OnLine Case 12.2

Matsushita and Canon

Matsushita, whose brands include Panasonic, National and Technics, is the world's largest consumer electronics company. JVC is a subsidiary business. The product range includes video and audio products, electronic components, batteries, home appliances and kitchen equipment.

In the early 1990s Matsushita operated 150 plants in 38 countries including Brazil, the USA, Austria, Tanzania, Malaysia and China. 'The sun never sets on its holdings.' Products are moved widely across frontiers, some even back to Japan, but 70% of Matsushita's employees still work in Japan.

Matsushita has become international for a variety of reasons, not least the strength of the yen, but its growth overseas has been measured and careful.

Initially a plant would be opened in a country to manufacture specifically for that market. The next stage during the 1980s was to move these plants away from merely replicating products designed and manufactured in Japan to the production of variants which had been adapted for local markets. Exporting from these overseas plants then followed. One example here was microwave ovens. European customers like their ovens to finish meat in different ways; the UK, for example, has a preference for crispy fat and consequently needs microwaves with extra strong heating elements. 'It is difficult for product engineers in Japan to understand all the differences and to respond accordingly.'

A further stage involved 'export centres' where all the design and development of a range of products is now based outside Japan, often using lower cost labour. Malaysia now produces 25% of all Matsushita's televisions, and 90% of that country's production is exported, mostly to other countries in South-East Asia and the Middle East. It is argued that Malaysian television plants outperform those back in Japan in terms of both quality and efficiency.

Typical of Japanese companies, Matsushita remains strongly centralized. Subsidiaries cannot deposit or borrow money locally; all financial transactions are handled through a central treasury in Japan. One reason for the caution has been the difficulty in transferring important Japanese values to certain other countries. China is said to be relatively poor on punctuality; the Chinese are not natural teamworkers and do not share their knowledge readily. Matsushita's US employees have very high technical skills, higher than their colleagues in Japan, but they are apparently less willing to take responsibility for changing things and to tinker with manufacturing processes.

Nevertheless, there have been problems and relative failures. Following the lead of Sony, which bought Columbia Pictures and CBS Records, Matsushita acquired MCA film studios and music interests. The deal did not prove successful because of the cultural differences and the real difficulty in trying to manage a business such as this, focused in Hollywood, from a base in Japan. MCA managers were refused investment money to buy either Virgin Records or a stake in NBC Television. The subsidiary was eventually sold to Seagram. Sony too experienced problems with this type of diversification but was willing to decentralize more power and responsibility to local managers.

Schlender (1994) offers six lessons from the international approach and experience of Matsushita:

1. Be a good corporate citizen in every country; respect local cultures, customs and languages.
2. Export your best manufacturing technology to overseas subsidiaries, not second-hand equipment.
3. Minimize the number of expatriate managers and groom local talent to take over.
4. Allow plants to establish their own rules and procedures, finetuning the manufacturing processes to match the skills of the local workforce.
5. Invest in local R&D facilities to tailor products to markets.
6. Encourage competition between those plants located overseas and those back home.

Canon has adopted a different approach to globalization. Canon began after World War II, manufacturing cameras. Systematically it has used its technological competencies to move into related areas, each time seeking market leadership for its new product but never abandoning its previous interests as long as they are still relevant for the market. Canon invented the bubble-jet and laser printers for computers; it has also been successful with desk-size photocopiers.

Since the mid-1980s Canon has devolved more and more responsibility overseas. Manufacturing was migrating in any case, as Japan was becoming a relatively high-cost producer. Canon increased the numbers of foreign managers employed to a level higher than is normal for Japan and watered down some Japanese practices in favour of the ‘best of the rest’. By the mid-1990s 30% of manufacturing was overseas, with the percentage rising every year. Of Canon’s overseas staff only 20% were Japanese.

In 1995, again unusually, world responsibility for key research projects was shifted from Tokyo: research and development consumes some 7% of annual revenues, more than Canon spends on capital investment. The USA became the new base for software research, France for telecommunications, and the UK for automated language translation. Canon’s was projecting that some years hence it would have a global set of Canon regional headquarters each with world responsibility for development, manufacturing and sales of particular products. ‘Tokyo cannot know everything’. Instead, the role of the head office should be to:

- provide low-cost capital
- move top management around and
- come up with investment initiatives.

Previously, Canon had ‘trawled the world’ for ideas and then sought to develop them in Tokyo, an approach which was becoming more difficult as the USA in particular was more vigilant to the potential of good new ideas. Canon believes that ‘Americans are more creative’.

question: In the end, do you think that this Canon approach (also favoured by Sony) is inevitable for any company seeking world domination in a particular industry?