Philips vs matsushita

Philips vs Matsushita: A New Century, A New Round HBS 9-302-049 Discussion Questions: 1. How did Philips become the leading consumer electronics company after the Second World War and what were its key capabilities? (NOs-organizational development) Post-war situation: * (At the very beginning, Philips made only light-bulbs, this one-product focus and Gerard's technological prowess enabled the company to create significant innovations. * The labs developed a tungsten metal filament bulb that was a great commercial success and gave Philips the financial strength to compete against its giant rivals. Philips started to export in 1899. * In 1912, Philips started building sales organizations in the US, Canada, and France. In many foreign countries Philips created local joint venture to gain market acceptance. * In 1919, Philips entered into the Principal Agreement with General Electric, giving each company the use of the other's patents. Philips conducted a decentralized sales organization with autofocus marketing companies in 14 European countries, China, Brazil, and Australia. * During the period, Philips broadened its product line significantly. During the late 1930s, it transferred its overseas assets to two trusts, moved most of its vital research laboratories and top management. Therefore, individual country organizations became more independent during the war. * Built post-war organization on the strengths of the national organizations. (NOs) * Their greatly increased self-sufficiency during the war had allowed most to become adept at responding to country-specific market conditions-a capacity that became a valuable asset in the post-war era. After War: * Cross-functional coordination capability. Foreign operations. * Decrease the number of products marketed, build scale by concentrating production, and increase products flows across NOs. * Close the least efficient local plants and convert the best into International Production Centres, each supplying many NOs. * Close inefficient operations and focused on core operations. * Designed various businesses as core and non-core. * * In 1912, as the electric lamp industry began to show signs of overcapacity, Philips started building sales organizations in the US, Canada, and France.

In many foreign countries Philips created local joint ventures to gain market acceptance. * Built post-war organization on the strengths of the national organizations. (NOs) Their greatly increased self-sufficiency during the war had allowed most to become adept at responding to country-specific market conditions-a capacity that became a valuable asset in the post-war era. * In theenvironmentwhere consumer preferences and economic conditions varied, the independent NOs had a great advantage in being able to sense and respond to the differences.

Eventually, responsiveness extended beyond adaptive marketing. * NOs had the real power, they reported directly to the management board to ensure that top management remained in contact with the highly autonomous NOs. Each NO also regularly sent envoys to Eindhoven to represent its interests. * International Concern Council to formalize-regular meetings with the heads of all major NOs. * Cross-functional coordination capability * Foreign operations Problems In the late 1960s, the creation of the European Common Market eroded trade barriers and diluted the rationale for independent country subsidiaries. New transistor-based technologies demanded larger production runs than most national plants could justify, and many of Philips' competitors were moving production of electronics to new facilities in lowwage areas in Asia and South America. * Simultaneously, Philips' ability to bring its innovative products to market began to falter.

Too decentralized, slow responding to global market because of cooperation complexity between NOs and PDs (CEO words) * The European market tended to become more centralized due to the disappearance of trade barriers in late 1960s. Philips's formal globalized organization (strategy) shows its weakness and prevents Philips from further development. * IPC to control NOs—tilting matrix to PD, more centralized * Lack of global cooperation, like more manufacturing in developing countries * No strategy---life style---downsize unrelated products Marketing problem 2. How was Matsushita able to overtake Philips? What were its strategic competences and how were these embedded in its organisation structure? * How: Matsushita recognized the potential mass-market of VCR and considerably expanded through increasing VCR sales and licencing the VHS format to other manufacture. However, at that time Philips' ability to bring its innovative products to market began to falter.

Even if it invented the most superior format V2000 videocassette, it failed to commercialized it and had to outsource a VHS product which it manufactured under license from Matsushita * Strategic competences of Matsushita: internal competition among small business spurs growth by leveragingtechnologyto develop new products, strong control as well as support from Japan promoted total efficiency * Organisation structure: Matsushita used the divisional structure(small businesses, corporate funds, CRL & product development) and maintained strong control over their operations through two ways of reporting, directly to appropriate product division or to METC 3. How did Matsushita's capabilities and structure later lead to disadvantages? * As Matsushita grows bigger and bigger, more materials purchasing from the local and overseas countries claims more localization, communicationbetween subsidiaries and Japan became difficult and control from Japan deteriorates * Expansion faced bottleneck and Matsushita needed more creativity to promote growth, but the operation localizations lack of innovative capability as they act primarily as the implementation arms of Japanese-based product divisions 4. Why do both firms find it difficult to build new capabilities and what advice would you offer them?