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 difficult for it to retain its position as Japan's third-largest automaker. In the end, the company still had to go out and build its own sales network, years after its competitors had already established themselves in the American market.

The biggest reason for Mitsubishi Motors' present overseas campaign is to recoup lost ground. But problems remain. Take MMC's relationshiip with Hyundai, for example. When the sharp appreciation of the yen made it economically feasible to import into Japan cars assembled in labor-cheap Korea, Mitsubishi announced it would market Pony Excels starting in 1989. A labor dispute at Hyundai disrupted the production schedule, however, and in the end Mitsubishi imported only 150 Excels to commemorate the Seoul Olympics. In connection with Mitsubishi's imports of the Pony Excel, Hyundai has asked MMC to reduce its own exports of Mirage cars to the U.S. Furthermore, as the yen's appreciation has sent import prices for car components soaring, Hyundai has been moving to raise the domestic content of its cars and is going to cut back on procurement from Mitsubishi Motors.

The tie-up between Mitsubishi and Hyundai began as a relationship between equals. It materialized out of talks between Hyundai Group Chairman Chung Ju-Yung and MMC Chairman Tomio Kubo in 1981 when the Korean economy was still in the doldrums. In order to conclude the tie-up, both overrode dissenting views in their respective companies. At that time, some people warned that Korean cars would squeeze Japan's U.S. market share if Mitsubishi helped out Hyundai. Mitsubishi, however, concluded there would be no boomerang effect. No one ever imagined that the day might come when they would try importing from Hyundai due to a strong yen.

Looking only at production costs, assembly in a cheap-labor country is not really such a money maker if the main components are still made in Japan. The fruits of reverse imports appear only when the overseas partner becomes capable of producing its own low-cost, high-quality automobiles with the help of Mitsubishi technology.

Yet it is open to question whether MMC can continue to invest capital and technology long enough for its overseas partners to grow strong enough to be able to do so. Fostering the abilities of the local automakers with which it does business and finding ways to incorporate them into its global strategy are tasks which will test the strength even of Mitsubishi, the most outstanding corporate group in Japan.

Daiei: Buying the Best

The business policy of Daiei Inc., Japan's largest supermarket chain, has stayed constant for years: "Good products at lower prices for a more affluent society." In line with this corporate slogan, the watchword on the procurement of merchandise is "purchase from the best source, regardless of national borders." In its drive to offer consumers better products at lower prices, Daiei has established a system for finding such products anywhere in the world.

Daiei launched its globalization strategy more than a decade ago. Beginning with a tie-up with Swift & Co. of the U.S. in 1972, Daiei has successively established links with J. C. Penney Co. of the U.S., Victoria Station of the U.S., Au Printemps S.A. of France and K mart Corp. of the U.S. The earlier tie-ups were aimed at acquiring technology and know-how for advancing into new fields. Recently, however, the emphasis has been on procuring goods.

For anyone who has followed Daiei over the years, this should come as no surprise. In September 1979, Daiei convened a meeting of its board of directors in Los Angeles. Only English was spoken from beginning to end, even though there was not a single foreign director on the board. At the meeting, Daiei President Isao Nakauchi stressed that "from now on, the world will be the stage for our business activities. Until now, only a handful of our staff in the international division have been involved in international business. From now on, as many

One of the bicycles Daiei is importing from Taiwan.