Direct Overseas Investment

Chokai and Corporate Principles/

Matsushita Electric Industrial Co.

By Hayato Ishii

Every morning Fuego Island off the southernmost tip of the South American continent echoes with the song "A bright heart overflowing with life linked together. . . ." The lyrics are sung by Argentineans gathered at the Fuego plant of Matsushita Electric Industrial Co. Once they finish the company song, so familiar to Matsushita's workers in Japan, the employees fling themselves into pre-work exercises to the accompaniment of radio music.

The plant, National Panasonic Fueguina S.A., established in 1984, is still relatively new. And the first thing its manager did was to introduce the traditional *chokai*, or morning meeting system, used back home. It took him about a year to get this Japanese practice firmly rooted on Argentinean soil.

Not only on Fuego but at most of Matsushita's 93 plants and sales subsidiaries in 37 countries around the world, the *chokai* is a daily routine, beginning with the company song. Participating in the ritual are no fewer than 45,000 workers hired locally by Matsushita's overseas establishments. One may wonder why Matsushita's management sticks so tenaciously to the *chokai*. Says Arataro Takahashi, former chairman and corporate counselor, "A company will never fail to succeed if it abides by its basic management policy. Business goes awry where the *chokai* is not fully practiced." Matsushita Electric is known for establishing solid principles, as in the case of the *chokai*, and using them as the foundation for its management guidelines.

Akira Harada, Matsushita's former executive vice president (now senior adviser), takes as another example his company's two principles for direct overseas investment. One is the "principle of success," requiring that the overseas company be a competitive and profitable enterprise. The other is the "principle of coexistence," requiring that the company make itself welcome in the host country.

Matsushita adheres religiously to these principles when investing overseas. Referring to the possibility of semiconductor production in the United States, Harada argues that there are so many competitors in the U.S. "that we can hardly coexist with them. That's why a decision is still pending."

How can the principles of profit and coexistence themselves coexist? One way, says Harada, is to "supply parts and develop products where the company invests and make insiders of the people in the host countries.

"The days when parts could be shipped from Japan and assembled overseas are ending," he continues. "Parts now need to be procured locally to avert trade friction and lessen the impact of the yen's appreciation. We have to shift our management itself—right down to product design and development—to the host country. We can hardly be called an international business in the real sense of the word unless our managerial core extends from Japan, where we have our head office, to the U.S., Europe and Asia."

Matsushita has strictly observed this principle in much of its direct overseas investment. Matsushita Video Manufacturing (G.m.b.H.), or MVM for short, set up in West Germany in April 1986, provides Grundich, West Germany's largest VCR maker, with parts production expertise. The VCR components thus made by the German maker are supplied to MVM for assembly into "semifinished products." They are then sent to Bosch and Matsushita-affiliated VCR set makers for final assembly. Complicated though it may appear, this process is necessary if Matsushita is to coexist with local makers and make them "insiders" in its operations.

Another example was Matsushita's decision to modernize Matsushita Technical Center (S) Pte. Ltd. in Singapore this past February at a cost of about ¥400 million. The goal was to drastically increase the local procurement ratio of parts related to FA (factory automation). Similarly, the Matsushita Electric Institute of Technology (Taipei) Co. on Taiwan is developing Chinese-language word processors all on its own.

National Panasonic Fueguina employees begin work after the morning meeting held at most Matsushita plants and subsidiaries around the world.

By proceeding with such overseas parts procurement and R&D, Matsushita aims to achieve export, overseas production and domestic sales ratios of 25%, 25% and 50%, respectively. This target was set back in 1981 by Toshihiko Yamashita, then president and now executive adviser. As of the November 1986 period, the actual shares were 33%, 14% and 53%, respectively, with exports still outweighing overseas production.

"We expect our overseas investment to continue to increase," says Harada. "The scale of investment in each project will grow. And we also have to turn our eyes not only to America and Europe but also to developing countries. Developing nations," he stresses, "account for 80% of the world's population, but only 14% of GNP. They have great growth potential. Countries with large populations like China and India will be especially important."

Matsushita has reached an agreement with the city of Beijing to establish a joint venture for production of color TV tubes. In all, the company has about 100 direct investment projects in China under study. In the years ahead, Matsushita's direct investment in Asia seems certain to increase. ●

Hayato Ishii is a staff writer on the Economic News Desk of the Osaka Regional Office of Kyodo News Service.