



對外經濟貿易大學

# **Case4 Canon: Competing on the capabilities**



# Learning Purpose and Objectives

Overall, studying the case of Canon can:

- ★ Revisit the key concepts you have learnt earlier;
- ★ Integrate those ideas into a comprehensive framework that would show how they relate to and complement one another instead of being contradictory and mutually inconsistent.
- ★ Help clarify how these concepts can be translated into effective strategic action.

# Evolving and Broadening of Concept of Strategy

- \* Michael Porter's Competitive Strategy represented a major breakthrough and this IO-based framework provided the main lens through which the issues and challenges of strategy were viewed.
- \* In the late 1980's, Grey Hamel and C.K.Prahalad proposed the approach to resource-based view of strategy, with the concept of core competency and strategic intent.
- \* On the second half of the 1990's, another set of ideas come to the fore – essentially focusing on innovation as the the core of strategy. The advocates of those ideas include Rich D'aveni (hyper-competition), Kathy Eisenhardt (competing on the edge), Chan Kim (value innovation), Costas Markides (strategic innovation), etc

# Assignment questions

- (1) What was Canon's strategy in the photocopier business ?
- (2) How did Canon build and leverage competencies?
- (3) Where did the competitive strategy (Canon's differentiation strategy) come from? Describe the competency-building process?
- (4) How to make this competency-building process effective?

# Question I: What was Canon's strategy in the photocopier business? (see Figure 1)

Figure 1

	Xerox's existing Business	Canon's strategic Logic
1. Customer definition	Medium/large companies	Small companies individuals
2. Use pattern	Centralized copying	decentralized copying
3. Product characteristics	high volume	utility
4. distribution	own sales force	dealers
5. Service	own service network	dealers
6. Sale terms	lease	sale
7. Technology	leading edge	low cost

