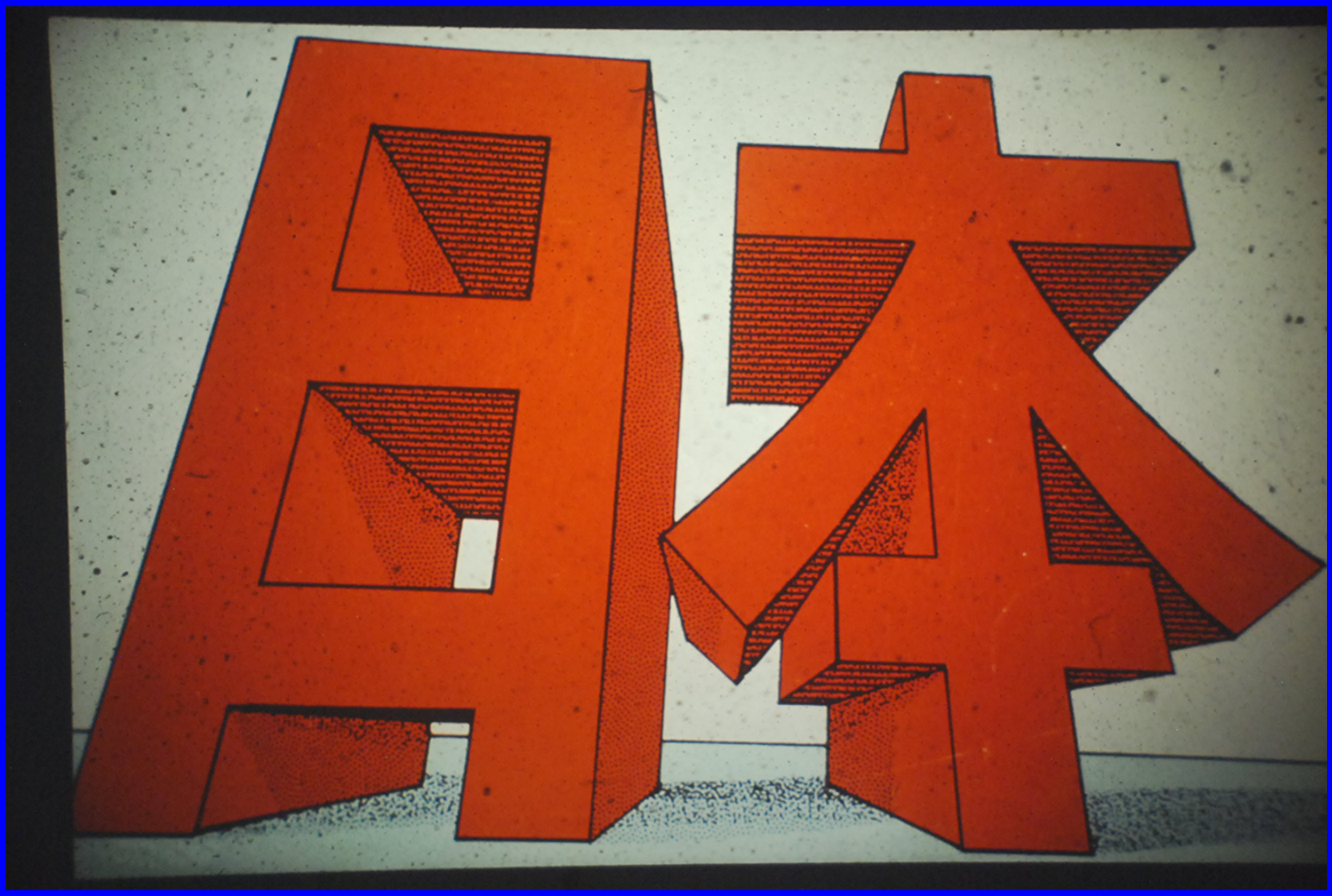

DSC_1667 1976 Japan M.C. Millan .JPG

THREE GENERIC STRATEGIES

STRATEGIC TARGET	STRATEGIC ADVANTAGE: Uniqueness perceived by the customer	STRATEGIC ADVANTAGE: Low Cost Postion
Industrywide	DIFFERENTIATION	OVERALL COST LEADERSHIP
Particular segment only	FOCUS	

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COMPETIVE SUCCESS = UNIQUENESS!

Potential approaches to achieve competitive advantage

MANY	FRAGMENTED	SPECIALIZATION
FEW	STALEMENT	VOLUME
	SMALL	**LARGE**

Size of advantage

DSC_1669.JPG

STRATEGY AND OPERATIONS

Operations \ Strategy	CLEAR	UNCLEAR
EFFECTIVE	Success • Past • Future	Past Success Future doubtful
INEFEECTIVE	Past Success (short run) Future Failure	Failure • Past • Future

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FUNCTIONS OF A COMPETITOR INTELLIGENCE SYSTEM

COLLECTING FIELD DATA

SOURCES:

- Sales force
- Engineering staff
- Distribution channels
- Suppliers
- Advertising agencies
- Personnel hired from competitors
- Professional meetings
- Trade associations
- Market research firms
- Reverse engineering
- Security analysts
- Etc.

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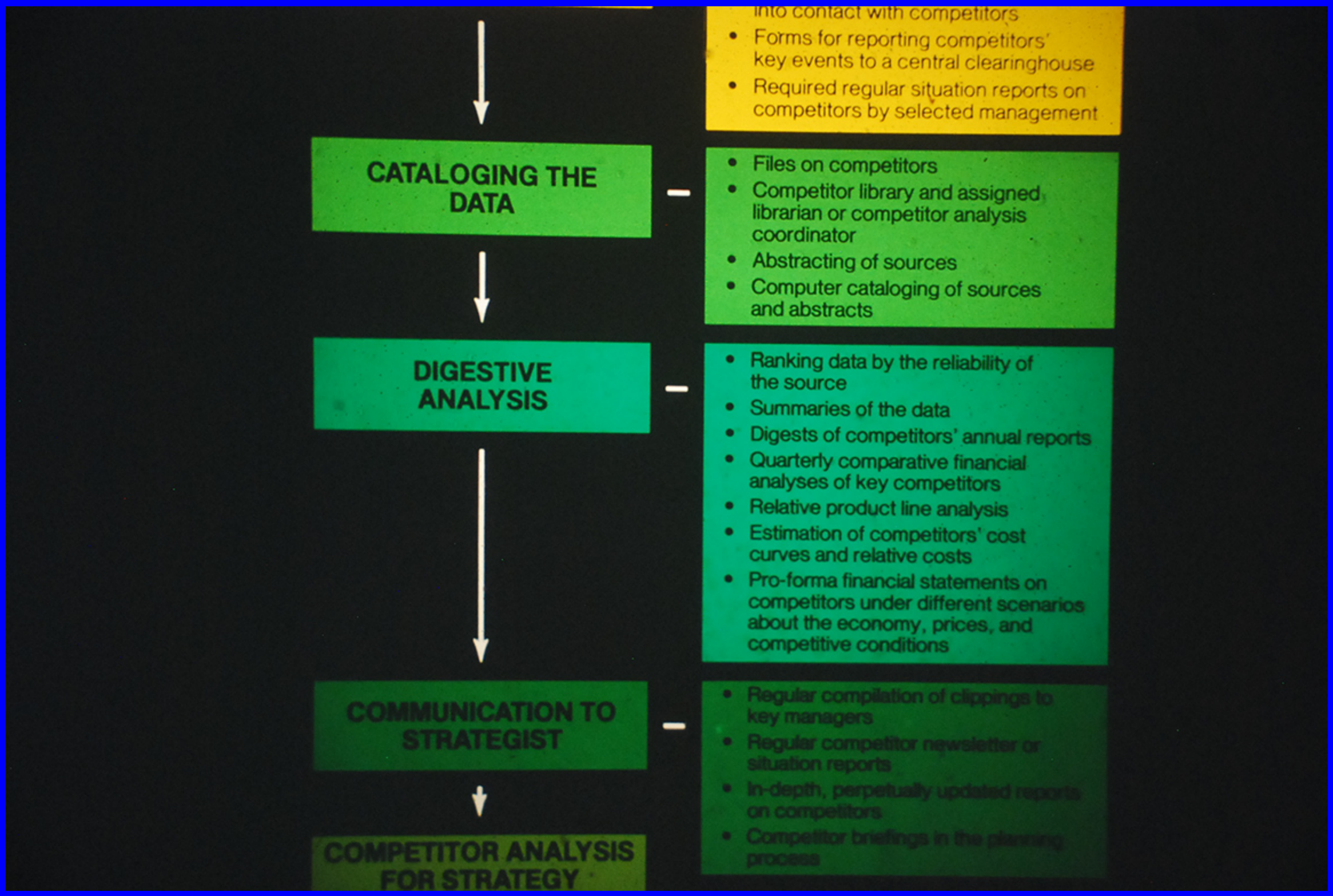
into contact with competitors
• Forms for reporting competitors' key events to a central clearinghouse
• Required regular situation reports on competitors by selected management
CATALOGING THE DATA
• Files on competitors
• Competitor library and assigned librarian or competitor analysis coordinator
• Abstracting of sources
• Computer cataloging of sources and abstracts
DIGESTIVE ANALYSIS
• Ranking data by the reliability of the source
• Summaries of the data
• Digests of competitors' annual reports
• Quarterly comparative financial analyses of key competitors
• Relative product line analysis
• Estimation of competitors' cost curves and relative costs
• Pro-forma financial statements on competitors under different scenarios about the economy, prices, and competitive conditions
COMMUNICATION TO STRATEGIST
• Regular compilation of clippings to key managers
• Regular competitor newsletter or situation reports
• In-depth, perpetually updated reports on competitors
• Competitor briefings in the planning process
COMPETITOR ANALYSIS FOR STRATEGY

