Matsushita Electric Industrial: Big Abroad

The motto of the Matsushita Electric Industrial group is: "Global in Mind, Bold in Action." The group began its global expansion 30 years ago when it started setting up production bases outside Japan. These moves gained momentum with the sharp appreciation of the yen in late 1985, until today this granddaddy of Japanese corporate globalism maintains 60 manufacturing subsidiaries in 28 countries with a combined work force of 43,000. Throw in the employees of the group's foreign sales subsidiaries, and the total overseas work force comes to 52,000. Matsushita boasts not only one of the oldest but also by far the largest network of overseas operations among Japanese corporations.

Matsushita's main products include VCRs in the United States, electronic typewriters and printers in Britain, and VCRs and copiers in West Germany. Production lines of VCRs are being added to its original production lines in Spain and France. It is now shifting production to newly industrializing economies in Asia, including audio products produced in Singapore for export.

The shift to production in the Asian NIEs is not just an extension of Matsushita's previous overseas operations. It also marks a qualitative change in the direction of the full-fledged international division of labor. A case in point is MTV, Matsushita Television Co. (Malaysia), established this past June. MTV supplies parts and materials for Panasonic color televisions now produced in 30 countries including Japan. The average cost of these Malaysian-produced components, including transportation, is expected to be about 20% lower than at present, enabling Matsushita TV sets to regain their competitive edge over Korean and other NIEs products. In this way the move to Malaysia boosts the competitiveness of the Matsushita group worldwide. A color TV tube plant now under construction in Beijing is expected to do the same for Matsushita's supplies of TV tubes.

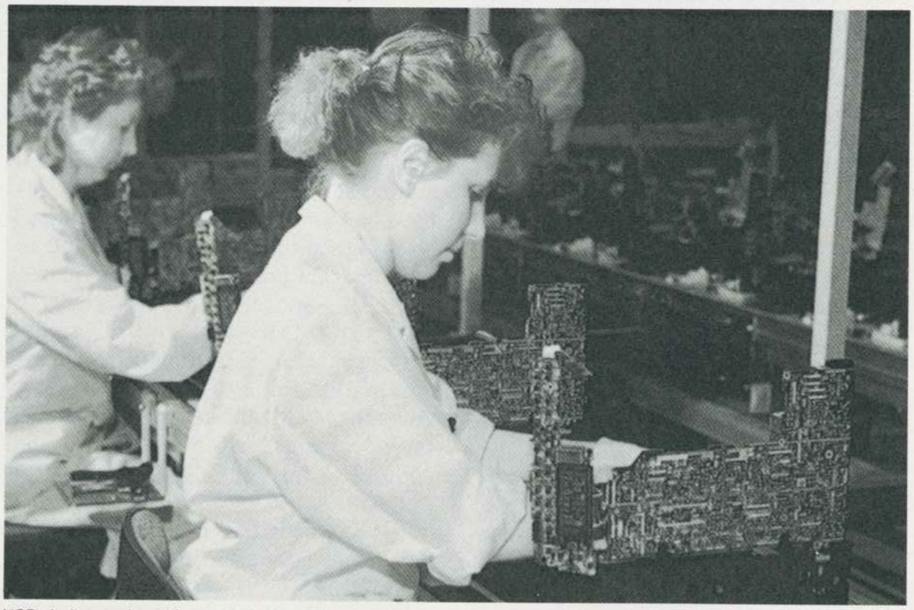
Another qualitative shift is the rise of homeward-bound exports from Matsushita's overseas subsidiaries. For example, 29-inch color televisions produced by Matsushita Industrial Co. in the U.S. are being exported to Japan, as are washing machines from Matsushita Electric (Taiwan). Last year such imports by the Matsushita group reached ¥130 billion, and the figure is sure to rise. While such imports help Matsushita cope with the strong yen, they are also promoting exports from the group's host countries.

Ensuring a welcome

The Matsushita group has a six-point guideline for overseas operations which call, for example, for the company to make itself welcome in the host country, promote technology transfers to foreign partners and train local employees. In compliance with this guideline, the group is trying to build a network of foreign manufacturing subsidiaries with the capacity to handle everything from product planning to design and production. There are already six such subsidiaries in Thailand, Taiwan and other developing countries. The basic policy goal is to infuse each overseas production base with sufficient production, technological and managerial skills to meet the requirements of globalization.

To Matsushita, overseas strategy is an integral part of domestic strategy. The overriding objective is to build a truly international enterprise capable of meeting global competition head-on. That was the reasoning behind the decision to absorb Matsushita Electric Trading, a group member in charge of exports and imports, back into the parent company this April. Regional headquarters have also been established in North America, Europe and Asia to develop an integrated strategy for the company's many subsidiaries in each of these key regions.