## Question II: How Canon building and leveraging competencies(see Figure 2)?

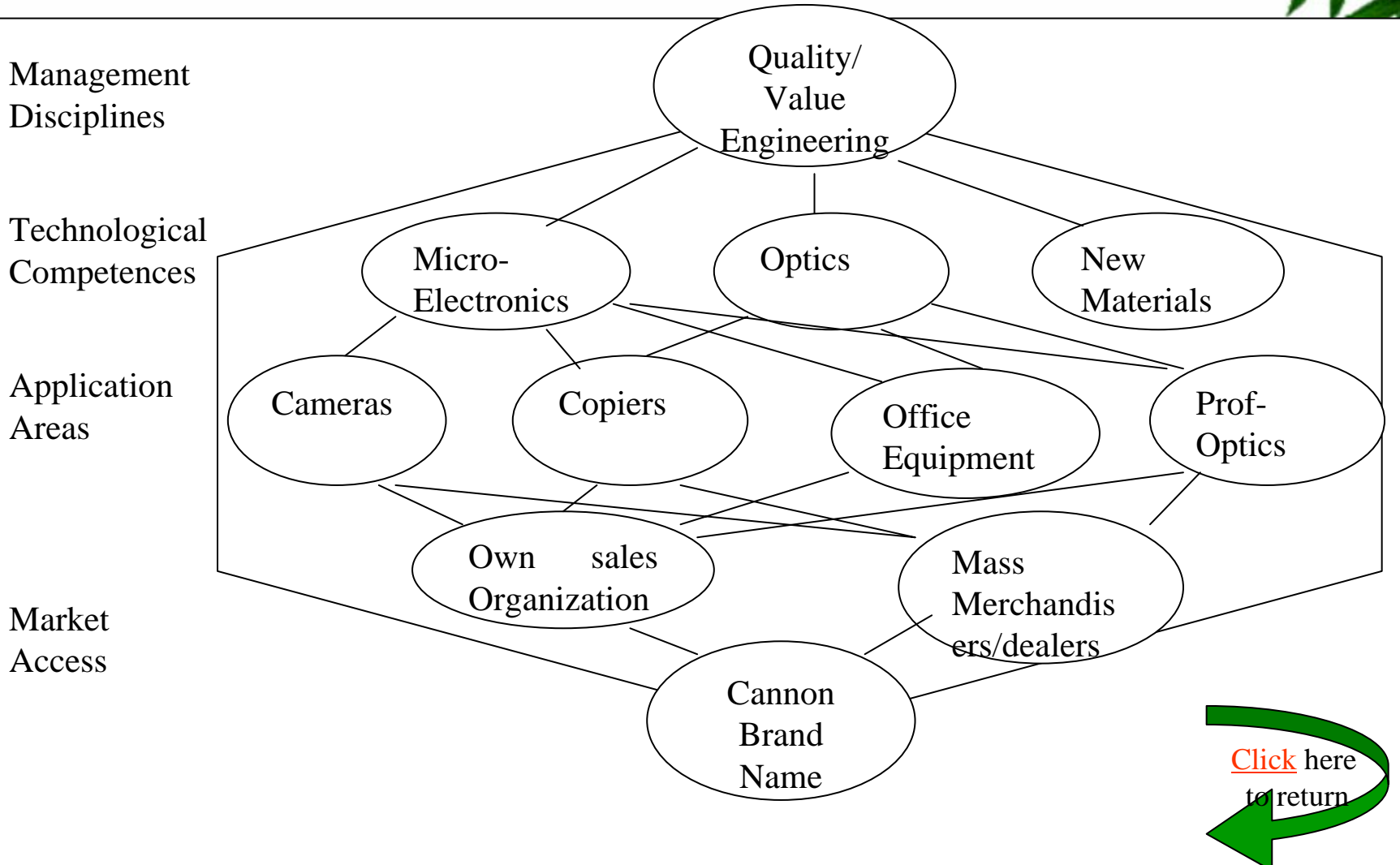
- \* Canon was in the camera business originally. It anchored that business in its basic management discipline of quality manufacturing and value engineering, a set of competencies in technologies – primarily optics technology – and in developing and managing dealer networks.
- \* Then, through the evolution of camera business and through dedicated research efforts, Canon built a strong competence in the area of micro-electronics.
- \* Given these resources and competencies, Canon decided to enter the photocopier business. it reconfigured the business so as to be able to leverage the resources and capabilities it had.
- \* The photocopier business, in turn, allowed Canon to build new up-stream and down-stream competencies-in new materials technology .

## Two inter-linked tasks of the strategy

- (i) To continuously find ways to leverage one's existing resources and competencies to create and pursue business opportunities, and
- (ii) to continuously use existing business and operations to built new competencies and strengthen existing one's. In essence, it is a strategy of perpetual motion.



