

Philips matsushita

Technology, Innovation



PHILIPS / MATSUSHITA STRATEGIC RECOMMENDATIONS In response to Harward Business School Case 9-392-156 PHILIPS N. V. Philips should pursue transnational structure by establishing integrated network of distributed and interdependent resources and capabilities in its core competencies: consumer electronics and lighting. Philips has developed local responsiveness through its decentralized structure of national organizations (NO). This structure has a great advantage in being able to sense and quickly respond to the differences in the local markets. As a result product development is a function of the local market conditions.

Philips had developed 8 major R&D facilities throughout the world that are highly specialized. They have been a success introducing such products as first color TV in its Canadian NO, first stereo TV in Australia, and first TV with tele-text in the UK. However these inventions were not shared with the rest of the NOs in Philips because of the lack of communication between NOs and headquarters. For example, Philips' Beta videocassette format wasn't shared with other divisions as the strategically valuable invention, as a result North America Philips rejected this invention outright choosing instead to outsource and sell Matsushita's VHS tapes.

In order to prevent these strategic mistakes, the main role of the headquarters should be scanning of business activities across countries and identifying resources and capabilities that might be a source of competitive advantage for other companies in the firm Philips' local responsiveness causes poor global efficiencies that need to be improved throughout the company. Transnational solution will help to retain local responsiveness as

local companies search for new competencies that enable them to maximize profits in particular markets.

International integration is realized when specific country's operations develop unique competencies and become suppliers of that particular product in the market for the entire corporation. If one division develops valuable, rare, and costly to imitate R&D capabilities or products in its ongoing business activities, that division could become the center for R&D and manufacturing for the entire corporation in that activity or product. In conclusion, Philips should pursue transnational structure, where the main role of corporate headquarters is to scan business activities across countries for resources and capabilities that might be a source of competitive advantage for other geographically diversified companies of Philips. This structure will help Philips to be both globally efficient and respond to the local market successfully. MATSUSHITA ELECTRIC Matsushita should pursue completion of transnational structure by establishing integrated network of distributed and interdependent sources of technical knowledge in the organization and changing the flow of information from top down to even exchange between headquarters and divisions.

Past efforts to develop technological capabilities abroad have failed due to the company's highly centralized R&D structure in Japan. Matsushita have transferred significant resources to local R&D centers, however the delegation of many responsibilities and framework of R&D came from headquarters in Japan. This philosophy was not well accepted by engineers of

the acquired local companies because of the excessive functional control from the headquarters.

As the result of central R&D dictatorship overseas companies were not able to develop innovative capability and entrepreneurship. In order to restore Matsushita's profitability and recreate pioneering spirit of R&D, more control should be delegated to local operations' R&D. Operations in different countries should be thought of as experiments in creation of new core competencies. Local R&D should search for new competencies on local markets in order to maximize profits in their particular markets.

Corporate headquarters, on the other hand, should constantly scan different markets and competitors across different countries for new resources and capabilities that might be a source of competitive advantage for other divisions in corporation. If one of Matsushita's divisions develops valuable and costly to imitate product that could be a source of competitive advantage, the information about the innovation should be communicated back up to the headquarters. Headquarters will evaluate the idea and will assist with implementing of the innovation.

Consequently, that division could become the center of manufacturing technology development for the entire corporation. In conclusion, Matsushita should change its role of corporate headquarters from dictating decision making to support incubatory ideas from local companies and search for new competencies in the market. This will reflect transnational structure goal Matsushita is trying to achieve and boost creativity and innovation on the local level. Copyright © 2002, Sergei

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