

**ONZIEME RENCONTRE INTERNATIONALE DU GERPISA
ELEVENTH GERPISA INTERNATIONAL COLLOQUIUM**

Les acteurs de l'entreprise à la recherche de nouveaux compromis ?
Construire le schéma d'analyse du GERPISA

Company Actors on the Look Out for New Compromises
Developing GERPISA's New Analytical Schema

11-13 Juin 2003 (Ministère de la Recherche, Paris, France)

**AFTER THE LOSS OF JAPANESE AUTONOMY. THE MERGER OF
NISSAN/RENAULT AND MAZDA/FORD IN COMPARISON**

Holger BUNGSCHE, Thilo HEYDER

Not much longer than a decade ago, the scenario would have been unimaginable: An European car manufacturer is taking over one of the three major Japanese automobile producers. And supposedly nothing would have been more unrealistic at that time than that of all it is the French company RENAULT that is assuming control over the Japanese giant NISSAN. Despite the strong stake of the French State in RENAULT, who, in the late 1980s and early 1990s, would have honestly been so daring to bet on the survival of RENAULT at all?

Less surprising was the second foreign acquisition of a Japanese car manufacturer. When, in 1996, the FORD Motor Company finally put herself in the driving seat at MAZDA Motor Corporation by increasing her equity stake to 33.4%, she already had held a share of 25% in the Hiroshima based company for almost twenty years.

However, also the future of FORD in the late 1980s was very uncertain. Therefore, it rather seemed to be just a question of time when several European and American car manufacturers, will either disappear from the world automobile stage or will be bought by a rival Japanese company, but definitely not the other way round.

At the time, when the European and American car industry stumbled into crisis, the situation was unmistakably clear: The production organization and management didn't meet the requirements of modern automobile production any more. This applied for all producers, regardless if they were mass manufacturers, or if they were targeting some niche markets or the luxury market segment.

In other words: The production costs were too high, efficiency and effectiveness too low, product quality too poor, and flexibility too small.

In which way modern automobile production had to be organized, was demonstrated by the Japanese car manufacturers. With this respect, it were not at last the NISSAN plant in Tochigi prefecture, north of Tokyo, and the at that time most modern Japanese factory, the MAZDA plant near Hofu in the prefecture of Yamaguchi, where to the world automobile managers went on pilgrimage.

However in the 1990s the scenario changed completely. After 1993, which was once

again a critical year, especially the European car industry enjoyed a decade of tremendous success. In contrast, the Japanese automobile industry got into trouble. After the burst of the so-called bubble economy in Japan in 1991, together with the stock prices and the prices for real estate, the domestic demand for new cars slumped down. At the same time, the very high value of the Yen against the US Dollar put a heavy burden on exports. Due to slow and often only half-hearted reforms of the financial system, the whole Japanese economy stumbled into recession from which it didn't recover so far.

However, the recession didn't hit all Japanese car producers equally hard, to the contrary. During the last ten years the Japanese car industry split into two groups, a group of winners and a group of losers. The winners are TOYOTA and HONDA, the losers NISSAN and MAZDA.

Therefore it has been either a problem that was not affecting the whole industry, like it was the case at the time, the European and American car industry got into trouble. Or it has been a problem, with which all Japanese manufacturers were confronted, and some companies were able to solve it, while others weren't. Regardless what the reasons might be, on the side of the firms hit by the crisis, tremendous changes and drastic adjustments are under way.

Coming back to the European crisis in the late 1980s, early 1990s. An AUDI manager, remembering the company's trouble at that time, said it wasn't the actual changes in production, the introduction of JIT, *kanban* system, or *kaizen* activities that were decisive for solving the problems, but:

“It was the fact that we were confronted in the crisis with the simple situation, either we change, or the company will disappear, that lead to a complete new way of thinking and acting on all levels of the company.”¹

Therefore the questions are now, to what changes of views and attitudes and to what internal adjustments led the crisis at NISSAN and MAZDA on the one hand, and how do both companies get along with their respective foreign partner. In the following we will present some aspects of the process of change at MAZDA and NISSAN after the merger with FORD and RENAULT. We will do this exclusively from the perspective of the Japanese companies.

