

# Mazda Motor Corporation's Strategy

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## 1. Introduction

According to Thompson & Strickland (1999), strategy is management plan to make a company successful. In this paper we will be looking at one such plan, the one Mazda Motor Corporation has developed to not only make it successful but for its very survival. First however, some background on Mazda in terms of its history and what it looks like today.

## 2. Some Background on Mazda

### 2.1 Mazda's History

Mazda was founded in 1920 as a cork plant but quickly grew out of the cork business. In 1927 the name was changed from Toyo Cork Kogyo to Toyo Kogyo Co. and by 1931 the company was producing three-wheel trucks. Over the next 25 years some 200,000 of these were produced.



The Mazda three-wheel truck

During World War II, Mazda provided the military with these trucks and with rifles. Protected by a hill, most of the factory survived the atomic bombing of Hiroshima ("Mazda Motor Corporation," 2004).

Passenger car production began in 1960 with the Mazda R360 Coupe. In 1967, Mazda introduced its famous Wankel rotary engine<sup>1)</sup>. By the early 1970s, this

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1) The rotary engine was the outcome of a 1961 technical cooperation agreement between Mazda and NSU/Wankel of (then) West Germany. The engine has only a few moving parts and is considered superior to the piston driven engine from a performance and maintenance point of view. Its major drawback is its relatively poor fuel economy.

engine powered more than half of all Mazda's. Although smoother and quieter than the piston-driven engine, the rotary engine's gas economy was not as good. With the rise of gasoline prices in the 1970s, Mazda's sales slumped accord-



The Mazda R360

ingly. Since then Mazda has moved away although not abandoned the rotary engine, which still powers its latest sports car, the RX-8<sup>2)</sup>. By the mid-1980s, Mazda's vehicle production in Japan had reached about 1.2 million units, one third of which were commercial vehicles. According to Austenfeld (1996), "Just before the "bubble" burst, Japanese production peaked in 1990 at a little over 1.4 million units" (p. 282).

Since 1963, Mazda has produced vehicles in other countries. Today such production takes place in some 15 countries. The biggest of these operations is in the United States at the AutoAlliance International, Inc. company, a fifty-fifty partnership with Ford Motor Co. in Flat Rock, Michigan<sup>3)</sup>. In calendar year 2002 47,603 Mazda-brand vehicles were produced at AutoAlliance. At the other end of the spectrum, the Kenya operation produced only 32 Mazda-brand vehicles in 2002 (*Mazda in Brief*, 2003, p. 8).

Mazda's relation with the Ford Motor Co. began in 1969 when Mazda, Ford, and Nissan entered a joint venture to make automatic transmissions. In 1979, Ford acquired a 25% equity stake in Mazda. In 1982 Mazda began marketing Ford vehicles in Japan through its Autorama sales channel. In 1988 Mazda began producing the Ford Probe at its then wholly owned subsidiary in Flat Rock,

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2) In fact, Mazda's latest version of the rotary engine, the RENESIS, won the prestigious International Engine of the Year 2003 award ("Mazda 'RENESIS' wins," 2004).

3) Another important Mazda-Ford partnership is AutoAlliance (Thailand) Co. Ltd. located at Rayong, Thailand. This facility produced 31,857 Mazda-brand vehicles in 2002.

Michigan: Mazda Motor Manufacturing (USA) Corporation (MMUC). In 1990 marketing of the Ford-produced Mazda Navajo began through Mazda's U.S. sales network. In 1992 MMUC was changed to an equal partnership with Ford and renamed AutoAlliance International, Inc. And, in 1993, Ford and Mazda "entered into a long-term strategic relationship to enhance competitive power" when Ford took a controlling 33.4% equity stake in the company (*Mazda in Brief*, 2003, p. 33)<sup>4)</sup>. Since 1993, Mazda and Ford have enjoyed an ever more cooperative relationship and in fact enhancing that relationship is one of the key elements of Mazda's strategy.

Since 1990, Mazda's sales have slumped to the point where its 1994 Japanese production was only 985,821 vehicles; down 31% from that 1990 high of a little over 1.4 million. In fact, 1994 saw Mazda experience a loss of \$414 million (Austenfeld, 1996, p. 283).

