Calsonic: Hometown Feeling

By Atsuyuki Suzuta

The Calsonic Technical Center in Arizona, one of the company's tripolar network of technical centers

Most parts makers follow the footsteps of their parent companies in starting overseas ventures. Calsonic Corporation, formerly called Nihon Radiator Co., is an exception. This company went overseas before Japanese car assemblers, with the aim of becoming an integrated car system maker catering to automobile manufacturers all over the world.

It was in 1972 that Calsonic, a manufacturer of parts such as radiators, mufflers, car heaters and car air-conditioners, launched overseas operations with the establishment of its representative office in Los Angeles.

Japanese car exports were expanding at a great pace and the company thought there would be strong demand for automobile parts for after-sales service to purchasers of Japanese cars in the U.S. The Los Angeles office was aimed at conducting a market survey to measure the demand for follow-up servicing and car parts and to study how to meet the demand. The conclusion reached after a two-year study was that "a local subsidiary must be established immediately to start production of parts in the U.S."

Averting friction

Managing Director Kentaro Arai, who was responsible for the survey as general manager of the representative office, reminisced, "In those days, Japan-U.S. trade friction had surfaced in the textile and TV industries. I concluded that production in the U.S. would become inescapable not only for Japanese automakers in order to avert friction with the American car industry but also for our company to survive."

Four years after the opening of the representative office, Calsonic Inc. was established and started assembling car air-conditioners in a plant constructed in the suburbs of Los Angeles. It also started to provide a follow-up service. Originally, the assembly plant was constructed to manufacture air-conditioners to be installed in cars exported to the U.S. by Nissan Motor Co. This was seven years before Nissan Motor started assembling its cars in the U.S.

The cost of maintaining a representative office abroad could be dismissed as a PR expense. When local assembly was started, however, it became necessary to make the operation pay. It was also necessary to satisfy a U.S. request regarding the local content.

Because the quality of U.S.-manufactured parts was not good enough, parts had to be shipped to the U.S. from Japan. Calsonic experienced various kinds of problems and strains in carrying out local production. These valuable experiences contributed greatly to its acquisition of a wealth of accumulated know-how as regards overseas production.

In step with Nissan Motor's start of car production in the U.S., Calsonic Corp. established Calsonic Manufacturing Corp. in Shelbyville, Tennessee, and started the manufacture of a variety of parts, such as radiators, heater systems, exhaust systems and converters.

Then it established Calsonic Yorozu Corp., making press parts and stamped assemblies, jointly with a Japanese press parts maker, and expanded the range of parts manufactured in the U.S.

Calsonic Mfg. and Calsonic Yorozu are now supplying automobile parts not only to Nissan Motor but also to Mazda Motor Corp., Fuji Heavy Industries and Isuzu Motors, as Japanese automakers' production in the U.S. increases. Moreover, they supply auto parts to American automakers such as General Motors and Ford.

Calsonic established a joint venture with GM, Calsonic Harrison Co., in Japan in 1986 to manufacture compressors for car air-conditioners. This year it has decided to establish a joint venture with GM in Tennessee to manufacture motors for car air-conditioners. Calsonic is now aiming at evolving from a local Japanese auto parts maker into a world-class auto parts maker.

Besides a joint venture in the U.S., it has joint ventures in Britain and the Netherlands which are currently manufacturing mufflers. They plan to expand their line of products to eventually include radiators and air-conditioners. Calsonic has joint ventures also in Taiwan, South Korea and Australia. It has more than 30 group companies in 10 countries, including some to which it is providing technical assistance.

A tripolar network

A point worth noting in connection with Calsonic's globalization strategy is that it is pushing a plan to establish a tripolar network of technical centers, a worldwide development setup linking Japan, the U.S. and Europe. The initial step toward realizing this plan was the establishment of a technical center in Arizona that opened in May 1988.

The Arizona technical center serves as the development and design department of Calsonic International, the holding company of Calsonic's U.S. subsidiaries. The center is engaged in development, design, trial manufacture and testing as well as market research of auto parts manufactured by affiliated companies in the U.S.