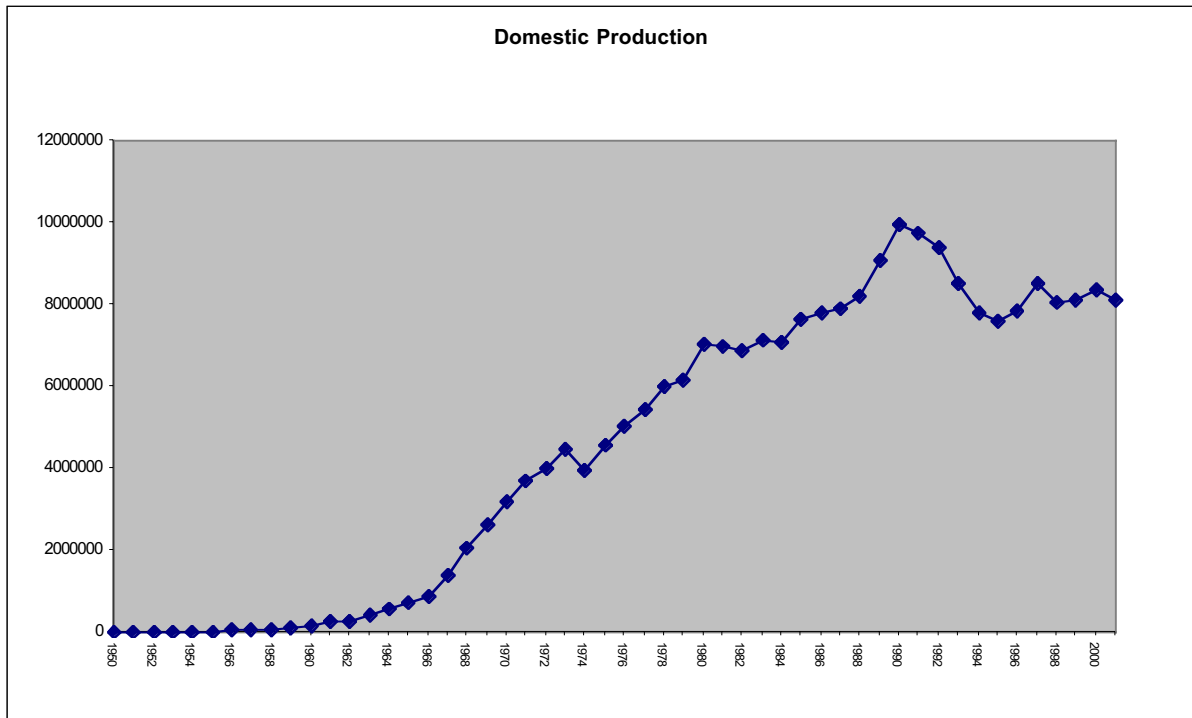
However, first we will give an overview over the development of the Japanese car industry since the 1990s.

THE DEVELOPMENT OF THE JAPANESE CAR INDUSTRY SINCE THE 1990s

General overview

Based on the figures for production output, in the past the Japanese automobile industry undoubtedly has been an enormous success story. The increase in cars produced, reached its peak so far in 1990. In the following years however, the industry as a whole experienced a serious decline that, as it seems, came to a halt in the second half of the decade, and since 1998 one can talk of a stabilisation at a comparatively high level. In 2001, the Japanese domestic production of passenger cars amounted to 8 117 563 units, which was 2.9% less than the output in the previous year, giving no hope for a longer lasting recovery of the market.

¹ Interview AUDI Ingolstadt 23.1.01



Because of tax regulations, the Japanese market for passenger cars divides into three categories, mini cars (up to 660cc), small cars (661cc – 2000cc), and standard cars (more than 2000cc). With regard to these three categories, the segment of small cars is the largest one. In March 2000, small cars took a share of 59,26% of all vehicles in use, while at the same time mini cars occupied 22,82% and standard cars 17,90% respectively. Thus, passenger cars with an engine displacement of up to 2000cc play the dominant role in the Japanese automobile market. This also becomes apparent, when looking at the specific allocation of domestic sales. In 2000, more than 80% of all new registered passenger cars in Japan were equipped with an engine of 2000cc or less. With this regard, especially the mini cars are enjoying an increasing demand. Within ten years, between 1990 and 2000, the share of mini cars in overall domestic sales has increased from 15,6% to 30,1%, while during the same time the share of small cars has decreased from 75% to 51,8%. Only the standard cars performed quite steadily, occupying roughly a share of 20% in all new registered cars.² These numbers also clearly indicate, that, in contrast to the expanding mini car segment, the segment of small cars is considerably shrinking - although it still remains to be the largest and most important one in the Japanese automobile market.

Directing our attention now more closely to the segment of standard cars, that means cars with an engine displacement of more than 2000cc, we will realize that Japanese carmakers are considerably less dominant in this market segment, than they are in the two other ones. In 2001, a total number of 269.088 passenger cars were imported in Japan, equalling a share of 6,3% in all new registrations. However, of all imported passenger cars, vehicles equipped with engines larger than 2000cc account for 83,6%. This means, that foreign, and in the first place German car manufacturers hold roughly 30% market share in

² In the early 1990's the market share of standard cars almost doubled, but remained stable ever since.

the standard car segment.³ This is important to stress, inasmuch as that the cars sold in this market segment, overwhelmingly expensive luxury and sports cars, yield the highest profits for the producers, while profits margins in the other market segments are considerably lower.

