Kentucky's Pride

By Hironori Adachi

It is more than three years since Toyota Motor Manufacturing, U.S.A. (TMM), the company where I work, started operations in Kentucky. Today, TMM employs 3,000 Kentuckians who are assembling 200,000 cars a year.

The first thing we did when we started the company was to draft a set of mottoes. The first was "to manufacture the best quality car in the United States." The second was "to devise a production and management formula unique to TMM, neither Japanese nor American, in order to produce the best quality car." The third was "to become a good corporate citizen as an American firm." Fortunately, these mottoes are all being put into practice today.

The biggest issue in discussions on the localization of Japanese companies seems to be the proportion of local citizens in management. TMM has three vice presidents, two American and one Japanese, under a Japanese president, and 12 divisions each with a general manager, of whom six are American and six Japanese. Most of the more than 20 department managers who work under the 12 division general managers are American. Most of the 70 Japanese staffers assigned to TMM from Toyota Motor Corp. in Japan are called coordinators. These coordinators, including approximately 40 engineers, help American division general managers and department managers deal with technology transfers and help link TMM to the "corporate culture" of the head office in Japan.

Operationally, TMM has put into force a system under which routine operations are entrusted as much as possible to American staff. In order to keep this system functioning as it should, Japanese and American executives above the rank of division general manager have been meeting in executive sessions once a week for the past three years, sharing information and hearing each other's views.

While the number of local senior executives is undeniably an indicator of the degree of localization, at TMM we also take the view that true localization means corporate behavior in which a foreign-affiliated company shares the advantages and problems of the community in which it is located and works positively to eliminate the problems. We also plan to move positively to promote local employees into the ranks of our senior executives and to greatly reduce the number of executives sent from Japan. We do not delude ourselves, however, that the true essence of localization comes from the mere numerical balance of different nationalities.

To help us accurately grasp the true nature of the community to which we belong, we have been holding informal monthly meetings with the mayor of our city. To get a feeling for the atmosphere of the local community, we asked our president to live in Georgetown, where TMM is located, while all our Japanese and American executive officers live in neighboring Lexington.

Our employment policy is not simply to hire Americans, but to give top priority to hiring citizens of Kentucky (who constitute 96% of our company's total work force). We make active efforts to be part of the community by having members of the company participate in 50 local volunteer groups.

One outstanding feature of TMM's community activities over the past three years has been the high priority we have given to improving the public welfare of the closest community where our plant is located. We have donated $1 million to the community center of our host county, and both our company and our employees donate to the United Way. By donating the first 10 Toyota cars off our assembly line to local charity organizations, we shared the joy of starting our business in the U.S.

To help overcome education problems facing the community, we have decided to donate $500,000 annually to the county over the next 20 years, and have established a $1 million library fund to help the University of Kentucky purchase books.

We are also committed to hiring minority group citizens and supporting environmental conservation. We have attained a minority ratio of 13% at TMM, compared with a ratio of minority groups to the total population of Kentucky of only 7%. We believe that we are the community's No. 1 corporation in hiring minorities.

The TMM plant in Kentucky. The first of TMM's three mottoes is "to manufacture the best-quality car in the U.S."

As for environmental conservation, after two years of preparation TMM established a nonprofit organization called "Bluegrass Tomorrow." This is a volunteer group that goes beyond the administrative divisions of the county to address the environmental problems faced by central Kentucky. We have successfully mobilized a wide range of organizations and people, including big enterprises, developers, racehorse farm owners, religious leaders and politicians, to become members of this organization.

Our efforts have already been recognized. TMM was named "Corporate Citizen of the Year" last year by the state government of Kentucky. Moreover, TMM will be commended in March this year by the National Conference of Christians and Jews, the local chapter of a nationwide citizens' organization, for employing minorities and for its contribution to the local community. In such ways, TMM is steadily solidifying its foundations in America as a local corporation.

Hironori Adachi is the executive coordinator at Toyota Motor Manufacturing U.S.A. Inc.

Malay Saga

By Kyo Fujioka

Malaysian car manufacturer PROTON will mark its fifth anniversary in July this year. The company was established at the suggestion of Prime Minister Mahathir Mohamad to manufacture a national car dubbed the "Proton Saga." Its official name is Perusahaan Otomobil Nasional Sdn. Bhd.

The Proton Saga project is the centerpiece of a series of industrialization projects launched by Mahathir since taking office in 1981. It is an ambitious, government-led undertaking designed to encourage the development of a national auto industry from parts to finished product.