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OPTIONS

COMPILING THE DATA

- Clipping services for information about competitors
- Interviewing individuals who come into contact with competitors
- Forms for reporting competitors' key events to a central clearinghouse
- Required regular situation reports on competitors by selected management

CATALOGING THE DATA

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- Competitor library and assigned librarian or competitor analysis coordinator
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COMMUNICATION TO STRATEGIST

- Regular compilation of clippings to key managers
- Regular competitor newsletter or situation reports
- In-depth, perpetually updated reports on competitors
- Competitor briefings in the planning process

COMPETITOR ANALYSIS FOR STRATEGY FORMULATION

DSC_1673.JPG

INTELLIGENCE SYSTEM

COLLECTING FIELD DATA

SOURCES:

- Sales force
- Engineering staff
- Distribution channels
- Suppliers
- Advertising agencies
- Personnel hired from competitors
- Professional meetings
- Trade associations
- Market research firms
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- Security analysts
- Etc.

COLLECTING PUBLISHED DATA

SOURCES:

- Articles
- Newspaper in competitors' locations
- Want ads
- Government documents
- Speeches by management
- Analyst reports
- Filings to government and regulatory agencies
- Patent records
- Court records
- Etc.

OPTIONS

COMPILING THE DATA

- Clipping services for information about competitors
- Interviewing individuals who come into contact with competitors
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COMMUNICATION TO STRATEGIST

- Regular completion of clippings to key managers
- Regular competitor newsletter or situation reports
- In-depth, periodically updated reports on competitors
- Competitor briefings in the planning process

COMPETITOR ANALYSIS FOR STRATEGY FORMULATION

DSC_1674.JPG

Understanding Societal-Corporate Linkage

	Macro Societal	Micro Corporate
Hardware (Technology)	Tax Policy (Depreciation) Science Policy (R and D) Energy Policy (Raw Materials)	R and D Plant & Equipment Production Processes
Software (People)	Cultural Values Business and Government Educational Policy	Corporate Philosophy Organizational Structure Career Systems

DSC_1675.JPG

DSC_1676.JPG

DSC_1678.JPG

BUSINESSMEN'S EVALUATION OF JAPAN'S TECHNOLOGY

(71 INDUSTRIAL SECTORS)

Technological Level (number of sectors)	U.S.	W.Eur.
Japan superior to	2	2
Japan equal to	41	55
Japan inferior to	26	8
Not rated	2	6

Source: Vision of Industrial Policy in the 1980s, pp. 279-80

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SOCIAL VALUES

U.S.	JAPAN
Individualism	Groupism
Equality	Hierarchy
Mobility	Stability
Competition	Harmony
Liberalism	Conservatism

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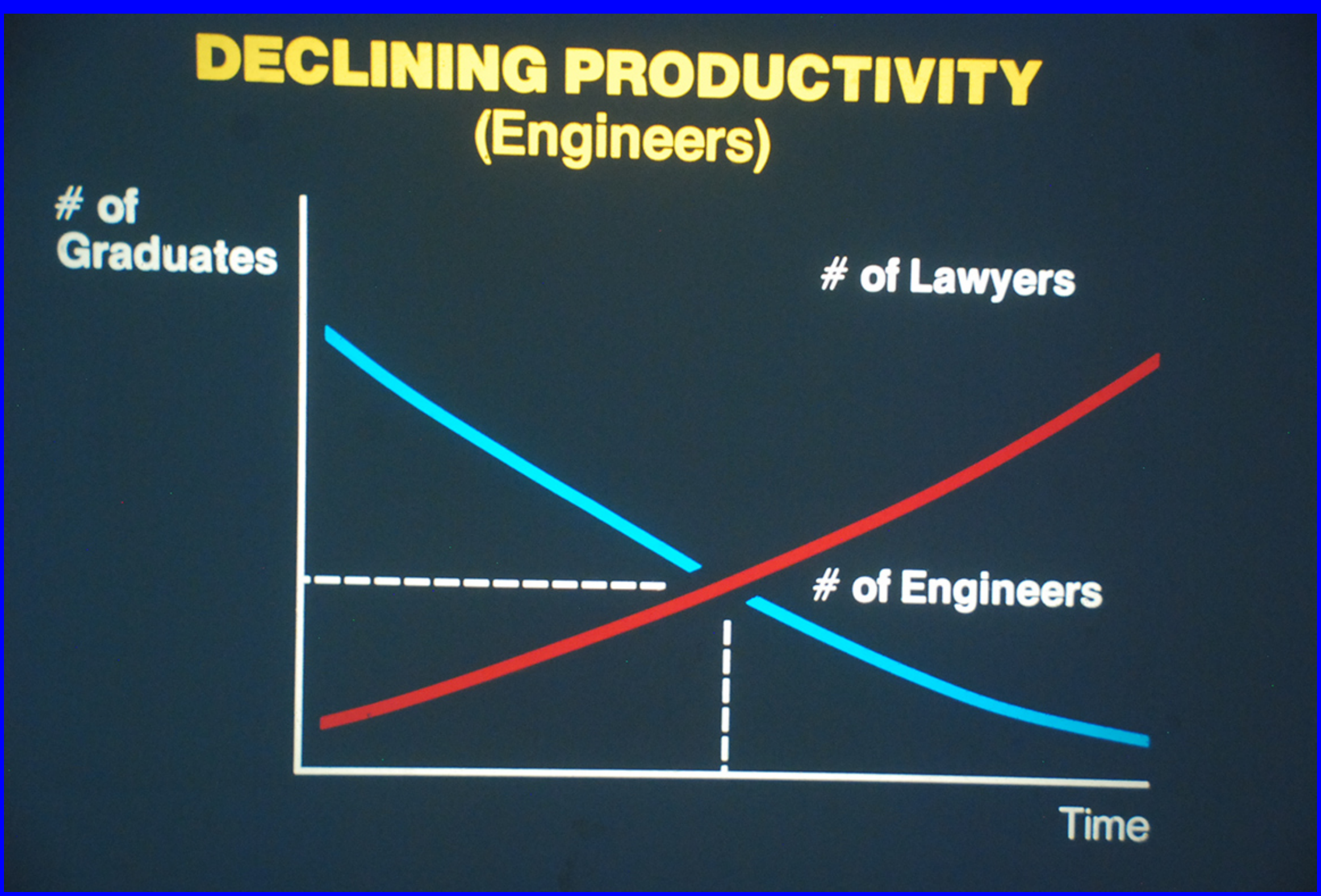
DECLINING PRODUCTIVITY
(Engineers)