Summarizing the main points again and giving an outlook, the Japanese market for passenger cars has, after years of decline, finally stabilized. During the last decade, the market has considerably shifted away from the small car towards the mini car segment, while demand for standard cars remained stable. Assuming that there will be no remarkable increase in overall customer demand in Japan in the next few years, the future economic development of each single Japanese producer will mainly depend on three factors: Firstly, on the ability to increase profitability in a difficult domestic market – on which Japanese producers are traditionally heavily depending – secondly, on a sound strategy for maintaining or strengthening the individual brand image, and thirdly, on realizing the chances for future growth in developing markets, in the first place, China.

As we will see now in more detail, the three issues mentioned above, were also given highest priority to during the restructuring process at both companies, MAZDA and NISSAN, on which our investigation is focusing.

The situation of mazda and nissan

Since the beginning of the 1990s, both companies, NISSAN and MAZDA, were confronted with a massive decline in their domestic sales. Their respective losses on a percentage basis by far exceeded the loss the industry had to bear as a whole.

Although both companies, NISSAN and MAZDA, are exporting their products in nearly all countries of the world, the Japanese market, like for all other Japanese producers except HONDA, still remains to be the most important one. For both companies, and first and foremost for NISSAN, it has been a decisive factor for success to have a solid income base from the domestic market. Therefore recovery at home has to be a task of highest priority.

The remarkable growth MAZDA and NISSAN enjoyed between 1970 and 1990, resulted to a considerable degree from the success of their products in foreign markets. However, the strategies of both companies had been different. Whereas NISSAN on the one hand, beginning in the late 1980s, massively expanded her production activities abroad, MAZDA, on the other hand, for various reasons remained more locally focused, missing to transfer production capacities on a larger scale from Japan to other countries, thus becoming extremely vulnerable to fluctuations on the currency markets.

In the mid 1990s, as sales figures in Japan dramatically dropped, success in foreign markets became for both companies more crucial than ever before. However, in the case of NISSAN, even a continuing high level of production at her plants at Sunderland, United Kingdom, and Barcelona, Spain, could not make up for the landslide losses in the domestic market. Things were not too much different at MAZDA. Relying more than any other Japanese car manufacturer on exports, the ongoing revaluation of the Japanese Yen diminished the profits, MAZDA made abroad, although customer demand remained fairly stable in her export markets.

Suffering heavily under decreasing sales and production, as well as under the Japanese

³ European-made cars account for 85,2% of all imported cars. Amongst these European imports, more than three out of four cars are produced by German manufactures.

Yen that was soaring in value against all other major currencies, both companies finally tumbled into serious financial trouble. However, due to the overall crisis of the banking and financial system in Japan, the banks closely affiliated to both companies could not provide financial support any longer, as they did so often in the past. In the case of NISSAN, the situation became such severe, that only an immediate alliance with a financially healthy competitor could save the company from going bankrupt. In case of MAZDA, the financial situation was not that desperate, however, since there were no signs of a soon recovery in sight, also her days were counted. These prospects by no means could satisfy FORD as the major shareholder of the Hiroshima based company. Therefore, for all parties concerned, it didn't really come as a surprise, that finally FORD increased her financial engagement and took the lead at MAZDA.

However, comparing the business performance of MAZDA and NISSAN with the ones of HONDA and TOYOTA at the very same time, it will become evident, that the crises of MAZDA and NISSAN can't solely be attributed to external, macroeconomic factors. There must have been internal factors that contributed to, or at least accelerated the crisis.

TOYOTA and HONDA also suffered under the shrinking Japanese market, however both companies managed this critical situation far more successfully than NISSAN and MAZDA. Under the very same difficult environmental circumstances, both firms were able to even increase their profits.⁴ MAZDA and NISSAN however, couldn't cope with the situation and came under control of a foreign company.

In the next section of this paper, we will turn our attention to the mergers of NISSAN with RENAULT and MAZDA with FORD. Proceeding in five steps, we will investigate the processes of change from the beginning of the mergers till today.

The situation at the beginning of the mergers – the relations between nissan and renault and mazda and ford

At the beginning of the mergers, both Japanese companies saw their situation without any disillusion. Consequently, the statements were simple and unambiguous:

Without the foreign company we won't survive!

Interestingly managers at both companies, NISSAN as well as MAZDA, did not attribute the reason for failure to declining sales, difficult market conditions, unfavorable exchange rates or to what reason so ever, but blamed *themselves and their people* for the miserable situation.

Answering the question, what were the real reasons for the crisis, a manager of the Human Resource Department at the NISSAN headquarters in Tokyo put it this way:

“We did not make sufficient use of our human potentials. Because we didn't use our human potentials sufficiently, we weren't able to build good cars and we weren't able to use our financial resources efficiently”⁵.

