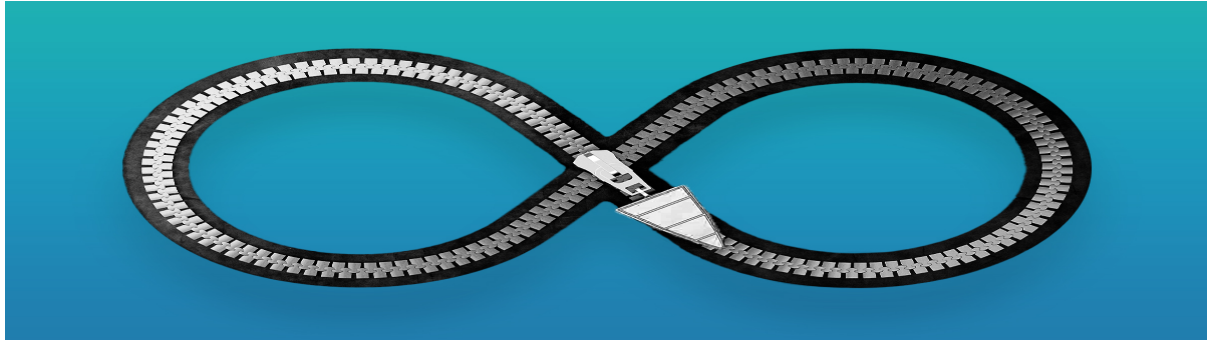


Harvard Business Review

Lessons in Longevity from an 88-Year-Old Zipper Company

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March 02, 2022



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Summary. Rarely does a company sustain its global industry leadership for more than a few decades, and most that do so are very well-known global brands. YKK, an 88-year-old Japanese manufacturer of zippers, is not a household name, yet it has quietly, and impressively, stayed atop of the global fastener industry for decades. It has remained relevant and preserved its leadership globally and in the U.S. market. What enabled YKK to do so well for so long? The authors examine how YKK has beaten the odds, and provide a possible roadmap for other companies looking to sustain a viable, profitable business in international markets. They also offer several areas of potential vulnerability which pose serious challenges to a company's pursuit of longevity.

In an era of fast-changing global markets, hyper-connectivity, heightened competition, and increased customer expectations, it's difficult to stay on top for long. Leading brands, such as Nokia, Blockbuster, Kodak, Borders, Sports Authority, and Toys R Us, have all fallen by the wayside, even as others are relegated to being small players.

It's hard enough to establish and sustain a business, let alone to maintain global leadership over time. In the U.S. alone, roughly 65% of companies fail during the first 10 years. In fact, only about 25% of businesses survive to make it to 15 or more years, according to the [U.S. Bureau of Labor](#). This begs the question: What are the differences between those that survive and thrive, and those that perish?

Organizational longevity relates to how well a firm succeeds across different markets over time, irrespective of its original objectives and founders. While there is a growing body of research on business resilience and sustainability, organizational longevity has often been overlooked.

Insights to Longevity

If you look down at the back of the zipper on your clothing, chances are you will see three small letters "YKK." Unbeknownst to most, YKK stands for the Japanese zipper manufacturer Yoshida Kogyo Kabushikikaisha, which roughly translates to Yoshida Company Limited.

YKK, founded in 1934, manufactures and produces approximately 10 billion zippers a year. The YKK Group consists of two main operations – the fastening business and the architectural products business. The fastening business, which includes the zippers it makes for the apparel industry, comprises approximately 40% of its global business. The architectural products business, which includes products for windows, doors, curtain walls, and even bridges and ocean clean-up products for the oil and gas industry, comprises the other 60%. It has impressively, and quietly, remained the market leader for zipper sales for many decades, begging the question: What contributes to its success and longevity?

We have studied YKK's American operations for the past three years. Our initial visit to YKK National Manufacturing Center in Macon, Georgia, took place in 2019. During the visit, we had a look behind the scenes, and conducted informal interviews with several executives and employees, including YKK's vice president of community engagement and corporate communications. We have also consulted industry experts and monitored YKK in the Georgia business press. In addition to the site visit, we are trained in field study methodologies and in extrapolating and combining primary and secondary data from internal (press releases, annual reports) and external sources (media reports, industry analysis, etc.).

YKK currently has operations in 73 countries through 100 wholly owned subsidiaries. Since its inception, it has endeavored to create "better products at lower costs and greater speed," offering a diverse array of products that includes zippers, plastic hardware, hook & loop, and snap & button. YKK sources its own raw materials and produces patented manufacturing equipment. This keeps the quality of its products high while also ensuring lower cost, predictability of supply, and protection of its intellectual property. Most importantly, it enables the company to respond quickly to customer needs.

