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# Panasonic: A Case Study on Constant Change and Reinvention of a World Brand

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## Abstract

Panasonic's nearly one hundred-year history can be divided into several phases. The constant factor in Panasonic's history was—and is—change. And this may also contain the simple answer to the question about Panasonic's secret of success: the ability to transform as required by an ever-changing environment, the willingness to keep developing, and the openness to learn and take risks have been engrained in the company's collective memory. Giving up is not an option, and the only way out is the way forward. Therefore it can be boldly concluded that Panasonic as a corporation will still exist 50 years from now, and maybe even a 100 years from now. The company may look differently, produce different products or services, and market them in a completely different way, but chances are high that Panasonic will still be a major player in the domestic and global markets.

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## 1 Introduction

Contrary to the other companies featured in this book, Japanese electronic product manufacturer Panasonic can look back on a long and colorful history. Founded in the early twentieth century as 'Matsushita Electric Housewares Manufacturing Works', Panasonic grew from a modest dirt-floor workshop to a gigantic global corporation with a vast scope of markets and a product range including appliances, TVs and monitors, phones and computers, car audio and satellite navigation systems, and even entire building systems and home interiors. In its almost 100 years of existence, Panasonic has undergone as many changes and ups and downs as the national and international environment it has operated in. One could

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almost say the one constant factor in Panasonic's history is change. Nevertheless, in March 2013 Panasonic was voted among the top ten of "Japanese companies expected to still be around in 50 years" in an industry survey conducted by Risk Monster, a credit management outsourcing service that calculates bankruptcy risk (Japan Today 2013). The analysis concluded that the ability "to survive fierce global competition and still exist 50 years later" depended on possessing the right technical capability, but "companies will also need to be able to effectively leverage that capability." Other significant factors named were product quality, market share, originality, management philosophy/approach, and trustworthiness—all variables also determined by Segers and Stam (2013) as being crucial in the fast-growing competitiveness of Asian firms.

What, one therefore wants to ask, is Panasonic's secret of success? Which elements in their company strategy, their products and technology, and their approach to human resources have secured the company a competitive advantage that has lasted almost a 100 years and is deemed strong enough to make it at least another 50? What has helped the dated company through times of economic turmoil and persistent recession to time and again beat the competition in the global business arena?

In order to answer these questions, we will conduct a thorough case study covering Panasonic's rich history from 1918 onwards, consider recent developments and strategic choices, and examine the national and international context of the company. Conclusions will be drawn and translated into practical recommendations, the latter specifically with the interests and opportunities of the Northern Netherlands in mind.

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## **2 The History and Rise of the Company**

### **2.1 Foundation and Early Years (1918–1950)**

#### **2.1.1 Foundation**

Panasonic was founded in 1918 as 'Matsushita Electric Housewares Manufacturing Works' in Osaka in Japan by 23 year old Konosuke Matsushita (1894–1989). Initially a tiny three-man workshop producing self-designed electric light sockets and insulator plates, the company quickly earned a reputation for high quality at low prices (Panasonic Company website 2014). The young founder Matsushita, who due to life circumstances was thrown into poverty and lacked any formal education, combined technical inventiveness with clever entrepreneurship, a commitment to lifelong learning, and great determination. Thanks to his perception for market potential, his innovative marketing practices, and most of all his outstanding visionary leadership, the company turned into a textbook example for the post-WWII Japanese economic miracle. John Kotter (1997) dedicated an entire biography to Matsushita, celebrating him as the most inspirational leader, author, educator, philanthropist, and management innovator of his time. It was Matsushita's accomplishment that from its modest beginnings in Japan the

company gradually and continuously grew into one of the largest and most affluent global electronic corporations.

### **2.1.2 1920s**

By the early twenties, Matsushita was launching new items every month, all of them said to be better and less expensive than the ones from his competitors; in addition, he paid special attention to customer needs and after-sales services (Kotter 1997). In 1923, he came up with a bullet-shaped battery-powered bicycle lamp that would operate reliably much longer than all previous models and which he boldly sold directly to bike stores by circumventing wholesalers. The second generation of battery-powered bicycle lamps, with a square-shaped design, was the first one to carry the 'National' brand name in 1927.

Matsushita felt a strong obligation to society and made it his mission to make electrical products that were considered luxury goods available to a wide clientele. With the National "Super-Iron" in 1929, the company started on mass production and formulated the 'Basic Management Objective and Company Creed', which stated the company's goal of "contributing to the development of society and the improvement of people's lives" (Panasonic Company website 2014). More invention followed, including among others an electric space heater, an electrically-heated table, a new type of thermostat, and later electric motors and electric fans. Matsushita's inexpensive three-vacuum-tube radio won first prize in a broadcasting contest in 1931.

### **2.1.3 1930s**

In the early thirties, the company was manufacturing around 200 products, had grown to more than 100 office staff, and employed more than 1,000 factory workers (Dayao 2000). Matsushita took action to formalize the company's mission and structure: At the first commemoration of the company's foundation in 1932, he announced that "the mission of a manufacturer is to overcome poverty by producing an abundant supply of goods" (Panasonic Company website 2014). He divided the company into three autonomously managed divisions each with its own administration, product development and manufacturing facilities. In addition, he set up a trade department to explore overseas sales opportunities. Following Matsushita's belief that "business is people", the 'Employee Training Institute' was opened in 1934 at the new Kadoma factory and head office; it offered primary school graduates a 3-year study that combined engineering and business. And in December 1935, setting the step towards international business, Matsushita incorporated the company, renaming it 'Matsushita Electric Industrial Co. Ltd.' (MEI). As during the Great Depression of the thirties, the firm's sales dropped dramatically, but Matsushita's endurance and foresight prevented bankruptcy: by moving employees around instead of laying them off, cutting work hours and production schedules instead of shutting down facilities, and asking workers to help sell merchandise, the company survived where others failed (Kotter 1997).

### **2.1.4 WWII**

Like Japan's economy at large, MEI was hit hard by WWII. While military contracts led to the establishment of 'Matsushita Shipbuilding Company' and 'Matsushita Airplane Company', by the end of the war the company had lost most factories and offices. To make things worse, as a former supplier to the Japanese army, MEI was burdened with severe restrictions by the Allied powers (Kotter 1997). Many years were spent struggling to regain control of the company's operations. Eventually, Matsushita, with the massive help of his workers, succeeded in convincing the military government that his company should be allowed to restart production of peacetime goods. Declaring it their duty to "address the task of rebuilding the nation and enriching people's lives", Matsushita gradually resumed the production of consumer wares (Panasonic Company website 2014). In 1947, Sanyo was established as a subcontractor for components (Sanyo later turned into a competitor and was acquired by Panasonic in 2009). After many years of hardship and financial crisis, the company started over from scratch in 1950, soon to be back in business and thriving.

## **2.2 Rebuilding of the Company (1950–1989)**

### **2.2.1 Post-war period**

During the Japanese post-war boom (Segers and Stam 2013), Matsushita Electric continued their expansion course, founding and acquiring other companies on the way. In 1949 and 1951, the company's shares were listed at the Tokyo Stock Exchange, the Osaka Securities Exchange, and the Nagoya Stock Exchange, respectively. Realizing that his company needed more specialized knowledge of electronics and Western technologies before entering the international stage, Matsushita set up a technical cooperation agreement with Philips of the Netherlands, creating 'Matsushita Electronics Corporation' as a joint venture in 1952. Six years later, he received the honor of being decorated Commander in the Order of Orange Nassau by Her Majesty Queen Juliana of the Netherlands for his contributions to economic cooperation and to promoting friendship between the two nations. Subsequently, he initiated the establishment, and became first chairman, of the Japan-Netherlands Society in Kansai which was independent from that in Tokyo (still active as the Netherlands Society in West-Japan).

