

Deregulation of Economy and Corporate Restructuring in Japan^{*}

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As we know very well, South Korea and Japan have been hit by serious, long-term economic depression since the 1990s. The big businesses, banks, and some Zaibatsu (or business groups) have toppled or are under going intense and painful restructuring processes. This process of restructuring has spread in both countries. Policies of economic deregulation have come into play for the sole purpose of fundamentally improving the situation, and aimed at both escaping from depression and encouraging internationally competitive economic powers. South Korea seems to be emerging from the depression now, however Japan is still stagnant. Both countries have had similar experiences up until this point.

My presentation today consists of two parts:

First, I will explain the formation process of the regulation system in the postwar period economic policy of Japan, and the latest processes in which subsequent deregulation came to be performed.

Second, I will explain the structural reform of Japanese companies and the reconstruction of the enterprise structure which Japanese companies have been performing desperately under the environment of deregulation, international megacompetition, and rapidly changing technologies and industrial structures. And as one example, I illustrate the case of Nissan Motor Co. Ltd.

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I attended the meeting together with other four Japanese members on behalf of Japan Society of Business Administration (JSBA), accepting a kind invitation from KASBA.

Presentation was done in 15 minutes, and inevitably the contents were shortened sharply. I am grateful to Professor TOGAMI for giving me the opportunity to publish the original full text.

I pray from the bottom of my heart for Professor TOGAMI's good health and even happier life after retirement.

1. The Economic Development of Postwar Japan and the Formation of Regulation Systems, and Recent Trends toward Deregulation

1-1 The formation process of regulation systems

1st stage 1945-49 War defeat and postwar ruin period to reconstruction

As you know very well, Japan lost the war in August 1945. The most important issue at that time was democratizing the autocratic militarism or military economy of prewar days. Another urgent issue was rapid economic revival from the ruin.

Many reforms were made from 1945 to 1949. Immediately after the war defeat, the General Headquarters of the Allied Powers (GHQ) under the initial occupation policy introduced economic democratization policies. These included the dissolution of zaibatsu (the big financial conglomerates), agrarian reform, labor democratization reform, and the establishment of Antitrust Law.

Ending the soaring inflation was imperative, and the Economic Stabilization Board (1946) and the Law of Financial Emergency Measures (1946) were established to strictly control prices, materials, monetary funds, trade, and transportation.

In order to rehabilitate the country's economy under scarce resources, the so-called Preferential Production System was formed to distribute resources mainly to the more important industrial sectors of the economy, such as coal, iron, and fertilizer.

Characteristics of the policies were all decided from the top — GHQ and government. The dissolution-of-Zaibatsu, economical revival, and gaining stability out of postwar confusions were important keywords then.

2nd stage 1950-64 First high economic growth period mainly through private sector facility investments and domestic consumer demands

After the first stage of rehabilitation, very close cooperative relations among governmental politicians, bureaucracy, and the business communities were formed in order to make a fresh and effective start to postwar industrialization and modernization.

Close cooperative relations among them were spread over every aspect of business activities, such as: ① Control of import, international trade balance, foreign credit, foreign exchange and foreign capital investment, which aimed to utilize scarce dollar effectively, ② Corporate preferential taxation system, which enabled business enterprises to pile up capital funds rapidly, ③ Offering capital funds for facility moderation and rationalization through cheap interest loans from government affiliated banks, governmental grants and subsidies, ④ Relaxation of Antitrust Law, which encouraged companies to amalgamate and grow bigger, ⑤ So-called "window guidance", which means substantially governmental directions to companies/ banks through MITI (ministry of international trade and industry) and Ministry of Finance.

Many public corporations (= government affiliated corporations) were established to strengthen industrial infrastructure — Japan Air Lines, NHK (Japan broadcasting corporation), Electric Power Development Corporation, Japan Import and Export Bank, Japan Developmental Bank, In-

ternational Telegraph and Telephone, and Nippon Telegraph and Telephone etc.

Under the conditions, private companies rushed into fierce investment competition — competition for facilities modernization and rationalization —, and got competitive power. People became richer as companies got more profit, and increased consumers' demands stimulated more investments in turn. This brought a good cycle called "One investment invites another investment". That was the basis of the 1950-64 high economic growth, and growth was mainly dependent on domestic demands (investment and consumption).