The regional centers are empowered to decide on matters previously reserved for the head office, including factory expansion and personnel affairs. This drastic delegation of decision-making power reflects a belief that production and marketing strategies can best be formulated on a regional basis. The establishment of these regional headquarters was matched



VCRs being made at Matsushita's West German subsidiary, M.B. Video GmbH by the creation of a center for overseas operations in the head office back in Japan. The basic objective of this liaison and coordination center is to promote Matsushita's global strategy developing of a worldwide network of internationally competitive subsidiaries.

Matsushita's bold international policy appears to be paying off. The group's total output abroad reached $3,330 million in fiscal 1987, nearly 70% up over the fiscal 1985 figure of $1,970 million. In the same period, yearly overseas investment by the group went from less than $100 million to $250 million.

But while Matsushita is putting in an impressive performance both at home and abroad, the company still must clear a major hurdle if it is to establish itself as a leading world enterprise in the 21st century. That hurdle is Matsushita's status as one of the world's top appliance makers. The challenge Matsushita faces today is to rebuild itself from the inside out as a high-tech enterprise.

Matsushita was late getting into automated office equipment, electronic parts and industrial machines. In part, it paid the price of its own success. Instead of expanding its frontiers, it fell back on its strong competitive position in home appliances. Matsushita actually pulled out of computers, on the grounds that electronics entailed high risk and required enormous investment capital.

Now Matsushita is trying to shift its emphasis from appliances to high technology. The yen crisis—the sharp appreciation of Japan's currency against the U.S. dollar—could not have come at a worse time, hitting Matsushita just as it was beginning to change course. But now that the crisis has been largely overcome, an air of cautious optimism pervades the company. The company's president, Akio Tanii, says, "There are no quick fixes. We can only go step-by-step, and make the most of our brain power." Already Matsushita is reducing the weight of home appliances in its overseas production and is expanding its electronics efforts. But it remains to be seen if the transformation will succeed. At stake is not just Matsushita's overseas strategy, but the future of the entire Matsushita group.

Mitsubishi Motors: Showing Results

In this age of globalization, the overseas strategy of Japan's automobile industry is attracting attention around the world. Mitsubishi Motors Corporation has been pushing hard in its overseas strategy, and showing results even though the strategy is fraught with delicate problems.

Two years ago Korean-made passenger cars began achieving explosive sales in the U.S. market. Hyundai Motor Co. began exporting its Pony Excel to the U.S. under the brand name of Excel in 1986, and sold 160,000 cars in the first 10 months. The following year, the Excel's U.S. sales exceeded 330,000. It then overtook Honda's Civic to become the best-selling model in America. On the strength of its low price and high performance, the Excel swept the U.S. market.

Although it is not widely known, the Pony Excel was designed and manufactured with the same production technology MMC developed to assemble its Mirage cars. Mitsubishi even supplies the Pony Excel engine and other principal components to Hyundai, in which the Mitsubish group has a 14% equity stake.

The number of Excels sold in America far outstrips MMC's quota for passenger car exports to that country. In a way, the Excel is a surrogate for Mitsubishi's own strictly limited exports to the U.S. market. And in fact, as the Pony Excel has galloped ahead, Mitsubishi's exports of car components to Korea have soared.

MMC also cooperates with Malaysia's people's car project, supplying engines and parts. The automobile industry in Malaysia has now grown so much it is aiming at exporting cars to the U.S. It is the same in Thailand. Although primarily an agricultural country, Thailand assembles cars and has started exporting them to Canada, with MMC help. In Australia, MMC took over Chrysler's passenger car assembly plant and changed its name to Mitsubishi Motors Australia; its Magna cars have been a hit. In India, Mitsubishi established a joint venture to turn out 12,000 small trucks per year.

MMC's activities are not confined to developing countries. In the U.S., it has a joint venture with Chrysler, and built a local assembly plant. In its first year the plant should turn out 180,000 cars, with Chrysler and Mitsubishi each taking half for distribution via their respective sales networks. Mitsubishi is thinking of "reverse importing" cars to Japan once the plant builds up some excess capacity. In Japan, through a tie-up with West Germany's Daimler-Benz, Mitsubishi will shortly start importing and distributing Benz vehicles in the Japanese market.

Bitter experience

MMC has moved so aggressively to secure production footholds all over the world largely because of its bitter experience with Chrysler. In 1971, MMC became the first Japanese automobile maker ever to enter into a capital tie-up with a foreign automobile corporation. The partner it selected was Chrysler. But the much-heralded tie-up did not turn out as expected. This was due partly to the skid in Chrysler's business, but it was also due to the fact that the terms of the agreement were so disadvantageous to Mitsubishi. The territory clause restricted MMC's exports, making it diffi-