In 1959, Matsushita founded Matsushita 'Electric Corporation of America' in New York as the first post-war overseas sales company. During this period, many products were introduced by MEI: an agitator-type washing machine (1951), the company's first black and white television sets (1952), their first electric refrigerator (1953), a portable radio (1954), the electric rice cooker (1956), the first tape recorder, and an air conditioner (both 1958). The company's first color television set was marketed in 1960 (Panasonic Company website 2014). New local companies were 'Kyushu Matsushita Electric Company', the 'Osaka Precision Machinery Company' (later renamed 'Matsushita Seiko'), and the 'Matsushita Communication Industrial Group' (which manufactured the first tape recorder).

Rapid growth led to the opening of manufacturing plants around the world, starting with ‘National Thai’, the first overseas factory, in 1961 and ‘Matsushita Electric’ (Taiwan) in 1962; plants in Mexico, Puerto Rico, Costa Rica, Peru, Tanzania, the former Malaya, the Philippines and Australia followed.

### **2.2.2 1960s**

At the beginning of this new phase of globalization, at the age of 65, Matsushita announced his resignation as president and that he would “support the company from behind the scenes as chairman” (Panasonic Company website 2014). With his son-in-law, Masaharu Matsushita, as president, the company entered into a period of seemingly unlimited growth. The implementation of a groundbreaking sales and distribution system and the development of new hit products further accelerated MEI’s rapid expansion. Popular products included console stereos and speakers, a fully automatic washing machine, and a console TV (all 1965), which were marketed under various brand-names, among which National, Panasonic, and Technics.

To demonstrate the astonishing advances of the company and to solicit customer reactions and input, the company held their first major technological exhibition in 1969 in Tokyo. Only 17 years after the technical cooperation agreement with Philips, MEI was capable of presenting cutting edge technology that mesmerized more than 15,000 visitors, including academics, researchers, and industry insiders.

Believing that MEI should contribute to worldwide prosperity, Matsushita advised that the company take a global perspective. Over the years, MEI built up their international capabilities, expanded support operations for overseas business, and trained staff to act internationally. In 1971, the company entered the community of international enterprises by registering for trading of its shares on the New York Stock Exchange (Panasonic Company website 2014).

### **2.2.3 1970s**

Economic turbulences in the wake of the oil crisis of the seventies also affected MEI. In order to deal with the constantly changing domestic and international situations and to regain profitability, the company renewed its top management in 1977. The new president Toshihiko Yamashita returned to the foundations of the corporate division system and implement a policy of personnel exchange, which would activate the company’s organizational structure (Panasonic Company website, 2014).

### **2.2.4 1980s**

In 1986, triggered by a dooming financial crisis in Japan, vice-president Akio Tanii took over and restructured the company, guided by a Management Innovation Plan. Four product groups were given priority (information and communications equipment, computerized manufacturing equipment, semiconductor devices, AV equipment), and the company’s marketing focus was changed. Under the motto “Human Electronics”, a campaign for better product design was launched, combining sensitivity to human needs with advanced technologies (Panasonic Company website 2014).

### 2.2.5 The founder

Konosuke Matsushita himself retired in 1973 from active service, but remained executive adviser until his death in 1989. During these later years, as MEI's success started to spread abroad, Matsushita started to be recognized as one of the world's great entrepreneurs. He was featured on the covers of *Time* (1962) and *Life* (1964) magazine; he welcomed foreign statesmen and VIPs on his premises; and his management methods were studied as role models for executives (Kotter 1997). He wrote numerous books on management philosophy, leadership, and ethics; studied human nature with a group of researchers; acted as a philanthropist; founded an independent graduate school of government to reform Japan's politics (1980); and created a Japanese version of the Nobel Prize (1985). By the time of his death at age 94, MEI produced more than 14,000 products. Few organizations had more customers; the company employed 120,000 people worldwide and had estimated revenues of above 49 billion US\$; and Matsushita's personal wealth was estimated at three billion US\$ (Kotter 1997). In his home country, he was canonized as "God of management" and considered a national saint (Katayama 1989).

## 2.3 Stagnation and First Restructuring (1989–2006)

### 2.3.1 1990s

In the early nineties, after a record-setting period of economic expansion, the Japanese economic bubble burst. Both real estate and stock market indices crashed, and in the aftermath of a credit crunch in the financial markets, the Japanese economy was thrown into a serious prolonged recession (Segers and Stam 2013). MEI registered a steep drop in sales, as a consequence of which Tanii stepped down in 1993. The new president Yoichi Morishita announced a four-point strategy to rebuild the company, which reinforced the company's corporate mission and responsibilities to society and their tradition of autonomous management. In addition, management innovation was to be based on a new concept of "creativity and daring" (Panasonic Company website 2014).

### 2.3.2 The new century

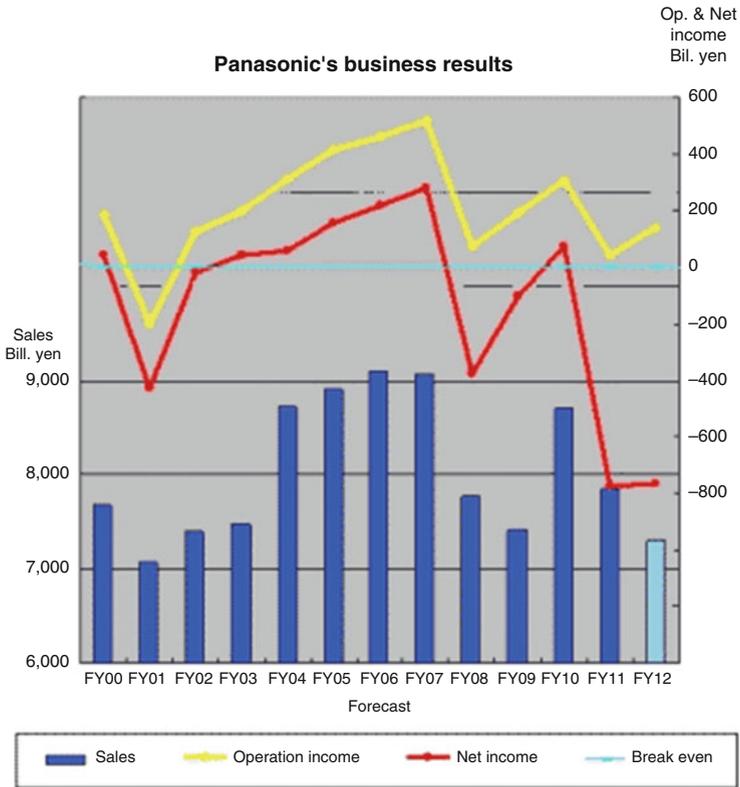
Despite of all efforts, MEI increasingly suffered from stagnation. At this point, the company was worth 72 billion US\$ in sales, employing 293,000 people around the world, and ranked as the tenth largest industrial company not in oil or autos. McInerney's (2007) analysis of Panasonic's problems and account of the subsequent 11-year restructuring (1995–2006) poignantly dissects the factors that had contributed to the situation:

"Like other Japanese industrial giants, Matsushita had thrived by investing in dedicated engineering staffs and relentlessly entering electronics markets with high-quality, lower-cost products. That worked well in the decades after World War II, when the corporation's fine execution gave it a solid position in Japan and elsewhere. But ... success led to complacency and ossification, as problems were hidden by the large, semi-protected

domestic market. The company characteristically reacted to stagnation in the late 1980s with a huge investment in R&D, but that only eroded margins faster. . . . [The company] was isolated from customers, with factories determining output levels and its understaffed sales offices lacking in rudimentary account management skills.” (Landry 2007)

The, by McInerney’s (2007) account, “largest corporate restructuring in history” was accomplished without importing an outside CEO by following the template drafted by McInerney and his partner, two New York-based Japan specialists, investors and business advisors. Company-wide changes took off with the appointment of Kunio Nakamura, formerly head of the American subsidiary, to MEI president in 2000. As part of the company’s first 3-year mid-term plan, Value Creation 21 and its follow-up Leap Ahead 21 (see notes), he aggressively restructured the company to enable adaptation to competitive forces in the environment and increase market responsiveness (Kosuga 2009). Bureaucratic complexities were removed and structures flattened, management information flow and decision making mechanisms (re-) instated, branding and marketing revamped, and the sales and distribution system reformed (Reorganization 2004). Full ownership of a number of subdivisions of the Matsushita Group had to be acquired before the whole company was restructured into 14 independent business domains in 2003. This was a huge break with MEI’s tradition of virtually autonomous business units organized along product lines, each functioning like a self-sufficient corporate kingdom. Now, efficiencies could be gained by eliminating overlapping redundancies, centralizing investments into research and development, and integrating functions of manufacturing, marketing, and sales (Tanikawa 2004). Another one of Matsushita’s most sacred corporate principles was discarded: for the first time in history, workers were laid off. Cultural changes included the establishment of a “customer first” attitude and a corporate culture that fostered diversity and competitiveness.

