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慶應義塾大学大学院経営管理研究科修士課程

学位論文（2016年度）

論文題名

**Open innovation and Redevelopment of Developing  
countries markets**

**: Enlightenment from the track of Panasonic and Honda in China**

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## 論文要旨

所属ゼミ	浅川研究会	氏名	薄 宏斌
(論文題名)			
<p style="text-align: center;"><b>Open innovation and Redevelopment of Developing countries markets</b> <b>: Enlightenment from the track of Panasonic and Honda in China</b></p>			
(内容の要旨)			
<p>I am trying to solve the problem that for Japanese companies, approach in the market of developing countries is better, especially China. The method I used to solve the problem is to compare the differences between Panasonic and Honda's organization structure, and the reason the difference caused.</p> <p>The impact of non-zero and game management strategies and open innovation on alliance strengths. Finally, I will compare the two companies' founders' idea, analyze their ideas on the impact of corporate strategy.</p> <p>The results of this study are, including the Japanese companies entering the Chinese market, the use of a highly independent approach, is conducive to the creation of competitive advantage in the Chinese market. However, the traditional management mode of Japan can't cope with the complicated and fierce competition to a certain extent. In a closer look at the mode of cooperation, a more open attitude of cooperation is particularly important.</p> <p>I look forward to see the "Made in Japan" active in the world of the stage once again, and to make new contributions to the economy of China and Japan. In the future, there will be more Chinese and Japanese enterprises come together to open up the new market. On the basis of mutual understanding and mutual learning, we can go farther.</p>			

# **Open innovation and Redevelopment of Developing countries markets**

**Enlightenment from the track of Panasonic and Honda in China**

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## **Abstract**

I am trying to solve the problem that for Japanese companies, approach in the market of developing countries is better, especially China. The method I used to solve the problem is to compare the differences between Panasonic and Honda's organization structure, and the reason the difference caused. The impact of non-zero and game management strategies and open innovation on alliance strengths. Finally, I will compare the two companies' founders' idea, analyze their ideas on the impact of corporate strategy. The results of this study are, including the Japanese companies entering the Chinese market, the use of a highly independent approach, is conducive to the creation of competitive advantage in the Chinese market. However, the traditional management mode of Japan can't cope with the complicated and fierce competition to a certain extent. In a closer look at the mode of cooperation, a more open attitude of cooperation is particularly important.

*Key words: approach strategy ; founder concept ; developing country ; Honda ; Panasonic*

# **Introduction**

## **Purpose and significance of the study**

From the late 1980s, companies which only rely on their own resources innovation model, has been unable to cope with fierce competition in the market. The innovation mode of enterprises has gradually changed from closed innovation to open innovation. With the rapid development of economic globalization, open innovation is particularly important. Open innovation can effectively get more revenue and stronger competitiveness both on the market development and enterprise localization.

China's economy is one of the fastest growing economies in Asia, but the complexity of the investment environment has led many Japanese companies to encounter various problems. In recent years, because of the gradually increase of China's average wage and the rapid rise of Chinese enterprises, many overseas enterprises have gradually withdraw from the Chinese market. Japanese companies have also begun to adjust the strategy, one after another from China's production base to other Southeast Asian countries. This phenomenon is not only occurring in China but also in other emerging countries, followed by the global economic slowdown and the sluggish trade market.

Originally, the enterprises of advanced countries were searching for cheap labors to reduce production costs in the emerging countries. When they lost this advantage, they didn't choose to discover new solution, but merely chose to escape to other countries to pursue the profit maximization. For the increasingly fierce competition in the market, such a simple strategic transfer can only provide limited competitiveness.

But from a different sight, I think emerging countries still have strong potential. As China is undergoing industrial restructuring, which means new business opportunities.

But before this, we must destroy the so-called “Japanese technology outflow”, which is a shackles of Japanese companies. Open innovation has broken the shackles of the traditional Japanese manufacturing industry, for the enterprise to inject new vitality to strengthen the close relationship with stakeholders, build innovation elements, and share innovative network resources from the production into technological progress.

Mildred A. Hastbacka said “Open innovation is both philosophical and practical.”