From this point of view, it seems apparent that YKK has preserved its market leadership due to its ability to adapt to the needs of its customers, its focus on quality, and its utilization of an agile supply chain. Yet, to truly understand YKK's success, one must look beyond its focus on quality and giving customers what they want, which can be considered "table stakes," meaning few businesses succeed if they don't focus on these. Rather, the reasons for its continued success are more complex and mixed. We argue that the secret to YKK's longevity lies somewhere in a combination of six factors. While none of these factors are by themselves unique, together, they have a synergistic influence on the company's long-term staying power.

Let's examine how each of these factors contribute to YKK's ongoing success.

1. Commitment to stakeholders

In many ways, YKK was ahead of its time when its founder and chairman, Tadao Yoshida, declared that the company's philosophy should be that "No one prospers without rendering benefit to others." He called this the "cycle of goodness" and even trademarked the term.

As a result, YKK goes to great lengths to connect with stakeholders on a local, community and on a global level. During our site visit in 2019, we witnessed the amalgamation of shared values between the Georgians who worked the manufacturing center and the Japanese executives who ran the home office. YKK went out of its way to accommodate the Georgian's relaxed pace of life, conservative lifestyles, and "southern hospitality" with the prevailing values of YKK's home market, which include respect, dignity, and honor. This ability to identify and analyze local interests and stakeholders has allowed the company to expand internationally and assimilate seamlessly into different cultures around the world.

A key part of stakeholder engagement is giving back to the community and operating in a sustainable fashion. By virtue of their corporate values, YKK is further ahead than most in integrating sustainability into all aspects of its business. It started providing a yearly financial, social, and environmental report in 2017. In 2021 the company reported that it invested 2.5 billion Yen (U.S. \$23 million) on sustainability related investments and made a pledge to be carbon neutral by 2050. It also provides detailed metrics on advanced indicators like the recycling rate (82.3%) and CO₂ emissions (down 20% from 2018 baseline). YKK's recycling rate is exemplary. At 82.3%, it's well above the average in comparable industries (textile 14.7% in 2018, and clothing footwear 13%). It also means YKK already exceeded the EPA goal of a 50% national recycling rate by 2030.

2. Private ownership

Many privately owned companies at some point decide to either list publicly or sell out to large private equity firms. YKK did neither, which gives it plenty flexibility to decide its strategic direction without the constant pressure of quarterly returns.

YKK's financial statements reveal slow but steady growth through the years. Dating back 20 years, the operating profits of the fastening business fluctuated between 11% and 16%. The AP Group's profits fluctuated between 2% and 6%, and the group took a loss in 2009, during the economic downturn. These statements indicate that zippers provide the steady, if not spectacular, profits for the YKK group, while the architectural group allows the company greater scale, access to innovation and income.

YKK offers all of its employees an opportunity to participate in the ownership of the company as stockholders and even receive dividends. At present, the employees' stock ownership association is the head of YKK Corporation's shareholders.

3. Focus on quality

Since its inception, YKK has gone to great lengths to differentiate itself from others in the industry by setting a uniquely high standard of quality. One of YKK's core values is "insist on quality in everything," and, according to the company's own website, all of its business activities revolve around the assurance of quality. Each YKK production site conducts various quality tests and regularly reports these to the headquarters in Japan.

The YKK Group utilizes integrated production processes by developing its own production, materials, and manufacturing equipment. This keeps the quality of its products high while ensuring sustainable supply of materials. As mentioned, this approach also ensures that YKK can respond quickly to customer needs and special requests. Lastly, it leads to advantages in terms of quick, coordinated deployment of new methods and technologies. A quick scan on Google Patents reveals hundreds of patents filed by YKK and granted by the U.S. Patent and Trademark Office.

4. Company Values

Many of YKK's factories around the world are run by Japanese expats who export a strong, somewhat paternalistic, management style. The "cycle of goodness" is founded on the principle of fairness towards communities and employees, and this sits at the foundation of all their management activities. YKK's corporate governance system is further operationalized through its core values:

- Do not fear failure; experience builds success/creates opportunities for employees.
- Insist of quality in everything.
- Build trust, transparency, and respect.

While we touched on YKK's commitment to quality, the principles of trust, transparency, and respect also lend themselves to the creation of a strong company culture. Interestingly, YKK leads with the idea of failure being a good thing, believing that if the goals are set high, failure is inevitable.

YKK's strong organizational culture was on full display in the aftermath of China's entry to the World Trade Organization (WTO) in 2001. Around this time, all 59 brand name jean factories left the United States in favor of lower-cost manufacturing centers in China and elsewhere. YKK didn't want to shut the Georgia manufacturing center and lay off its 600 staffers. Instead, it offered its employees a deal: Agree to a universal 10% wage cut, while the company put in contingency plans, and we won't shut the site. With the help of the reduced payroll cost, YKK weathered the storm and was able to replace the lost business through diversification, new product innovation, and segmentation of its business.