## 2.2 Mazda Today

According to Mazda's FY 2003<sup>5)</sup> financial results (*Consolidated Financial Results for FY 2003*, 2004):

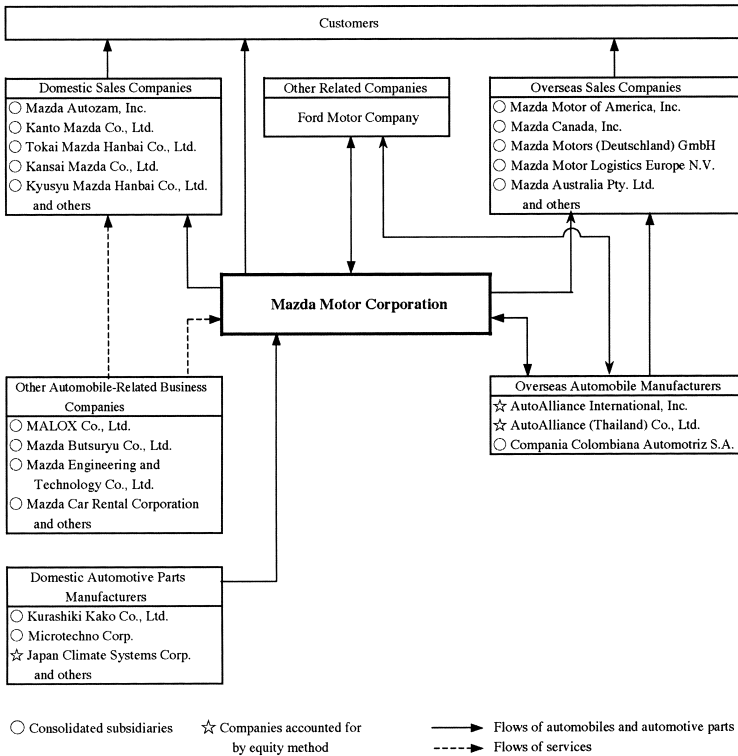
The Mazda group of companies consists of Mazda Motor Corporation, 55 consolidated subsidiaries and 12 equity method-applied companies and is mainly engaged in the manufacturing and sales of automobiles and automotive parts as well as in other automobile-related businesses. (p. 1)

The diagram at Figure 1 is an approximate illustration of "the roles of Mazda Motor Corporation and its main related companies in conducting the group's business."

The Appendix shows a list of Mazda's vehicles as of August 1, 2003 with

4) At about this time (1993) a team of senior Ford executives came to Mazda's corporate headquarters and began working with Mazda's executives; allegedly to help Mazda weather the failing Japanese economy. In fact, it was probably to give the company some fresh and more aggressive management.

5) April 1, 2003–March 31, 2004



**Figure 1.** The Mazda Group (*Consolidated Financial Results for FY 2003, 2004, p. 1*)

Mazda’s two latest models, the Axela sports compact and the Verisa compact<sup>6)</sup> added for completeness.

Mazda’s main manufacturing plant and corporate headquarters are located in the southeastern part of the city of Hiroshima along the Seto Inland Sea coast. This Hiroshima plant is described as “one of the largest single-site automobile manufacturing plants in the world, with an annual production capacity of nearly 400,000 units” (*Mazda in Brief*, 2003, p. 1). Mazda’s newer Hofu plant a bit fur-

6) The Axela was introduced in October 2003 and the Verisa in June 2004.

ther south in Yamaguchi Prefecture has a similar capacity. The size of Mazda's domestic workforce as of March 31, 2003 was 19,290<sup>7)</sup> making it one of the largest employers in western Japan. Its joint venture with Ford in Flat Rock, Michigan, AutoAlliance International, Inc., has an annual capacity of 240,000 units and as of December 2002 employed approximately 2,000 people (*Mazda in Brief*, 2003, p. 9).

Full-scale exporting began in 1967 with exports to Europe. In 1970, Mazda began exporting to the U.S. Today Mazda sells in some 150 countries accounting for approximately 70% of Mazda's overall sales during FY 2003 (*Consolidated Financial Results for FY 2003*, 2004, p. 26). Figure 2 shows the breakdown by region for these overseas sales for FY 2003; for comparison purposes Japan sales are also shown. Handling these overseas sales is a network of about 5,000 dealers, about half of them in Europe (*Mazda in Brief*, 2003, p. 11).

As of December 2002, Mazda had 1,663 sales locations<sup>8)</sup> throughout Japan handling some eighteen passenger car models and seven types of commercial vehicles. As shown in Figure 2, Mazda's domestic sales were only 29% of their total for FY 2003.

Mazda's global research and development (R&D) network has centers in Hiroshima and Yokohama in Japan; Irvine, California and Ann Arbor, Michigan in the U.S.; and in Oberursel, Germany. Besides advanced product development, Mazda's R&D efforts are strongly focused on safety and the environment.

In the area of safety technology development, Mazda is working on the following three areas:

- *Active safety* to minimize accidents, for example work to improve visibility or braking.

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7) Approximately six percent are women, the average age is 41.7 years, and the average length of service with Mazda is 20.7 years.