# Figure 2: Building and Leveraging Competences

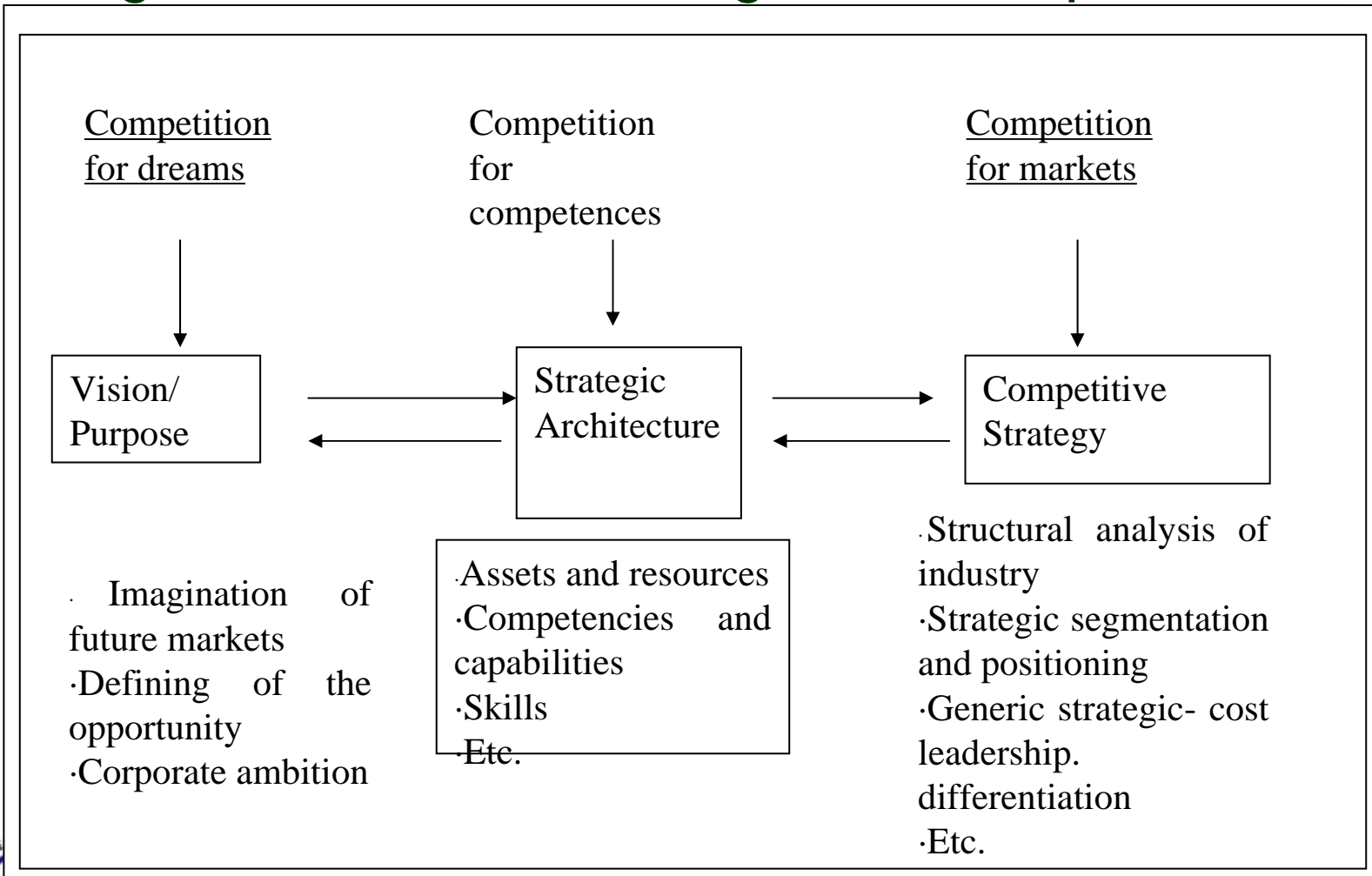




# Question III: Where did the competitive strategy come from? Describe the competency-building process

- \* One step beneath the visible competition for markets, and supporting company's posture in that competition, lies its strategic architecture
- \* A company's competitive strategy must be grounded in that architecture (Prahalad and Hamel, 1991), and its day-to-day activities in pursuance of that strategy provide a means for continuously enhancing and broadening the assets and resources, competencies, etc. This is the second stage of competition –the competition for competencies
- \* At the very base of that iceberg lies the vision, the ambition, the dream. (see Figure 3)

# Figure 3: the three stages of competition



## Question IV: How to implement strategies effectively?

Strategy really focuses on two links among vision, strategic architecture and competitive strategy.

- 1、 From the time frame:the vision tends to be long-term, often stretching into decades as Canon;The competitive strategy is very short-term, fought out in the market week by week, quarter by quarter

# Question IV: How to implement strategies effectively?

2、 From the links among vision, architecture, and competitive strategy:

Firstly, the link from architecture to competitive strategy, competitive strategy must be influenced by the strategic architecture. The reverse link, between competitive strategy and strategic architecture is a key attribute of organizational learning;

Secondly, the link between vision and strategic architecture is represented by actions taken to understand and develop new resources and competencies to pursue the corporate ambitions. The reverse link from architecture to vision, is the envisioning process – a continuous check and challenge of existing dream, and its adaptation to changing market realities and to the possibilities that emerge from the evolving strategic architecture (see Figure 4)

# Figure 4: The core Strategic Tasks

