

Illustrated

Global Wheels / Nissan Motor Co.

By Tsukasa Fukuma

"By the end of this century, we'll be doing everything overseas." This is the confident prediction of Nissan Motor Co. Executive Managing Director Atsushi Muramatsu. By "everything," he means that the cars for overseas markets will not just be assembled there but will be designed and developed there as well, with the local markets in mind.

As Muramatsu tells it, there are four stages as an automobile company seeks to grow beyond Japan. The first is to export completed vehicles, and the second to export knockdowns. In this second stage, most parts are supplied from Japan for local assembly. In the third stage, a large portion of parts and components is procured locally for local assembly. And in the fourth stage, it is local people who design and develop the cars to be manufactured locally and sold in local markets. Today in stage three, Nissan plans to make stage four in the next dozen years or so.

In 1986, Nissan produced 2.24 million finished vehicles in Japan. Of these, 1.31 million were exported, as were 208,000 knockdown sets. Adding overseas production of approximately 328,000 vehicles (including knockdown assembly) to exports, this gave Nissan total overseas sales of 1.64 million. About 20% of the Nissan cars and trucks sold overseas were also manufactured overseas.

Muramatsu points out that this overseas production ratio is moving steadily upward as overseas production facilities are built and expanded. "Typical of our efforts," he says, "is the plant in Smyrna, Tennessee." Nissan Motor Manufacturing Corporation U.S.A. (NMMC) began in June 1983 with the production of light pick-up trucks and had expanded to the production of passenger cars by March 1985. By June 1985, the company was turning out 15,000 cars and trucks a month, and by late 1986 this was up to 20,000/month or 240,000/year.

In the United Kingdom, Nissan has a plant producing small passenger cars for

the European market. Inaugurated in September 1986 by Prime Minister Thatcher, Nissan Motor Manufacturing (U.K.) Ltd. (NMUK) in Sunderland is already turning out 24,000/year, with production expected to top 100,000/year by 1991.

In addition to these showcase production plants, Nissan also produces about 74,000/year in Mexico, 43,000/year in Spain and 30,000/year in Australia—and, Muramatsu states confidently, "Nissan expects to double its overseas production ratio by the end of this century."

While these overseas production facilities are primarily serving their local markets, Nissan intends to integrate facilities in neighboring countries to form overlapping production and marketing blocs. For example, NMMC in the United States is even now using engines and transaxles from Nissan Mexicana, and NMUK gets parts and components from throughout the EC, including Motor Iberica in Spain. The same is true in Asia and Oceania, where Nissan Japan both supplies parts for assembly in Taiwan, Australia and elsewhere and imports parts for its own cars and trucks. "We see the three markets of Asia, North America and Europe as our main markets, and we are trying to have at least one major hub production facility in each market with radial integration with the other facilities in the region."

Muramatsu emphasizes that this global production strategy is already paying off for Nissan. "And the key to this success," he adds, "has been that we have promoted globalization not just in the tangible aspects of production but also in the intangibles of management and personnel. In the United States, for example, NMMC has only 13 Japanese employees in a total work force of 3,200. The management is all American. Of course, their decisions reflect head office policy and NMMC maintains the same high quality standards that we maintain at Oppama and other plants in Japan, but that does not mean that Tokyo runs the company.



A Nissan plant in Spain. Nissan is on the way to globalization of production.

"Marvin Runyon, the former Ford vice president who is now president of NMMC, says he doesn't think of it as Japanese management. Instead, he says he is taking the best of both management systems and integrating them for best results. This is especially clear in personnel policy, and our labor relations are very good in Tennessee.

"Even in the U.K. plant, which has a much shorter history, there are only 35 Japanese out of a total staff of 600 for a 6% ratio of Japanese to local employees. We are doubling the staff to 1,100 this year, and by 1991 the plant will employ 2,700, and the ratio will obviously be far lower. Indicative of the good management and high morale," Muramatsu says, "is the fact that absenteeism is only about 3%."

Nissan's overseas investment total to date of ¥400 billion represents 20% of the company's total global investments. Already high, this will likely go still higher with currency fluctuation. Explains Muramatsu, "We have to assume that currencies will continue to fluctuate, and that means we have to devise management policies designed to minimize currency risks and maximize our corporate profits. Expanding our overseas production is an integral part of this strategy, because it will enable us to match our cost and income currency mixes better."

Rejecting the "multinational" or "international" labels, Muramatsu characterizes Nissan as a "global" company. "We are well on our way to stage four. Already, we have a model that was designed by Nissan Design International in California, built in Tennessee and Japan, and is being sold worldwide." ●