8) Four hundred eleven dealerships and 1,252 outlets.

	North America	Europe	Other areas	Total overseas	Japan	Total
Sales in 100 millions of yen	9,367	6,598	4,734	20,699	8,462	29,161
Percentage of total sales	32%	23%	16%	71%	29%	
Sales in thousands of units	327	258	200	785	291	1076
Percentage of total units sold	30%	24%	19%	73%	27%	

**Figure 2.** Breakdown by region of Mazda's overseas sales plus Japan sales for FY 2003 *Consolidated Financial Results for FY 2003, 2004*, p. 26 and last page [unnumbered]).

Note: the total sales figure of 29,161 includes sales of knockdown parts (overseas), parts, and other.

- *Passive safety* to minimize injury to occupants and pedestrians in case of an accident. For example, Mazda has recently developed a new aluminum hood for the RX-8 sports car that absorbs impacts much better.
- *Advanced safety* to provide safer and smoother driving. For example Mazda's participation in the Advanced Safety Vehicle (ASV) and Advanced Cruise-Assist Highway System (AHS) projects of the Japanese Ministry of Land, Infrastructure and Transport (*Mazda in Brief*, 2003, p. 4).

Mazda is equally active in environmental technologies. Mazda's primary initiatives in this area are:

- Reduction of CO<sub>2</sub> emissions.
- New manufacturing technology, for example to reduce energy consumption or facilitate recycling.
- Development of alternative-fuel and clean-energy vehicles and other advanced technology.
- Reduction of automotive exhaust emissions.

- Recycling materials and resources and effective usage of waste.

*Mazda in Brief*, 2003, pages 5 & 6 lists the many activities Mazda is working on under each of these initiatives.

From the days in the 1930s when Mazda only built three-wheeled trucks, it now offers a wide range of vehicles as shown in the Appendix. Figure 3 shows the volume of Mazda's sales in thousands of units for the last six years to March 31, 2004. As can be seen sales have been holding steady at about one million units but have been trending up since FY 2001.

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Domestic sales	337	345	334	288	294	291
Overseas sales	688	668	630	660	723	785
Total sales volume	1025	1013	964	948	1017	1076

**Figure 3.** Mazda's sales in thousands of units FY 1998–FY 2003 (*Mazda in Brief*, 2003, p. 13 & *Consolidated Financial Results for FY 2003, 2004*, last page [unnumbered]).

Figure 4 shows Japan sales by model for calendar years 2002 and 2003 and Figure 5 shows exports by model for the same periods. It is apparent from these two charts that a truly new Mazda is emerging as sales and exports of traditional models like the Familia and Capella drop while the opposite is true for its new models such as the new Demio, the Atenza, the Axela, and the RX-8.

Realizing the importance of developing technical and managerial expertise in its employees, Mazda has established two training facilities at its Hiroshima location. The Mazda Education Center offers “a variety of programs systematically designed for managerial-level employees, office employees, plant employees and employees with overseas assignments.” This center also accommodates programs initiated by the individual divisions and departments within Mazda to meet particular needs. The Mazda Technical College offers a two-year program in production and mechanical engineering open to senior high school graduates

Passenger cars				Commercial vehicles			
Model	2003	2002	% Change	Model	2003	2002	% Change
Carol	3,760	5,734	-34.4%	Scrum	9,134	9,809	-6.9%
AZ-Offroad	367	522	-29.7%	Bongo Friendee	3,172	5,649	-43.8%
Laputa	2,219	3,243	-31.6%	Bongo Series	19,974	17,854	+11.9%
AZ-Wagon	19,060	17,521	+8.8%	Titan, Titan Dash	11,873	9,598	+23.7%
Spiano	8,730	7,273	+20.0%	Others	3837	4533	-15.4%
Demio	88,157	63,030	+39.9%	Sub-total	47,990	47,443	1.20%
Familia	9,062	15,973	-43.3%				
Premacy	11,283	18,296	-38.3%				
Capella sedan	1	1,317	-99.9%				
Capella wagon	4	1,643	-99.8%				
Atenza	25,854	20,756	+24.6%				
Axela	5,522	0					
Tribute	2,022	5,600	-63.9%				
Millenia	461	1,313	-64.9%				
Roadster	1,520	2,934	-48.2%				
RX-7	398	3,717	-89.3%				
RX-8	14,627	0					
MPV	34,570	43,419	-20.4%				
Other passenger cars	2,082	3,254	-36.0%				
Sub-total	229,699	215,545	+6.6%	Total	277,689	262,988	+5.60%

**Figure 4.** Mazda's Japan sales by model for calendar years 2002 & 2003 (August 18, 2004 e-mail from Mazda's Global Communications Planning Dept.).

and Mazda employees who have graduated from high school and are under 23 years of age (*Mazda in Brief*, 2003, p. 22).

