



International Economic Conference of Sibiu 2013 Post Crisis Economy: Challenges and Opportunities, IECS 2013

Global Strategy: the Case of Nissan Motor Company

Sorin-George Toma^a, Paul Marinescu^a *

^a*Faculty of Administration and Business, University of Bucharest, Romania*

Abstract

The concept of global strategy has become prominent in the international business and management literature in the 1980s. The aims of our paper are to render in brief the concept of global strategy and to highlight some of the main features of Nissan's strategy. Our paper contributes to a better understanding of the global strategy concept, and its designing and implementation in the business corporate world. Further studies can be carried on in emphasizing the role played by global strategies in achieving high performance in a changing environment.

© 2013 The Authors. Published by Elsevier B.V. Open access under [CC BY-NC-ND license](https://creativecommons.org/licenses/by-nc-nd/4.0/).

Selection and peer-review under responsibility of Faculty of Economic Sciences, Lucian Blaga University of Sibiu.

Keywords: global strategy; corporation; business; Nissan.

1. Introduction

As the process of globalization has entered a new phase in the 21st century, many corporations think of expanding to new locations because of different issues related to efficiency, market share, profitability and growth. In fact, multinational and transnational enterprises are “the key drivers of globalization, as they foster increased economic interdependence among national markets” (Rugman and Verbeke, 2004, p. 3). As “different markets may offer very different competitive opportunities” (Hamel and Prahalad, 1993, p. 134), each corporation decides its own performance while making strategic choices of a country or a geographic region in a highly competitive

* Corresponding author.

E-mail address: tomagsorin62@yahoo.com

environment. This environment has imposed corporations to thoroughly review their strategies in order to face various challenges such as economic crisis, policy changes, technological disruption or global competition.

The global competition in the 21st century's globalized economy is complex and filled with many opportunities and threats (Duane Ireland and Hitt, 2005). That is why "even companies with substantial global experience, presence, and success can fall prey to visions of the apocalypse- and thereby place themselves in great peril" (Ghemawat, 2007, p. 17). Therefore, managers have to address the challenge of fierce competition by developing global strategies to compete in world markets (Craig and Douglas, 1996). Global strategy has emerged as a popular topic among managers of multinational and transnational corporations as well as among theoreticians in the 1980s (Ghoshal, 1987).

The aims of our paper are to render in brief the concept of global strategy and to highlight some of the main features of Nissan's strategy. The paper is structured as follows. In section two we present a conceptual framework of global strategy. The third part of the paper is dealing with the global strategy of Nissan Motor Company. This is followed by conclusions.

2. Global strategy: concept and design

The large corporations have provided very different strategic responses to multiple changes in their external environment. In the last decades, "new pressures have transformed the competitive global game, forcing these companies to rethink their traditional worldwide strategic approaches" (Bartlett and Ghoshal, 1989, p. 3).

As the need for global efficiency has become strong in every business, many corporations have started to treat the world market as an integrated whole. In this respect, they have designed, developed and implemented global strategies. Why do they need a global strategy? Some theoreticians argue that there are several main arguments as follows (Inkpen and Ramaswamy, 2006):

- Big corporations compete in much more complicated environments than do domestic enterprises due to a plethora of factors (e.g., economic, demographic, cultural, social, technological, political, etc.).
- The globalization process requires the integration of corporate activities across borders.
- Today's corporations have to fully understand customers from the perspective of both national and international standards.

The concept of global strategy has become prominent in the international business and management literature in the 1980s. There is no universal accepted definition of the concept (Table 1).

Table 1. Definitions of the global strategy concept

No.	Author	Definition
1.	M. W. Peng	Strategy around the globe.
2.	B. J. Witcher, V. S. Chau	The use by organizations of a standardized product and service range to exploit markets in different markets.
3.	R. M. Grant	A strategy that views the world as a single, if segmented, market.

According to some researchers all the definitions of the concept can be grouped into three views (Peng and Pleggenkuhle-Miles, 2008). The first view considers global strategy as a particular form of multinational corporation strategy that treats all the countries as a global marketplace. The second view states that global strategy is related to international strategic management and the third perspective incorporates both international and domestic corporate strategy.

Starting from the relationship between pressure to cut costs and pressure to adapt to local conditions (Figure 1), four strategic approaches for global-level business have been identified: multi-domestic, global, international and transnational strategies (Witcher and Chau, 2010). A global business is "one conducting its activities in a large range of countries across the world with a single strategy that is highly co-ordinated and integrated throughout the world" (Stonehouse, Hamill, Campbell and Purdie, 2004, p. 4). The multi-domestic strategy is the use by corporations of different products and/or services for different markets in different countries while international strategy represents

the use by innovative corporations to exploit markets in different markets and transnational strategy constitutes a strategic approach based on the exploitation of markets in different countries by using a mix of multi-domestic and global strategies.

