



Global Strategy of UBE Group

Masayoshi OTA

*Planning & Administration Dept. Chemicals & Plastics Company, UBE INDUSTRIES, LTD,
Seavans North Bldg.,1-2-1Shibaura, Minato-ku, Tokyo105-8449, Japan*

Abstract

UBE Group, which was established in 1897 as a coal-mining company, has been providing a variety of superior quality products throughout its more than 100 years' history based on the policy "coexistence and mutual prosperity". The company has expanded from its core chemical business into cement & construction materials, machinery and metal products, pharmaceuticals, and energy and environment. Ube Group is also a global company having chemical plants in Spain and Thailand that started in the 1990s are the company's biggest overseas production site . This report will introduce the background, the current status, and notable features of the company's operations in Spain and Thailand, as well as its future global strategy.

Ube Industries, Ltd. traces its roots to the close of the 19th century, when people in Ube, then a small fishing village in Yamaguchi Prefecture, established a silent partnership to invest in a coalmine.

They rallied around the founder, Sukesaku Watanabe. Their goal was to use coal, which would eventually run dry, to create an industry that would last forever, and bring prosperity to the community for a long time to come. They created new businesses one after another to meet the needs of society. One such business was machinery, which began as a way to manufacture and maintain equipment used in mining coal. A cement business was established to utilize the coal and waste earth from the coalmine, and limestone from the surrounding areas. Coal was also used to produce a fertilizer called ammonium sulfate, the beginning of the chemical operations. That's how UBE Industries' core businesses were born.

After more than a century since its inception, UBE's frontier spirit knows no bounds. The company expanded to Chiba, east of Tokyo, and Sakai, western Japan, in the 1960s, and to Spain and Thailand in the 1990s.

The establishment of chemical subsidiaries in Spain and Thailand is closely related to the

company's caprolactam(hereinafter referred to as lactam), business, the current core operations of the group. Lactam is used to make nylon 6. About 60% of its global demand is for textiles, such as clothing, tire cords, and carpet. The remaining 40% is used for resins, such as engineering plastic and film.

UBE Group signed an agreement with Thai Petrochemical Industry Group, (TPI), in August 1993 to expand production of caprolactam, a core business in Ube and Sakai at that time. In December of the same year, UBE Group also agreed to acquire Productos Quimicos del Mediterraneo, (PQM), a lactam manufacturer owned by BP Espana and BP Oil Espana, units of BP plc. UBE Group is now the world's third-biggest maker of lactam, with factories in Japan, Southeast Asia, and Europe.

These were significant decisions for UBE Group. It was not easy to gain approval for these moves and the whole process was long time consuming. However, the managers' enthusiasm, tenacity, drive, and leadership were behind the success of these projects.

The subsidiary in Spain was the result of an acquisition of an existing factory that used the same technology as the lactam factory in Ube.



UBE Group's knowledge and experience made it possible for the company to quickly produce high-value-added products by improving the acquired facilities. The company also could develop downstream products made from lactam. This subsidiary was a success also because UBE respected local customs and business practices. UBE entrusted management to local employees and did not change the way in which PQM managed its human resources. UBE Group built strong relationships with the government and municipalities, and used subsidies to expand operations.

UBE Group took part in a lactam development project in Thailand as a licensor of lactam-related technology. The company later formed a nylon and synthetic-rubber venture and began to operate a factory in 1997. However, the joint-venture partner, TPI, soon went bankrupt due to the Asian currency crisis, making UBE Group a majority shareholder. The cash was tight at that time. Even so, the company improved its profitability by increasing lactam production capacity using the technology it had built up over the years. A rapid expansion of Asian economies further fueled the company's growth. The Thai unit was successful also because the Thai culture and Japanese culture are similar in many ways. The company's recruitment of key local management talent was also a major contributing factor.

Many companies in various industrial sectors

have been closing domestic factories due to a loss of competitiveness. UBE Group also made an unfortunate decision to shut down its lactam factory in Sakai at the end of March next year. Of course, strengthening competitiveness of domestic businesses is a critical issue, but it is also true that companies must expand on a global scale.

UBE Group has established subsidiaries in South Korea, Taiwan, Brazil, and India, to strengthen its position in overseas markets. Within its chemical business, in addition to improving its capabilities across all types of products in Spain and Thailand, and continuing to expand its fine chemical plants, the company has also expanded into electrolytes in China and synthetic rubber in Malaysia. Its mid-term business plan that begins this year entitled "Change & Challenge: Anticipating Further Growth," has as its basic mission the maximization of group strength on a global basis.

UBE Group's experience in Spain and Thailand has taught the company that technology and human resources are critical in pursuing global expansion. The company aggressively rotates personnel across borders, and plans to bring more overseas employees into Japan. UBE Group employees must possess the same five core skills cited by the Green Asia International Strategic Program: research skills (creativity), practical skills (battle-readiness, willingness to collaborate, and administrative abilities), broad-mindedness, global skills, and leadership skills.