Also in 2003, the global brand was unified as ‘Panasonic’ and accompanied by the establishment of the global brand slogan “Panasonic ideas for life.” Still, the name National was kept as a region-specific brand for Japan only, and the name Technics as product-specific brand in tandem with Panasonic. In a bold move in 2005, the company decided to cease the domestic production of money-losing tube TV sets and to entirely focus on the—then high-margin—flat-screen plasma display panel (PDP) technology. A year later the scale of PDP production reached a combined monthly output of 460,000 units at four plants, and the company captured half the global market, again proving the company’s “long-nurtured traditions of engineering excellence, which empowered managers and employees to commit to the intense work involved in developing a world-class product” (Landry 2007). This example also shows how easily technological change can turn fate, as in the fall of 2013 Panasonic announced their immediate stop of all plasma research and development due to price pressure from more affordable LCD TVs (Reuters 2013). As this last fact indicates, even Nakamura’s “largest corporate restructuring in history” was only temporarily blessed with success (see Fig. 1). Rapid and drastic changes to the business environment, markets, and technology kept challenging the company.



**Fig. 1** Panasonic’s business results FY2000-2012 (SemiconPortal 2012)

**2.4 Continuing Reforms (2006–2012)**

In 2006, president Fumio Ohtsubo took over from Nakamura, while continuing reforms with his 3-year mid-term business plans GP3 and Green Transformation 12 (see notes). During his tenure, Matsushita Electric Industrial Co. Ltd. officially became Panasonic Corporation Worldwide on the 90<sup>th</sup> anniversary of the company in 2008. This final step in a multiyear effort to eliminate the multitude of brand names reflected the company’s unified brand positioning and its new digital network product strategy. Ohtsubo explained: “Now we have one brand. Under one brand we can propose a total solution for our daily lives” (Tarr 2008). At the same time, he announced that Panasonic would venture into the development of wholesome integrated solutions consisting of AV electronics, appliances, and energy generation components. With reference to company founder Matsushita’s ideals of serving society, the company made a commitment to environmental management in the “Eco Ideas Declaration” (Laposky 2008). This comprehensive company-wide effort included three approaches relating to (1) manufacturing/production

(reduction of CO<sub>2</sub> emissions; proper management and disposal of chemical substances; saving resources through enhanced productivity), (2) product design (increasing the energy-efficiency of products, recycling initiatives), and (3) outreach (ecological activities with employees and their families, inclusion of local community, initiatives beyond national borders). In order to illustrate the earth-friendly ambitions, an “Eco & Ud House” was built at the Ariake facility in Tokyo, “a prototype residence that incorporates cutting-edge technologies that help deliver on the ecological principles, as well as follow a design philosophy that is user-friendly and supportive of the needs of all people to be healthy and happy” (Laposky 2008). The Eco Ideas strategy found continuation in the 2010 announcement that Panasonic aimed to become the “No. 1 Green Innovation Company in the Electronics Industry” by its 100<sup>th</sup> anniversary in 2018. Its declared aim is “integrating contributing to the environment and attaining business growth” by making green targets, such as for CO<sub>2</sub> reduction and recycling, part of the corporate vision (Miyai 2011).

Panasonic’s new concepts and intermittent improvements notwithstanding, the company kept writing losses, and over a period of 6 years their shares dropped by two thirds, double the decline on the benchmark Nikkei average over the same period (Kelly 2012). The 2009 acquisition of rival Sanyo Electric—producer of among others solar panels and lithium batteries and seen as needed for Panasonic’s repositioning as green technology company—in combination with the exuberant restructuring expenditures, contributed to the company spreading itself even further (Kelly 2012). Aggravating external factors were the 2011 Fukushima earthquake, which damaged the supply chain; a strong yen which kept prices high; stern foreign competition led by Samsung; and production halts caused by floods in Thailand in 2012 (Cooper 2012; Yasu 2012). A massive restructuring plan was implemented between January and March 2012 (Panasonic Announcement 2011). The number of employees was reduced by roughly 17,000–350,000, and the 2010 organizational structure of six business segments based on technology platform (digital AVC networks, home appliances, Panasonic Electric Works and Panahome, components and devices, Sanyo, and Other) was converted to one of three business sectors based on business model (“B2C” consumer business sector, “B2B” components and devices business sector, and “B2B” solutions sector, comprising nine business domain companies and one marketing sector). Still, in their 2012 quarterly report for the fiscal year ending in March (FY 2012), Panasonic announced a record net loss of 780 billion yen (9.7 billion US\$), and the Big Three credit rating agencies—Standard & Poor’s, Moody’s, and Fitch Group—downgraded Panasonic amid concerns over weak demand for many of its products; even worse: “Its overall lackluster performance adds up to a lost decade for the electronics pioneer—with a 10-year cumulative loss of close to 454 billion yen” (Kelly 2012). The key financial figures are summarized in Fig. 1 and the notes.

## 2.5 The Turn-Around (2012 to Present)

Reacting to the disastrous financial reports, Panasonic decided to remove president Ohtsubo in a Japanese corporate coup d'état-like manner and to install the younger Kazuhiro Tsuga as new CEO (Harner 2013). When Tsuga came into office in June 2012, he described the company as “chaotic” (Harner 2013) and no longer a “normal” company capable of delivering solid returns to shareholders (Wakabayashi 2013). Although a new massive restructuring plan, devised under Tsuga’s predecessor, had just cut the number of employees, Panasonic still had about three times the workforce of competitor Samsung and double that of Sony’s. Of the vast range of Panasonic’s product groups, only appliances managed to attain remotely healthy operating margins (Kelly 2012), and Panasonic’s financial standing continued to deteriorate during the first year of his tenure. Tsuga immediately got into action by reducing the company’s headcount by another 20,000 jobs or about 6 % and by reforming the Head Office (Wakabayashi 2013). He indicated that—contrary to his predecessors—his business model was to reinvest business earnings instead of making big capital equipment investments, and to compete in the business-to-business market instead of only focusing on mass consumers (Harner 2013).

In March 2013, Tsuga revealed a new 3-year business plan, Cross-Value 2015, as his first major initiative to reshape the company. The plan contained two main objectives:

1. Eliminate unprofitable businesses;
2. Develop strategies for future growth in a group formation through its business division system to revitalize each business.

To this end, four action points were described:

- Restructure all unprofitable businesses by the fiscal year ending in March 2016 (FY 2016): In order to generate operating profit, the structure of the money-losing TV, semiconductor, mobile phone, circuit board, and optical product businesses had to be changed. Panasonic took the first steps by deciding to cease the production of plasma display panels (PDP) and to focus entirely on the LED technology segment, and in this way moving its TV business more towards the major market. Similarly, affiliated companies in, among others, the mobile phone and digital camera businesses were sold off, transferred or merged.
- Expand business and improve efficiency by shifting from in-house approach: Examples can be found in the logistics business, where the decision had been made to sell off the majority 66.7 % stake to Nippon Express Co., Ltd.; and in the medical business, where external capital is supposed to be injected into Panasonic Healthcare Co., Ltd.
- Improve financial position: The company set the ambitious target of generating a free cash flow of 600 billion yen over a 3-year period by narrowing down capital expenditures, disposing of assets, and reducing working capital, in addition to improving profitability of business itself.

