

Overseas Strategy of Nissan Motor Co.

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Japanese-made cars have become the topic of conversation on innumerable occasions among many people throughout the world in recent years.

Such conversations cover varied subjects concerning Japanese cars, ranging from production engineering centered around the vital activities of industrial robots to lifelong employment, the Japanese way of management as symbolized by cooperation between management and labor, the diligence of Japanese workers, and the national character of the Japanese people.

These phenomena seem to have resulted from the fortunate fact that the world demand for autos has shifted to small cars against the background of the increasingly severe energy situation after the oil crises.

For many years now, gasoline has been very expensive in Japan as compared to other countries. Roads were not necessarily good, and extremely severe restrictions were imposed on exhaust gases, perhaps the severest restrictions in the world. Car production in Japan thus was inevitably concentrated on high-quality small cars consuming less fuel and generating fewer pollutants. Furthermore, as many as nine domestic automakers have been fiercely competing to develop high-quality small cars. This is the background for the high reputation Japanese cars have attained throughout the world.

Japanese automakers had long been maintaining an orderly export stance toward Europe and the United States, when trade friction with them developed into a political issue the Japanese Government announced measures to voluntarily restrict passenger car exports to the U.S. in 1981.

The voluntary export restriction was adopted as an "emergency evacuation" in view of the efforts being made by automakers in Europe and the U.S. to eliminate their industrial stagnancy. We expect that a new situation will be created in which such restrictive measures become unnecessary.

Nissan's Overseas Strategy

Cars as a commodity are restricted by the climate, weather, the structure of cities, people's sense of value, the needs of

each country, and other factors. It is important then for any automaker to offer characteristic commodities which can well meet the local needs. Since the 1920s U.S. automakers have established overseas production bases and have been trying to develop new commodities by seeing that they reflect local needs. They have been exerting efforts to directly combine their production activities with such needs.

As the auto industry is a key industry for many countries, the expansion of finished car exports will inevitably cause trade friction with them. Therefore contributions toward local economies will obviously become very important from now on.

Furthermore, as GM and other major U.S. automakers are now evolving strategies to work out small cars or world cars, the internationalization of the auto industry is an inevitable problem that Japanese automakers must cope with.

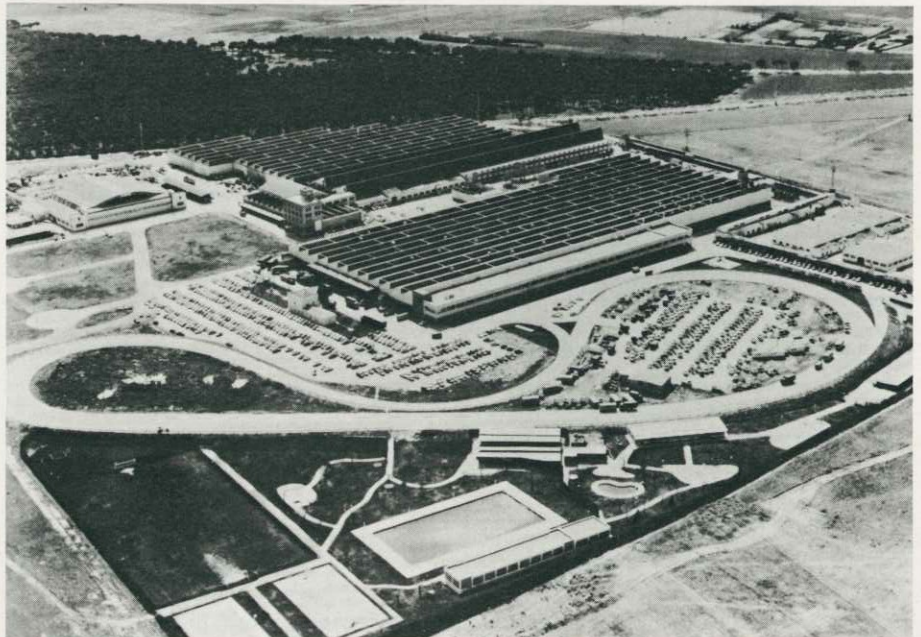
Nissan Motor Co. has been making every endeavor to promote local industries and create employment through projects such as auto production on a knock-down basis in developing countries in Southeast Asia and large-scale direct investments in Mexico and Australia. Consequently, Nissan's overseas production, including that on a knock-down basis, has finally assumed more than 20%

of its total exports. In addition, Nissan has worked out new overseas projects in recent years. These include the construction of a truck assembly plant in the State of Tennessee in the U.S., cooperation in many fields with West Germany's Volkswagen, a joint venture project with Italy's Alfa Romeo, capitalization in Motor Iberica of Spain, and feasibility studies on the proposed construction of a passenger car assembly plant in the United Kingdom.

Nissan Motor Manufacturing Corp. U.S.A. (NMM) is now constructing a new factory on the outskirts of Smyrna, Tennessee, which is due to start operation from August 1983.

As far as the promotion of cooperation with Volkswagen for which talks were started in the beginning of 1981 is concerned, a contract for manufacturing in Japan VW's new small passenger car, the Santana, was concluded last September as the first step in such cooperation. Nissan thus decided to help VW enter the Japanese market.