Merger boom occurred among big companies under the guidance of MITI. Prewar Zaibatsu were reorganized into six new dominant business groups — Sumitomo group (1951), Mitsubishi group (1954), Mitsui group (1961), Fuji Bank group (1966), Sanwa Bank group (1967), Daiichi Kangyo Bank group (1978).

3rd stage 1966-72 Second high economic growth period dependent on exports

Short-term recession (1964-65) advanced more rationalization of companies through governmental support, big-scale merger and reinforcement through holding stocks amongst companies (a reinforcement of business groups and "Keiretsu"). Continuous facilities modernization and rationalization changed Japanese companies into the most competitive ones in the world in terms of cost, price and quality.

In 1966 the second high economic growth period began, continuing up until 1972 (just before the oil crisis). Around 1970, a feeling of overproduction arose among the car, color TV, iron and steel industries in Japan. Consequently the engine of economic growth shifted from domestic capital investment to export backed by mainly electric appliances, computers and automobiles. Foreign Currency reserve (in dollars) increased rapidly (1968 ~), and Japanese TV export were condemned as "dumping" in America (1968). Sony listed its stocks in the New York Stock Exchange (1970), followed by major companies' "listing-on-overseas-stock-market enthusiasm". Japan's GNP was reputed to be in the second place among the free world (1968). Successions of large-scale mergers were still ongoing to gain greater international competitiveness. The Nixon Shock (1971) and Smithsonian Agreement (1971) even fostered the rationalization drive of companies, backed by recession measures of the government-business complex.

1-2 Process toward Deregulation

1st Stage 1973-86 Low growth period caused by oil crisis

The Oil crisis of 1973 destroyed the prosperous Japanese economy and brought the country into a decade of severe depression.

Companies tried to survive by even more rationalization, by reducing costs and increasing exports. The government at first encouraged the movement, especially by way of utilizing computers in production lines.

As export soared and trade surplus increased, America became to demand strongly for Japan to rapidly take measures of voluntary restriction of automobile export to the U. S. (1981), and semiconductor export (1986). At the same time, Japan was strongly urged to switch to "domestic-demand-leading growth" instead of focusing on the "export-oriented growth". The deregulation

policy (both internally and externally) was strongly advised to be taken in hand with the privatization and utilization of private sector's vitality.

An economic structure adjustment study group for international cooperation (an advisory board to Prime Minister Nakasone) was set up and it announced a report (Maekawa report) aimed at the cancellation of trade surplus by switching from an export dependent economic structure to a more domestically oriented one (1986).

In 1982 the government hammered out a basic policy to utilize the vitality of the private sector as the direction of governmental administrative reform. The law of mobilization of private sectors was established in 1986. Private corporations were welcomed to enter the telephone business. Strict controls with support system for private banks by the Ministry of Finance (MOF) were to be deregulated. Land use regulations were relaxed. Progress of privatization started in 1981 — Japan Tobacco industries and NTT (Nippon Telegraph and Telephone Corporation) are prime examples.

2nd Stage 1987 through Now

During the “Heisei bubbling boom” (1987-92), the prevailing policy of privatization and deregulation continued — privatization of National Railways Corporation (divided into 6 passenger train companies and one freight transport company in 1987), announcement of reinforcement of Anti-trust Law to make domestic market freer to compete (1990, Japan-U. S. Structural impediments Initiative final report).

After the Heisei depression (1993 through now), deregulation was regarded as policy measures of economic recovery and strengthening international competitiveness, and advised to be speeded up.

The Government announced a new action program for three years of deregulation (1995), deciding timetable of deregulation for 1091 items including self servicing at gas stations, abortion of salt monopoly system. In 1996 Prime Minister Hashimoto ordered preparations for the big bang. From 1998 various financial policy reforms were announced in a row — ① introduction of free rate commission, ② removal of the ban on financial holding company, ③ free rate-setting of insurance premium, ④ mutual business entry among banks, security companies and insurance institutions, ⑤ foreign exchange business liberalization, ⑥ adaptation to international standards of accounting, etc. Three-year plans (1998-2000) for promoting deregulation emphasized a total reexamination of regulation/ permission systems, and changed “pre-control” to “post-checking”. 624 items among 15 fields (medical care, welfare, legal affairs etc.) were added onto the deregulation list. Public Comment Procedures System and checking system against new regulations were to be constituted (1999).