- Follow a growth strategy from the customer’s viewpoint: This included pursuing a “better life” for customers and strengthening the relationships with industrial partners.

A major change in the organizational structure, namely the establishment of a business division system supported by four companies, was considered pivotal to the actions and objectives named above. Panasonic consolidated 88 business units into 49 business divisions, each of which is responsible for everything related to the division from product planning to production and sales. The business divisions were grouped under four companies: Appliance Company, Eco Solutions Company, AVC Networks Company, and Automotive & Industrial Systems Company. The companies combine the forces of their divisions by centralizing resources for managing business development, creating new business, and strengthening key devices.

### 3 Current Company Profile

#### 3.1 Company Structure

In March 2014, the Panasonic Group consists of the parent Panasonic Corporation and 522 consolidated subsidiaries in and outside of Japan. The company employs almost 286,000 people worldwide, and generates net sales of ca. 7,400 billion yen. More than half of the company’s sales are generated on the domestic market.

Based on the 2013 restructuring plan, Panasonic’s wide spectrum of products and services is grouped into four comprehensive companies, which supply electronics for all areas of their customers’ lives (Appliances Company, Eco Solutions Company, AVC Networks Company and Automotive & Industrial Systems Company). The companies are designed to support the underlying business divisions and to help facilitate partnerships with the industry. Ambitious financial targets have been set for each company. In order to get a more complete picture of the current standing of Panasonic as a corporation, we will discuss each divisional company separately: their set-up and purpose, declared objectives, and devised strategies as laid out in the annual reports (FY2013 and FY2014) and on the company website (Table 1).

**Table 1** Financial targets FY2013-16 (based on Panasonic Corporation 2013)

	Appliances company	Eco solutions company	AVC networks company	Automotive and industrial systems company
Net sales	1,650 billion yen <sup>a</sup>	1,770 billion yen	1,980 billion yen <sup>a</sup>	2,700 billion yen
Operating profit ratio	Over 5.5 % <sup>a</sup>	4.9 %	Over 5.0 % <sup>a</sup>	5.0 %
Cumulative free cash flows	108 billion yen	120 billion yen	Over 50 billion yen	265 billion yen

<sup>a</sup>Production and sales consolidated

### 3.2 Appliance Company (AP)

- Overview: AP has approximately 42,000 employees worldwide distributed over 56 production sites, of which nine are in Japan, 41 in the rest of Asia, five in the Americas, and one in Europe. The company comprises nine main business divisions (major products in parenthesis), namely: Cooking (including refrigerators, microwave ovens, rice cookers); House-keeping (including dishwashers, washer-dryers); Health & Beauty (including water purifier, health care appliances, beauty care appliances); Air Conditioning; Energy; Heating; Water Heating; Cold Chain (including food service/store/kitchen equipment, beverage vending machines); Devices (including compressors, motors).
- Objectives: AP wants to contribute to the realization of “comfortable living” and a “comfortable society”. The company’s designated goal is to become the “Global No. 1 Appliance Company” by 2018. Opportunity for growth is seen in both B2C and B2B businesses by (1) expanding market share, especially overseas; and (2) by capturing the increasing demand for high-value-added products in emerging countries.

Strategy: Specific initiatives include (1) establishing stable profitability in the B2C segment as a pillar business with the key markets China, Asia, Europe and Brazil; (2) establishing a foundation of highly profitable businesses for the medium- and long-term in the B2B facilities segment, especially in China and Asia; and (3) improving profitability in the B2B devices segment by transforming business strategies. For FY2015, an integration of consumer electronics under AP and AVC is planned.

### 3.3 AVC Networks Company (AVC)

- Overview: Panasonic’s new AVC Networks Company, employer of ca. 47,000 people, integrates the audio-visual technology of the former AVC Networks Company with the wireless-communications technology of the former Systems & Communications Company. It is made up of four divisions: Digital AV Business (digital TV, DVD, audio, display devices); Imaging Business (including digital cameras and camcorders); System Network Business (in-flight AV equipment for airplanes, projectors, PC, security cameras, fixed-line telephones); Mobile Communication Business (mobile and smart phones).
- Objectives: AVC wants to create cross-value by fusing strong AV and ICT technologies backed by patents in both areas. The main strategic goals are to rigorously restructure underperforming B2C businesses while driving growth by strengthening B2B businesses, focussing the latter on Japan, Asia, and the USA. New opportunities are seen in the cooperation with IT companies for the research and development of cloud-connected products.

Strategy: Specific initiatives include the above-mentioned elimination of unprofitable businesses, especially in the areas of flat-panel TVs, digital cameras, and mobile phones. Changes are ongoing as reflected by the quarterly reports of FY 2013 and 2014.

### **3.4 Automotive and Industrial Systems Company (AIS)**

- Overview: The AIS Company has ca. 111,000 employees and comprises 152 group companies in Japan and oversees. It develops, manufactures, sells and services products related to the automotive industry (multimedia- and eco-car related equipment, electrical components), industrial (electronic components and materials, semiconductors, optical devices, primary/secondary batteries, chargers, battery appliances and components), and manufacturing businesses (electronic component mounting systems, welding and robot systems), and bicycle-related products.
- Objectives: Due to its large share of sales (2,510 billion yen in FY2013) and with its broad range of B2B possibilities, AIS is positioned as a new “growth engine” for the Panasonic Group. It is designated to take a lead role in realizing ecological and smart solutions and in creating “Cross-Value Innovation” that transcends business division boundaries. In collaboration with their customers, AIS wants to contribute to “creating a better world” in the fields of automotive, industry and ICT.

Strategy: Profit improvement plans focus on four unprofitable businesses (portable rechargeable batteries, optical, printed circuit boards, and semiconductors); they include reducing fixed costs, streamlining production, and shifting to new business areas. In order to create new businesses, a globally operating Business Development Division of 400 people from different professional backgrounds has been established. The latest strategic ideas for AIS relate to “computerization and electrification” and to shifting focus from ICT to industrial areas.

### **3.5 Eco Solutions Company (ES)**

- Overview: ES employs 55,000 people worldwide and consists of four divisions: Lighting Business Division, Energy Systems Business Division (active and passive products to save energy), Housing Systems Business Division (home remodeling), Panasonic Ecology Systems Co. (technologies to purify air, water and soil), in addition to the Marketing Division (Japan) and Global Marketing Division.
- Objectives: In continuation of Panasonic’s 2008 “Eco Ideas Declaration” and its objective to become the “No. 1 Green Innovation Company in the Electronics Industry” by 2018, ES’s idealistic goal is to “offer solutions for creating comfortable environments for homes” and non-residential buildings, “while reducing

environmental burden” and thus contributing to “the development of a sustainable society” (F. Ohtsubo 2013). This “synergy between comfort and eco-friendliness” aims at taking environmental concerns into consideration throughout the whole life-cycle of a product and in all managerial operations.

**Strategy:** With ES, Panasonic introduces a novel concept that only at second sight reveals its radical newness (see discussion in Paragraph 4 “Future Developments” below). ES sells products of the other Panasonic companies (AP, AVC, AIS) in addition to the specific products and services of ES itself. The basic idea is to “shift focus from selling individual products to providing added value, including in design, construction, maintenance, monitoring, and services.” (F. Ohtsubo 2013). By building a high-profit business structure, ES wants to become a driving force for the growth of the whole Panasonic Group. Domestic and international expansion plans are set for FY2015.

### **3.6 Current Market Position**

Panasonic’s market position varies depending on the industry and divisional company.