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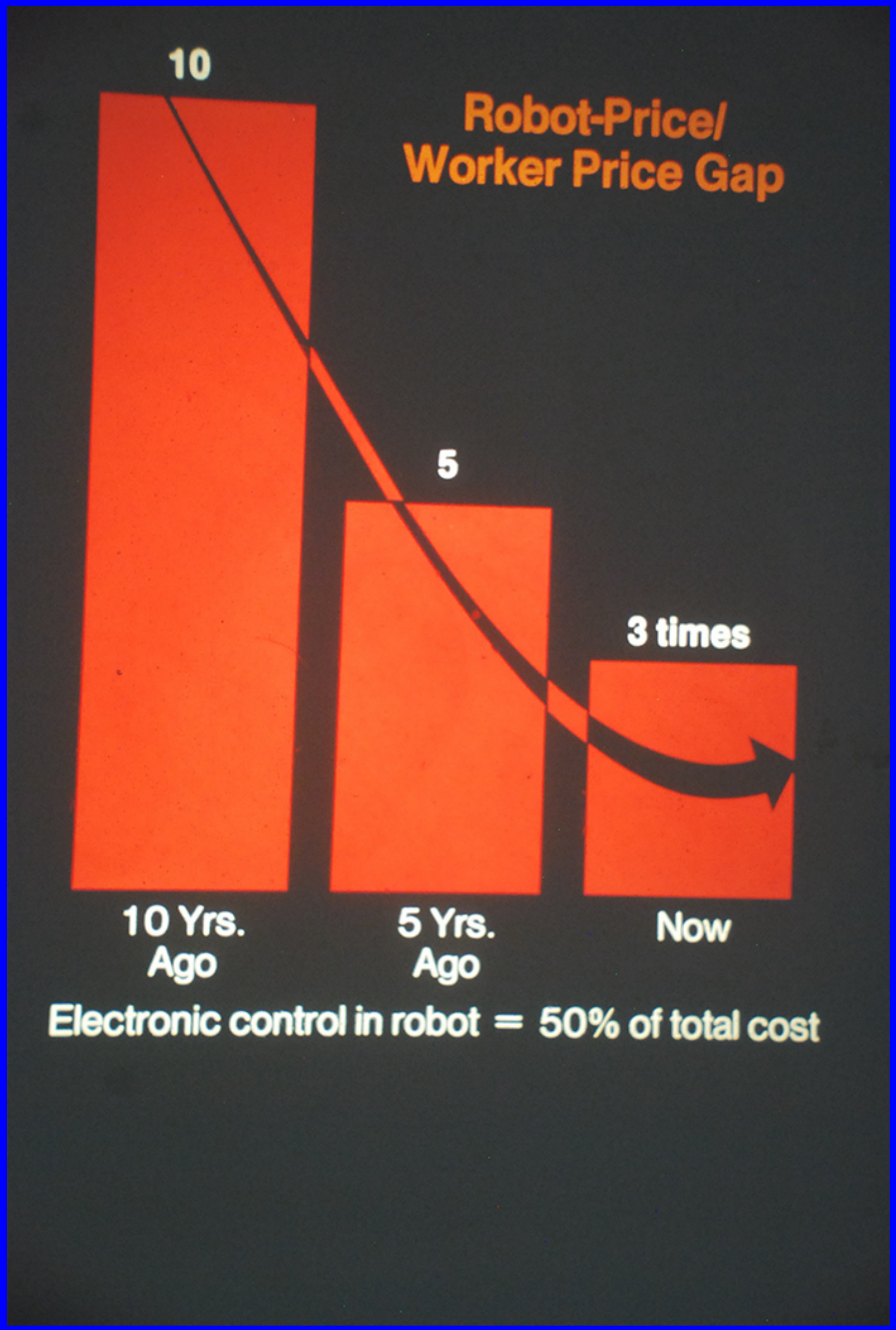
10
5
3 times
Robot-Price/
Worker Price Gap
10 Yrs.
Ago
5 Yrs.
Ago
Now
Electronic control in robot = 50% of total cost

DSC_1682.JPG

Four phases in the evolution of strategic planning (cont'd)

Phase III
Externally oriented planning

Increasing response to markets and competition

Thorough situation analysis and competitive assessment

Evaluation of strategic alternatives

Dynamic allocation of resources

Phase IV
Strategic management

Orchestration of all resources to create competitive advantage

Strategically chosen planning framework

Creative, flexible planning processes

Supportive value system and climate

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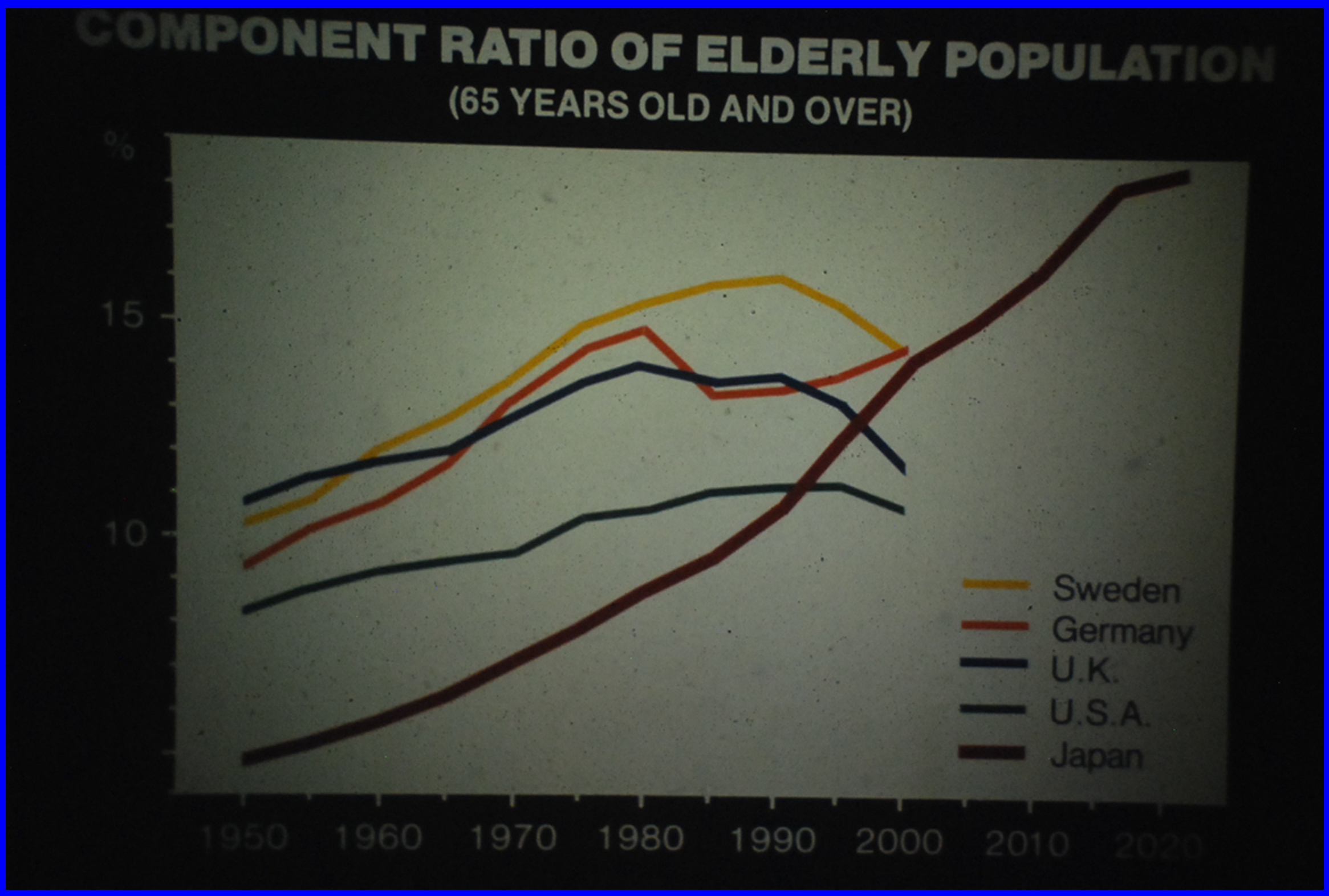
COMPONENT RATIO OF ELDERLY POPULATION
(65 YEARS OLD AND OVER)
%
15
10
1950
1960
1970
1980
1990
2000
2010
2020
Sweden
Germany
U.K.
U.S.A.
Japan