The consequence that had to be drawn from this judgment was as well simple and indisputable:

⁴ TOYOTA is expected to report a record high of 1.5 billion Yen profit for FY 2002, the highest surplus a company in the manufacturing sector would have ever reported in Japan.

⁵ All Interviews at NISSAN Tokyo headquarters 24.09.02 and Tochigi plant 27.09.02

Change or die!

A Human Resource manager of MAZDA explained the situation at that time in the following way:

“We were very depressed. Our moral was low. The atmosphere was dark. Red figures. And we were scared being swallowed by FORD. But we knew, if we don’t exert all our energies, this company would die. So, the slogan was: Change or die. The people had to change completely. They had to change their consciousness. Changing the thinking, changing the acting, changing the products. Only this will lead to success. There was no other way to keep MAZDA alive. We had to go this way”⁶.

This might sound a little pathetic; the conclusions drawn in reality were not. At both companies the procedure was clear. One had to learn from the virtues of the foreign mother company, while at the same time keeping or even developing the own strengths further.

This had been the situation at the time both Japanese companies were taken over by RENAULT and FORD respectively.

Assessing the strength – the factory and the production system

In times of crisis, one holds on to one’s strength. This applies for NISSAN as well as for MAZDA. And in both cases, their strength is the factory! The factory not only remains the stronghold, but also delivers the blueprint for several reforms regarding general management and company administration, as we soon will see. It is the competence in production, the deep conviction of knowing how to build cars, that gives both companies confidence that they will not disappear from the market.

To put it straight forward, the production side - that means production system, production management, and work organization in the factories - are in both cases, NISSAN as well as MAZDA, not perceived to be the reasons for the companies’ crisis, on the contrary. Our rather naïve questions, if not eventual shortcomings in production management might have also contributed to the severe situation, were rejected unanimously by whomsoever we asked in both firms:

‘This is not a problem of production! We still do know, how to produce cars! And we do know that we still do it much better than RENAULT (FORD)!’

Some of our interview partners even seemed convinced, that it was in the first place the prospect to get the hands on their superior production system, that had attracted the foreign investment. Regardless, if this suspicion holds some truth or not, fact is that in neither company adjustments were made on the factory level. The shop floor organization and management, education and training, group size, tasks and responsibilities, evaluation and promotion schemes, as well as the salary system remained completely unchanged at both companies.

The problem is not the organization of the factory; it is the general management and the white-collar work. Or to express it with the words of the manager responsible for Leadership Development at MAZDA:

“In production for a long time we are practicing kaizen, there are control systems to check the workers, to check the productivity, and therefore we do know that productivity is

⁶ All interviews at MAZDA Hiroshima headquarters 18.09.02 and 20.09.02

very, very high. However, measuring the productivity of the white-collar workers is very difficult. Nevertheless, we recognize that it is the most important task at MAZDA to improve the productivity of the white-collar workers.”

Eliminating the weaknesses 1 – changes due to restructuring

The changes due to restructuring are all related to measures taken in course of implementing the NISSAN Revival Plan, the NISSAN 180 Plan, and the MAZDA Millennium Plan. These changes sprang mainly from the initiative of the foreign mother companies. Since much is already written about these reform plans, their implementation, and their results so far, we just concentrate on a few important points of these plans.

The NISSAN Revival Plan, launched in October 1999, consisted of nine points: Three commitments, four main targets for restructuring, and two points for allocating investments. (Targets were to be met until end of March 2003, if not stated differently).

Commitments:

- ✓ Making profits again until March 2001.
- ✓ Achieving 4.5% return on sale.
- ✓ Reducing the debts from one trillion four hundred billion Yen to seven hundred billion.

Restructuring:

- ✓ Reducing the number of employees by 14% or 21000 people.
- ✓ Closing three car factories and two power train factories. Reducing the number of platforms from 24 to 15 until March 2002.
- ✓ Cutting purchasing costs by 20%. Reducing the number of suppliers from 1145 to less than 600 until March 2002.
- ✓ Selling affiliated companies (*keiretsu* firms) that don't belong to the core business.
- ✓ Investments:
- ✓ Introducing 22 new models between FY 2000 and FY 2002, rebuilding the brand name, and investing in technology.
- ✓ Increasing company investments from 210 billion to 310 billion Yen per year.

Already in May 2002 NISSAN had succeeded in realizing all goals, bringing the NISSAN_Revival Plan to an early end. Actually a consolidated operating profit of 490 billion Yen, equalling a profit margin of 7,9% could be reported. In addition to that, accumulated debts from the automobile sector could be reduced to net 435 billion Yen, the lowest in 24 years.