Finally, Mazda is involved in a number of social and cultural activities. According to *Mazda in Brief* (2003, p. 23) these include:

- *The Mazda-Youth For Understanding (YFU) Scholarship Program.* This



Robert B. Austenfeld, Jr.: Mazda Motor Corporation's Strategy

Passenger cars				Commercial vehicles			
Model	2003	2002	% Change	Model	2003	2002	% Change
Mazda Demio	4,879	13,883	-64.9%	Mazda E-Series	5,960	6,003	-0.7%
Mazda 323 (Familia)	152,687	243,017	-37.2%	Mazda T-Series	718	1,754	-59.1%
Mazda Premacy	22,952	27,772	-17.4%	Sub-total	6,678	7,757	-13.9%
Mazda 626 (Capella)	2,180	10,400	-79.0%				
Mazda Tribute	21,659	16,459	+31.6%				
Mazda RX-8	42,428	0					
Mazda MPV	44,162	62,787	-29.7%				
Mazda MX-5	29,054	37,586	-22.7%				
Mazda6 (Atenza)	151,460	87,389	+73.3%				
Mazda3 (Axela)	75,701	0					
Mazda Millenia	1	14,022	-100.0%				
Others	160	200	-20.0%		2003	2002	% Change
Sub-total	547,323	513,515	+6.6%	Total	554,001	521,272	+6.3%

**Figure 5.** Mazda's exports by model for calendar years 2002 & 2003 (August 18, 2004 e-mail from Mazda's Global Communications Planning Dept. & *Mazda in Brief* 2003, p. 20).

program provides scholarships for students from the U.S. who participate in a six-weeks homestay program in Japan organized by YFU, a non-profit student exchange organization. As of 2003, 337 students from the U.S. have taken advantage of this program to experience Japanese culture.

- *The Mazda Memorial Foundation in Japan.* Established in 1984, this foundation “promotes studies in science and technology and fosters the development of well-rounded young adults.” The Foundation supports a variety of programs from conferences and study meetings to partnerships with other corporations and groups in Hiroshima to run a scientific experience camp for young people. As of the end of FY 2002, 954 grants and ¥923.4m had been provided by this foundation (*Mazda Environmental Re-*

*port 2003*, under “Community Activity”).

- *Mazda Foundation in Australia*. Supported by Mazda dealers in Australia and other donations, this foundation has provided some A\$25.5m as of June 2003 “for environmental, science and technology enterprises, youth projects, and other initiatives benefiting society.”
- *The Mazda Foundation (USA)*. As of August 15, 2003 this foundation has provided over \$4m to enhance youth literacy, expand diversity in higher education, preserve and enrich the environment at state and national parks, promote cross-cultural understanding, and support medical research.

Having briefly looked at Mazda’s history and current situation, let’s now examine Mazda’s strategy starting with a look at its Visions, Mission, and Values.

### **3. Mazda’s Strategy**

#### **3.1 Introduction**

##### **3.1.1 Mazda’s Vision, Mission, and Values Statements.**

A good strategy needs to be built on a good foundation that clearly states an organization’s view of the future and its values. Mazda satisfies this requirement with the following vision, mission, and values statements taken from Mazda’s *Consolidated Financial Results for FY 2003* (2004, May 13, p. 2).

- *Vision*: To create new value, excite and delight our customers through the best automotive products and services.
- *Mission*: With passion, pride and speed, we actively communicate with our customers to deliver insightful automotive products and services that exceed their expectations.
- *Values*: We value integrity, customer focus, creativity, efficient and nimble actions and respect highly motivated people and team spirit. We positively support environmental matters, safety and society. Guided by these values, we provide superior rewards to all people associated with Mazda.

It is worth noting that all three statements emphasize the customer, the only real key to organizational success.

### **3.1.2 Mazda's Competitive Environment.**

Mazda's main concerns in this area are a sluggish economy—both at home and globally, exchange rate changes, and the highly competitive worldwide automotive industry. This is how it is summed up in Mazda's latest full-year report (*Consolidated Financial Results for FY 2003* (2004, p. 4):

The near-term external environment is expected to remain difficult in Japan and globally. Although the global economic outlook is starting to improve, it faces many issues, especially rapid currency fluctuations and oil price increases providing challenges for export-oriented countries and companies. The automotive industry is likely to remain intensely competitive, as the major manufacturers continue to offer high levels of marketing incentives and introduce a variety of new models.