DSC_1684.JPG

INDICATORS OF JAPAN'S PRODUCTION EMPHASIS

Wide definition of robots (sequence machines),
Narrow (playback robots)

Japan — Eight times West Germany — 6.7 Times
Fourteen times the U.S. — 1.4 Times

Japan	14,000
U.S.	3,255
W. Germany	850
Sweden	600
Italy	500

DSC_1685.JPG


Industrial Competitiveness —
No Contest
Japan
Switzerland
U.S.
West Germany
Canada
Sweden
Netherlands
France
Australia
New Zealand
Denmark
Britain

DSC_1686.JPG

UNDERSTANDING JAPAN:

WHY?

- Fastest growing major economy
- Canada's second largest trading partner
- Major investor in Canada
- Key country in Pacific rim
- Competitor in Canada's major market: the U.S.
- Source of new management techniques

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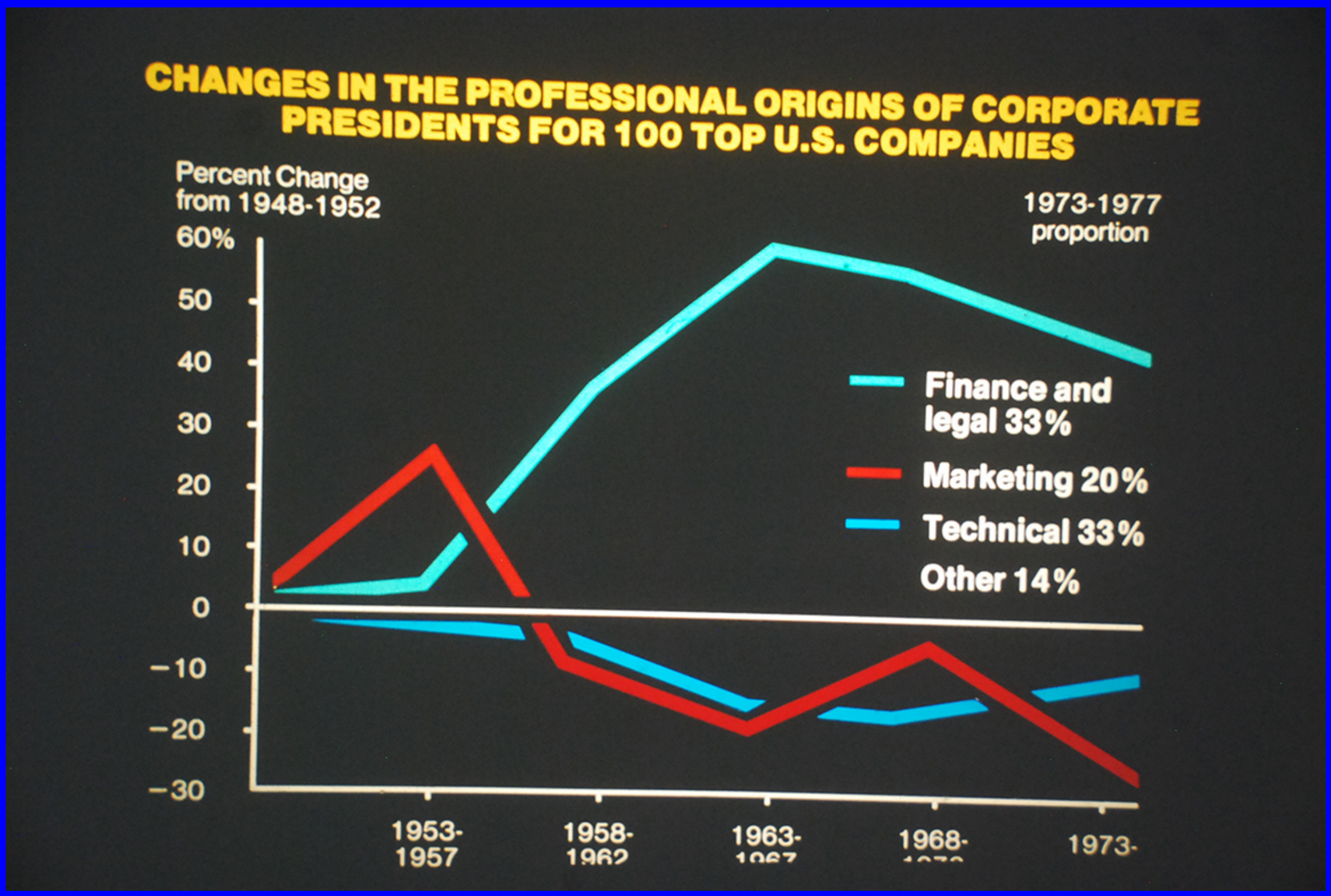
CHANGES IN THE PROFESSIONAL ORIGINS OF CORPORATE PRESIDENTS FOR 100 TOP U.S. COMPANIES
Percent Change from 1948-1952
60%
50
40
30
20
10
0
−10
−20
−30
1973-1977 proportion
Finance and legal 33%
Marketing 20%
Technical 33%
Other 14%
1953-1957
1958-1962
1963-
1968-
1973-

DSC_1688.JPG

Four phases in the evolution of strategic planning

	Phase I Basic financial planning	**Phase II** Forecast-based planning
Effectiveness of formal business planning		
Value system	**Operational control** Annual budget Functional focus Meet budget	**More effective planning for growth** Environmental analysis Multi-year forecasts Static allocation of resources Predict the future