Innovative resources as an investment of enterprise, is full of risks and rewards. Enterprises can use various forms of cooperation, establishing a complete supply service system to absorb internal and external sources of innovation. I hope to find out some new ways of cooperation that could take the new “Made in Japan” into emerging countries, to create a new round of global economic cooperation between Japan and developing countries, especially china. There is no doubt that both the economic transformation of China, and the search for a new system of enterprises in Japan are full of opportunities and challenges.

As an outstanding representative of Japanese companies, Panasonic and Honda have entered the Chinese market in 1987 and 1998. The two companies in a unique form of cooperation and the background of the times, accumulated a wealth of experience in the Chinese market to grow into one of the most famous Japanese companies in china.

This paper will analyze the development process of Honda and Panasonic companies in China. From the aspects of cooperation, cooperation object, entrepreneur and so on, to study the enterprise cooperation, in order to find a more suitable development strategy in China and other developing countries for Japanese companies. Reviewing the overseas development of Japanese enterprises from the perspective of open innovation.



# **Chapter 1 the Footprint of Panasonic in China**

## **Part 1 Explore**

In 1979, with the first visit to China, Konosuke Matsushita, the founder of Panasonic, has laid a great foundation for economic cooperation between China and Japan.

Known as the "God of operation," Mr. Matsushita also took the first Sino Japanese technical cooperation. At that time, the technology was not very mature for Shanghai bulb factory to provide complete sets of black and white kinescope. This undoubtedly meant the arrival of the era of economic and technological cooperation between China and Japan.

A year later, Mr. Matsushita visited China again and held an exhibition of Panasonic integrated electronic technology exhibition. During his visit to China, Deng Xiaoping, the Chinese leader, met Mr. Konosuke Matsushita in two days. Mr. Matsushita has put forward a frank proposal on China's reform and opening up, economic development and enterprise management, and the way to cooperate with other countries in technical cooperation and joint ventures. This has far-reaching significance for the growth of China at that time.

However, Panasonic didn't aware of China's situation, coupled with fierce competition in Japan, which made the company ultimately failed to achieve cooperation with China. But Matsushita's determination has never changed, and finally in 1987, the first joint venture in Beijing Matsushita color CRT Co. Ltd.( Referred to as BMCC) was founded and became a unique joint venture with a strong political background. It has also become a business model which cannot be copied later. It also has some impact on the future development of Panasonic, which will be discussed in the following chapters.

1989, Panasonic built the first production line in China, and in the same year to

achieve profitability. But this was due to the company's operating experience accumulated over the years and accurate positioning of the market strategy. In this environment full of uncertainty, Panasonic China entered the wave of reform in 90s.

In 1990, with the completion of the second production lines, BMCC also began the transformation of the first production line in response to changing markets, maintaining a stable market share, began a leap like development. In 1994, Panasonic Corporation and Beijing Huayingsheng electrical development company jointly set up the Panasonic Corporation of China. Its initial position is a supporting company. The implementation of a number of responsibilities performed by the headquarters in the past, division, industry and trade in the Trinity, the cause of the field of sales services, investment and investment promotion, research and development and personnel training and other functions. With the rapid expansion of Panasonic in China ushered in tenth years in china. In 1996, the annual output of color picture tubes reached 4 million 111 thousand, and the average annual increase in 90s reached 29.7%. Product sales reached 2 billion 940 million yuan (About \$354 million in 1996), the average annual increase was an astonishing reach at 50.3%. Profits reached 508 million yuan (About \$61 million 200 thousand in 1996), the average annual growth of 24.3%.

When it comes to cooperation, Panasonic has also gain a multi-faceted development of the market. Beijing Matsushita communication equipment Co., Ltd. was established in May 1992. In December of the same year, Matsushita Wanbao (Guangzhou) electric iron Co. Ltd was established. And in the following year the Shunde Matsushita Seiko Co., Ltd. and other 6 joint ventures were established. In 1994, the company established 8 joint ventures such as China Record Panasonic video recorder Co., Ltd. The main topic of this period for Panasonic in China is how to promote and support the scale of Panasonic's investment further in China, how to develop business, and to introduce advanced technology and management experience. At that time, this idea was full of innovation and challenges, but also gave birth to unstable factors.