#### **3.6.1 Appliance Company (AP)**

As can be seen in Table 2, both B2B and B2C businesses show considerable room to expand their global market share. The percentage of the main B2C products—washing machines, refrigerators, and air conditioners—is in the single digits and that of the B2B products—cold chains and compressors—is in the low double digits. Panasonic, aware of the fact that with these numbers they are more a regional appliance company, set plans to become the “Global No. 1” by 2018. Main growth opportunities are seen in B2B facilities and devices, the sales and operating profits of which are supposed to expand to 50–60 % of AP’s overall sales and profits (currently ca. 40 %).

#### **3.6.2 AVC Networks Company (AVC)**

The AVC Networks Company shows mixed results as regards to market share. For consumer electronics, Panasonic, amongst other Japanese consumer electronic producers, has been surpassed and marginalized by Apple and, most importantly, by Samsung (Harlan 2012). Looking at B2B and industrial products, however, a different picture emerges. In the Finance and Retail industry, Panasonic is the market leader in Japan when it comes to IC (card) readers and writers. Furthermore, in the Public Services domain, Panasonic is the market leader in North America for B2B PC’s (such as the Toughbook) and smartphones. In the Event, Company and Education segment, Panasonic is even the global market leader in projectors that produce more than 10,000 lm.

**Table 2** AP company global market share (FY2013) (Based on Panasonic Corporation 2013)

	Air- conditioners	Refrigerators	Cold chains	Washing machines	Large-scale air-conditioners	Compressors for air-conditioners
Total units (millions)	71	97	2.7	82	4.5	129
Panasonic units (millions)	6.6	3.5	0.4	4.9	0.18	14
Share	9.3 %	3.6 %	14.5 %	6.0 %	4.1 %	11.1 %

*Note:* Air-conditioners refer to room air-conditioners. Drying machines are excluded from washing machines

### 3.6.3 Automotive & Industrial Systems Company (AIS)

The automotive segment of AIS is one of the world's largest original equipment manufacturers of factory-installed mobile audio equipment such as head units, speakers and navigation modules. AIS is or has been subcontractor to the most well-renowned automobile manufacturers, such as Europe's largest automaker Volkswagen, Daimler, Audi, largest US automaker General Motors, Ford, Toyota, and Nissan. The 2012 market share numbers testify to Panasonic's success in this industry (Panasonic IR Day 2012). For example, for display audio (audio-visual interface used in navigation systems and on-board computers) in Japan, Panasonic has increased its market share from 27 % in 2011 to 42 % in 2012 and a predicted 45 % in 2013; in the global multimedia business, large-screen information displays accounted for a market share of over 70 % in 2012; and the car-navigation system Gorilla scored 60 % in the aftermarket. With regards to the ICT field, several main products, such as conductive polymer capacitors and mobile connectors, have a number one global market share ranging from 35 % to over 50 % (Panasonic IR Day 2013).

### 3.6.4 Eco Solutions (ES)

For ES, it is exceptionally difficult to retrieve concrete and reliable figures on market share or performance relative to competitors. Company information only indicates that both Lighting Business Division and Energy Systems Business Division have the number one market share in Japan, and that Panasonic Ecology Systems holds the number one global market position for ventilation fans (Panasonic IR Day 2012). An independent market study of Li-ion automotive batteries conducted by Roland Berger Strategy Consultants (2012) predicted that Panasonic, with a global share of 13 %, will be one of five forerunners to control 70 % of the world market by 2015. With regards to solar cell technology, Panasonic was listed among the top 20 global photovoltaics (PV) module suppliers in 2013, indicating that—despite an increase in shipment volumes compared to 2012—the mainly Asian competition was still significantly ahead of ES (Osborne 2014). Altogether, as of 2013, 89 % of all ES Company sales took place in Japan (F. Ohtsubo 2013).

## 3.7 Brand Development

Over the years, Panasonic has marketed their products under a multitude of brand names, including National, Technics, JVC, Quasar, and Panasonic. In May 2003, the company announced that their most popular brand Panasonic was chosen as a unified global brand, accompanied by the global brand slogan "Panasonic ideas for life." Initially, the name National was kept as regional brand in Japan, but eventually was phased out by March 2010. From September 2013 onwards, the new brand slogan "A Better Life, A Better World" was introduced in anticipation of the company's 100th anniversary of its founding in 1918. The slogan is based on Matsushita's "Basic Management Objective" and expresses Panasonic's corporate

vision and attitude of “striving to achieve”. “A Better Life” refers to the company’s focus on B2C products in the segments home, society, business, travel and automobiles. “A Better World” signifies their ambition to contribute globally through B2B marketing in the area of environmental protection (Masumizu 2014). In February 2014, Panasonic presented a new catch phrase, “Wonders! by Panasonic” to visualize overcoming stagnation and the positive changes in the company; matching New Wonders! products were launched in April. The “Wonders!” campaign was first focused on the domestic market where Panasonic makes more than half of its sales.

### 3.8 HR Approach and Employees

Following Konosuke Matsushita’s belief that “business lies in people”, Panasonic’s HR approach is exceptionally focused on training and development. The company’s “Code of Conduct” (Chap. 3, Employee Relations) puts forth the principle “The basis of management is people”, and describes personnel development as a manager’s most important responsibility (Panasonic Company website 2014). In Panasonic’s “Human Resources Development Policy”, it is specified that managers must “develop people before making products”. To this end, concrete guidelines clarify that managers should “show clear leadership based on strong beliefs; create an organization and culture which allows employees to fulfill their potential; encourage others to develop themselves; provide opportunities to take on new challenges and to achieve their goals; create workplaces where diversity is valued and respected; appreciate staff members for their efforts; develop healthy management/employee relations”. Employees, in turn, are downright required to show a “challenging spirit”, to keep thinking and acting innovatively, and to continuously strive for further development (Panasonic Company website 2014). The employee policy is about building win-win relationships between the company and employees. This is accomplished by a variety of initiatives founded on the principles of the participative management, performance-based evaluations, and respect for employees. Panasonic goes beyond Japanese or even international standards in that next to on-the-job training (which is similar to its competitors), it has a complete employee training institute, the Human Resources Development Company (HRDC), which gives employees the chance to get an education next to their job. For many Japanese companies, the traditional practices of life-long employment and senior-based compensation and advancement have led to a lack of intrinsic motivation in employees and thus to reduced productivity (Tapp 2002). Meanwhile, attempts to adjust to the economic challenges of the contemporary market place by re-engineering the HRM system along the lines of strict performance orientation Western style have suffered functional failure (Kishita 2006). Panasonic’s policy to consequently invest in the education and (self-)development of their employees is a golden path in the middle and gives the company a competitive advantage over both domestic and global competitors.

### 3.9 Company Philosophy

Matsushita's "Basic Management Objective and Company Creed", as formulated in 1929, still constitutes the declared mission of Panasonic Corporation in 2014: "Our business is something entrusted to us by society. Therefore, we are duty-bound to manage and develop the company in an upstanding manner, contributing to the development of society and the improvement of people's lives" (Panasonic Company website 2014). Many aspects of Panasonic's business life—such as their brand promise, their dedication to customer services, their environmental targets, or their human resource approach—are rooted in Matsushita's business and management philosophy, which Katayama (1989) labeled "a curious mix of capitalism and religion". In his autobiography "Quest for Prosperity" (1988), when recalling the events leading up to the company's first mission statement in 1932, Matsushita talks about eliminating poverty as a "sacred task" and names business in general "a holy mission" (Dayao 2000). His life-long fervent belief was that the ultimate aim of a manufacturer was to overcome poverty and to generate wealth for the benefit of everyone (Kotter 1997). Matsushita's "Seven Principles" of 1932 still guide the company today: (1) Contribution to Society, (2) Fairness and Honesty, (3) Cooperation and Team Spirit, (4) Untiring Effort for Improvement, (5) Courtesy and Humility, (6) Adaptability, and (7) Gratitude (Dayao 2000). Panasonic's website explains in detail how the core values described in the Basic Management Objective and Company Creed and the Seven Principles are translated into a modern-day code of conduct and actual business practices (Panasonic Company website 2014).

