



PHILIPS

versus

Matsushita(**Panasonic**)

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Case Summary

■ Philips

- Built light bulb business into multinational organization
- Strong R&D labs
- Decentralized power; National Organizations
- Ill-equipped to keep up with changing marketplace
- Painful series of reorganizations: 7 CEOs from 1970 – today

■ Matsushita (Panasonic brand)

- Built small appliance business into a major appliance manufacturer and outsource manufacturer
- Centralized operations; one-product-one-division approach
- Purchased MCA; domestic cash cow struggled
- Attempting to respond better to consumer needs overseas



Porter's Diamond **PHILIPS**

- Firm Strategy, Structure, and Rivalry
 - Competitive nature at beginning – business/engineering
 - Divide and Conquer (Decentralized Operations)
 - Overseas businesses distinct with high degree of autonomy
 - Restructured to single management – slow to adapt

- Demand Conditions
 - Positioned well to meet localized demand (i.e. differentiated TV sets)
 - Failed to adapt to standards (i.e. VCR)

- Factor Conditions
 - Strong innovators and research labs
 - NOs had a lot of authority but caused fragmentation in the company

- Related and Supporting Industries
 - Developed partnership with GE to share intellectual property and segmented market
 - As time went on, did poorly in gaining strategic partnerships



Porter's Diamond **Panasonic**

- Firm Strategy, Structure, and Rivalry
 - Centralized culture, global operations
 - Viewed overseas businesses as channels and extensions of centralized control center
 - Basic R&D was centralized, but R&D units competed to encourage innovation

- Demand Conditions
 - Quicker to adapt to changing marketplace (VCR)
 - Controlled their non-critical operations

- Factor Conditions
 - Adaptive (copycat)
 - Scalable and versatile (ton of products esp. postwar era)

- Related and Supporting Industries
 - They dropped their own format and adopted industry standard, and catered to OEMs such as GE, RCA, Zenith who outsourced manufacturing to Matsushita



PHILIPS

■ Core competencies

- Self-sufficiency of NOs allowed to become adept at responding to country-specific market conditions
- Local TV transmission standards, consumer preferences, economic conditions
- Technological and research labs

■ Weaknesses

- Ability to bring products to market began to falter
- Company fragmentation
- Eroding trade barriers made NOs less important



Panasonic

■ Core Competencies

- Adaptive operational structure (core technology development labs; quick adaptation to VHS technology)
- Adherence to long term vision
- Lean operational structures
- Market share in western markets gained traction by late 70s
- Flood of new products and outlets

■ Weaknesses

- Highly centralized operations
- Domestic dependency



Changes to Date

- Restructuring of Philips
 - Extreme cost-cutting measures
 - Re-definition of National Organization power
 - Focus on existing technologies
 - Shift away from manufacturing: technology developer & marketer?
- Restructuring of Matsushita
 - Purchased MCA to enter US media market, then sold at a loss
 - Shifted production offshore to mitigate reliance on Japanese exports
 - Invested in R&D partnerships (influential labs in China & California)
 - Attempt to empower divisions to respond better, now that legacy markets have slowed (shift to multi-product production centers)



■ Apple's Strengths

- Recent new designs of iMac, sleek LCDs, OSX made Apple well known as a strong brand compared with the early 90s
- They were quick to adapt to the new “legal” digital music market (iTunes) and profit from it (first mover advantage)
- Superior marketing is key differentiator

■ Philips & Matsushita

- Need to partner with OEMs to popularize cell phone MP3 use
- The key is to put the hardware in people's hands, and make money on services (satellite radio?)



Conclusion

- As in the Nokia case, it is important to note how fast paced technology is and always needs innovation in order to compete
- Not being able to adapt to new market conditions is cause for losing market share