## **Part 2 Change**

After the bright and brilliant 90s, Panasonic and China together came to the 21 Century. China's market was still maintained rapid development, the competition among domestic enterprises was becoming increasingly fierce. In 2001, when China joined the WTO, the competition among foreign companies in China became inevitable. Once brilliant Panasonic also failed to escape, BMCC faced serious inventory backlog and inventory costs rise, with production lines stop production, formed a vicious cycle. Beijing Matsushita, who is convinced that Panasonic's "profit first" doctrine, refused to sell its products at a low price. Eventually, BMCC sold the inventory of goods to Changhong group in an unprecedented price - free contract. At the end of the year the market price of CRT increased. This move did not make BMCC suffer unnecessary losses, and at the end of the year brought the company huge profits. After this incident, BMCC's management team copying Panasonic's management model has been questioned. Panasonic's management model was unable to adapt to the fierce market competition in china. In the same year, Panasonic Corp set up a Panasonic research and development (China) Co., Ltd to improve market competitiveness. In order to strengthen the competitiveness of the market, Matsushita established the research and development of Panasonic in 2002 (Suzhou) Co. Ltd., the continuous development of R & D company reflects the Panasonic to achieve the localization of production and research and development.

In 2002, Matsushita group conducted a large-scale restructuring of business structure. Panasonic's open innovation in China has entered a new stage. On April 9, 2002, Panasonic announced the cooperation with TCL group in the field of home appliance business. TCL provided a new sales network for Panasonic, which corresponds to Panasonic's technical cooperation with TCL and expand the supply of components. The more striking was that in December 17, 2002, Panasonic (China) Co., Ltd.

became a wholly owned company. The company also changed from the original location of the supportive enterprises to Regional omnibus company. This has also opened a prelude to the full adjustment of Matsushita group's business strategy in china. This was unprecedented in China, but from another aspect, it can be seen in the unique position of China's Matsushita group. Panasonic group will restructure the business structure, the cause of the structure is divided into 14 new areas of business, in order to promote the realization of high-speed operation and enhance international competitiveness. As a foreign company which do not have the right to sell, but now Panasonic Corp has the right to sell to the Chinese market. English abbreviation has also changed from CMC to MC. Through the sole ownership of the Matsushita group, all domestic investment enterprises has integrated in China. In order to further adapt to the needs of the development of its market strategy, to changes in the past only the pursuit of cheap labor and constantly increase the capital of the factory practice.

### **Part 3 Reborn**

Since 2001, Matsushita group has begun to invest in China in the third phase. Investment from the previous joint-venture gradually tend to wholly-owned. By 2002, Panasonic's sales in China reached 28 billion 500 million yuan (About \$3 billion 443 million in 2002), accounted for 10.8% of the overseas market. By 2005, it grew to \$47 billion yuan (About \$5 billion 678 million in 2005), and this year is going to reach 42% of the Panasonic overseas market. And what need to be mentioned here is that indeed, in the second quarter of 2001, when the first quarterly loss of Panasonic group since 1971, the share price fell by 38.4%. The reason for this is the huge organizational structure for the Matsushita group with a heavy burden, and scattered in the country's production outlets in excess production capacity and sales outlets.

After the SARS event in 2003 and the financial crisis in 2008, CM ushered in the

second decade of the 21st century. In 2010, Panasonic's sales in China exceeded Japan for the first time, China became the largest consumer of Panasonic. But also in the same year, China's GDP exceeded Japan. Panasonic experienced one of the most painful times in 2013 in China "Shanghai layoffs" and shut down the plasma TV factory in Shanghai. Finally in 2014 ushered in the Panasonic (China) Co., Ltd. founded 20 years, the cause of China to carry out the 35 anniversary, and held the 35 anniversary celebration of Chinese business. In 2015, CM officially announced the end of Shandong Matsushita Electronic Information Co., Ltd. This company was founded in 1995 and has been producing CRT TVs for 19 years since 1996. Closing it means the end of Panasonic's TV production and manufacturing operations in China. Perhaps for CM, the end also marks a new beginning. In recent days, Japan's Panasonic Corporation founded by President Tsuka Chihiro in Beijing attended the Chinese Entrepreneurs Club "China green company annual meeting". At the meeting, President Tsuka Chihiro said that the future development of China has a huge market, Matsushita wants to carry out more extensive cooperation and China outstanding enterprises, to have the potential of the industry, to contribute together for the development of China. I look forward to take Panasonic to a new attitude to inherit the will of Mr. Konosuke Matsushita, Japan and China to create a new era of economic cooperation.