As a result, the number of permissions and regulations slightly diminished in numbers, 11402 items in 1994 to 11032 in 1997 (3.2% decrease). For the purpose of speeding up the processes, the Deregulation Committee (1997) and Regulation Reform Committee (1999) were set up to monitor the process and speed of deregulations. And Japan is still now on the way of deregulations under Prime Minister Koizumi who made a firm official promise to speed up deregulations.

Main deregulation examples so far are as follows: price cap system of public utility charges

(electricity, gas, railroad), deregulation of gas and electricity business (rate, new entry, supply area), deregulation of education and aviation, reviewing public qualifications and requirements system, abolition of resale price maintenance contract system (except books), abolition of supply and demand adjustment regulations in traffic and carrier industries, expansion of business area of temporary staffing agency, deregulation of oil business, abolition of large-scale retail store control law, abolition of anti-depression cartel and rationalization cartel, outsourcing of national/ local government works from private sectors, simplification of corporate merger rules, permission of establishing holding company (which had been totally banned over postwar Japan), legislation of company division law, setting up of stock exchange system to foster M&A.

1-3 Harsh environmental conditions and strenuous business restructuring

The above-mentioned processes and results were the environmental conditions surrounding Japanese business corporations. In the decade ('90s) of depression plus fostering movement of deregulations, domestic competition among companies became harsher and harsher. In addition, big waves of globalization have hit companies, bringing large-scale worldwide mega-competition. Japanese companies have had to cope with American and European competitive big businesses; meanwhile other East and Southeast Asian economic powers were rapidly catching up with Japanese businesses in terms of cost and quality. Further, as innovations of products and production processes were speeded up internally and externally, even growth industries faced the danger of falling into "sunset" industries shortly. The rapid development of IT required a complete transformation of the traditional business style into a new business model.

Under such harsh environmental conditions, even some of the internally biggest companies could face bankruptcy — and they did. Big companies started to retreat from non-profitable businesses and consolidated into profitable core businesses which were deemed competitive enough to withstand the "Strum und Drang" (gale and rough waves) worldwide. Selection of core business with core competence and preferential investment, sufficiently competitive cost, competitively high quality, very speedy catch up of market demands and timely delivery — these are the words now in fashion in business circles. Breakdown of "keiretsu system (traditional hierarchical subsidiary system)", large-scale M&A between big companies, strategic alliance (frequently including foreign companies) are now occurring up to the point of loosening and reorganizing the six dominant traditional business groups (Sumitomo group, Mitsubishi group, Mitsui group, Fuji Bank group, Sanwa Bank group, Daiichi Kangyo Bank group). Recently, Sumitomo bank (main bank of Sumitomo group) and Sakura bank (main bank of Mitsui group) merged into the Sumitomo Mitsui Banking Corporation (April 2001). Mitsui Sumitomo Insurance Company followed the move (October 2001). Mitsui construction and Sumitomo construction are scheduled to consolidate in April 2003. Sumitomo Chemical Co. is expected to merge with Mitsui Chemicals Inc. in October 2003. In short, the Sumitomo group appears to be merging with the Mitsui group. Similar movements will happen in the near future between the Fuji Bank group and the Daiichi Kangyo Bank group, as both Fuji Bank and Daiichi Kangyo Bank have merged into the Mizuho Financial Group (Mizuho Bank, Mizuho Corporate Bank, Mizuho Securities, Mizuho Trust & Banking) under a holding company (Mizuho Holdings, Inc) in April 2002.

Movements of Japanese corporations are now characterized by a deadlock of the financial business community, bankruptcy of big corporations in succession, strenuous efforts for recovery of worldwide competitiveness, drastic reduction of costs, fierce rationalization, necessary retreats from unfavorable businesses, abolition of over-diversified diversified business units structure, restructuring, large-scale mergers among big companies, strategic alliances, and the collapse of the “keiretsu system”.

2. When did the topic of “restructuring” appear in Japanese magazines/ journals?

I once investigated the point of time when the word “restructuring” appeared among magazines published in Japan (source: *Japan National Diet Library Magazine Article Index File*). Table 1 shows that the word “restructuring” remarkably increased in 1993, which was slightly after the end of Heisei bubble boom (1991).