### **3.1.3 Mazda's Millennium Plan (Overview)**

Mazda strategy can best be described by examining its mid-term (four-year) plan called its Millennium Plan. This plan was introduced in November 2000 and continues to provide the framework for all of Mazda's actions<sup>9</sup>. It is made up of four parts called "pillars":

- *Pillar #1 Growing the business.* This pillar consists of two parts: (1) implementing a sound and aggressive brand strategy and (2) strengthening the sales and distribution networks.
- *Pillar #2 Restructuring and reform.* This pillar involves actions to improve Mazda's efficiency by doing such things as restructuring its production facilities, streamlining its workforce, and pursuing an aggressive cost-reduction program.

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9) A new Millennium Plan is due at the end of 2004.

- *Pillar #3 Creating synergies with the Ford Motor Co.* This pillar is to accelerate Mazda's involvement with Ford through such things as sharing production facilities, sharing platforms, and accepting responsibility for specific product developments.
- *Pillar #4 Enabling our people.* This pillar involves a number of actions to make the workforce better informed and trained and to make the working environment friendlier.

### **3.2 How Mazda has carried out its Millennium Plan strategy.**

#### **3.2.1 Pillar #1: Growing the business.**

##### **3.2.1.1 Implementing a sound and aggressive brand strategy.**

This part of Mazda's strategy begins with Mazda's "blueprint" for its future models. In general, these models are to be stylish, insightful, and spirited or, as Mazda's new slogan puts it, express a "Zoom-Zoom" spirit such as one experienced when a child. As applied to Mazda's products:

Zoom-Zoom starts with a visual promise. Mazda vehicles are designed to not only catch the eye; they convey an immediate image of youthful exuberance, style and driving fun. Spirited performance is an essential element of Zoom-Zoom. With that goal always in mind, every Mazda vehicle is designed to offer features that continually surprise and delight our customers. ("Zoom-Zoom," 2003)

With this as a blueprint, Mazda has begun producing a series of all-new models starting with the launch of the Atenza, which went on sale in Japan on May 20, 2002. This car comes in three versions: the five-door sport, the four-door sedan and the station (or sport) wagon ("All-New 'Mazda,'" 2002).

The Atenza was followed shortly by the launch of the new Demio on August 7, 2002. This is a completely redesigned



The Atenza Sport 23S

version of the original Demio, which debuted six years earlier in August of 1998. As with the Atenza, this new Demio exemplifies Mazda's Zoom-Zoom spirit. The Demio also comes in three models: the Cozy, Sport, and Casual, which "cater to the lifestyles of a variety of customer groups ranging from young families to single men and single women." ("Mazda Launches Second," 2002).



The Demio Cozy

In April of 2003, Mazda launched its much anticipated reincarnation of the famous RX-7 sports car, the RX-8. As with the Demio, this car is a complete redesign including a revolutionary new rotary engine called the RENESIS. The RX-8 is exceptional in a number of ways. Besides being the only sports car powered by a rotary engine, it is able to seat four adults comfortably making it also a "family" car. Furthermore, it is offered at a price far below that of sports cars with comparable performance. Again, the RX-8, through its style, insightful functionality, and spirited performance, demonstrates to a high degree Mazda's Zoom-Zoom spirit! ("Mazda Releases All-New," 2003)



The RX-8 Type S

Continuing with its plan to essentially remake itself in terms of new models, on October 15, 2003 Mazda introduced in



The Axela Sport 23S

Japan the Axela, an all-new sports compact. The Axela comes in both four-door and five-door versions ("Mazda Unveils the Next," 2003).

As of this writing, Mazda's latest new-generation car is the Verisa, which went

on sale June 28, 2004. This car comes with a station wagon body and 1.5l engine. As stated in the product announcement: “The product is intended for a broad range of customers with an emphasis put on couples in their 30s who enjoy their own styles, particularly when



The Verisa

choosing products or lifestyles.” Mazda is also proud of the relatively short development time required for this car due to Mazda’s revolutionary Mazda Digital Innovation (MDI) system, which uses cutting-edge information technology for product development (“Mazda’s New ‘Verisa’,” 2004).

Probably the next all-new Mazda will be the Flexa, which according to Mazda’s President, Mr. Imaki will debut in its production version at the Paris Auto Show in September 2004 (*FY 2003 Results and FY 2004 Projections*, 2004). Mazda is calling this vehicle a “space wagon”; i.e., a relatively small vehicle that can still seat five or six comfortably.



The MX-Flexa

According to a review by Wardlaw (2004), “...it would slot between the Mazda3 Hatchback [Axela, five-door] and the Mazda MPV minivan, offering a more sensible alternative to the handsome new Mazda 6 [Atenza] Wagon.”

