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Canon: Competing on Capabilities

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Xerox enjoyed being a monopoly in copier industry due it's over than 500 patents, leasing options and sales force. However, for a company, which kept sleeping while the world changed, it was inevitable to lose that power to a "camera company" from Japan. The competitive strategy that Canon adopted enabled not only to break down the monopoly enjoyed by Xerox in the copier industry but also to grow into a highly diversified, multi-product and multinational premier company.

Canon has sustained a very high growth rate by continuously building new capabilities and exploiting them. In particular, the case focuses on the company's organizational structures and management processes that support its ability to build and leverage competencies.

Canon always paid attention to R&D and believed that discovering new technologies would bring the inevitable success in the long term. Its successful R&D strategy targeted building specialized expertise in several areas and linking them to offer innovative, state-of-the-art products. With the R&D support, Canon never hesitated to enter new markets, even though it meant destroying the market where it's the dominant player. Canon's R&D always had the vision of combining the capabilities in order to sustain long-term profits.

Canon's then CEO Mr. Kaku believed that "the need to change with a changing world is inevitable". He determined that the poor/bad management decisions and a centralized management strategy were the most important weaknesses of the organization. By creating a decentralized management and letting main three units of the company to act their own (camera, office equipment and optical instruments), Canon actually realized that it was totally inefficient to mix the production of different products in the same manufacturing facility. Manufacturing was reorganized so that no plant produced more than one type of product.

Canon was also capable of seeing the advantage of separating its product divisions from its sales and marketing arm. This separation allowed a clear focus on the challenges in selling the products in global markets. However, Canon also believed in a direct information exchange among managers across businesses, countries and functions and developed GINGA (Global Information System for Harmonious Growth Administration). GINGA interconnected all parts of Canon into a global database and allowed a timely flow of information among managers in any location of company's world-wide organization. Timely communications led the company to respond quickly to the needs of both the industry and the customers.

Canon showed that monopolies, such as Xerox once had, does not stay forever if a company succeeds to introduce innovative and quality products. Canon also proved the potential impact of one firm could completely change an industry.