

Evaluation of Canon' Strategies

The first part of this investigation involves an evaluation of the strategies used by Canon and the key factors for success. In order to being this review, it is first necessary to consider how the company has performed in recent years. Table 1 provided below provides an overall review of the organization's performance in recent years. The data clearly suggests that Canon has made notable progress toward developing market share, revenues and profitability. In addition to reducing its debt to asset ratio in 2008, the organization also increased its stockholder equity to assert ratio.

Table 1: Key Performance Indicators for Canon, 2004-2008

	2008	2007	2006	2005	2004
Net sales (Millions of yen)	¥4,094,161	¥4,481,346	¥4,156,759	¥3,754,191	¥3,467,853
Gross profit to net sales ratio	47.3%	50.1%	49.6%	48.5%	49.4%
R&D expense to net sales ratio	9.1%	8.2%	7.4%	7.6%	7.9%
Operating profit to net sales ratio	12.1%	16.9%	17.0%	15.5%	15.7%
Inventory turnover within days	47 days	44 days	45 days	47 days	49 days
Debt to total assets ratio	0.4%	0.6%	0.7%	0.8%	1.1%
Stockholders' equity to total assets ratio	67.0%	64.8%	66.0%	64.4%	61.6%

Data courtesy of: <http://www.canon.com/ir/annual/2008/report2008.pdf>

Other indicators of Canon's success are provided in Figures 1 and 2 below. These illustrations provide a review of net sales and ROE/ROA for 2003-2007.

Figure 1: Net Sales for Canon

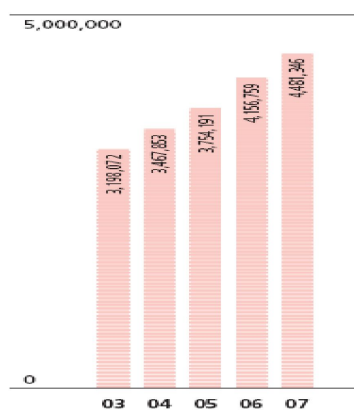
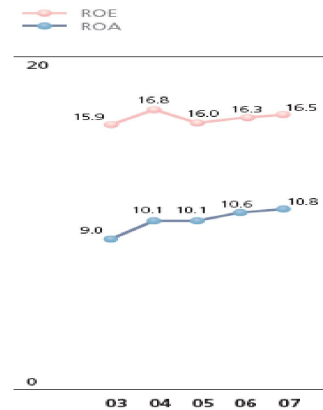


Figure 2: ROE/ROA for Canon

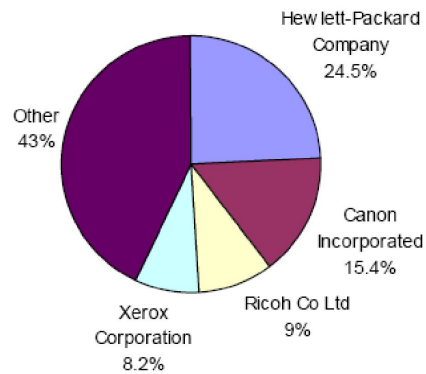


Data courtesy of: <http://www.canon.com/ir/annual/2007/report2007.pdf>

With the realization that Canon has performed so well in recent years, it is pertinent to consider the specific areas which have promulgated success for the organization. A crucial review of the case information provided on the organization suggests that there are a number of pertinent strategy elements which have been pertinent to the success of the organization. In particular the organization has worked to develop a mission and vision which it has incorporated on all levels of its operations. The development of a guiding mission for the organization is essential for success (Henry 2007). Missions provide the foundation for the development of actionable processes which can be used for moving the organization toward specific goals (Johnson, Scholes & Whittington, 2008).

In addition to developing a mission and vision which provided the organization with a directive for action, Canon also developed a firm strategy focused on attainable goals for operations. Specifically, the organization set the specific goal of obtaining 30 percent of the world market by the 1980s. Research regarding the current state of achieving this objective suggests that even though Canon has not been able to maintain a 30 percent market share in the industry, it has overcome competitor Xerox to become second only to Hewlett Packard. Figure 3 below provides a review of global market share for companies competing in Canon's industry.

Figure 3: Global Market Share for Canon and Competitors



(Data courtesy of "Office electronics industry profile," 2008, p. 12)

The focus on a specific goal for the organization has clearly had an impact on outcomes for operations. By using this specific goal for development, Canon has been able to set clear, measurable objectives which can be evaluated by the organization to determine outcomes. Setting measurable goals is an important component of developing a strategic plan for the organization (Huang, 2009). Measurable goals are viewed as essential to the successful implementation of a strategic plan which provides significant results for the ongoing development of the organization.

Another issue which appears to have had notable implications for the successful development of Canon is the use of specific core competencies to ensure the outcomes of operations. In addition to developing a strategic plan which provided clear and measurable objectives, the organization delineated specific core competencies which it has been able to optimize in order to coordinate its strategic objective and achieve its goals. A review of what has been noted regarding the use of core competencies suggests that core competencies can provide the organization with the ability to focus development in particular areas (Zook, 2007). This process, in turn, sets the stage for the development of management practice and shapes how the organization approaches the market and its competitors.

Collis and Montgomery (2008) provide a more integral review of core competencies noting the importance of review intended core competencies in the context of the external environment in which an organization competes. As reported by these authors, organizations need to consider the external environment and competitors in developing core competencies. While it is evident that core competencies must meet the internal demands and capabilities of the organization, Collis and Montgomery assert that improper alignment of core competencies in light of competitors and the larger industry in which the organization operates will result in failure of core competencies to be effective. In developing its core competencies, Canon appears to have taken these issues into consideration.