Beyond all these new-generation models, Mazda has been doing a lot to bring the “Zoom-Zoom” spirit to its older models such as a turbocharged model of the highly popular Roadster and updated interiors and exteriors for the MPV and Tribute.

All of Mazda’s new-generation cars have met with enthusiastic customer acceptance and received many awards. Therefore, we can say that so far this part

of Mazda's growth strategy is working very well indeed.

### **3.2.1.2 Strengthening the sales and distribution networks.**

Mazda's efforts here are primarily in four locations: Japan, North America, Europe, and China. In Japan these are some of Mazda's initiatives<sup>10</sup>:

- A general upgrading of its dealer facilities.
- The implementation of the Mazda Excellence Program to objectively evaluate dealer facilities and customer service.
- The continual expansion of the build-to-order website, known as the Web Tune Factory, so customers can essentially "design" their own car on the Web.

In North America: According to Mr. Odell, in charge of Marketing, Sales, and Customer Service, there are a number of initiatives underway to improve sales in the United States, one of Mazda's most important markets. These include increasing the number of exclusive dealerships, the new Retail Revolution program meant to completely change the customer's dealer experience, and development of products specifically targeted at the U.S. consumer (*FY 2003 Results and FY 2004 Projections*, 2004).

In Europe Mazda's efforts have mainly been to acquire direct control of sales. According to a recent report, Mazda now has direct control of more than 80% of its European sales. Furthermore, according to the same report "During calendar year 2003, sales in Europe increased by 26 percent, with all-time sales records achieved in the UK, Italy, Spain, and Portugal" (*Consolidated Financial Results for FY 2003*, 2004, p. 3).

In the spring of 2003, Mazda began production of the Mazda6 (Atenza) at the FAW<sup>11</sup>) Car Co., Ltd. in Changchun, Jilin Province. Mazda already produces the

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10) All of these examples are from either Mazda's Annual Reports for FYs 2000–2003 or the *Consolidated Financial Results for FY 2003* reference.

11) FAW stands for First Automotive Works Corp., one of China's biggest automakers.

Mazda Premacy and Mazda 323 (Familia) at FAW Hainan Motor Co., Ltd. (in Hainan Province and since May 2001 and July 2002 respectively) (“Ceremony to Mark,” 2003). As for sales, Mazda’s strategy seems to be working in that for FY 2003, Mazda’s China sales totaled 93,000, three times that for the previous fiscal year (*Consolidated Financial Results for FY 2003*, 2004, p. 3).

### **3.2.2 Pillar #2: Restructuring and Reform.**

As mentioned, this part of the strategy involves restructuring production facilities, improving the workforce, and giving increased attention to cost-reduction. Besides the production initiatives in China, another important milestone for Mazda was the January 2003 start of Mazda2 (Demio) production at the Ford Valencia (Spain) plant. This initiative will help Mazda better meet European market demand and reduce exposure to currency changes (“Production of the Mazda2,” 2003).

Another important production change is the reopening of the Ujina #2 plant in Hiroshima in May 2004. After being closed for a couple of years this plant has now been upgraded to a state-of-the-art and highly efficient production facility and increases Mazda’s domestic capacity by 14 percent to 898,000 units annually. This increase will help Mazda continue to meet its product-led growth needs (“Mazda Commences Operations,” 2004).

In the area of workforce improvement, Mazda has undertaken several initiatives under its Millennium Plan strategy; specifically, an early retirement program, efforts to eliminate the bureaucracy and drive decision-making/accountability down to all levels, and use of an intranet to speed the approval process (*Mazda’s Annual Report 2000*, 2001, pp. 3 & 4).

Mazda’s continues to carryout its Achieve Best Cost, or ABC, cost-reduction initiative begun in May 2002. This program is a commodity-focused process for achieving 25 percent cost reductions by the end of FY 2004 (March 31, 2005) and is delivering significant savings through design improvements, lower logis-



tics costs, increased commonization across product lines and expanded use of global sourcing (*Consolidated Financial Results for FY 2003*, 2004, p. 4).