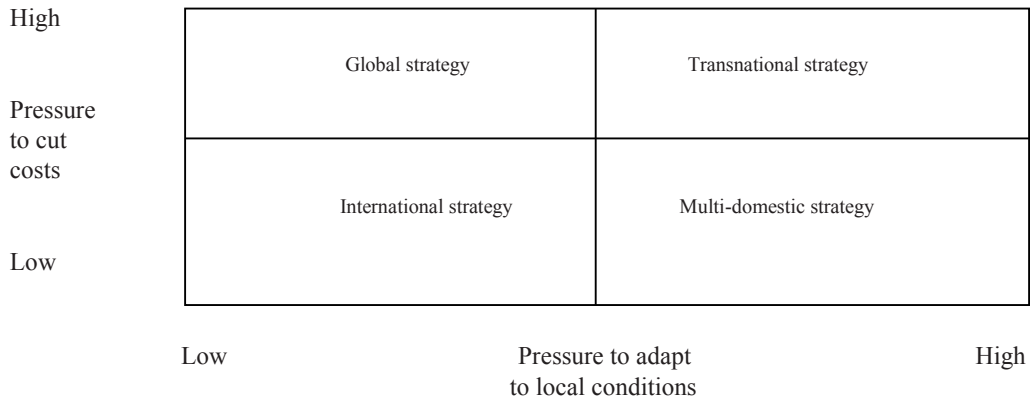


Fig. 1. Four types of strategies for international markets
Source: Witcher and Chau, 2010

In order to create a truly global strategy, a corporation needs to pass through three separate stages (Yip, 2002). Firstly, the corporation has to develop its core strategy which is the basis of its sustainable strategic advantage. Secondly, it has to internationalize its core strategy through the international expansion of its activities. Thirdly, the corporation has to globalize its international strategy by integrating the strategy across different countries to leverage its global potential.

During the last decades, multinational and transnational corporations have implemented global strategies in order to cope with continuous changes around the world. In this respect, Nissan Motor Company has proved to be a valuable study case.

3. Global strategy at Nissan Motor Company

Nissan Motor Company was established in Yokohama City, Kanagawa Prefecture in 1933. Today, Nissan manufactures vehicles in 20 countries of the world and provides products and services in more than 160 countries. In spite of the economic and financial crisis, the global production and net income have continuously increased in the period 2009-2011 (Table 2 and 3).

Table 2. Global vehicle production volume of Nissan Motor Co. for the period 2009-2011 (thousand units)

No.	Country	Year		
		2011	2010	2009
1.	Japan	1,199	1,073	1,025
2.	USA	578	531	433
3.	Mexico	643	543	404
4.	United Kingdom	492	448	380
5.	Spain	156	123	66
6.	China	1,238	1,013	756

7.	Others	492	420	219
	Total	4,797	4,150	3,282

Source: (Nissan-Our Company)

Table 3. Net income of Nissan Motor Co. for the period 2009-2011 (millions of yens)

Year	Net income
2009	42,390
2010	319,221
2011	341,433

Source: (Nissan Annual Report 2012)

At the end of the 1990s, Nissan's debts reached approximately US \$ 21 billion. That is why finding a strong partner was the only mean of survival for the Japanese automaker in the highly competitive global automobile industry. On the other hand, an alliance was essential for corporations searching for a long-term sustainable growth. On March 1999, L. Schweitzer, Chairman and Chief Executive Officer of Renault, and Y. Hanawa, President and Chief Executive Officer of Nissan Motor Co., signed the global partnership agreement. In fact, Renault acquired a 36.8 % equity stake in Nissan Motor Co. The strategic alliance between the French and the Japanese corporations started from the following two main reasons: "the willing to exploit the potential synergies in joint product development, purchasing, quality and manufacturing and to combine complementary firms in order to create a firm of sufficient size to compete on a global basis" (Susini, 2004, p. 241).

C. Ghosn, former Vice President of Renault, was appointed Chief Operating Officer of Nissan. Under his leadership, the alliance Renault-Nissan has obtained outstanding performance. Based on a severe cost cutting, an increased economy of scales and a restructuring program, the Nissan Revival Plan led to an impressive corporate success. Nissan has changed from a multi-regional company into a competitive global corporation.