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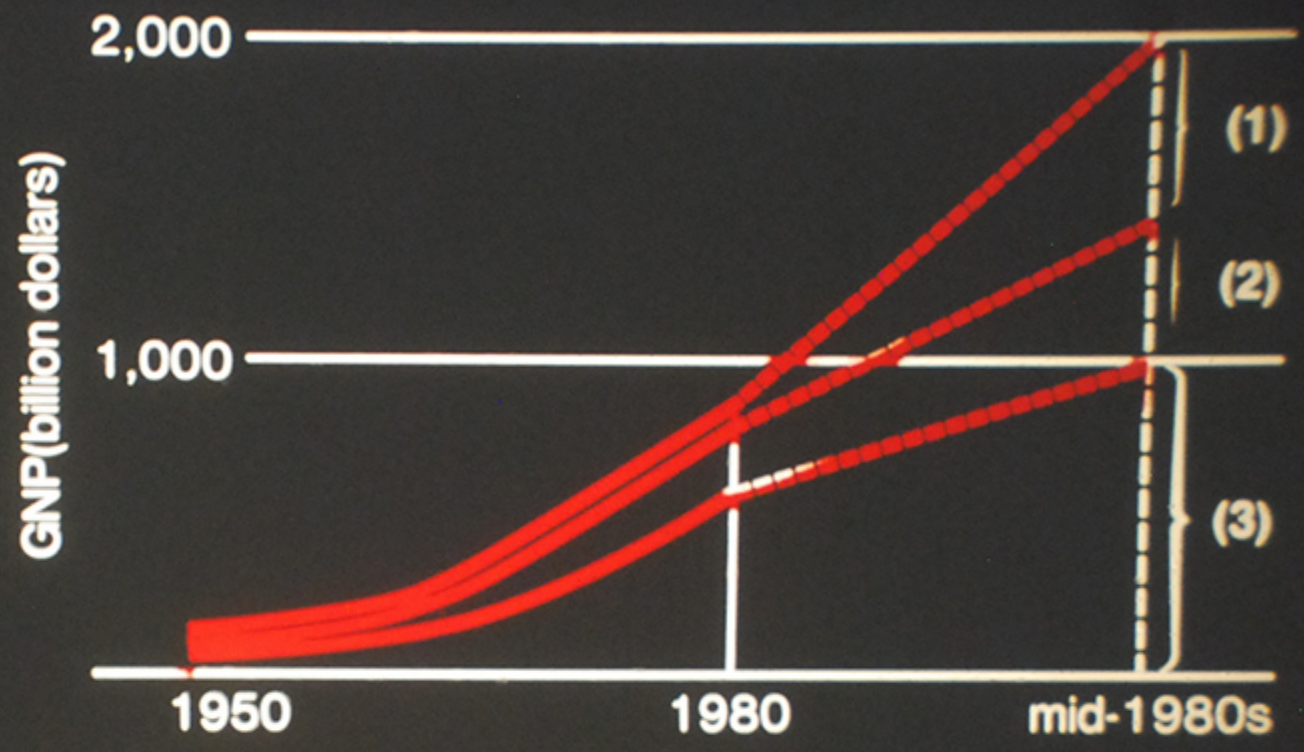
FORECAST SHIFT IN JAPAN'S INDUSTRIAL STRUCTURE



1. **High-tech industries (15-20% of GNP)**
   Aircraft/Space, data processing, electronics, new energy, life sciences, new basic materials, etc.
2. **Key industries (15-20% of GNP)**
   Steel, automotive, electric machinery, chemical, etc.
3. **Other industries:**
   Agriculture and fishery, construction, electric power and gas, wholesale and retail, finance and insurance, services, etc.

Source: MITI

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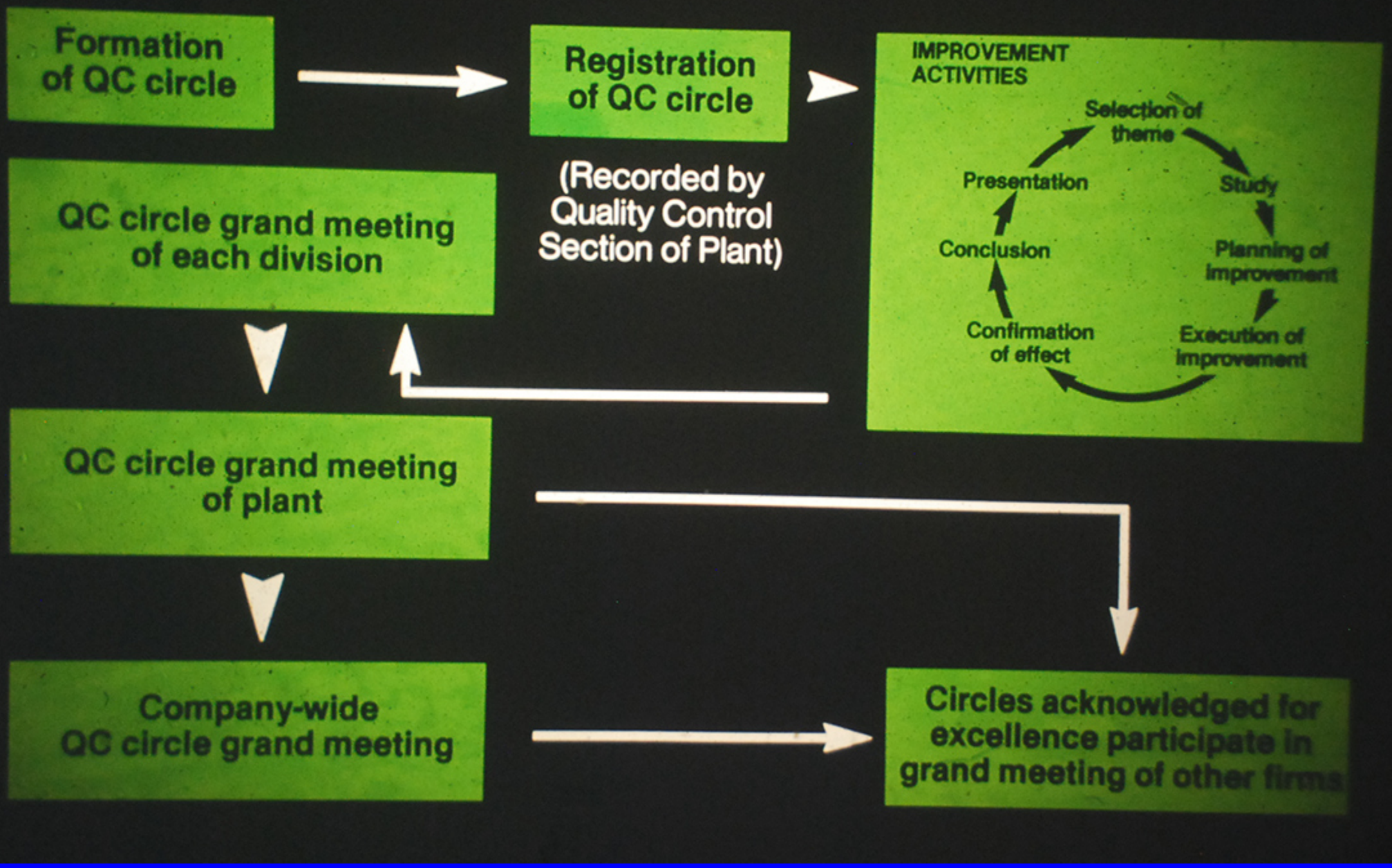
DSC_1691.JPG