Succeeding the NISSAN Revival Plan, the NISSAN 180 was introduced. Each figure of the number 180 stands for one objective respectively: '1' for an additional one million units of sales worldwide, '8' for a 8% operating profit margin, and finally '0' for zero debts from earlier automobile operations. These targets are to be met until the end of FY 2004 in March 2005.

Almost at the same time as the NISSAN Revival Plan was implemented, Mark Fields initiated a far-reaching reconstruction process at MAZDA Motor Corporation. In 1999, shortly after being appointed as the third FORD president of MAZDA, he announced a new corporate philosophy centering around three keywords: Mission – Vision – Value. The MAZDA Millennium Plan has four main targets:

- ✓ Realizing more growth
- ✓ Implementing measures for reform and restructuring
- ✓ Profiting from combined activities with FORD.
- ✓ Transforming the employees by means of education.

Also at MAZDA one plant was closed, the number of employees reduced by 2200 people, platforms unified, and production cost reduced due to reforming suppliers relations. In FY 2001 MAZDA returned to profitability again with a net income of 8,8 million Yen.

The measures introduced after the mergers to bring MAZDA and NISSAN economically back on track can be split into two areas, business relations (restructuring purchasing, distribution, and supplier relations), as well as product and market strategies.

SUPPLIERS AND DISTRIBUTION

The NISSAN Revival Plan, NISSAN 180 Plan as well as MAZDA Millennium Plan are to a large extent aiming at optimizing costs by means of reorganizing purchasing and distribution. Both companies dissolved their traditional relationships with closely affiliated suppliers and distributors, the so-called *keiretsu* relations, once perceived to be one ‘secret’ for the superiority of the Japanese industry. As a matter of fact, breaking with these old habits as well as pushing through unpopular decisions like closing factories and laying off a large number of employees, was much easier, because it was done by the foreign management.

PRODUCT AND MARKET

Regarding new product and market strategies, it seems as if there had been a closer co-operation between the Japanese and the foreign companies. The most important aspect might be, that both company groups are unifying their platforms, and making also common use of engines and transmissions (power trains). With respect to the development of common platforms and engines, there is a clear strategy that the R&D tasks should be allocated according to the strength of the respective company. Therefore, the development of diesel engines for instance lies mainly with RENAULT, whereas the development of gasoline engines is rather the responsibility of NISSAN. Similarly MAZDA is developing the mid-size platform for the FORD group, because MAZDA already has much experience with this platform.

However, exceeding this extent of co-operation, especially the Japanese side seems to be determined not to further unify the R&D activities. On the one hand both Japanese companies believe that they are more advanced in R&D than their mother companies, on the other hand they want to maintain the capability to further develop their own brand independently from FORD and RENAULT. Finally, MAZDA and NISSAN want to keep their R&D separated in order not to become just production centers.

Regarding market strategies, there is to some extent an allocation of local markets

intended, attributing Japan and other markets in Asia to MAZDA and NISSAN. In case of RENAULT and NISSAN, both brands should also supplement each other in markets where one partner is especially strong. For instance NISSAN, using the distribution channels of her French partner, is selling utility cars and off-road vehicles, which RENAULT does not produce, in South America, where RENAULT is very strong in the mass market of small and medium size cars.

However, it was emphasized by representatives of both Japanese companies that the brand management and the brand strategy is solely their own responsibility. And it was equally emphasized, that creating and strengthening a unique brand is the most important task that still lies ahead. Managers of MAZDA even perceive a strong brand image decisive for the further survival of their company.

ELIMINATING THE WEAKNESSES 2 – INTERNAL CHANGES

After the mergers, many things changed with regard to the internal company organization as well as the ways and work habits at MAZDA and NISSAN. Some changes simply resulted from the fact that a new, foreign management had taken over. With this respect the following issues are to be mentioned, namely the general management style and the way discussions are held and decisions are made. Representatives of both companies in general tried to stress the positive side of these unintended changes, emphasizing especially often the aspect of motivation of young people.

Management style

The biggest difference, as we were told at NISSAN, is the different management style that came along with RENAULT. With this regard it was said that the focus has changed from making operational plans to designing broad concepts.

“The French are very much concerned with concepts. We at NISSAN never really cared about concepts. We were considering how we could approach a problem and how long it will take to solve it. Formerly, we had a common understanding of a certain goal and how to realize it. This was much clearer to us. And NISSAN was always very good on the operational side. We always had very detailed plans how to proceed in reality.”

This, it is said, causes some problems, because many people at NISSAN think that the RENAULT people are spending too much time for designing concepts. They are thinking that one shouldn't talk so much about concepts, but should rather start making detailed plans how to proceed on the operational level.