## **Chapter 2 the Footprint of Honda in China**

### **Part 1 Motorcycle Business**

Since 1982, Honda began working with China Jialing machinery factory to produce motorcycle, and in the same year opened the Beijing Office. After 10 years of silence, in 1992, by the Guangzhou Automobile Group Co, Japan's Honda Motor Co. founded Wuyang Honda motorcycle (Guangzhou) Co., Ltd. It was a research and development for manufacturing and sales of motorcycle manufacturing enterprises. In 1993, a joint venture was set up to produce small generators. In 1993, by the Limited by Share Ltd Chinese Jialing Industrial (Group), Japan's Honda Motor Co. and Honda Motor Co. (China) Investment Company jointly set up a Sino Japanese joint venture Jialing Honda Engine Co. Ltd. It was mainly engaged in the manufacture and sale of general gasoline engine, machine and spare parts, and provide perfect after-sales service. During this period, Honda through the production and sales of motorcycles in China, so that Honda in the Chinese market and local cooperative enterprises has accumulated rich and valuable experience.

### **Part 2 Automotive industry in China**

Entered China in 1994, Honda accelerated the pace of development in China, and also began to prepare for the automotive business into china. Dongfeng Motor Group Co and Honda research and Industry Co., Ltd. jointly set up Dongfeng Honda Automotive Components Company Limited. After 4 years of preparation and investigation of the Chinese market, finally in July 1, 1998, Guangzhou Honda Automobile Co. was formally established. It consists of Guangzhou Auto Group Corp and Honda research and Development Co., Ltd., according to 50:50 shares than the joint venture

construction and operation. It also marked the Honda Corporation's business in China into the second phase. At the same time, by the Dongfeng Motor Corporation and Honda research and Industry Co., Ltd. joint venture Dongfeng Honda Engine Co., Ltd. Dongfeng Honda is responsible for the development, production and sales of car engines, transmissions and parts, and responsible for providing the corresponding after-sales service, the product is mainly used in the production of Guangzhou Honda models.

It is also this move, in one fell swoop to save the operating difficulties of the Guangzhou Automobile group. Prior to the establishment of a joint venture by the Guangzhou automobile group and the French Peugeot Automobile Company has been a loss since 1994. The total assets of 2 billion 800 million yuan joint venture liabilities exceeded 3 billion yuan, when on the verge of bankruptcy, Honda was undoubtedly timely assistance. For Honda this was not only for assistance, even more based on years of investigation of China's auto market and Guangzhou Automotive Group for many years of cooperation and trust. In the following years, production of the Accord is to become one of the most China mainland market influence and brand identity of the car. Honda Accord with moderate and control quality, appearance, excellent prices quickly conquered the China market. Only in a few years, Accord has become the first place of China's import car sales ranking. At the end of 2002, the comprehensive domestic car manufacturers in China 16 integrated performance point of view, the profitability of Guangzhou Honda ranked first, surpassing the second Shanghai Volkswagen for more than 22%.

With the rapid development of Honda's business in China, the current production and sales cannot meet the rapid development of the Chinese market. In July 16, 2003, by Dongfeng Motor Group Co and Honda research and Development Co., Ltd, Dongfeng Honda Motor Co., Ltd. was founded. At that time, Dongfeng Honda based on the original production line transformation and vehicle complement and other reasons to try to put into operation the Honda CR-V this model. This model, like a dark horse, in

one fell swoop won the top SUV market share in the top, and won the "China 2004 SUV" award and the "2004CCTV SUV car of the year "award. Dongfeng Honda's success also allows both sides to recognize the broad prospects of the Chinese market, with unlimited potential. So in January 24, 2005, Dongfeng Honda released 120 thousand passenger car projects.