Meanwhile Nissan established, with Alfa Romeo, Alfa Romeo Nissan (ARNA) after signing a joint venture contract with the company in October 1980. According to the contract, Nissan will engage in development, while Alfa Romeo looks after production so as to materialize effective



Nissan produces four-wheel drive vehicles and commercial vans in the Motor Iberica Automobile Company in Spain.

management as well as to contribute to strengthening the Italian company's product lines. Preparations are underway at ARNA in order to start the production of a new FF small car from the spring of 1983.

As with ARNA, Nissan also decided to make capital investments in January 1980 in Motor Iberica, Spain's largest truck and farm machinery manufacturer. The decision was intended to build a base for producing commercial vans in Europe. Nissan has also concluded a technical assistance agreement with the Spanish company and has been extending positive support to it with its own technical and managerial knowhow. In addition, Nissan Motor is continuing diversified feasibility studies in the United Kingdom for the purpose of constructing a passenger car assembling factory.

As seen above, Nissan is taking a positive stance in promoting its overseas strategies on a global basis.

Nissan-made cars and trucks have been exported to more than 130 countries in the world under the trade name of "Datsun." Nissan is more widely known overseas by this trade name than by Nissan.

Meanwhile, however, through the development of its overseas strategies and its procurement of funds from international money markets, the name of Nissan, as the name of the company, is also becoming more and more widely known.

Nevertheless, as its cars have long been exported as "Datsuns," the brand has deeply penetrated the market, creating a situation in which in many cases Datsun does not directly lead to "Nissan" as an international enterprise. In order to evolve its business strategies on a global basis and continue its development for many years to come, Nissan has unified the brand name of export vehicles and



Nissan has been in production for over 10 years in Australia's Nissan plant.

those produced overseas to its company name, Nissan, so as to make the name well-known in every country of the world.

U.S. Truck Factory

In April 1980 Nissan announced its intent to build a new truck factory in the United States. The project is one of the most important managerial tasks for Nissan, which is actively promoting the internationalization of its activities. The company formed a project team for this project in 1974 and has been conducting various studies from a diversified viewpoint. As the announcement was made in 1980 in the midst of the trade friction with

U.S. automakers, there was a strong reaction from various circles, both at home and abroad.

Let us explain Nissan's idea of promoting overseas activities by taking the case of Nissan Motor Manufacturing Corp. (NMM) of the U.S.

Outline of NMM:

Established: July 1980

Authorized capital: \$375 million

Head office: The State of Delaware

Factory: On the outskirts of Smyrna, Tennessee

Model to be produced: Pickup trucks

Production capacity: 15,000 trucks a month

Production processes: Integrated processes including pressing, frame welding, body assembling, painting and final assembly

Total investment: About \$500 million

Employees: About 2,600

Start of operation: March 1983

Model Selection

NMM has selected a pickup truck as the model to be produced by this factory. A small-hood truck, the vehicle was developed by Nissan first in Japan and introduced into the U.S. market in advance of other Japanese automakers. The truck now accounts for some 20% of Nissan's total U.S. sales and the aggregate number of Datsun trucks sold in the U.S. already exceeds the one million mark. Nissan has exploited the new market for small pickups with the Datsun truck. Nissan is proud to have been a pioneer in this field, which is why the company has selected the pickup truck for production by NMM.



Santana, a major product item in the possible tie-up with West Germany's Volkswagen.

Furthermore, GM and other U.S. automakers have also advanced into this market recently. The scale of the market is rapidly expanding, which stimulates Nissan to exert more efforts for increased production of the model.

An Efficient and Human Production Formula

As regards production formula, Nissan has adopted a unique method that exactly fits its philosophy and is available only with Nissan. The company intends to contribute to the further development of the U.S. auto industry by successfully materializing high-quality and high-productivity output.

For this purpose, NMM plans to introduce many industrial robots into its production processes and make its factory the most advanced in automated production among all its factories throughout the world. Promotion of automated production leads directly to unified product quality, and at the same time reduces labor in unfavorable working environments such as pressing, welding and painting. Through this, employees can share more responsible jobs among themselves and improve their skills. In addition, a better working environment can be created in which they can exert their independence and creativity.

Management Centered On Local Employees

Highly advanced automation, thorough-going quality control and the creation of human working environments do not mean that the Japanese way of management will be materialized "as is" in the United States. At NMM, a majority of top and middle managerial positions are occupied by American personnel with President M.T. Runyan atop the hierarchy. Among them only a few Japanese members act as a channel for introducing the best of Japanese management into the operation with an American interpretation.

This is nothing other than an attempt to combine the best of Japanese management with the excellence of American management so as to realize new management with many possibilities in the U.S. This is what Nissan intends to bring about in its overseas managerial strategy.

Conclusion

The 1980s are expected to be a major transitional period for the world auto industry.

While U.S. automakers are shifting their emphasis to the production of small cars, competition among automakers throughout the world is expected to inten-



sify in the U.S. and other major markets along with the evolution of business strategies by automakers in Japan, the U.S. and Europe. As many automakers are still lagging behind their counterparts in coping with industry trends in this period of transition, friction has broken out among them. Against this background, however, many automakers are exerting strong individual efforts as they grope for chances to cooperate or conclude tieups with other automakers. These

moves are being intensified and facilitated.

It is my belief that these incessant efforts and the wisdom seen in moves by automakers throughout the world in mutual competition as well as in cooperation will lay the foundations for a new industrial order and international trade system, one that is both dynamic and sound, throughout the 1980s and into the 1990s. ●