How QC Circles Work



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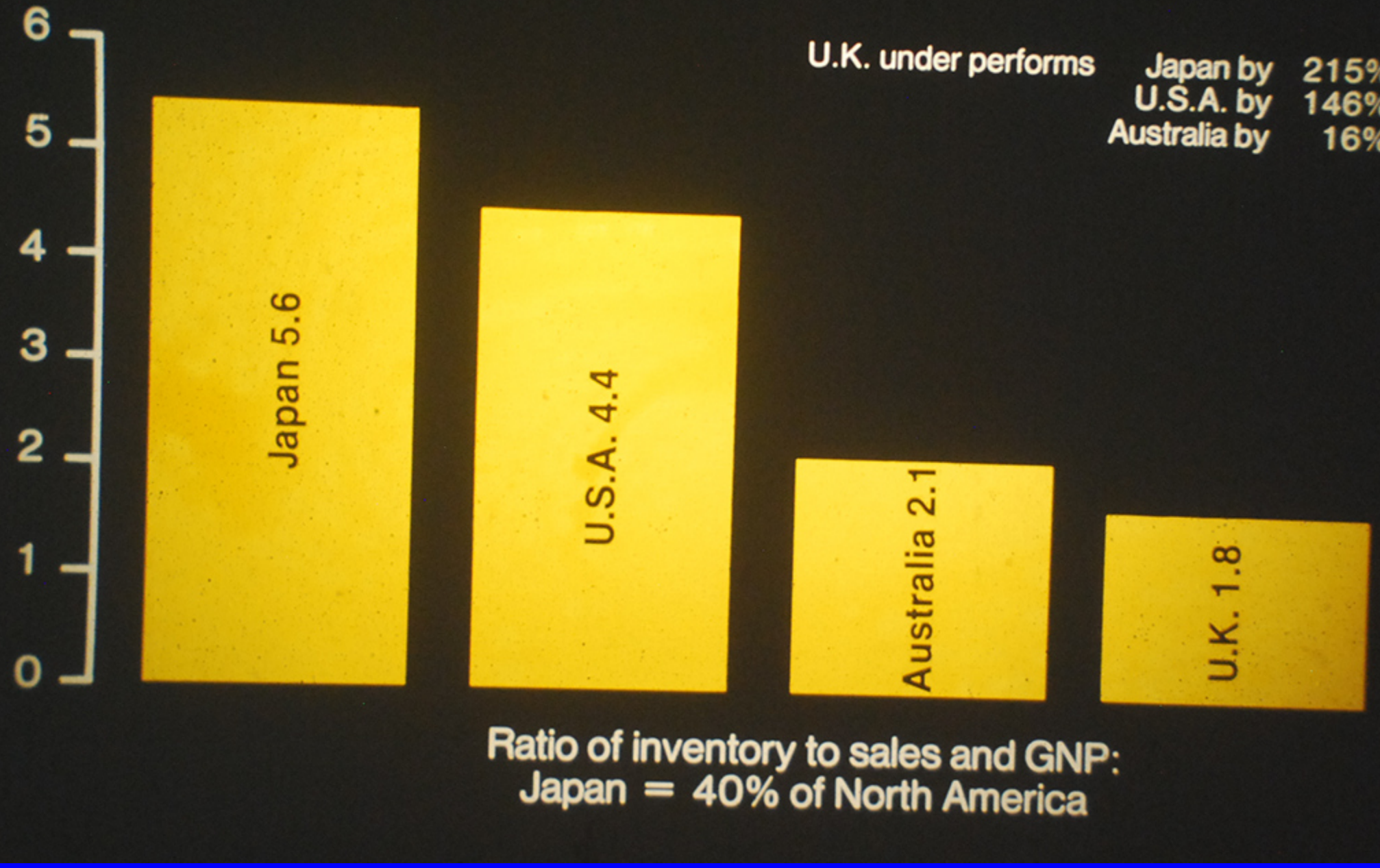
Stockturn of Motor Vehicles (1973)



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STOCKTURN:

TOTAL MANUFACTURING INDUSTRY

		U.K. Under-performance
Japan	3.1 times	72%
West Germany	3.0 times	67%
U.S.A.	3.0 times	67%
Australia	2.3 times	28%
Denmark	2.3 times	28%
United Kingdom	1.8 times	—

DSC_1694.JPG

JAPANESE PLANNING:

PRIMARY AND INTERMEDIATE SECTORS

	Primary Sector	Intermediate	Secondary Mfg.
Sectors	Minerals	Iron and steel	CARS Consumer goods Appliances
	Fuels	Petrochemicals	Plastics Cameras Industrial equipment
	Food Commodities	(Micro circuits)	Etc.
Policy Issues	Transportation Logistics Infrastructure	Technology Global economics Cost elements	Marketing info R & D support Tariffs

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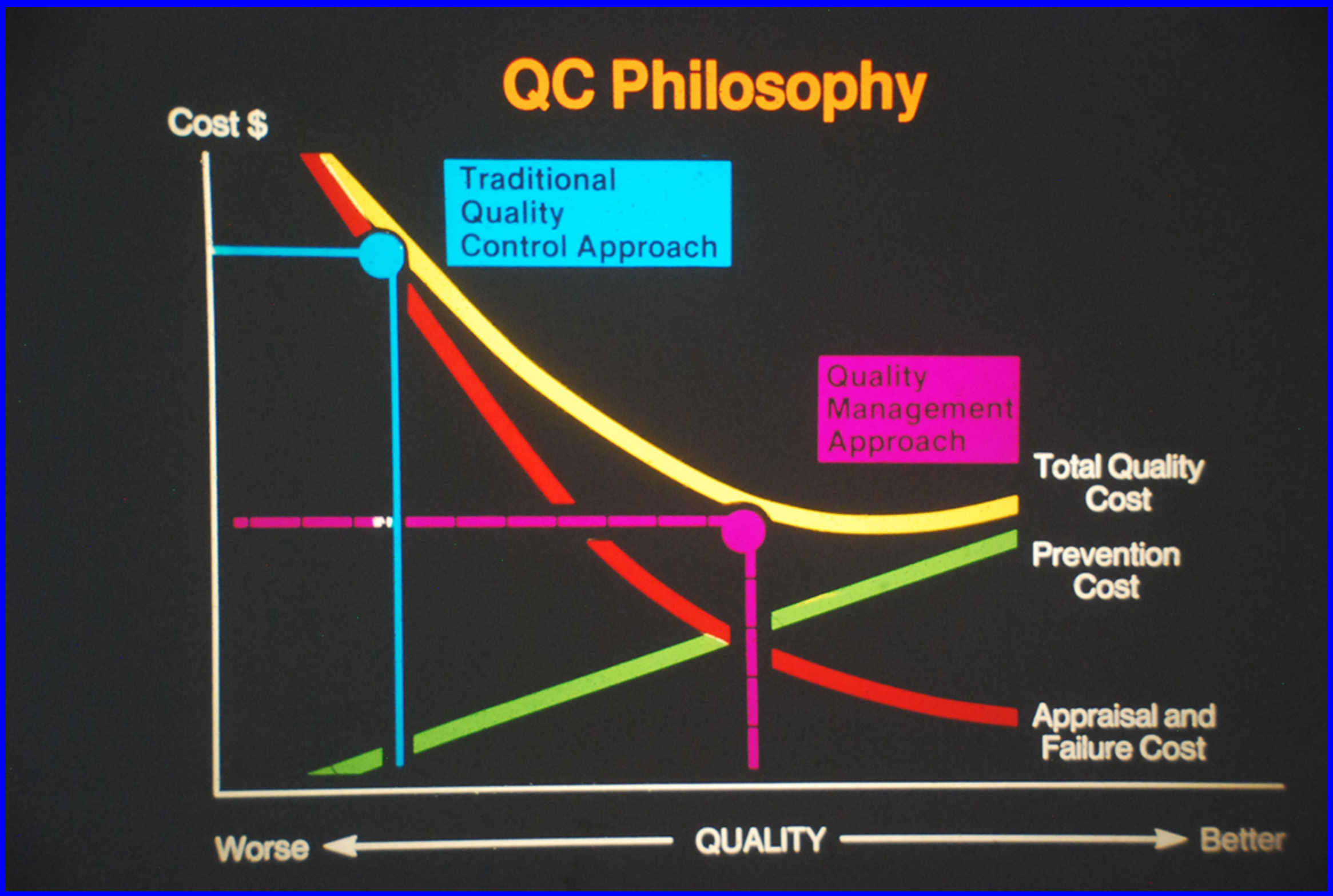
QC Philosophy
Cost $
Traditional Quality Control Approach
Quality Management Approach
Total Quality Cost
Prevention Cost
Appraisal and Failure Cost
Worse
QUALITY
Better