### **Part 3 Overall Strategy**

January 8, 2004 was a special day for Honda. Honda technology industry (China) Investment Co., Ltd. was established, it was a wholly owned subsidiary of Honda Japan research and development industry Co., Ltd. As the development of Honda China Business Company funded by shareholders included motorcycle, automobile and general each joint venture company, to participate in the joint venture company and make full use of the practice field help give high technology and experience of Honda method. And its most important task was as Honda Chinese omnibus company business. This is Honda, in addition to the Japanese mainland, the first company to establish the local level institutions in a single country.

One of Honda's other companies that cannot be ignored, is Honda (China) Co., Ltd. The company was founded in September 8, 2003. It made the history of China's first 100% export products of vehicle manufacturing enterprises. The company consisted of Honda Motor Co. (equity ratio: 55%), Honda motor (China) Investment Company Limited (stock ratio: 10%), Guangzhou Automobile Group Co (stock ratio: 25%) and Dongfeng Motor Group Co (stock ratio: 10%) was an establishment of a joint venture. The combination of Japanese companies' blood and Chinese companies' blood was successful, the joint venture fully embodies the perfect combination of Japanese manufacturing and Chinese manufacturing and technology integration.



## Part 4 Boom Period

After adjusting for 2003 and 2004, Honda entered a period of rapid development. This rapid development trend continued until 2009. At this stage, Honda domestic car sales growth in China was generally higher than the average growth rate of China's auto market. From 2004 to 2008, Honda's domestic car market share in China has maintained a high level. In addition to 2006, the share was down to 7.7%, the other four years, the market share remained at more than 8%, while in 2004 reached a peak of 8.5%. And this was due to the rapid growth of Dongfeng Honda. From 2005 to 2007, Dongfeng Honda sales grew over 100%. Let us look back at this stage of the development of Guangzhou Honda. Between 2004 and 2008, Guangzhou Honda car sales maintained steady growth. And in February 10, 2007, Guangzhou Honda cumulative production car broke through 1 million. With the rapid growth of Dongfeng Honda and Guangzhou Honda, Honda Corporation has gradually been accepted and recognized by the Chinese market.