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## 4 Future Developments

### 4.1 General Company Success Strategies: Matsushita's Heritage

For Panasonic, as for Japanese companies in general, performance in the past can be seen as the best predictor for future potential. Based on Panasonic's corporate philosophy, a number of factors stand out as being uniquely related to the company's success—even beyond Matsushita's lifetime:

#### 4.1.1 Clever entrepreneurship

Matsushita, by trial and error, developed a range of entrepreneurial strategies and practices that secured the early success of MEI. Remarkably, a similar set of techniques was later researched and praised by the proponents of the culture-excellence school of management such as by Peters and Waterman in 1982 (Kotter 1997). Among others, Matsushita felt strongly for a clear customer orientation with focus on after-sales service; constantly improving productivity; high quality at low price, mass production; improving products invented by others, while leaving product invention and basic R&D to others; speedy product development; innovative marketing; and a specialized retail distribution system. All of these elements are still highly relevant for Panasonic's strategy and functioning today.

### **4.1.2 Paternalistic management and empowerment**

Matsushita is said to have pioneered the Japanese paternalistic management tradition, in which employees are viewed as members of the wider company “family” and are secured by lifetime employment and senior-based compensation (Kotter 1997). In this system, Japanese firms provide far-reaching welfare-style benefits independent from performance, which can include housing subsidies, scholarships for children, recreation facilities, or support for family events; in return, workers devote themselves to the job and the company, which among others is measured by their willingness to endure uncompensated overtime and to sacrifice vacation days (Tapp 2002). For his part in the reciprocal bond, Matsushita made a point in treating his employees with exceptional care—at a time when in the West, in the wake of Taylor’s scientific management, workers still were considered to be “human machines” and subjected to control and demeaning treatment at work. Matsushita offered, by all comparisons, outstanding working conditions, health-promoting activities, institutions for training and development, and—as the first company in Japan—the 5-day work-week. In order to promote loyalty and a feeling of community, he introduced a daily-recited company song (Kotter 1997). While the paternalistic system can lead to a decreased motivation to excel, especially in younger (i.e. lower paid) and higher-educated employees (Tapp 2002), Matsushita knew to trigger intrinsic motivation by empowering his employees and practice a naturally inspiring leadership style. He systematically involved people in the management of the divisionalized company, entrusted them with highly demanding tasks, and had the faith that they would grow into their roles (Kotter 1997). This is unusual for Japanese company culture, where typically group-ism serves to maintain harmony; consensual decision-making, or “ringi”, discourages any individual from taking responsibility for performance; and individual achievement is not recognized (Tapp 2002). Panasonic’s “business lies in people” and “respect for the employee” approaches are very much in line with Matsushita’s management philosophy and still constitute a major competitive advantage for Panasonic.

### **4.1.3 A commitment to life-long learning and the learning organization**

If one thing was characteristic for Matsushita, it was his desire to learn and his drive for continuous improvement. These ambitions included both his company, for which he was in constant search for superior methods, and his own person. Up to an old age, he tirelessly worked on educating himself and others, studying human nature, pushing for higher and higher goals, and propagating an optimistic set of beliefs in his own philosophy of “Peace and Happiness through Prosperity” (Kotter 1997). He also invested significantly in the training and life-long learning of his employees. Matsushita’s motivating aspirations grew with actual accomplishments and formed his leadership style. His willingness to remain open-minded for learning from others and to reflect humbly on lessons learned contributed significantly to the adaptability and flexibility of his company in an ever-changing environment. The ability to remain a learning organization, to keep an open mind, and to continuously make an effort to break down the boundaries between

industries and departments, ranks and stakeholders, will be crucial for Panasonic's future.

## **4.2 Specific Success Strategy: The Integrated Systems Approach of Eco Solutions**

At first sight, Eco Solutions Company (ES) is just another one of Panasonic's new four divisional companies. It focuses on the development, manufacture, and sales of products and services relating to the segments photovoltaics (HIT solar cells), lighting (fixtures, control systems, LED bulb, fluorescent lamps), air conditioning and purification (ventilation fan systems, humidifier, purifier), electrical construction materials (light switches/outlets, panel boards, electric tools, wiring), and home building (kitchen and bathroom systems, self-cleaning toilets, heat pump systems); in addition, ES company offers elderly and nursing care equipment and services. Only when digging deeper does it become obvious that Panasonic is indeed doing something rather unique with this company. ES is driven by a novel business and marketing concept that transcends organizational boundaries and that makes it the most spectacular and pioneering part of the whole Panasonic Group.

### **4.2.1 Integrated systems philosophy**

ES Company has the declared purpose to promote and provide "optimized solutions based on full utilization of the Panasonic Group's product lineup and various services", thus contributing to the development of a sustainable society (Panasonic corporation 2013). While competitors like Apple and Samsung (and Google on a software scale) have already pioneered an integrated systems approach with their audio-visual and communication hardware (Michael 2011), Panasonic goes one step further. They aim not only at integrating phones, TVs, stereos and computers; they want to integrate virtually *everything*. ES not only produces their own company-related products, but also sells products of the other parts of Panasonic Corporation while offering comprehensive integrative solutions that allow these products to work together. Simultaneously, they want to make both the production processes and the use of their products or services more sustainable, ecological, and environmentally friendly. Taking all this information together, one could say that "Eco Solutions" is not only one of Panasonic's divisional companies, but is also the name of an overarching concept that pulls together everything done by Panasonic.

### **4.2.2 Model smart town Fujisawa**

The epitome of Panasonic's sustainability ambitions and the practical application of Eco Solutions as an umbrella organization is the eco-conscious smart city project Fujisawa Sustainable Smart Town (SST). Conceived even before the massive Japanese earthquakes of March 2011 and first announced in May of that year, Fujisawa SST was promoted as one of the most advanced eco cities in the world:

Panasonic will apply its “comprehensive solutions for the entire house, entire building and entire town” to Fujisawa SST, combining its energy saving technologies in energy creation, storage and management with a safe and secure environment. Specifically, the company plans to preinstall its solar power generation systems and household storage battery systems across the town, including homes, various facilities and public zones, which would be the first of its kind in the world. Panasonic intends to replicate Fujisawa SST as a business model in other parts of Japan and overseas. (Panasonic Announcement 2011)

A business collaboration of initially nine partner companies and one city, Fujisawa SST is taking shape on a cleared 19-hectare site of a former Panasonic factory in Fujisawa City, about 50 km west of Tokyo. The neighborhood, with a planned population of 3,000, will comprise 1,000 technologically advanced green homes, as well as stores, healthcare facilities, a nursery school, elderly housing, a nursing home, and public green spaces and parks. Each home will be equipped with the means to generate most of the electricity for its inhabitants, either with a standard photovoltaic setup or with an optional fuel cell cogeneration system for when the sun is not shining. The overall goal for the community is to reduce CO<sub>2</sub> emissions by 70 %, cut household water usage by 30 %, and allow for a 3-day lifeline maintenance in case of emergency. The concept of Fujisawa SST, however, goes beyond energy; it also takes into account aspects such as security, mobility, and healthcare, and its mission is “to structure a smart town based on people’s lifestyles, designed for the way people live” (Panasonic Company website 2014). In continuation of the 2008 “Eco Ideas”, houses will be equipped with energy-saving appliances, such as air conditioners, washing machines, LED lights, and AV equipment. Linked with each other by an integrated Home Energy Management System (HEMS), these intelligent household machines communicate with one another for optimal energy savings.