### **3.2.3 Pillar #3: Creating synergies with the Ford Motor Co.**

Ford and Mazda have formed a truly mutually supporting relationship over the last several years. Here are a few examples<sup>12)</sup>:

- Recognizing Mazda's engineering excellence, Ford made Mazda its lead developer for the new In-line 4-cylinder (I4) engine. Production of this engine commenced in January 2002 at Mazda's Hofu plant. Eventually Mazda and Ford will manufacture some two million of these annually for installation in Ford Group cars and trucks.
- Mazda is also lead for development of the front-wheel drive, mid-size architecture, which made its first appearance in the Atenza, launched in May 2002. This architecture will now be available for other brands within the Ford Group.
- Examples of making best use of the Mazda/Ford facilities are numerous; here are a few:
  - Left-hand drive Mazda Tributes and Ford Escapes/Mavericks produced at Ford's Kansas City plant with right-hand drive versions being produced at Mazda's Hofu plant.
  - Mazda 6 (Atenza) being produced at the AutoAlliance International facility in Flat Rock, Michigan since October 2002.
  - The already mentioned production of the Mazda2 (Demio) at Ford's Valencia, Spain plant which began in January 2003
- In December 2003, it was decided that Mazda would take the lead on developing the next B-car (Demio class car) for the Ford Group.
- Although a true Mazda product, the new Axela (Mazda3) was a joint

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12) All of these examples are from either Mazda's Annual Reports for FYs 2000–2003 or the *Consolidated Financial Results for FY 2003* reference.

Mazda/Ford development.

- Finally, there is a continual interchange between Ford and Mazda to create synergies in the areas of distribution, logistics, e-business, and human resource development. In particular and where feasible, economies-of-scale are sought.

#### **3.2.4 Pillar #4: Enabling our people.**

Perhaps the most important initiative under Mazda's Millennium Plan strategy is its leadership development programs. In July 2000 Mazda launched its Mazda Business Leader Development program (MBLD). As stated in the *Mazda's Annual Report 2000* (2001, p. 4), the purpose of this program is "to raise employee awareness and understanding of the Mazda business: the challenges we face and the strategies in place to deal with them." A more detailed description of this program comes from Bungsche & Heyder (2003, p.12):

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. [To] 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.

Bungsche & Heyder go on to say:

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 [one's] own work and beyond the limits of the department one is assigned to.

From these quotes it is apparent Mazda is seeking to make everyone aware of just how serious it considered its situation and the importance of every person's effort. And it is obvious that Mazda feels the responsibility for doing this lies with its senior managers.

In April 2002 Mazda started a new management development program called Leading Mazda 21 with the goal of developing new managers. The program has two parts: MX21 for developing Managers and ME21 for developing General Managers. Using a state-of-the-art training facility, employees, in groups of 20, are selected to participate in each session. MX21 sessions will last three to four months and ME sessions four to five months. The purpose of this program is "to foster a new generation of Mazda leadership that can take a global view of the company's business, making informed strategic decisions" ("Investing in Future," 2002).

It is obvious Mazda saw a real need to not only revitalize its existing managers but to begin grooming future ones, especially in terms of instilling in them a broad view of the company's goals and challenges so they and their people can more effectively contribute.

Mazda has undertaken a number of other actions to improve its work force. Here are some examples<sup>13)</sup>:

- A revised compensation system linked to not only financial objectives but to quantitative improvements in customer satisfaction.
- An expanded training program.
- More opportunities for women.
- The introduction of a cafeteria-style fringe benefits program.
- A company-sponsored child-care center (the first Japanese car manufacturer to have one).

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13) All of these examples are from either Mazda's Annual Reports for FYs 2000–2003 or the *Consolidated Financial Results for FY 2003* reference.

- A new labor-management joint declaration to promote “mutual understanding and confidence between labor and management.”
- A stock option plan to align management actions with improving shareholder value.
- A major upgrade to the human resources system to “more effectively harness the unique differences in the employee’s skills and aspirations.”

One indication that Mazda is making progress in improving its working environment was the receipt of the Family Friendly Company Award in FY 2003 from the Ministry of Health, Labor and Welfare.

#### 4. An Assessment of Mazda’s Strategy and Outlook for the Future

##### 4.1 Assessment of Mazda’s Strategy

The best test of any strategy is its affect on sales and profit performance. Figures 6 and 7 show respectively Mazda sales and profit performance over the last five fiscal years up to March 31, 2004<sup>14</sup>). It is apparent that Mazda has begun to show significant improvement in both sales and net profit. The “low point” was in FY 2000 (FY135), especially for net profit. According to Mazda’s Annual Report for

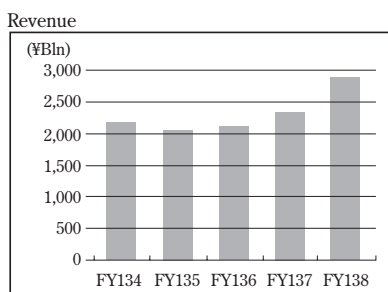


Figure 6. Mazda’s sales (revenue) performance

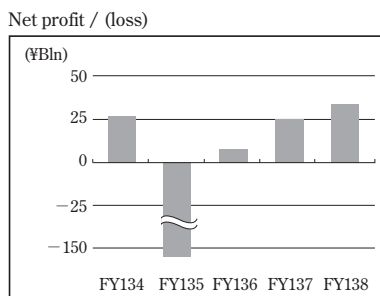


Figure 7. Mazda’s profit performance

14) Figures 6 and 7 are taken from Mazda’s Investor Relations home page under “Financial Data, Key Financial Data Trends.” Retrieved August 17, 2004. Mazda’s FY134 corresponds to FY 1999, FY135 to FY 2000, etc.