The specific outcomes in this area are witnessed by the fact that in the 1970s, Xerox held a majority market share, which it has subsequently lost to Canon. In the 1970s, Canon recognized that the formula for success being used by Xerox was not the same formula which it wanted to pursue in the development of its organization. In this context, Canon chose to pursue a different pathway for competitive development; one which enabled the company to synthesize its internal capabilities with the market environment to create a unique competitive advantage against its largest rival. Because of this process of developing particular core competencies for operations, Canon was able to maximize its internal capabilities and use this as a strategic advantage in the marketplace.

In summarizing the overall approach used by Canon to develop its strategic plan and subsequent management processes, it seems reasonable to argue that Canon did more than just place words on paper to establish a foundation for the organization. Rather, the organization developed a comprehensive plan for vision, strategy and development which were implemented

on every level of the organization's operations. In addition to delineating the larger objectives for the organization, Canon developed all of the intermediate steps that would be needed to achieve these objectives. In doing so, the organization aligned all of its activities toward the achievement of the organization's overall strategy.

The development of strategy in this manner is commensurate with what scholars note about the strategic planning and management processes. Kaplan and Norton (2008) assert that the strategy planning and development processes for the organization often end in failure because of the inability of the organization to effectively execute its strategy. Further, these authors assert that strategy failure is common because of implementation problems which manifest as organizations attempt to make critical connections between strategy objectives and specific outcomes which will be achieved to ensure that objectives are reached. Placing this information into the case of Canon, it becomes evident that these issues did not arise. Rather than struggling to implement, the organization developed the tools and resources needed to effectively ensure that it built a foundation which would enable success. It is this specific process which has enabled the success of Canon.

When strategy development is formulated as more than just specific words on paper the end result is the development of a strategic plan which provides concrete action steps for the organization to take. With these action steps in place, the organization is better poised to control the development of the strategic plan and its implementation (Neilson, Martin & Powers, 2008). This element of control in the strategic planning process has been noted to be an important contributor to the success of strategic implementation. When control is established in the strategic planning process, the organization is able to dictate the specific changes which will

occur and respond to outcomes in a manner that is commensurate with the capabilities of the company and responsive to the specific external environment which will impact the outcomes of operations.

What Other Companies Can Learn

With a basic review of the success of Canon in the development of its strategy provided, it is now possible to consider what, if anything, can be learned by other companies from this case. In examining the development and outcomes of Canon, it becomes evident that the specific protocols and practices which have been used by the organization to achieve success should not be mimicked by other companies. Even though Canon has been quite successful in its efforts to develop its products and services, the reality is that other companies cannot expect to use the same formula for success and to achieve the same outcomes achieved by Canon. Other companies have attempted to use this approach in the past—i.e. Circuit City, K-Mart, etc. Even though mimicking another organization may provide some benefits in the short-term, the reality is that the outcomes achieved will not provide an organization with a long-term foundation for development.

Even though companies examining the case of Canon may not be able to use the same specific tactics employed by the organization, Canon did employ a number of general models for strategic planning and development which could be considered by other organizations. In particular, the development of core competencies for operations is an important tool which other companies could consider for success. An examination of models for the development of core competencies in the organization suggests that companies need to begin with a core strategy for the development of their operations. Once this core strategy has been delineated, it is then

possible to articulate specific areas of organizational development by attaching them directly to the core strategy. Figure 4 on the following page provides a generic model of how core competency development for the organization has been conceptualized in for translation of core competencies into organizational practice.

The application of this model to the development of core competency planning for the organization would serve as the foundation for the development of the basic ideas which could then be used for the further development of the organization. Based on the specific core competencies decided upon by the organization, a formal strategic plan for organizational development could be implemented. This plan would need to reflect the development of measurable goals to ensure the overall success of achieving core competencies.

Figure 4: Generic Model for Core Competency Planning

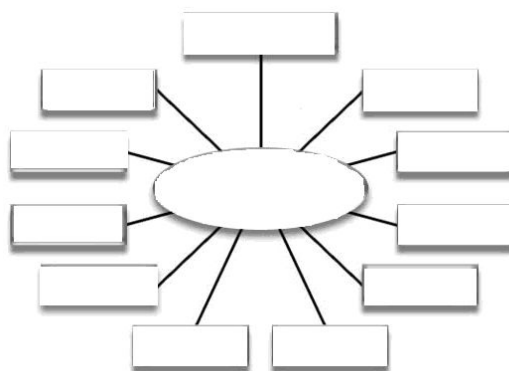


Image courtesy of: http://www.ulv.edu/cbpm/business/img/mba_exp_graphic.jpg

Once the core competencies for the organization have been delineated, it will then be possible for companies to consider the development of a strategic plan. Examining the specific steps used by Canon, it becomes evident that solid advice for planning and development in this area are provided in the case. In addition to developing a driving vision and mission, the organization also implemented critical success factors which enabled the organization to

formulate goals. The goals were codified in the context of action steps which provided a concrete foundation for the organization to achieve success. All of these issues were supported by the core competencies established by the organization. Figure 4 below provides a review of this process and demonstrates how other organizations could effectively adopt this process to generate success in their strategic planning and management processes.

Figure 5: General Strategic Planning Processes



Figure courtesy of: http://www.bottomlineresultsonline.com/images/uploads/StrategicPlan-Graphic_thumb.jpg

In the end, the most pertinent lessons that organizations can learn from the Canon case are those related to the development and execution of strategy. Although Canon's success is due in part to the specific choices that it made, the development and implementation of strategy on every level of the organization's operations clearly had implications for the success of the company. Other organizations seeking to capitalize on this success should consider the development of core competencies, the evolution of an integrated strategic plan and the development of clearly defined goals for execution which can be measured to ensure progress and outcomes. By following these basic processes, other organizations should be able to create notable success in strategic planning and development.

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