The word “restructuring” appeared in popular journalism around 1985, mentioning it as the phenomenon of strenuous recovery efforts of declining American businesses. For example, *Asahi Daily News* (『朝日新聞』) for the first time reported the word as radical business structural reforms (1985. 11. 27 evening version). Popular yearbook dictionary *Grounding of Contemporary Words* (『現代用語の基礎知識』) recorded the word from 1987 edition. Up until the middle of '80s, the word was just a jargon among management scholars.

Under the conditions of rapid development of information technology, globalization, and worldwide movement for deregulations, the depression this time was totally different from past ones in seriousness as well as in scale. This situation worsened year after year. Table 2 shows that the topic of “restructuring” started to prevail among magazines and/ or journalism in the late 1990's.

Table 1 (each year)

year	number of articles	year	number of articles
1976	1	1988	21
1977	1	1989	19
1978	3	1990	17
1979	1	1991	13
1980	1	1992	24
1981	2	1993	100
1982	1	1994	106
1983	2	1995	56
1984	1	1996	128
1985	4	1997	155
1986	4	1998	202
1987	11	1999	470

Table 2 (distinction by period)

year	number of articles
1945-1959	0
1960-1969	0
1970-1979	6
1980-1989	66
(notably 1985-1989	59)
1990-1999	1271
(1990-1994	260
1995-1999	1011)

3. Present Situation of Restructuring

The word “restructuring” came to be abbreviated to “risutora” in Japanese within a short time (around 1988). Together with the abbreviation, the meaning of “restructuring” gradually changed from “business structural reformations” into “dismissal/ firing of workers”. But, why did the transformation of the meaning happened?

This is related to the context of “fixed labor costs” under Japanese style long stable employment (so-called “life time employment”). Labor problem is inseparable from corporate reconstruction measures such as plant reorganizations and abolishment of non-profitable businesses in order to strengthen corporate competitiveness and concentrate management resources.

According to the Ministry of Labor (October 22, 1999), 41 big corporations had large-scale lay-off plans as follows.

fields of industry and numbers of corporations	current number of workers A	planned layoff period	planned number of layoff B	reduction rate $B/A \times 100$ (%)
iron & steel 4	58900 persons	1996-2000	12600 persons	21%
electronics 4	502100	1998-2003	41500	8
transport facilities 6	265000	1998-2003	33800	13
other Mfg. 7	48600	1997-2002	11600	24
construction 2	22900	1998-2002	2000	9
electric power & gas 4	90700	1998-2011	6000	7
transportation etc. 3	27500	1998-2001	3500	13
finance 8	109700	1998-2005	23500	21
services 3	26600	1998-2004	5700	21
total 41	1152000		140200	12

Some examples of planned reduction by corporations were as follows; (numbers of workers).

Mitsukoshi, Ltd. (Department Store)	1300-1800	13-18% reduction
Matsuzakaya Co., Ltd. (Department Store)	700 (by February, 2001)	12% reduction
NEC (computer & communication)	15000 (by the whole group, March, 2002)	
Nissan Diesel Motor Co., Ltd.	3000 (by the whole group, March, 2001)	
Tokyu Tourist Corporation	250 (by March, 2002)	9% reduction
Oji Paper Co., Ltd.	2000 (by the whole group, March, 2002)	
Mitsubishi Chemical Industries, Ltd.	2000 (by March, 2001)	18% reduction
Odakyu Department Store co., ltd.	300 (from 2200 people to 1900)	14% reduction
Nankai Electric Railway Co., Ltd.		20% reduction
Hitachi, Ltd.	6500	10% reduction rates
Taisei Corporation (Construction)	1200 (for three years starting 2000)	10% reduction
Mitsubishi Motors Corporation	10000 (by the end of 2003)	11% reduction
Mitsubishi Heavy Industries, Ltd.	5000 (by the end of 2003)	12% reduction
Mitsui Chemicals, Inc.	2118 (for 3 years from 1995 to 1998)	

Mitsubishi Materials Corporation	1294 (for 3 years from 1995 to 1998)
Sumitomo Chemical Co., Ltd.	1198 (for 3 years fom 1995 to 1998)
Asahi Chemical Industry Co., Ltd.	2300 (for 3 years from 1995 to 1998)
Showa Denko K. K.	1006 (for 3 years from 1995 to 1998)
Ube Industries, Ltd.	1005 (for 3 years from 1995 to 1998)
Teijin, Ltd.	1364 (for 3 years from 1995 to 1998)
Kanebo, Ltd.	3223 (for 3 years from 1995 to 1998)
Komatsu, Ltd.	2088 (for 3 years from 1995 to 1998)
Nissan Motor Co., Ltd.	9208 (for 3 years from 1995 to 1998)
Sumitomo Metal Industries, Ltd.	6101 (for 3 years from 1995 to 1998)
Kobe Steel, Ltd.	5271 (for 3 years from 1995 to 1998)
Nisshin Steel Co., Ltd.	1204 (for 3 years from 1995 to 1998)
Daido Steel Co., Ltd.	1033 (for 3 years from 1995 to 1998)