that year (p. 2):

The negative impact on sales was primarily due to the adverse effect of a strong yen and lower unit sales of vehicles, parts and components in an increasingly competitive environment. Other major factors that affected our profit performance were a one-time pension write-off of ¥154.6 billion for our transitional obligation for retirement benefits and ¥39.6 billion in restructuring costs under the Millennium Plan. The restructuring costs included closure of the Ujina Plant Number 2 and an Early Retirement Special Program in Japan.

Since then there has been obvious improvement in both sales and profit. But beyond this it seems Mazda has begun to undergo a true change in its culture making it not only more proactive but developing a real “Zoom-Zoom” spirit within the company itself and among its employees.

Recalling that the Millennium Plan was launched in November 2000, it seems reasonable to say it has had a significant affect on Mazda and has been a good strategy for turning Mazda around.

#### **4.2 Mazda's Outlook for the Future**

In two words, Mazda's future outlook is “very good.” Taking into account all the actions Mazda has accomplished over the last four years under each of the four pillars of its Millennium Plan it is apparent Mazda has made significant and lasting progress in important areas: its growth strategy based on a completely fresh product lineup, the restructuring of its facilities and workforce to make them more efficient, working even more closely with Ford to develop operational synergies, and its initiatives to improve its employees, especially development of their leadership abilities. And, as just mentioned, it would seem these are not just one-off actions but the start of a true cultural change that will make them a way of life for Mazda.

Mazda's next Millennium Plan, due in November 2004, will probably be out

by the time this is read and will probably be very similar to the November 2000 version, at least in general terms. However, if anything, it will no doubt be even better and will be executed better given the tremendous amount Mazda has learned in carrying out the first one.

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## Appendix

### Mazda's Vehicle Lineup as of August 1, 2003

(Source: *Mazda in Brief 2003*, p. 2 with Axela and Verisa added)

Overseas names	Domestic names
Passenger cars: Mazda2 Mazda3 Mazda3 Sport Mazda 323 sedan/Mazda Protegé* <sup>1</sup> Mazda 323F hatchback/Mazda Protegé 5* <sup>1</sup> Mazda Premacy Mazda6 Mazda6 Sport Mazda6 Sport wagon Mazda 626 sedan, hatchback Mazda 626 station wagon Mazda Millenia/Mazda Xedos 9 Mazda MX-5/Mazda MX-5 Miata* <sup>1</sup> Mazda RX-8 Mazda Bongo Friendee Mazda MPV Mazda Tribute	Demio Axela sedan Axela Sport Familia sedan Familia S-Wagon Premacy Atenza sedan Atenza Sport Atenza Sport wagon Capella sedan Capella wagon Millenia Roadster RX-8* <sup>2</sup> Bongo Friendee MPV Tribute Verisa station wagon
Micro-mini passenger cars:	Carol* <sup>3</sup> AZ-Wagon* <sup>3</sup> AZ-Offroad* <sup>3</sup> Laputa* <sup>3</sup> Spiano* <sup>3</sup> Scrum wagon* <sup>3</sup>
Commercial vehicles:  Mazda E-Series (truck, van)  Mazda B-Series (pickup truck)* <sup>6</sup> Mazda T-Series (truck)	Familia van* <sup>4</sup> Bongo (van, truck)* <sup>5</sup> Bongo Brawny (van, truck)  Titan, Titan Dash
Micro-mini commercial vehicles:	Scrum (van, truck)* <sup>3</sup>

Notes:

\*<sup>1</sup> Mazda Protegé, Mazda Protegé 5 and Mazda MX-5 Miata are available in North America only.

\*<sup>2</sup> Equipped with RENESIS rotary engine.

\*<sup>3</sup> Supplied by Suzuki Motor Corporation through OEM agreement.

\*<sup>4</sup> Supplied by Nissan Motor Co., Ltd. through OEM agreement.

\*<sup>5</sup> Supplied for Nissan Motor Co., Ltd. and Mitsubishi Motors Corp. through OEM agreement.

\*<sup>6</sup> Mazda B-series pickup truck for the U.S. and Canadian markets is produced by Ford in the U.S. through OEM agreement. AAT, a joint venture in Thailand between Mazda and Ford, produces the B-Series that is sold in other overseas markets.