13 cross-functional processes have been considered by Nissan as its core business areas (Fig. 2). Starting from its vision, "enriching people's lives", Nissan has developed a global strategy in alliance with Renault as follows (Susini, 2004):

- In Japan, the alliance has sold the automobiles through two non-exclusive distributor networks: the Yanase/France Motors network and a part of the Nissan network.
- In Europe, the alliance has reorganized the sales and marketing operations and set up a joint market organization.
- In the Asia-Pacific region, the alliance has begun to sell through Nissan's existing distribution network and independent companies.
- In South America, the alliance has designed a big project in the area of sales, purchasing and manufacturing.

In fiscal year 2011, C. Ghosn has launched a mid-term business roadmap, Nissan Power 88, a six-year program for growth. He stated that: "The word Power symbolizes our goals for brand and sales development, combined with greater focus on the overall customer experience. The numerals 88 represent our targets of 8% global market share and a sustainable 8% operating profit margin. The six-year time frame reflects our confidence to make the necessary strategic investments in products, technologies and geographic growth that will benefit the company far beyond the end of the plan." (Nissan Annual Report, 2012, p. 3)

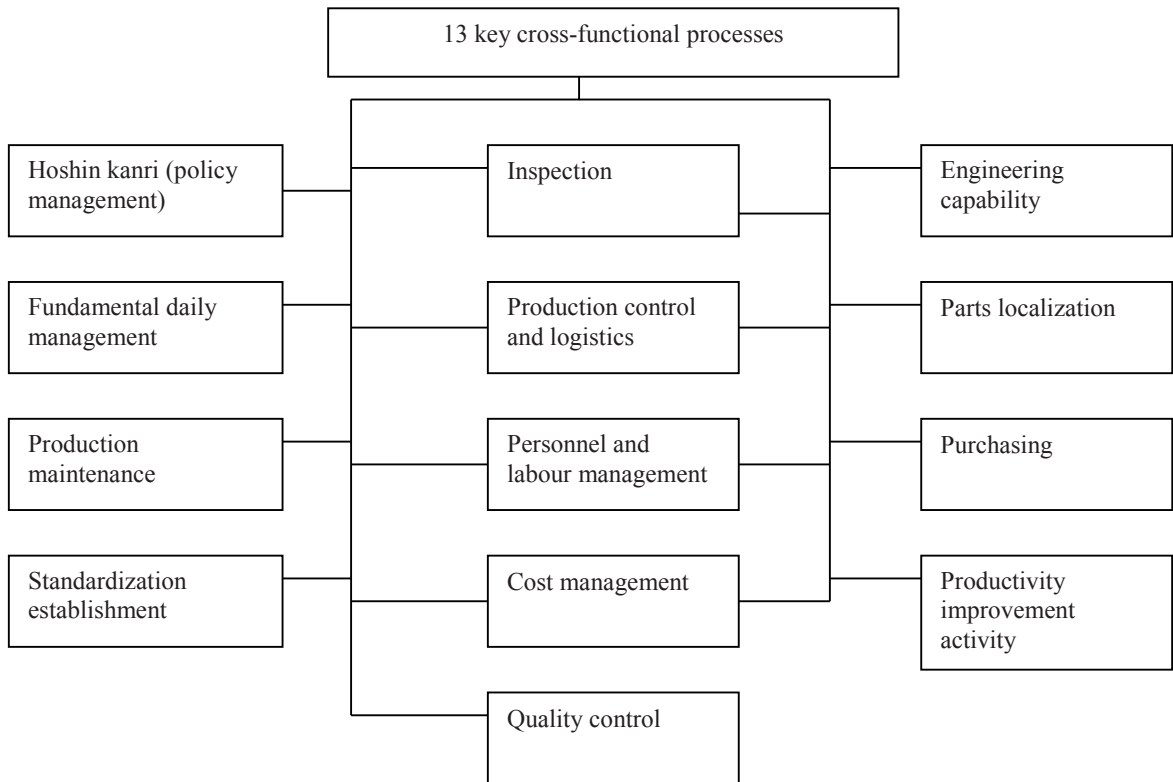


Fig. 2. The key cross-functional processes at Nissan Motor Company;
 Source: Witcher, Chau and Harding, 2008

Today’s Nissan’s global growth strategy comprises a mix of strategies (Shiga, 2012). Firstly, Nissan has implemented an aggressive strategy which encompasses a strategy for emerging countries (e.g., Brazil, China, India, Russia, etc.) and a strategy for lower-priced/compact vehicles (e.g., V-Plaform, Datsun, etc.). Secondly, Nissan has promoted a leadership strategy based on zero emission and smart community concepts. Thirdly, Nissan has strongly supported a partnership strategy. The Renault- Nissan Alliance has established partnerships with other automakers such as Daimler (Germany), Dong Feng (China), Avtovaz (Russia) and Ashok Leyland (India).