There were opposing voices from workers, labor unions and many citizens. Even among the business circle leaders, some anxieties were expressed. Examples include:

- President of Toyota Motor Co. said that large scale reduction would cause many negative impacts such as social problems of unemployment, depressed consumption, loss of corporate credibility, loss of many talents, and eventually loss of competitiveness.
- President of Kansai Federation of Economic Organizations criticized the harsh “risutora” of Nissan Motor. “It is ignoring the life and existence of employees and the community — only pursuing the company’s selfish interests and not fulfilling social responsibility”.

However under the continuing depression and increasing world wide mega-competition, Japanese companies are now absorbed in reducing employees and reshuffling business structures — abandoning unprofitable businesses among too much multi-divisionalized ones, reorganizing businesses through M&A across over the traditional business groups (often including foreign companies).

I will show you one restructuring case of Nissan Motor Co. Ltd.

4. Case Study: Restructuring of Nissan Motor (“Nissan Revival Plan, NRP”)

Nissan Motors Co. is proud of having the oldest history among car makers in Japan, and up to 70’s it had been one of two greatest full-line car manufacturers in Japan together with Toyota. As far as production volume is concerned, Nissan has been the second next to Toyota until recently though the gap has grown wider and wider.

The roots of Nissan was Kaishinsha Motor, which was established by Masujiro Hashimoto in 1911 at Azabu (Tokyo) as a pioneering business. In 1914 a box type car called DAT (datto, 脱兎) was completed. In 1926 Kaishinsha Motor merged with W. R. Golham’s tricycle manufacturing company (Osaka) and in 1934 Nissan Motor was established aiming at 10-15 thousand annual output. It had the first mass production factory in Japan (Yokohama) and produced Datsun. During the war, Nissan were forced to make army trucks (vans), airplanes and engines for torpedo boats.

Soon after the war, cars and trucks production was resumed, and in 1958 “Datsun” topped the

car rally (Australia). In 1960 Nissan received the Deming Prize that was given for the best quality practices (This was the first in Japanese automobile industry). “Bluebird” (1959) and “Cedric” (1960) won a high popularity among people, and brought rapid development of motorization in Japan.

Nissan had been traditionally proud of excellent technology such as ESV (experimental safety vehicle), anti-gas pollution engine, efficient gas-mileage, material/ stuff innovation, CAD/ CAM technology, industrial robot, automation technology, recycling technology, hybrid car, fuel cell electric vehicle, electric vehicle, and many high tech. areas. In 1973 Nissan got the No. 1 prize for gas-mileage efficiency from the American Environmental Protection Agency.

Concerning globalization policies, Nissan set up overseas factories in Taiwan (1959), Mexico (1961), USA (1980), UK (1984) etc., including strategic alliance with Samsung Heavy Industries (Korea). Now it has 17 worldwide stronghold and two regional headquarters (North America, Europe).

However in the meanwhile, sluggish car market, intensifying trade friction and worldwide mega-competition gradually brought serious implications to Nissan. Nissan's share in world market deteriorated to 4.9% (1999) from 6.6% (1991). The difference between Nissan and Toyota continuously expanded in terms of sales and profits. In addition, Nissan had a large amount of debt.

Carlos Gohn, who soon afterwards became President of Nissan, ascribed later-on the cause of the slump to the following five points: ① Lack of clear profit orientation, ② Lack of customer orientation, and excessive attention to competitors' strategy, ③ Sectionalism (= lack of the sense of cross-sectional, trans-regional, and trans-layer cooperation), ④ Lack of the sense of corporate crisis, ⑤ Lack of shared vision and common long term strategy. Drastic measures had to be taken.

World market share of six large car groups was as follows at that time (*Wall Street Journal* March 14, 2000): GM (including Fiat) 24.7%, Ford 13.2%, Toyota (including Daihatsu) 9.8%, Volkswagen 9.1%, Daimler Chrysler 8.6%, Nissan 4.9%, Renault 3.5% (Renault+Nissan 8.4%).