“We are feeling very uneasy that something might go wrong when implementing the concepts, because there is no plan. This also causes much stress, especially when you have to meet certain time objectives. On the other hand however, the direction is clear. Even if there are problems on the operational level, since there is a clear direction, we know quickly in which way to proceed.”

Besides the different perceptions about the importance of conceptualization, there obviously are different time perceptions too. However, it was expressed regularly that both companies try to respect the approach of the other, hoping that the final gain is exceeding the loss of energy due to frictions in the planning phase.

Regarding the question, what advantages or disadvantages the RENAULT style offers compared to the traditional NISSAN or Japanese style, the answer was both, ambiguous as

well as clear. We were told, that both styles have their advantages. However, young people at NISSAN are much more motivated by the RENAULT style, because they now know much better, what all is about, whereas older people undoubtedly still have their problems to adjust to the new style.

Discussion and decisionmaking style

Another important point is the change in the internal ways of communication, especially with regard to discussion style and decision-making.

At NISSAN we were told that the discussion and decision-making style has completely changed since the merger with RENAULT. First of all formally, all documents have now to be written in Japanese and in English. And, if only a single person from RENAULT is taking part in a meeting, the discussion is to be held in English. This again is putting high pressure on older NISSAN people, who don't have such a good command over the English language. Even more drastically however, the ways of discussing and taking a decision have changed. Now, discussing an issue, and deciding upon the issue are two separated things.

“In former times, when NISSAN was independent, already at the level of discussing an issue, the opinions and intensions of the higher-ranked people, who led the discussion, exerted a strong influence on the lower-ranked people. In this way the higher-ranked persons prepared the ground, and in the end all people agreed upon a common opinion, without really taking a formal decision.”

After the merger however, it is said that there are no differences in ranks made, and even young people or assistants to the manager are now free or even encouraged to take part in the discussion. Then, after all people have expressed their opinion, the person responsible for the project in question is taking the decision. However, once a decision is taken, there is no further discussion allowed. Once again it is stressed that this new style has highly motivated the young people at NISSAN, because they are now given the opportunities to make their contributions and to take responsibility. Depending on the individual person, older managers however, still have some problems to come to terms with the new discussion and decision-making style.

Next, we are coming to speak about things that were the intentionally changed at both companies. As we got the impression, with regard to decisions concerning the change of the internal organization itself, NISSAN and MAZDA were relatively self-determined. It seems as if FORD and RENAULT had the confidence to believe that their Japanese daughters know much better where the internal problems lie. As already mentioned, the changes exclusively affected administration and general management of both Japanese companies, not the factories.

Information and control systems

One point that was brought up by representatives of both Japanese companies was a little bit surprising. Both companies found fault with their traditional ways of internal communication. Especially the information system was blamed that it was too slow, too ineffective, and that no one really knew who has got what information. As a result of these shortcomings, it was also hard to control individual achievement, because it was not clear what targets for each employee had been set and what he or she really achieved. This is indeed surprising, inasmuch as in the 1980s it were the ways of spreading information, to

keep everyone informed, that were highly praised in books about Japanese management.

A manager of the HRM department of NISSAN told us, that it was RENAULT, which only brought the infrastructure to ensure the flow of information. It was said, that now decision-making has become much faster and much more direct, also because the information had become more transparent. The same moment a decision is made, the information is going straight down to the employees and everyone knows what to do and what the individual responsibilities are. And everyone also knows how has what information. At the time when NISSAN was still independent, the responsibilities were also somehow defined, however in reality the employees didn't know to what extent they really are responsible. It always was ambiguous.

“Now everyone knows what to do, after he or she has got the information. Management with vision, to have clear concepts, to know what one has to do, to bring one's strengths to bear, and to make the company flourishing. That really has tremendously increased the motivation amongst the employees.”

At MAZDA we were told, that one specific problem the company still faces in many respect is sectionalism. The walls of the departments are very high. Particularly, often information is kept within one department. To solve this problem, several steps have been taken; one has been to do away with the old Japanese habit to circulate information concerning important things or decisions on paper.

At MAZDA the old way of the so-called *ringi* system, where everyone involved in or affected by a decision had to put his or her seal on a piece of paper, indicating that he or she has taken notice, was abolished and replaced by a new system based on computers. This new system, called *e-ringi*, was introduced with the intention to reduce unproductive time spent with paper work, to make the information easier accessible and more transparent, and to speed up the decision-making processes. The important point is, that much of the information is now spread amongst the departments and not held within one department.

Kaizen activities for white-collar workers

The introduction of the new *e-ringi* system at MAZDA in fact was the result of a proposal for improvements (*kaizen*) by white-collar workers. Embedded in the new education system for all white-collar workers, there are now activities for improvements (*kaizen undo*) introduced and organized in the company's administration. The concept and the outline of this proposal system for improvements are very similar to the system practiced already for a very long time in the factories.

