

Enforcing the Basic Business Philosophy to promote business reconstruction and development

Motor factory reconstruction: 1950 – 1952

In 1950, five years after the end of World War II, Matsushita Electric launched full-fledged management reconstruction and restored the business division system. Unprofitable businesses including motors and storage batteries were consolidated in the Third Business Division, and (then) Senior Managing Director Arataro Takahashi concurrently served as the business division director.

Senior Managing Director Takahashi developed a strong desire to promote business reconstruction and thought about what to do. Consequently, he came to the conclusion, **"Why are we losing money in these businesses? I am not fully convinced that it is because we are latecomers in the market. It is not because our employees are not working hard enough, or lack motivation or enthusiasm, either. The bottom line is, because we are not working in accordance with Matsushita Electric's Basic Business Philosophy, our labor doesn't pay off, resulting in losses."**

He reinstated the recitation of the Seven Principles, which had been shelved, and thoroughly reviewed quality, costs, and services in light of the Basic Business Philosophy and persevered in his painstaking efforts to devise ways to improve each area. As a result, he succeeded in eliminating deficits in a mere six months, getting the businesses back on track.

Two years after business reconstruction got off the ground, a nationwide distributors' meeting was held in June 1952. As manufacturers engaged in a fierce sales competition with each other, distributors made a firm demand for a price reduction. Senior Managing Director Takahashi assembled management executives during a lunch break and quickly reviewed quality, costs, and services to determine whether it was possible to cut prices in accordance with the Basic Business Philosophy. Unexpectedly, his conclusion was "No!"

In the afternoon session, Takahashi spent three hours explaining in great detail the reasons why Matsushita Electric could not reduce prices, "If we can, we would

immediately cut prices to meet your demand. However, after careful consideration, we concluded that **our product quality, services, as well as costs are comparable to those of competitors. We only add a minimum margin on top of the necessary costs; therefore, we cannot reduce prices any further.** I believe that you are asking for a clearly unreasonable price reduction. If you still insist on price cuts, then we will become unable to make motors under such conditions, and will therefore shut down the factory starting tomorrow."

He continued by saying, **"If we cut prices now, then we will go back to the debt-ridden state we faced two years ago, which will inevitably create havoc in the industry. This will contradict Matsushita Electric's Basic Business Philosophy and we won't be able to make any contributions to the industry or society. Your support helped save the factory, which was about to close its doors. Please persevere a bit longer and cooperate with us. In return, we will make all-out efforts to move up the release date of the new product due out in May next year as much as possible,"** and asked for distributors' understanding.

From the next day onward, respective departments of the factory worked around the clock to accelerate the new product development process, which enabled them to release the new product "Hyper" six months earlier than promised. Furthermore, this product became a big seller, requiring increase after increase in production.

Arataro Takahashi's words

Business management works in mysterious ways. If we had compromised at the distributors' meeting then, we would not have been very eager to achieve a turnaround. Following the Basic Business Philosophy brought out our real strengths. The reason why we managed to maintain a firm attitude in dire straits was because we adhered to our belief that Matsushita Electric cannot stay in business unless we work in accordance with the Basic Business Philosophy.



Hyper Motor underpinned the development of the motor division, November 1952



Motor production, 1953