In Panasonic’s vision, this goes as far as fridges remembering a family’s eating habits or heating systems recognizing and targeting people entering a room (Yoneda 2013). Construction of the first single-family homes has started in September 2013, and the town is scheduled to open in spring 2014 (Panasonic Company website 2014). Haruyuki Ishio, Director of Panasonic’s Corporate Division for Promoting Energy Solutions, indicated in a recent interview that Panasonic was proud of Fujisawa SST as it showcases the company’s home energy solutions including the home itself and serves as a worldwide model for the realization of an eco-friendly city in action (Yoneda 2013). Therefore, the concepts and processes behind Fujisawa SST are being translated into other projects for Japan and—under consideration of regional characteristics—around the world.

### 4.3 Eco Solutions Company Focus and Development Strategy

More than the other three divisional companies, and with 89 % of all sales in 2013, ES still has its core business in Japan (F. Ohtsubo 2013). Panasonic’s basic strategy is to strengthen its domestic core businesses to support growth; this entails turning mainstay products into flagship products, creating housing space networks

(residential) as well as “eco-conscious and smart business solutions” (non-residential), and marketing via showrooms and new distribution channels (F. Ohtsubo 2013). International expansion, however, is slowly but steadily developing. While in 2012 overseas business was limited to the energy sector (Panasonic IR Day 2012), ES’ international plans for 2013, as presented in Panasonic’s annual report (FY2013), also included home remodeling and engineering. The geographic focus rested on growing markets in Asia (China, India, and other Asian countries), with some reference to exploring and/or expanding in Middle Eastern and African markets, while Europe or the United States were not mentioned. Explanations for this seemingly single-minded Japan-/Asia-focus can be found in the geographic and market advantage ES has in that region. Here the company could profit from existing networks and subsidiaries, and is not confronted with the bigger players in the Western economy, where market saturation and fierce cost-competition would make it difficult for ES to effectively position itself. In addition, the Japanese market for photovoltaics (PV) has experienced a domestic consumer demand surge, which for ES has led to a 10 % increase in sales in the FY2014 third quarter in comparison to the same period a year ago (Panasonic Financial Announcement 2014). ES’ strategy to accomplish growth by strengthening domestic and regional core business, thus, seems to be paying off. Meanwhile, as a new development in 2013, Panasonic announced “a full-scale expansion of its interior LED lighting business” into Asia and Europe, “as part of the company’s drive to increase overseas sales of such products” (Panasonic Company website 2014). The unique properties of LED technology have opened the possibility to overcome country-specific limitations and to promote lighting fixtures globally. There are more signals that ES is about to gain share in the Western market: In January 2014 Panasonic launched two upgraded, conversion efficient HIT photovoltaic modules in Europe, targeting the residential rooftop markets and taking it up against dominating tier one Chinese solar cell producers (Osborne 2014).

#### **4.4 The Future of Panasonic**

Taking all information into account, Panasonic as a whole appears to be in transition from a classic electronics provider to a leading innovative green cooperation offering products and services through their B2C and B2B businesses. Eco Solution, both as one of the divisional companies and as an overarching vision, builds the center stone in this development by integrating its eco-friendly concepts and technology with the technology and products of Panasonic’s other divisions, namely the Appliance Company (AP), AVC Networks Company, and Automotive & Industrial Systems Company (AIS). While in 2013 ES and their energy-related B2B businesses were pushing into the growing markets of Asia, AP and AIS constituted the healthy, sustainable, financial base of the Panasonic Group. The accelerating frequency of news about Panasonic entering the Western markets with their eco- and energy technology leads to the bold assumption that the company aims to (re-)establish a key position amongst leading European manufacturers in

that segment. Especially with their 100-year anniversary in 2018 in mind, Panasonic is pushing heavily to regain a competitive global position and to realize their vision of becoming the “No. 1 Green Innovation Company in the Electronics Industry”.

Both recent financial figures (F. Ohtsubo 2014) and a number of sustainability and innovation awards (Panasonic Company website 2014) confirm that the tides have changed for Panasonic. It has paid off to restructure or eliminate unprofitable businesses, to reduce reliance on consumer electronics where Panasonic has lagged behind the competition, and to invest into new ventures (Einhorn et al. 2014). The FY2014 third quarter results show a 10 % increase in consolidated group sales, which exceeds original expectations; similarly, the full-year forecast predicts high two-digit increases in operating profit for Eco Solutions and AIS in comparison to the previous year (F. Ohtsubo 2014). All signals indicate that Panasonic is “back” and ready to roll out their integrated systems approach in the Western world, heading towards a “New Panasonic” in FY2019.

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## 5 Conclusions and Recommendations

### 5.1 Conclusions

Panasonic’s nearly 100-year history splits into several phases. The first 30 years, until the end of WWII, were a period of rapid growth and expansion; out of nothing, Matsushita established a flourishing manufacturer of a vast variety of consumer electronics with excellent domestic standing. WWII was a big incision and almost entirely wiped out the company. After survival was secured, the company took off on a 40-year triumphal quest for globalization; from clever entrepreneurship, Matsushita moved on to inspirational leadership, supplying his company with a solid foundation of moral and spiritual values. Realizing that his products lacked technical sophistication in comparison to the West, he made sure that all knowledge necessary to catch up was acquired. Until his death, his company was the epitome of the “Japanese miracle”. Due mainly to external circumstances, Panasonic was thrown into stagnation and crisis from the 1990s onwards; now it became painfully clear that the company’s organizational structure and business processes had not evolved in the same pace as the company’s expansion. A period of continuous restructurings and adjustments began, which now has gone into its third decade and the end of which is still not in sight. Through all of this, one can comfortably say that the constant factor in Panasonic’s history was—and is—change.

And this, right here, may also be the simple answer to the question about Panasonic’s secret of success: the ability to transform as required by an ever-changing environment, the willingness to keep developing, and the openness to learn and take risks have been engrained in the company’s collective memory. Giving up is not an option, and the only way out is the way forward. Therefore it can be boldly concluded, in sync with the colleagues mentioned in the introduction, that Panasonic as a corporation will still exist 50 years from now, and maybe even a

100 years from now. The company may look differently, produce different products or services, and market them in a completely different way, but chances are high that they will still be major players on the domestic and global markets.

Going a bit deeper in the analysis, the following elements have been detected as contributing to the enormous success of the company:

- **Company philosophy:** Tradition is highly valued at Panasonic. Matsushita's core principles and beliefs are still as present at Panasonic today as during its founder's lifetime. The company's 2014 mission, vision and core values are direct quotes from Matsushita; other elements, such as brand promise, environmental targets, dedication to establishing a relationship with the customer, and personnel management, are firmly rooted in Matsushita's philosophy. In addition, the company is taking a long-term perspective and shows the ability to wait for the right moment. With Eco Solutions, Panasonic started powerfully in Japan and Asia, leaving out any mentioning of Western markets in their communication. While generating a steady income in other, less high-ranking segments, the company took—and keeps taking—the time to prepare everything to become a top player in the specific field of energy and remodeling; in the meantime, almost sneakily, facts are created by intermittently making major moves into Europe.
- **Products and technology:** Under Matsushita, Panasonic was known for good quality at a low price. This was made possible by sophisticated mass production and by an imitation strategy with regards to the company's technology. Panasonic's innovative power lies in clever entrepreneurship, in recognition and anticipation of trends, and in astute marketing and sales strategies, which again is proven by the Eco Solutions concepts and by Panasonic's declared ambition to transform into a green company.
- **Approach to human resources:** As mentioned above, Matsushita's vision on leadership still shapes Panasonic's human resource management approach. An attitude of respect and care towards the employee, and above-average investments in training and development lead to high loyalty of management and staff towards the organization. In addition, traditionally-neglected areas, such as gender diversity, work-life balance, and healthy ageing have recently received increasing attention.

As a result of all of these factors, Panasonic manages time and time again to reinvent itself in an ever-changing environment. It maintains the ability to survive challenging external (crisis in industry, domestic market, or world economics) and internal (financial, marketing, structure) situations, and to come out of them thriving. Panasonic may not become the most profitable company, but chances are that it will continue to be an important player in its major fields (appliances, AVC, automotive/industrial systems). The green innovation concept and the integrated systems approach, in turn, will open new markets and lead to new cooperations, thus revitalizing the company as it is about to enter into its second century of existence.