For the first time after the introduction of the MBLD (MAZDA Business Leader Development) plan, all white-collar employees at MAZDA, more than 10000 people, had compulsorily to participate in *kaizen* work groups, consisting of ten persons each. The 1000 groups were free to choose their topic, however, it had to be committed to increase the company's results, or make another positive contribution to improve the work at the company. After higher management had approved the topics, the groups were given three months time to work on their topics and to present their results. The implementation started immediately after these three months.

According to the manager responsible for this program, it was interesting to see that many of the ideas or proposals already existed much earlier, but were never really brought forward, because the organizational infrastructure to work on these issues was lacking. The fact that 70% of the groups were attacking problems that couldn't be solved earlier on the level of the respective departments, proofed how deeply rooted the sectionalism really was. That, as a result of the *kaizen* activities, many cross-functional workgroups and networks

developed, might have been the most valuable contribution at all. Finally, some groups also concerned themselves with issues that were not related to their direct fields of work. For instance there was one group, mainly consisting of female employees, which made proposals how the needs and wants of female customers could be given more consideration to when developing a new car. In fact, this lacking consideration for the needs of female drivers is the reason for many complaints of female customers.

Also NISSAN has introduced *kaizen* activities for white collar-workers and management. Basically also the system at NISSAN is functioning like it does in the factories. However, for white-collar employees and management it is integrated into a larger system that as a whole is aiming at realizing Quality Management, for which interestingly General Electric is serving as the example.

Kaizen activities on the level of general management and administration are new and reflect the need to highly improve efficiency and effectiveness of white-collar workers. Mandatory participation, benchmarking of projects, evaluating individual employees on basis of their achievements in their projects, as practiced at MAZDA, proves how urgent these improvements really are.

Management education

As mentioned, the group-work activities at MAZDA are a part of a large education program aiming at identifying and fostering future MAZDA business leaders, the MBLD plan. For implementing this plan and for changing the whole management education, a new department, the Leadership Development Department, was founded. This means, identifying and educating the future top managers is not any longer the task of the Human Resource Management department.

The Business Leader Development at MAZDA proceeds in two steps. Firstly, high managers in rank of department chiefs or above are 're-educated'. Aim of this 're-education' is to force these high managers to widely extend their knowledge, not only in their special field, but also with regard to fields not directly related to their work. Make oneself acquainted with new knowledge, demands that the managers devote much time to learning off work too. The second step is, that the managers themselves act as teachers transmitting their new knowledge to their subordinates. They should become both, leaders and teachers at the same time.

As teachers their task is helping to make their subordinates understand the crisis and transmitting the feeling that the situation at MAZDA is indeed a question of 'change or die' for everyone working in the company. Changing however in the first place means to extend the view beyond the own work and beyond the limits of the department one is assigned to.

Their task as leaders is presenting a vision to their subordinates and showing the way out of the crisis.

We were told that only on this basis, to feel the crisis on the one hand, and to have a vision on the other, the employees would jump into action and develop ideas how to change and make improvements at MAZDA. This is the starting point for the *kaizen* activities as already outlined above.

The MBLD education program is intended to identify future managers and to implant and foster leader abilities of these persons from an early stage on. On top of the MBLD

education there is another new program installed, the 'Leading MAZDA 21' program, abbreviated MX 21, similar to a new sports car. This program is targeting high potentials and candidates for General Manager positions. The program's overall goal is:

*To foster a new generation of MAZDA leadership that can think and work cooperatively beyond functional boundaries, take a global view of the company's business, and make informed strategic decisions that will guide future growth.*⁷

Explicitly stating that solely the white-collar employees and management are to be blamed for the crisis, we were told, that reforming management education was also one of the most important points at NISSAN. Traditionally the focus of training and education had been on the factory workers. However, on the level of white-collar workers, and especially with regard to educating and fostering younger employees to successively take over management and executive positions, NISSAN was very weak. With this respect RENAULT was far advanced. Therefore, management education is now cooperatively done together with RENAULT and, for the first time, also with the help of outside institutions.

Very clearly, the target of education at both companies, MAZDA and NISSAN, has shifted away from the workers in the factories to the white-collar employees in the administration offices of both companies. Like in the past, just a good degree from a prestigious university and executing one's work as one was told, is not enough any longer for the white-collar employees. Both companies have realized that value for the customer has to be produced everywhere in the company, not just in the factories.

Evaluation and payment systems

The most significant changes were made regarding the evaluation and payment systems. However, at this point in time many things are still under way, because changes in the payment systems have to be negotiated with the unions. This notwithstanding, the direction of the changes is unmistakably clear: Away from seniority based payment, towards payment based on individual performance and on job requirements.

At NISSAN, the most far-reaching adjustments have already been made with regard to evaluation and payment of managers. The evaluation of managers' performance is based on two factors: Commitment and meeting the targets. The ratio between these two factors has been greatly altered, attributing now much more importance to commitment.

