

Philips vs matsushita case study

Education



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N. V. Philips (Netherlands) and Matsushita Electric (Japan) had followed very different strategies and emerged with very new and different organizational capabilities. Philips built its success on a worldwide portfolio of responsive national organizations while Matsushita based its global competitiveness on its centralized, highly efficient operations in Japan. During 1990s, both companies faced major challenges to their competitive positions and organizational models, and at the end of the decade, both companies were struggling to reestablish their competitiveness. At the start of the new millennium, new CEOs at both companies were implementing yet another round of strategic initiatives and organizational restructuring.

Observers wondered how the changes would affect their long-running competitive battle. The name Philips has become more popular but the company we know as Panasonic nowadays is the brand name of Matsushita. Philips was the producer of only light-bulbs. They became the leader in industrial research. After dividing Product Division and National Organization, they innovated new products (e. g. color TV, Stereo TV, TVs with teletext). But throughout the times of business, Philips continued profitless progress. However, throughout three decades, seven chairmen experimented with recognizing the company to deal with its growing problems.

After 1990s Philips started overcoming the profitless progressing problem by cutting its cost through decentralizing its production in different parts of the world (e. g. digital audio tape and electric-shaver product lines were relocated in Japan). But after 30 years' quest Philips recognized that building efficiency in global operation has failed. On the other hand Konosuke

Matsushita, a 23 years old inspector started his business with Osaka Electric Light Company, started production of double ended socket.

The company Matsushita grew rapidly and expanded into battery powered lamps, electric irons and radios. On the 14th anniversary of Matsushita, KM announced to his 162 employees a 250 year corporate plan broke into 25 years section, each to be carried out by successive generations. His plan was codified in company creed and in the " Seven spirit of Matsushita". Creed

Through our industrial activities, we strive to foster progress, to promote the general welfare of society, and to devote ourselves to furthering the development of worldculture. Seven Spirits of Matsushita

Service	through	Industry
Fairness		
Harmony	and	Cooperation
Struggle	for	Progress
Courtesy	and	Humility
Adjustment	and	Assimilation
Gratitude		

Key Findings of this Case:
Philips:

Starting its business with one product focus.

Organization development through separation of National Organization and Product Division. 7 chairman's change within 3 decades in different attempt of recognition. Production diversification and shutting down 75 production facilities for cost cutting in 1987. During 1990s Operation Centurion reduced

headcount around 22% of the company employees. In 2001 Gerard's decision of outsourcing the products that can't add value. Matsushita:

Starting Business in 1918 as a double ended socket producer. On the 14th anniversary of Matsushita, KM announced to his 162 employees a 250 year corporate plan broke into 25 years section, each to be carried out by successive generations Advancing with a flood of new products, around 5000 electronic products. Became the first Japanese company to adopt the divisional structure, giving each division clearly defined profit responsibility for its product. Having a clear and specific target for the future growth of the company and each division has to . pay their 60% profit to the parent company. Building Global Leadership through VCRs in 1980s.

KM changed the plan of controlling. Instead of controlling input, he started to monitor the output. Wherever the location is, there will be a manager from the headquarter. That's how they manage the relationship between the Headquarter and Subsidiary.

Suggestions:

According to our point of view Philips should have specification on the national organizations and the production division. Each should have been given a target that would judge their performance. Instead of just minimizing and diversifying production, they should have recruited young blood. Because young blood brings innovation in business. Considering their excessive cost of production, they should have outsource as much as possible to minimize cost and maximize profits of their company. Most importantly all the divisions should have been monitored by the headquarter,

so that the performance and the cost effectiveness would be more emphasized.