DSC_1696.JPG

INDICATORS OF JAPAN'S PRODUCTION EMPHASIS

MACHINE TOOLS:

Rating of numeric control machine tools to total machine tool production: U.S. and Japan

	1973	1974	1976
U.S.A.	0.93	1.21	1.45
Japan	1.16	1.58	2.77

DSC_1697.JPG

The Labour Market Model

Environmental Demands	External	Organizational consequences
	Market trends Social values Business cycle	
Internal	**Open Entry, ease of entry/exit: Labour cost flexibility**	
Labour force policies	Hiring, firing of workers Mobility influenced by labour market wages Low training	High employee turn-over High tardiness Low job satisfaction Employee commitment
Adoption of technology	Onus on management to apply knowledge Probability of labour substitution strategy Worker-technology	Low labour commitment to technological change Limited premium on learning skills High costs of innovation

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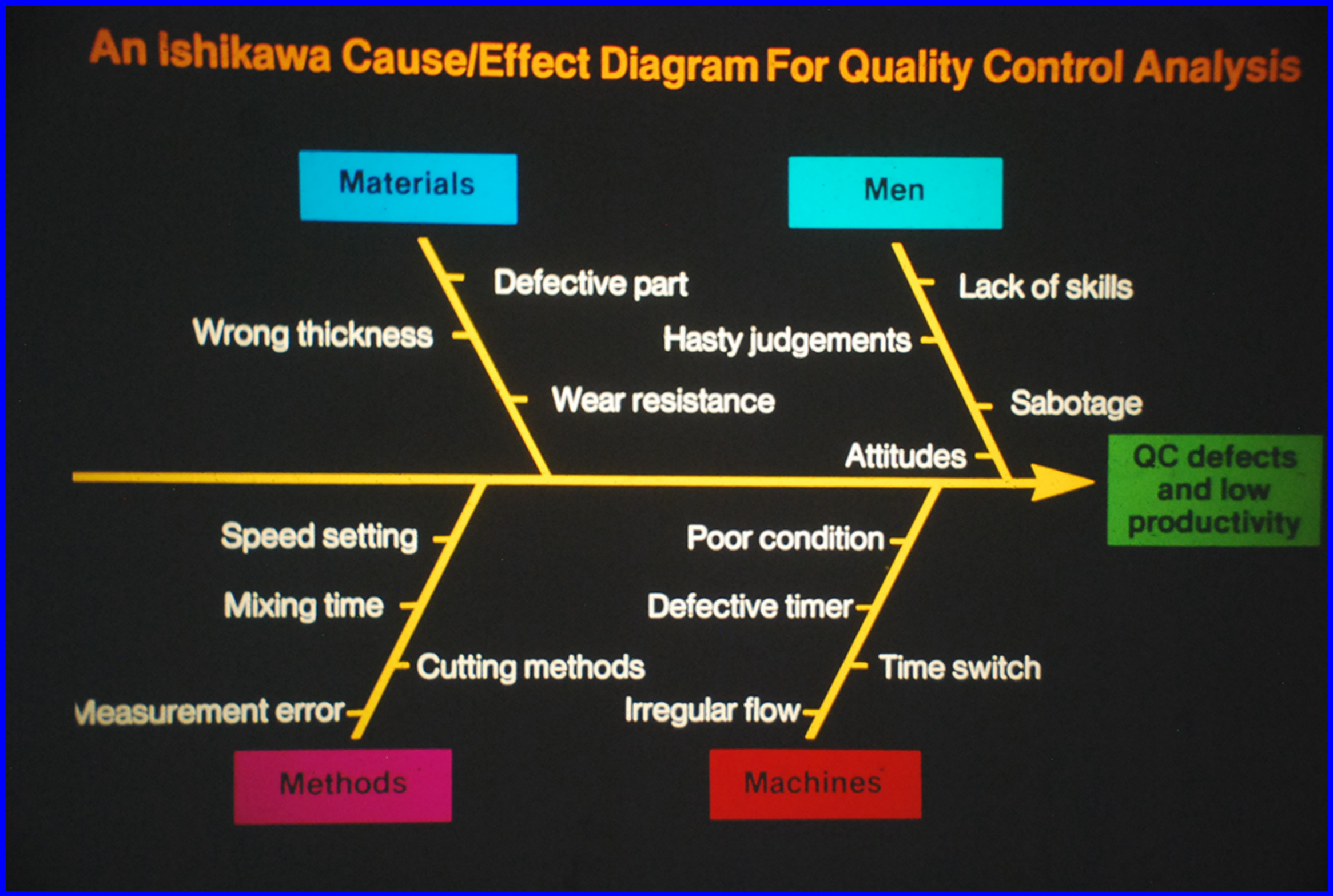
An Ishikawa Cause/Effect Diagram For Quality Control Analysis



DSC_1699.JPG

The Human Capital Model

Environmental Demands

External

Market trends
Social values
Business cycle

Organizational consequences

Internal

Closed entry-exit: High fixed labour costs

Careful screening processes
High worker training
Limited labour mobility

Low turn-over
Low absenteeism

Labour force poliices

Limited worker-management conflict

High employee commitment
Low cost of innovation
High commitment to organizational learning

Adoption of technology

Emphasis on learning skills
Bottom up decision making
Premium on timing of changes

DSC_1700.JPG

FUNCTIONS OF A COMPETITOR INTELLIGENCE SYSTEM

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- Court records
- Etc.