## 5.2 Recommendations

When looking at the possibilities to win Panasonic as a collaborating partner with companies or other institutions in the Netherlands, the obvious point of connection is energy. The Northern provinces of Drenthe, Friesland, Groningen and Noord-Holland play a key role in the Dutch energy economy. Since 2003, they are the driving forces behind the network organization Energy Valley, a joint venture of governments, the business sector, and knowledge institutes that has the purpose to encourage employment and to support national objectives related to renewable energy (Energy Valley website 2014). The Dutch government has declared energy one of nine so-called top sectors, in which the Netherlands excels globally and which receive high government priority. In the top sectors, industry and science cooperatively develop innovations with the ambition that their products and technologies contribute to finding solutions to societal issues (Top Sector Energy website 2014). Targets for the Dutch Energy sector between now and 2020 include the transition to more sustainable, low-carbon energy, while structurally increasing the earnings potential. The Energy Valley region is a key factor in this process and has a wealth of initiatives to show for in the fields of biogas, solar, and heating networks (numbers from Energy Valley website 2014): 97 % of the entire Dutch gas production on land takes place in the Energy Valley area (to put this into perspective, in Europe only Russia and Norway produce more gas). In addition, 20 % of the Dutch conventional and 22 % of the renewable electricity production are located in the North, as well as 42 % of the country's wind energy, 44 % of the green gas, and 31 % of the biogas production. Currently, there are approximately 4,200 companies and 32,375 full-time positions in the Northern energy cluster. The energy investments exceed 27 billion € in the coming decade. The region is strategically positioned within the EU energy infrastructure and directly borders the North Sea with its outstanding harbor facilities. The Energy Valley cluster works closely together with the energy cluster in North Western Germany, joining forces on pan-European energy issues and, since 2012, collaborating with Scotland and Norway in the European North Sea Energy Alliance (ENSEA). Funded by the European Union, the ENSEA project "aims to accelerate the implementation of a resource-efficient Europe by strengthening the research and innovation potential of European regions" (ENSEA website 2014). On a more local level, Energy Valley, in cooperation with knowledge institutes and the Energy sector, founded the Energy Academy Europe (EAE), an exclusive institute bundling research, education and innovation regarding energy. Among others, the Hanze University of Applied Sciences and the University of Groningen are offering a wide variety of educational programs to train the next generation of energy experts; at the same time, research on energy-related subjects is conducted in close contact with the market.

Another initiative of the Energy Valley network deserves special mentioning, since it is reminiscent of Panasonic's Fujisawa SST project, namely PowerMatching City, a living lab demonstration of the future energy system in the neighborhood of Hoogkerk in Groningen:

PowerMatching City is, first and foremost, the European field trial to connect supply and demand of electricity and heat in an intelligent way (smart grids). Purpose of the ongoing project is to fully profit of characteristics of both centralised and renewable energy systems. . . . During the first phase 25 households participated. At the end of 2011 the second phase took off. Nowadays 42 households are taking part in Power Matching City, more clustered together than before. Examples speak volumes: do households want to turn on the washing machine when there's a lot of wind and electricity from wind turbines is plentiful and therefore much cheaper than average? Then the system will automatically choose the optimal moment, in order to wash at the lowest possible tariffs. (PowerMatching City website 2014).

In conclusion, the Netherlands has an agenda that fits perfectly with Panasonic's Eco Solutions and green innovation concepts. Considering the fact that approximately 60 years ago Panasonic's founder Matsushita collaborated with Philips on technical knowledge transfer and that he personally received the highest honors from the Queen of the Netherlands, it seems appropriate to suggest a renewed partnership between the Japanese corporation and governmental entities, knowledge institutes, and businesses located in the Northern Netherlands.

## 6 Notes

### 6.1 Key Financial Figures

The following overviews of Panasonic's balance and income statement as well as the key financial ratios are summarizations based on the data provided by Panasonic. All figures are in millions of Yen, for fiscal years ending March 31, for the Panasonic Corporation and its subsidiaries.

#### Balance Sheet

Year	2009	2010	2011	2012	2013
Long Term Debt	651,310	1,028,928	1,162,287	941,768	663,091
Total Assets	6,403,316	8,358,057	7,822,870	6,601,055	5,397,812
Panasonic Corp. Shareholders Equity	2,783,980	2,792,488	2,558,992	1,929,786	1,264,032
Total Equity	3,212,581	3,679,773	2,946,335	1,988,566	1,304,273
Shares issued (1000s)	2,453,053	2,453,053	2,452,053	2,453,053	2,453,053
No. of shareholders	277,710	364,618	364,618	557,102	577,756
No. consolidated comp.	540	680	634	579	538

#### Income Statement

Year	2009	2010	2011	2012	2013
Net Sales	7,765,507	7,417,980	8,692,672	7,846,216	7,303,045
Operating Profit	72,873	190,453	305,254	43,725	160,936
Income (loss) before income taxes	382,634-	29,315-	178,807	812,844-	398,386-

(continued)

Year	2009	2010	2011	2012	2013
Net income (loss) Panasonic Corp.	378,961-	103,465-	74,017	772,172-	754,250-
Capital Investment	494,368	385,489	403,778	333,695	310,866
Depreciation	325,835	251,839	284,244	295,808	277,582
R&D Expenditures	517,913	476,903	527,798	520,217	502,233
Free Cash Flow	352,830-	198,674	266,250	339,893-	355,156

### Ratios

Year	2009	2010	2011	2012	2013
Operating Profit/Sales	0.9	2.6	3.5	0.6	2.2
Income (loss) before taxes/Sales	4.9-	0.4-	2.1	10.4-	5.5-
Net income (loss)/Sales	4.9-	1.4-	0.9	9.8-	10.3-
Return on Equity	11.8-	3.7-	2.8	34.4-	47.2-
Shareholders Equity/Total Assets	43.5	33.4	32.7	29.2	23.4
Payout Ratio	-	-	28.0	-	-

(Panasonic Corporation 2013)

## 6.2 Mid-Term Management Plans

Since 2000, Panasonic (then MEI) has released five mid-term business plans: in 2001, 2004, 2007, 2010, and 2013. So far, the target figures were achieved only once with the plan “Leap Ahead 21”.

Year	President	Name	Main objectives	Target figures (2-year period)
2001	Nakamura	Value Creation 21	“Deconstruct & Create”: implementation of structural reform (14 business domains) and growth strategy “Super Manufacturing Company” Lean and agile Panasonic	Sales: 9 trillion yen OPM: 5 %
2004	Nakamura	Leap Ahead 21	Accelerating growth business Reinforcing management structures	Sales: 8.2 trillion yen OP: 410 billion yen OPM: > 5 %
2007	Ohtsubo	GP3 = Global Progress, Global Profit, Global Panasonic	Double-digit growth in overseas sales (emerging markets) Four strategic businesses Continuous selection and concentration (plasma TV)	Sales: 10 trillion yen RoE: 10 %

(continued)

Year	President	Name	Main objectives	Target figures (2-year period)
2010	Ohtsubo	GT12 = Green Transformation 12	Accelerate growth with Six Key Businesses Expand overseas businesses in emerging countries Strengthen solutions & systems businesses Promote/implement collaboration with SANYO Environmental targets	Sales: 10 trillion yen OPM: > 5 % RoE: 10 % FCF: > 800 billion yen (3-year period)
2013	Tsuga	CV2015	Business division system supported by four companies	OP: > 350 billion yen OPM: > 5 %
		= Cross-Value Innovation 2015	Eliminate unprofitable businesses Shifting from in-house approach Improve financial position Growth strategy from customer viewpoint	FCF: > 600 billion yen (3-year period)

(Koitabashi et al. 2013; Kosuga 2009; F. Ohtsubo/F. Ohtsubo 2010)

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