In sum, Nissan aims “to be a leader in all the markets it is operating, at least in its high priority countries” and “all the global strategies are made keeping the above in the focus” (Jindal, Jee and Thakur, 2011, p. 196). That is why the Japanese automaker follows a global strategy based on the reduction of costs and the localization of its products.

4. Conclusions

Global strategy has become increasingly important due to the rapid expansion of the globalization process. It constitutes an issue for multinational and transnational corporations with considerable resources. Global strategy involves strategic integration across all markets of the world in order to leverage competitive advantage. In the automobile industry, the ferocious competition has forced automakers to adopt global strategies in order to survive and prosper.

Our paper contributes to a better understanding of the global strategy concept, and its designing and implementation in the business corporate world. Further studies can be carried on in emphasizing the role played by global strategies in achieving high performance in a changing environment.

References

- Bartlett, C.; Ghoshal, S. (1989) *Managing Across Borders: The Transnational Solution*. Boston: Harvard Business School Press
- Belis-Bergouignan, M.-C.; Bordenave, G.; Lung, Y. (2000) Global Strategies in the Automobile Industry, *Regional Studies*, 34 (1), pp. 41-53
- Craig, C. S.; Douglas, S. P. (1996) Responding to the challenges of global markets: Change, complexity, competition and conscience, *The Columbia Journal of World Business*, 31 (4), pp. 6-18
- Duane Ireland, R.; Hitt, M. A. (2005) Achieving and maintaining strategic competitiveness in the 21st century: The role of strategic leadership, *Academy of Management Perspectives*, 19 (4), pp. 63-77
- Ghemawat, P. (2007) *Redefining Global Strategy*. Boston: Harvard Business School Press
- Ghoshal, S. (1987) Global strategy: An organizing framework. *Strategic Management Journal*, vol. 8, issue 5, pp. 425-440
- Grant, R. M. (2013) *Contemporary Strategy Analysis*. 8th Edition. Chichester: John Wiley&Sons Ltd.
- Hamel, G.; Prahalad, C. K. Do You Really Have a Global Strategy? in Lecraw, D. J.; Morrison, A. J. (1993) *Transnational Corporations and Business Strategy*. Vol. 4. London: Routledge
- Inkpen, A.; Ramaswamy, K. (2006) *Global strategy: creating and sustaining advantage across borders*. New York: Oxford University Press
- Jindal, D.; Jee, C.; Thakur, R. R. (2011) Nissan: go-global strategy, *Business Strategies Series*, 12 (4), pp. 195-201
- Peng, M. W. (2009) *Global Strategy*. 3rd Edition. Hampshire: South-Western Cengage Learning
- Peng, M. W.; Pleggenkuhle-Miles, E. G. (2009) Current Debates in Global Strategy, *International Journal of Management*, 11 (1), pp. 51-68
- Rugman, A. M.; Verbeke, A. (2004) A perspective on regional and global strategies of multinational enterprises, *Journal of International Business Studies*, 35, pp. 3-18
- Shiga, T. (2012) Nissan's Global Strategy, http://www.nissan-global.com/EN/DOCUMENT/PDF/IREVENT/PRESEN/2012/121206_Shiga_COO_Presentation_E.pdf (accessed 12 March 2013)
- Stonehouse, G.; Hamill, J.; Campbell, D.; Purdie, T. (2004) *Global and Transnational Business*. 2nd Edition. Chichester: John Wiley&Sons Ltd.
- Susini, J.-P. (2004) The Determinants of Alliance Performance: Case Study of Renault&Nissan Alliance, *Economic Journal of Hokkaido University*, pp. 233-262
- Witcher, B. J.; Chau, V. S. (2010) *Strategic Management: Principles and Practice*. Hampshire: South-Western Cengage Learning
- Witcher, B. J.; Chau, V. S.; Harding, P. (2008) Dynamic capabilities: Top executive audits and hoshin kanri at Nissan South Africa, *International Journal of Operations and Production Management*, 28 (6), pp. 540-561
- Yip, G. S. (2002) *Total Global Strategy II*. Harlow: Prentice Hall
- Yip, G. S. (2000) *The Asian Advantage: Key Strategies for Winning in the Asia-Pacific Region*. Cambridge: Perseus
- ***Nissan- Our Company, <http://www.nissan-global.com/EN/COMPANY/PROFILE/>
- *** Nissan Annual Report 2012, http://www.nissan-global.com/EN/DOCUMENT/PDF/AR/2012/AR2012_E_All.pdf