These figures show that both Nissan and Renault were forced to form a strategic alliance. If both companies cooperated, the team might manage to cope and complete with the other groups. The combination of “Nissan's technology” and “Renault's marketing power & money” could produce considerably strong competitiveness.

Nissan's capital tie-up with Renault was the first rollback step — a tentative tie-up agreement was announced (1998. 9) —, and Renault invested a total of 643 billion yen to acquire 36.8% of Nissan's issued stocks, accepting third party allocation. This was followed by a “global partnership agreement to intensify Nissan's financial structure and pursue mutual benefits.” In June 1999, three executive officers including Renault's former vice president Carlos Gohn were elected as new directors of Nissan at the general meeting of stockholders. At the same time, Carlos Gohn was chosen as president & COO of Nissan, and given an authority & responsibility to execute reconstruction plan. Nissan's former president Yoshikazu Hanawa became the chairman and CEO of Nissan.

In October 18, 1999, “Nissan's Revival Plan (NRP)” was announce publicly to develop business, enhance the presence in world car markets, gain profits steadily, and keep on growing. It

was a comprehensive reconstruction plan for three years (2000 — 2002).

The main framework of the plan was as follows:

Target	Means/ Method
reduction of purchasing cost: 20% for three years	• propulsion of “concentrated purchasing”, collaborated requisition with Renault, utilization of B-to-B requisition network • supplier reduction based on cost and quality criteria ('99 1145→'02 600), which led to radical keiretsu (=subsidiary companies) destruction.
reduction of domestic production capacity: 24 billion cars in '99→16.5 billion in '02 (operation rate improvement 53%→82%)	• closedown of assembly plants: Nissan Murayama factory (by March, '01; 3100 employees' dismissal)/ Nissan Shatai Kyoto factory (Uji City, Kyoto; by March, '01; 1300 employees' dismissal)/ Aichi Machine Industry Minato factory (March '01) • closedown of unit factories for engines and axles: Nissan Kurihama factory (Yokosuka, Kanagawa; by the end of March '02; 340 employees' dismissal)/ Nissan Kyushu factory (Kandacho, Fukuoka; by the end of March '02; 500 employees' dismissal)
reduction of platform (production line) by half	• '99 24 lines (7 factories)→'02 15 lines (4 factories)→'04 12 lines (4 factories)
reduction of sales overhead costs: 20% for three years period	• reduction of incentive money by brand power improvement • slimming the sales network: reorganization of domestic sales network (reduction of number of subsidiary dealers by 20%, sales offices by 10%)
reduction of financial costs	• disposal of strategically possessed stocks of subsidiaries by sale/ divestiture (amounting to 1394 subsidiaries except four core companies), which brought to “keiretsu” destruction • sale of real estate, securities, and non-core business assets (spacecraft, mobile phone, industrial machine, etc.) • 30% inventory reduction
employees reduction: 148,000 employees (April, '99) → 127,000 employees (end of '02)	• 4000 out of factories/ 6500 domestic dealers/ 6000 general management/ 5000 personnel transfer by selling out businesses (totally 21500 people reduction, 14.5% of all Nissan employees) —— through “application of selective retirement (= honorable retirement)” and “retirement on age-limit” • set-up of outplacement agency “CARION” ('99. 6)
total amount of effective cost reduction: 1 trillion yen	• purchasing cost by 60% reduction, sales administration costs 28%, production costs 10%, others 2%
organizational reform	• establishment of the world headquarter in Tokyo to draft domestic and overseas integrated strategies. • reduction of US subsidiaries (unification of NNA and NMMC, reduction of regional offices, efficient integration of NMAC) • establishment of collaborated distribution channel with Renault in Europe/ advancement to South American market with the help of Renault • enforcement of reengineering through the contract with IBM as global in-

