered, I could not think how to put it in a few words. Then I hit upon an idea. I asked the young reporter. "What would you do if you were caught out in the rain?" My apparently irrelevant question took him by surprise. He hesitated, trying to figure out how to answer. Finally he came up with the sensible reply, "I would take out an umbrella, of course."

“Right,” I said. “When it rains, you put up an umbrella. That is the secret of prosperity, or rather, the knack of success in business and management.”

This view of mine has not changed for the past 20 years. It is only common sense to use an umbrella when it rains—otherwise one gets wet. It is a routine, natural response to a natural phenomenon. Any secret to successful growth in business and industry also means operating on a common-sense basis, in a natural, unforced way. In sales, for example, it is only logical to set a price on a product that takes into account the quality of the product and the situation, and yields a profit. That is one instance of opening an umbrella when it rains, in a business context. You must also collect the proceeds of your sales. If your merchandise does not sell well, it is not logical to force sales by ignoring profit. Give your products time; wait until they begin to sell again at your price, at which point you work hard to produce more. Again, that is just as sensible as an umbrella. If you follow this principle steadily without lapsing, it will automatically assure success in business and management.

Anyone knows enough to open an umbrella in the rain;

only someone very strange would just stand there getting wet. But this natural response seems much more difficult when it comes to business and management. As a result, people often make the wrong decisions from misplaced judgment, because they let selfish motives take precedence over common sense. They soon find themselves out in the rain with no umbrella.

A great many sales people try to undercut the competition by selling their products below cost, and others borrow funds while the proceeds from what they have sold sit neglected, waiting to be claimed until the customers ask them to come and collect the money. Those are not practices that lead to success in business. To earn a profit, you must sell goods at a price that is higher than wholesale cost. Before borrowing money, the sensible businessman collects all outstanding bills. Only after receiving the proceeds due him does he borrow money if, indeed, a loan is still necessary. That is the logical, common-sense way to operate. It is the way nature works.

It is all so simple when put into words, and abiding by such simple and ordinary practices faithfully and routinely is

the key to success in business and management.

That is more or less the conversation I had with that journalist, and it is a humorous story that he appeared to both understand and not understand what I was saying. However, I believe that is how things actually are, not only in business and management, but in most aspects of life.