A testing facility has been also constructed in Arizona. This is the first testing facility ever constructed overseas by a Nissan Motor group company. It is designed to develop products which can

fully satisfy American users' needs by conducting various tests in the same environmental conditions in which local users actually drive their cars. Because this testing facility is located in Arizona, the hottest state in the U.S. during the summer months, conditions similar to extremely hot places in every part of the world can be simulated to test heat-resistance, air-conditioning efficiency and driving functions of parts and vehicles.

The construction of such a test facility shows that Calsonic's overseas operations are not merely to construct auxiliary plants. It is based on Calsonic's desire to build an ideal automobile system that can meet different conditions in different places as to weather, climate and the way people use cars, in collaboration with car assemblers from the very start of development.

In Japan, Calsonic established its main development center in its Sano Plant in Tochigi Prefecture. It used to set up a development division in each plant according to each product line. Now that the auto parts industry is becoming oriented toward systematizing production, Calsonic concentrates all development divisions in one place for greater efficiency.

Its technical center in Europe, located in Tyne and Wear, Northeast England, started operations in July this year. Calsonic's global network of technical centers has now been set up. This tripolar global network is the company's new technical development system to meet the needs of the 21st century through mutual use of each center's R&D results and exchange of information.

The future target of Calsonic's globalization strategy is the efficient linking of production bases constructed all over the world. The current production setup will be restructured so that some parts can be produced centrally in the U.S. and supplied to Japan and Europe, while other parts manufactured in Australia will be supplied to the U.S. and Japan. It is a system of flexible supply and mutual use.

Conditions vary in different parts of the world. For instance, labor costs differ from one place to another, foreign exchange rates fluctuate, and there is disparity in production costs between different countries. The idea is to devise the best combination.

The ratio of overseas production will rise rapidly in the future. The globalization strategy is to make Calsonic's overseas production bases acclimatized to their respective local markets and to build up a network of overseas production bases so that products manufactured in different places can be exchanged for mutual use in order to raise efficiency. This may be the "finishing touch" to the globalization of Calsonic in its attempt to evolve into one of the world's leading auto parts makers.

Flexible thinking

Flexible thinking is observed in every part of Calsonic's globalization strategy. One good example of this is its overseas corporate management policy, which aims at creating a new corporate culture, instead of implanting Japanese-style management overseas.

The behavior guidelines for putting Calsonic's corporate ideal into practice are "love," "courage" and "creation." The same guidelines apply to both Japan and the U.S.

Calsonic's corporate philosophy is: all its employees are members of one family. There is no discrimination at all in treatment between locally hired employees and head office personnel assigned overseas on temporary duty.

Calsonic thinks its employees are members of a big family and that the bright promise of the company can be realized only when every one of the family members is engaged in work with a managerial attitude. This thinking has helped its quality control (QC) efforts produce good results.

Calsonic introduced QC with the philosophical approach of "why is QC necessary now?" rather than "what is QC?" The company believed that attitude was more important than technical theory. Therefore, it told its employees time and again how important the thorough application of QC was in order to ensure them a stable income.

In Calsonic, QC is called "humanistic quality control" (HQC). It is a unique QC concept based on family consciousness. In November last year, by which time HQC had firmly taken root in all Calsonic organizations, all affiliated companies around the world assembled for its first world convention of QC circles.

The family consciousness implanted deeply in the minds of all Calsonic employees has proved highly effective in the company's relations with local communities. Each Calsonic organization overseas forms a community advisory board and asks more than a dozen prominent personalities in the local community, such as the city mayor and the president of the regional chamber of commerce and industry, to become members of this board.

The company believes that lack of information can lead to questions arising in the minds of local people, and the board meets every two months to exchange information. Mutual confidence fermented through talks at these board meetings encourages an awareness in the community that Calsonic is a "hometown company."

When a group of visitors comes to inspect a Calsonic plant to make a preliminary survey for purchasing parts, the local mayor will often greet them and urge them to purchase Calsonic parts. This illustrates how Calsonic has been fused with the local municipal family. It is one of the elements which are essential to making a company's globalization successful.

Calsonic may be regarded as a test case of a Japanese car parts maker trying to evolve into a global enterprise by coordinating its relations with car assembly makers. The road to becoming a global enterprise often leads to lowering of a company's dependence on the parent company, and the balance between stability and earnings becomes a big problem. The know-how needed for controlling affiliates all over the world is different from the know-how needed for running a big business at home. Calsonic may well show, through its actual achievements, what is needed for a successful global operation.

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