	- formation provider • drastic reduction of board members (37 directors → 10): Chairman & CEO Yoshikazu Hanawa, President & COO Carlos Gohn, 7 other directors including 2 from Renault • introduction of operating officer system: CEO Hanawa, COO Carlos Gohn, 8 EVP (executive vice presidents including 1 from Renault), 20 SVP (senior vice presidents including 2 from Renault) • enforcement of results oriented management evaluation system, introduction of stock option (=giving the right to buy own company's stock) • introduction of results oriented promotion system
profitability improvement	• making the balance into black figures by 2000 • attainment of more than 4.5% operating profit rate in 2002
reduction of debt: 2.1 trillion yen → 0.7 trillion yen	• disposal of stocks and real estate by sale
profitable business and growth	• development of new products, employment of R&D experts • reinforcement of brand power • raise of domestic market share up to 25 percent
"Nissan 3·3·3 Program" as integrating slogan	1. three partners (suppliers, sales force, R&D) 2. three years plan 3. three world markets (Asia, US, Europe/ Middle East/ Africa)

source: "Weekly Oriental Economist" October 30, '99. (contents added and modified by Kataoka)

On November 23, 1999, Nissan announced interim consolidated financial statements ('99. 4 ~ '99. 9), which disclosed a total loss of 323 billion yen. Big red figures came mainly from the costs of restructuring, and Nissan successfully declared that it would change the red into the black shortly dissolving the accumulated unfavorable assets at once.

One and half years later (March '01), Nissan announced that it gained 29 billion yen profits (consolidated financial statements) and it could resume stock dividend because of the rapid and successful progress of revival plan. Nissan had stopped stock dividend in March '98, and it was three years from that time. Half a year later, interim statements ('01. 4 ~ '01. 9) showed that Nissan gained 187 billion yen of operating profits, which were 39 percent more than previous year and the biggest profits ever. Generally the revival plan was on course, and the company pledged to attain the planned target earlier than expected.

In the consolidated financial statements ('01. 4 ~ '02. 3), Nissan realized 490 billion yen of operating profits (68 percent more than previous year) and 372 billion yen of current term net profit (12.4 percent more than previous year), both of which were the biggest figure ever of Nissan. Ratio of operating profits to net sales went up as far as to 7.9 percent, which meant Nissan roughly regained the same level against Toyota and Honda. 20 percent cost reduction was done as planned. 5 factories were closed as planned. Sale of non-core assets made 530 billion yen of funds for these two years. Debt was reduced from 2.1 trillion yen to 0.435 trillion yen. Revival plan was accomplished at the end of 2001 accounting term ('02. 3), which was one year earlier than expected.

On May 11, 2002, Nissan announced a new three year plan called "Nissan 1·8·0" ('02. 4 ~ '05. 3).

“1” meant sales growth of one million more cars, “8” symbolized the goal of 8 percent ratio of operating profit to net sales, and “0” aimed at zero debt by '04. According to the new plan, Nissan will develop more than 28 models, pull up sales from 2.6 million cars to 3.6 million (= increase of 1 million including Japan 0.3, US 0.3, Europe 0.1, China and others 0.3), set up a joint venture with 東風汽車 (China) as a production base, and operate a new factory in the US (Mississippi). This new three year plan was aiming at reinforcement of car's appealing points, expansion of production ability, reentry into world car market to compete with other big giants like GM, Ford, and Toyota, Total sales are planned to be 6 million cars (Nissan and Renault combined) at the end of the “Nissan 1·8·0” plan. As it is, this new three year plan was in contrast to the former revival plan: while the revival plan mainly emphasized a reduction of costs and debts, the new plan was more aggressive and growth-oriented (growth of sales, best quality and cooperation with Renault were the most important pillars on top of cost reduction). Carlos Gohn expressed the difference as “advance from *sound company* to *excellent company*”.

What was the reason of the miraculous revival of Nissan? — We need some more time to analyze, but it seems that the some of the success can be attributed to the drastic disposal of inefficient assets, agile (quick and alert) management including the abolition of traditional “seniority system”, strong support for spontaneous and active change of employees, and renewal for strong corporate culture (dignity, self-confidence).

This management style was explicitly linked to Carlos Gohn's business philosophy. He emphasized the importance of manager's ability to pierce the core of problems, continuous observation and analysis of situations, excellence in achievements and contribution to the company (age and experience are not key factors), observance to the business principles and processes, quick response to new issues and market changes, development of potential capabilities of company, clear-cut total framework of strategy, observance to the order of priority in decision making, avoidance of postponing any decision, firm decision, innovation through cross-cultural communication, fighting spirit against crunch and ordeal. Gohn's philosophy could be realized successfully not only because he was competent enough but also because he was not a Japanese surrounded with many close-dealing relations.

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