Mitsubishi Motors Corporation and Mitsubishi Corporation are assisting PROTON in product development, plant construction, and guidance on plant operation and management. The two Japanese partners have found, however, that they often have to give political consideration to the policy line of the Malaysian government regarding such essential issues as the promotion of domestic production and building dealer networks.

The economic stagnation experienced by ASEAN countries in the past few years has stifled demand for cars. In 1987, Malaysia's demand for passenger cars fell to less than 40% of that of the peak year of 1982. A business upturn since the second half of 1988 has revived demand, however. New passenger car registrations were close to 80,000 in 1989, and in 1990 could reach the 90,000 level.

The auto slump dealt the Saga a severe blow. Production, which started in July 1985, was running far below capacity. Nonetheless, PROTON managed to steadily increase the car's market share, which has been running at more than 65% since 1987. PROTON was able to crank up production as soon as demand recovered in 1988. In August 1989 it introduced a two-shift working system.

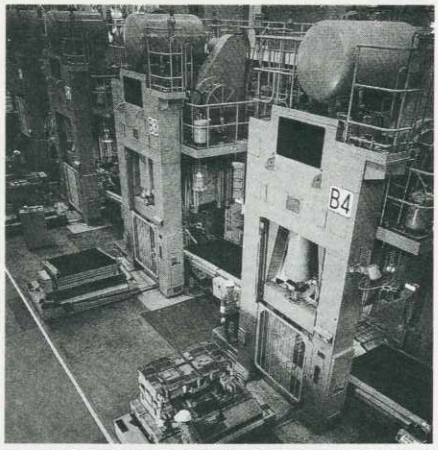
The Proton Saga project was initially intended to meet Malaysia's own domestic demand. But the drastic falloff in demand during the recession prompted PROTON to start exporting its cars to neighboring markets toward the end of 1986. Even that proved only a partial solution, as these markets turned out to be too small to absorb enough cars to keep PROTON operations going. And thus the company turned to Britain as a prospective new market.

PROTON started shipping the Saga to Britain in January 1989. To do that, it first had to solve numerous problems, including meeting stiff exhaust and safety standards. A task force of local staff, operating with the full support of the company and cooperation from its partner, Mitsubishi, was instrumental in making the company's first venture into an industrialized country a success.

Exporting to Britain was a big challenge for PROTON, equivalent to manufacturing its first car in July 1985. It not only involved the development and manufacturing of a product marketable overseas, but also required an entirely different approach to distribution and sales. The venture got off to a sterling start in March 1989. The Saga won a prize at the Birmingham Motor Show prior to actual marketing, and sales soared to 52,000 in just the first six months. Never before had an imported model sold so well in Britain in such a short time. Proton Saga's success in the British market has had a far-reaching impact on the company, not least in the tremendous boost it has given to company morale.

The Proton Saga project was intended not only to develop and manufacture a people's car with a Malaysian identity, but also to create an industrial base to support the future development of the domestic auto parts industry, which was in its infancy at the time. The breakthrough in Britain significantly accelerated auto parts production, in part because it was essential to get the benefit of British preferential tariffs on cars from developing countries in order to put the business on a profitable basis. To qualify for this treatment, however, the Saga's local content had to be 60% or more.

By the end of 1989, some 810 different parts, including sheet metal, were being produced in Malaysia, making its local content around 65%. PROTON began assembling engines domestically in June 1989. Although its technological level far exceeds that of other Malaysian assemblers, it has still been unable to launch



Malaysia PROTON manufacturing plant. There is a rapid transfer of automobile technology from Japan.

domestic production of parts requiring heavy investment and high technology. PROTON still must face a host of challenges, from the simultaneous domestic production of parts to developing dealer networks, as it copes with the still immature auto industry infrastructure in Malaysia.

From 1983 through 1985, more than 300 young PROTON engineers traveled to Japan to acquire expertise in modern automobile production techniques and to promptly transfer this technology back to Malaysia. After training at Mitsubishi Motors factories for six months to a year, the young engineers returned to PROTON headquarters, where they are now playing a key role in manufacturing the Saga and training a new generation of engineers.

Another factor contributing to the rapid transfer of automobile technology from Japan to Malaysia was the dispatch of a large number of Mitsubishi engineers. They have assisted the Proton Saga project since its inception.

Thanks to these concentrated efforts for technology transfer, all assembly line work and day-to-day business management at PROTON factories are already in the hands of local employees. Since August 1988 Mitsubishi nominees have taken over as president and other top management at PROTON, taking on the new task of nurturing future local top management.

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