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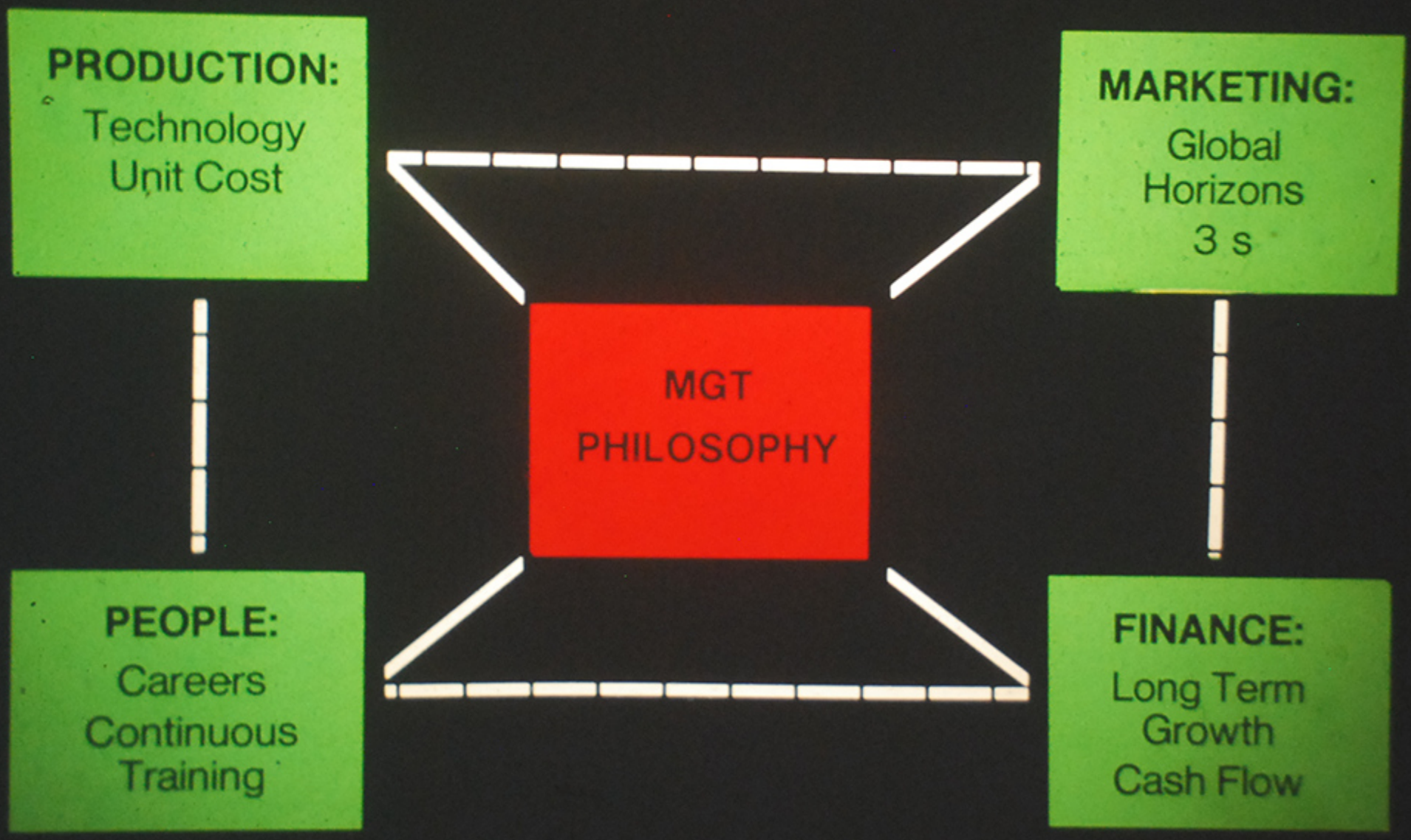
JAPANESE PRODUCTIVITY: A TOTAL SYSTEM



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LESSONS FROM JAPAN

- Production emphasis
- Global horizons
- People + Technology = $Success
- Desk planning vs. Decision implementation
- Perfect functional strategies
- Planning: Maximizing ROI vs. Strategic vulnerability
- Managing through people

DSC_1703.JPG

THE WHEEL OF COMPETITIVE STRATEGY

DSC_1704.JPG

CONTEXT IN WHICH COMPETITIVE STRATEGY IS FORMULATED

DSC_1705.JPG

THE COMPONENTS OF A COMPETITOR ANALYSIS

WHAT DRIVES THE COMPETITOR

FUTURE GOALS

At all levels of management and in multiple dimensions

WHAT THE COMPETITOR IS DOING AND CAN DO

CURRENT STRATEGY

How the business is currently competing

COMPETITOR'S RESPONSE PROFILE

Is the competitor satisfied with its current position?

What likely moves or strategy shifts will the competitor make?

Where is the competitor vulnerable?

What will provoke the greatest and most effective retaliation by the competitor?

ASSUMPTIONS

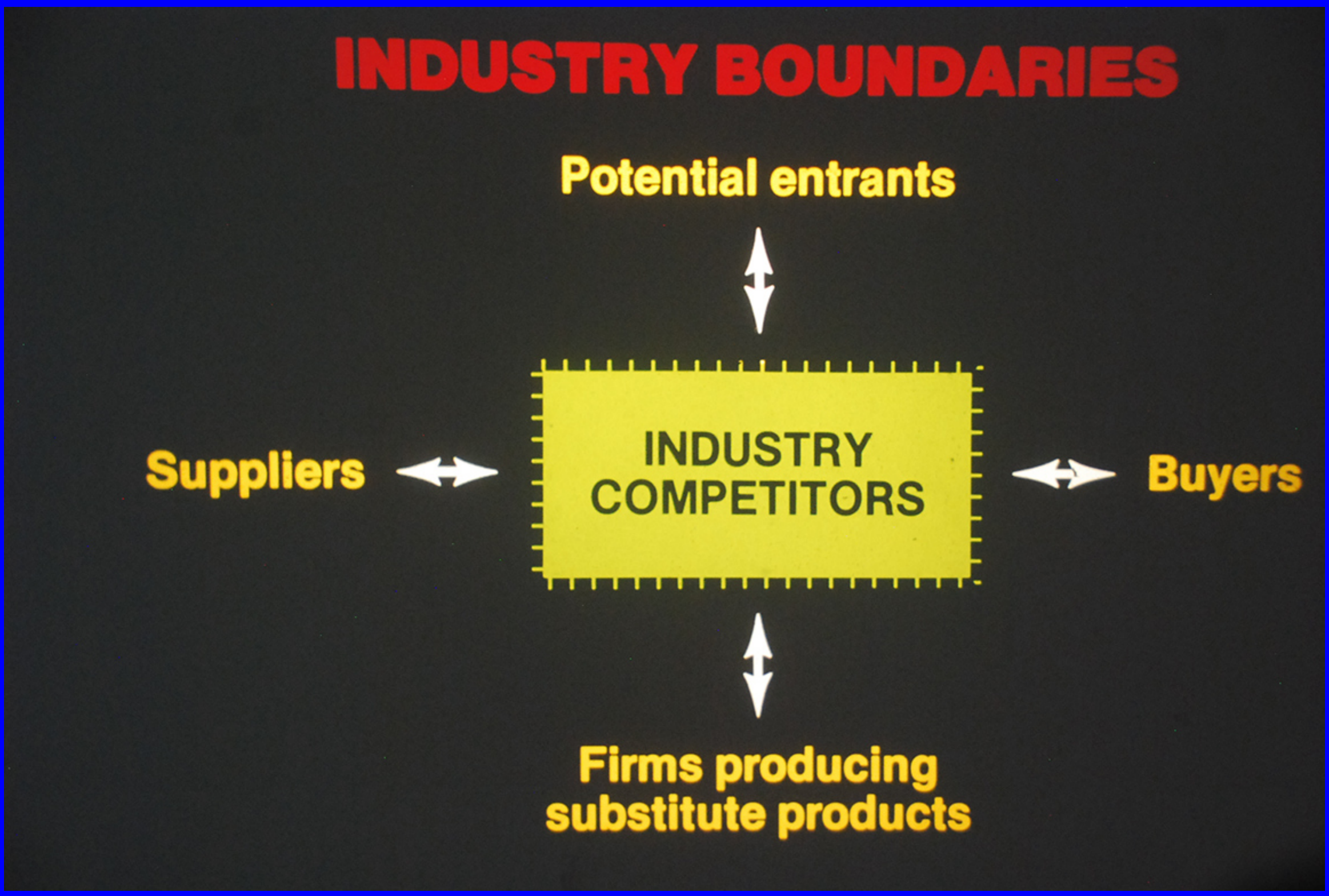
Held about itself and the industry

CAPABILITIES

Both strengths and

DSC_1706.JPG

INDUSTRY BOUNDARIES



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COMPARISON OF JAPANESE AND U.S. SEMI-CONDUCTORS

(Test period, four months)

	% FAILURE ON ARRIVAL	% FAILURE PER 1000 HRS.	H-P QUALITY INDEX
Japanese Companies			
A	0	0.01	89.9
B	0	0.019	87.2
C	0	0.012	87.2
American Companies			
A	0.19	0.09	86.1
B	0.11	0.059	63.3
C	0.19	0.267	48.1

Source: Hewlett-Packard, Japanese Electronics Industry Association

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