5. Local embeddedness

Becoming locally embedded means adopting new cultural customs, norms, and traditions, acquiring new cultural knowledge and experiences, and learning and using new languages. In this manner, firms can overcome the so-called "liability of foreignness," and are viewed as an indigenous social and economic actor. Throughout its history, YKK has made a deliberate effort to establish strong local roots, and this has led to acceptance even in the most closed of markets.

YKK runs some key components of its business from its headquarters in Japan — technology, logistics, sales, and system processes — but operational control lies with the company's six regional organizations. This leading role of the regions ensures that decisions are made based on making the most of their respective regional characteristics.

YKK's focus on local even manifests itself in different operations within one country. In the U.S., for instance, where YKK has six manufacturing facilities, the firm successfully integrated the firm's traditional Japanese values with those of the local southern U.S. culture at its plant in Macon. Employees adopted YKK's traditional cycle of goodness while maintaining values such as a relaxed pace of life, a sense of informality, and southern hospitality. Finding ways to align the values of Japanese and Southern U.S. culture, the company focused on honor, devotion to family, and community to build its local company culture.

6. Dynamic adjustment to industry changes

When examining factors that influence a firm's longevity, one must consider the competitive landscape, rate of innovation, and technological change. The global zipper industry seems relatively static, but it's interesting for several reasons. First, zippers are a specialty item that is not marketed directly to consumers yet make up an integral part of the piece of clothing, bags, luggage, or similar items. Second, while the zipper industry is relatively obscure, it is also large, with annual sales in between \$7 and 13 billion (U.S.), with a CAGR between 5.4% and 7.6%. A big reason for the growth in the market for zippers is the continuing trend of customization, which plays well into hands of YKK and its focus on innovation.

The global zipper market is also highly fragmented, with many local and regional players, and competition along the traditional lines of cost, quality, and innovation. YKK is still the dominant global player, with 40% share of the global market by value and 20% by volume, but the competitive landscape is rapidly shifting. Specifically, the dominance of low-cost Asian manufacturers has intensified the competitive environment. In China itself, the ambitious SBS Group owns 73% of the local market and is copying some of YKK's tactics by filing more than 380 patents.

Lessons for other firms

Looking across industries, there is no question that these six factors apply to other, long-time successful multinational companies. For example, Coca-Cola's standardized quality, local bottlers, company culture, barriers to entry and commitment to its stakeholders have served it well during its many years atop the global soft drinks industry.

However, managers must also be mindful of potential vulnerabilities that threaten prolonged existence. For would be and existing champion firms, here are five key take-aways from YKK's example as they contemplate how to stay on top:

First, does private ownership lend itself to long-term stability or does it imply trading off substantial growth? For YKK, private ownership certainly contributed to stability and employee loyalty, but results for at least half its business (architectural products) have been underwhelming for a long time. Hence, managers will need to balance things that contribute to longevity, like good stakeholder relations, innovation, and wider reach, with the financial burden of doing so.

Second, the YKK case illustrates that diversification may be a good business move but it can come with downsides and other risks. In the case of YKK, one could make

the case that there is some cross-subsidization going on, as the areas outside the core business were not as profitable. In a similar vein, companies like Coca-Cola venture into water and juices, but these are not as profitable as soft drinks to the company.

Third, the YKK story begs the question whether building a highly visible brand is conducive to staying on top, or is it better to keep a low profile? YKK is well known to companies in the garment sector, but it is relatively unknown among consumers. Does this mean it is leaving something on the table? Conversely, for those with a prominent global brand like Nike – does it garner too much, sometimes unwanted, attention, which can hurt the long-term relevance of the company and force it play a more active political role?

Fourth, will a company's "local" and "employee-led" approach continue to serve it well as industries become more automated and lower-cost competitors compete with quality products?

Lastly, while a focus on sustainability issues is generally accepted as best practice, does it serve firms, like YKK, that do not market their goods directly to consumers? Similarly, as environmental, and social regulations evolve, will firms continue to see a benefit or will others who do the bare minimum reap the benefits of lower costs?

Staying — and remaining — on top in the competitive and dynamic global marketplace has never been easy. In today's world it is arguably more difficult than ever before. Yet, as the YKK case illustrates, there are several factors which can greatly increase a firm's chances of enduring success.

As the case also illustrates, these may require additional investments, leaving managers with sometimes difficult choices whether to sacrifice short-term profits in favor of long-term industry leadership and lower margins. Moreover, as a new era of industry 4.0 brings greater automation, customization, and standardized quality, it remains to be seen whether the factors that brought lasting success to firms like YKK will continue to be relevant in the decades to come.

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