Basically the payment system of NISSAN is divided into three different schemes: One for blue-collar workers, one for white-collar workers and one for managers. Resulting from the intensive exchange of managers between RENAULT and NISSAN, the evaluation and payment systems for managers are becoming more and more similar, although the difference between the incomes of NISSAN managers is still much smaller than the one of RENAULT managers.

Regarding the payment of white-collar workers, the change towards payment based on individual performance and on job requirements is not yet that advanced. However, also in this field adjustments have been made extending the ratio of payment depending on individual performance.

With respect to payment of the factory workers, no alterations have been made so far according to the HRM managers of NISSAN.

Also at MAZDA there is no question about the direction of the reforms regarding the

⁷ Cited from the internal English program description.

payment system. The old wage system that mainly based on seniority is going to be abolished too. The reasons given for this change are simple and pragmatic:

It is not that seniority based payment is all bad, and performance based payment all good. At the time when the company was healthy and grew constantly, seniority based salaries were simply the best, because in this way everybody could participate in the company's success. However, there is no growth any more, and there is no 'cake' that could be commonly shared. Now it is important that the company regains her strength again. Therefore the money has to be invested in the company. This means, because the environment has changed, it is now better to reward people who are working hard, doing difficult work, and performing good, so that these people will lead the company and make her flourishing again.

A second reason given was, that MAZDA had somehow to make the payment system compatible to the FORD system. And thirdly, that in the global competition one could not attract or keep capable people when holding on to the traditional seniority based payment system.

As a matter of fact, there is to a certain degree the need for MAZDA and NISSAN to adapt their payment systems to their foreign mother companies. This is done the fastest at the level of managers, because it is the easiest for the managers to compare their salaries. However, the most important reason is, that effectiveness and efficiency of the white-collar employees can only be increased, when the antiquated tradition of paying according to seniority is abolished.

A preliminary outlook – the future of the mergers as perceived today

Probably the heading of the epilogue of Carlos Ghosn's autobiography 'Renaissance' describes the situation at NISSAN and MAZDA to the point: 'My Fight is Only Starting From Now On.'

here has been some progress made at both companies indeed. But, are both companies already out of the wood? There is still a long way to go, especially with regard to the most difficult work, creating a strong brand image.

Therefore it is at the end of this paper interesting to ask, how representatives of both companies think about the future of the alliances.

MAZDA: There will be no MAZDA without FORD

"After we were taken over by FORD, there was always, especially during critical times, a wavering between 'with FORD' and 'against FORD', sometimes even still now. But MAZDA today is not the same MAZDA as she was some years ago. The fact that we wouldn't be here today without FORD, has changed MAZDA into a completely different company. We know, we won't survive as a local player; we can only survive as a global player. Since we are only one company in the FORD group, we will need a very strong brand."

NISSAN: RENAULT and NISSAN can only survive together

"We have much respect for each other. Respect and high esteem is very important. Well, it is only three years since we are together. I think we have developed a good business relationship during this time. It is not a love affair. But, we know, RENAULT and NISSAN can only survive together."

REFERENCES

This paper has been exclusively based on empirical data. Therefore, apart from the statistical materials, the below listed references are intended to suggest further readings with regard to both cases, NISSAN and MAZDA. Since our focus has been on the Japanese perspective of the mergers, only Japanese titles are listed. We want to stress that the below list is by no means complete, but consists of only a very, very limited number of actually available materials.

Japan Automobile Manufacturers Association (JAMA) (2002): *The Motor Industry of Japan 2002*, Tokyo, JAMA.

MAZDA Motor Corporation (2002): *MAZDA in Brief, September 2002 Edition*, Hiroshima, MAZDA Motor Corporation.

Ghosn, Carlos (2001): *Runessansu, saisei he no ch_sen* (Renaissance. The challenge of revival), T_ky_, Daiyamondo-sha, (in Japanese).

Takarabe, Seiichi (2002): *Karurosu G_n ha Nissan wo ikani shite kaeta ka* (How did Carlos Ghosn change NISSAN), T_ky_, PHP Kenky_sho, (in Japanese).

Uesugi, Jir_ (2001): *Nissan jid_sha no shippai to seisei* (Fiasco and revival of NISSAN Motors), T_ky_, KK Besutoser_su, (in Japanese).

Kawamura, Yasuharu (2000): *Jid_sha sangy_ to Matsuda no rekishi* (The history of the automobile industry and MAZDA), T_ky_, Ikuh_-sha, (in Japanese).

Sako, Katsunori (2001): *Saraba, itoshiki Matsuda* (Farewell, beloved MAZDA), T_ky_, Bungei Shunsh_, (in Japanese).