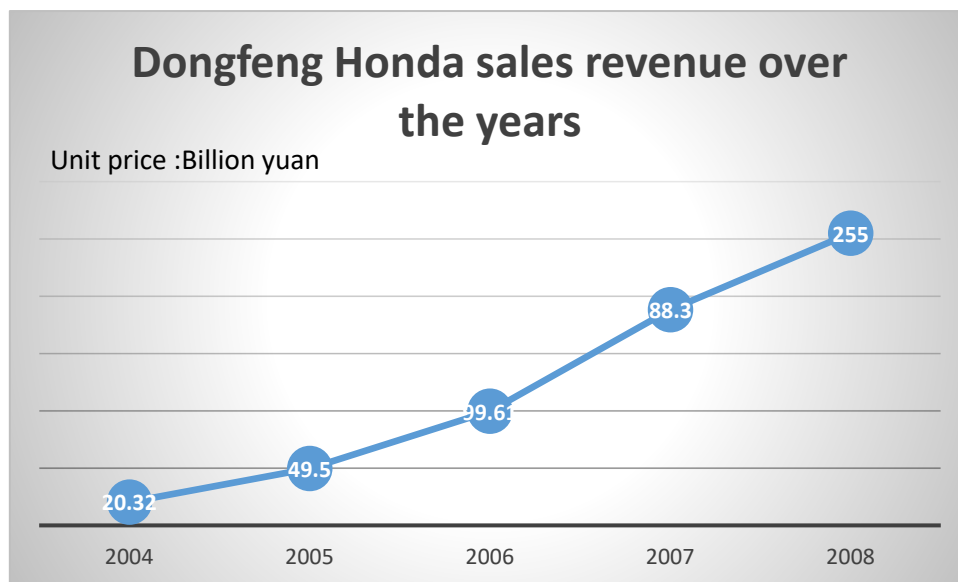


Table 2-1 <sup>1</sup>Dongfeng Honda sales revenue 2004~2008

<sup>1</sup> Base on 中国汽车产业发展报告 Made by writer

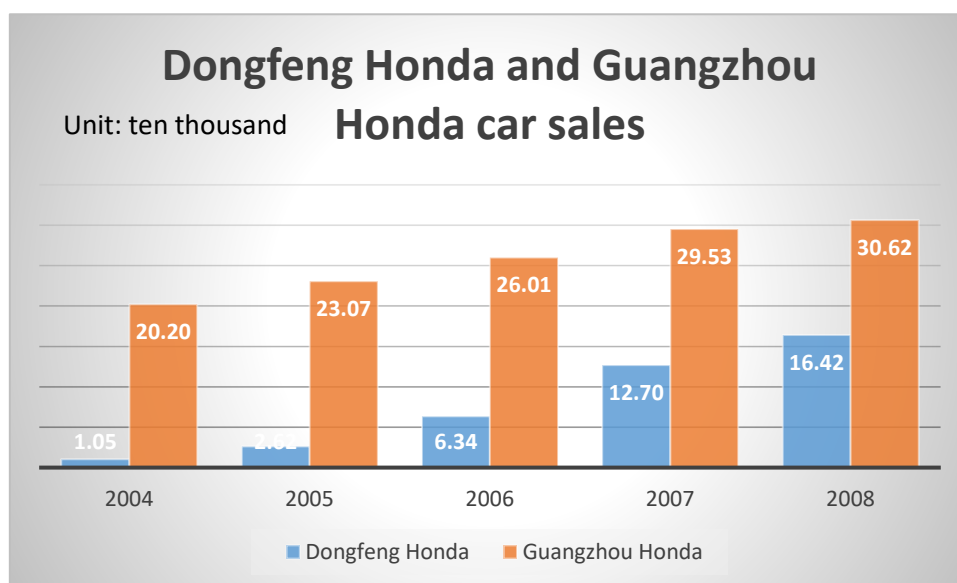


Table 2-2 <sup>2</sup>Dongfeng Honda and Guangzhou Honda car sales 2004~2008

In the same year in July 19<sup>th</sup>, Guangzhou Honda automobile research and Development Co., Ltd. Was established. It was the first joint venture to invest in the construction of independent legal model of the operation of the automotive technology research and development company. It was a great significance for the future of the society and consumers to look forward to the localization of China's automotive technology and products.

## Part 5 Dilemma and Rebirth

In 2009, Guangzhou Honda Automobile Co has been established for more than ten years. In order to make consumer realize the unity of enterprise brand, channel brand and service brand, Guangzhou Honda officially changed its name to Guangqi Honda Automobile Co. Ltd. In the same year, Dongfeng Honda annual sales of 210,600, an

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<sup>2</sup> Base on 中国汽车产业发展报告 Made by writer

increase of 28.2% over the completion of the early development of 185,000 sales target, and for the first time into the 200,000 clubs. Although Honda has maintained a steady growth, in fact 2009's market share has dropped to 6.9%, and this was just the beginning. Due to its lacking of production capacity and the slow response to the Chinese market demand, Honda domestic car sales growth in China were significantly lower than the domestic passenger car market average.

Nevertheless, Honda has been carrying out their own ideas to serve the vast number of consumers. In 2010, Guangqi Honda and Dongfeng Honda won 874 points and 871 points in the ranking of China's after-sales service satisfaction index (CSI) and ranked second and third.

However, with the political turmoil in 2012, Japanese companies invested in China also ushered in a turbulent Ice Age. Honda Corporation has maintained a growth momentum, but also gradually lost market share. With the increasingly fierce competition, enterprises have to find new ways to increase their competitiveness.

# Chapter 3 Approach Strategy

## Part 1 Approach of Panasonic

In recent years, more Japanese companies exited from the Chinese market. Indeed, Chines market is too big for Japanese companies to ignore. Next time, what kind of attitudes should Japanese companies take?

In general, foreign companies entering China must have joint ventures. However, with the development of China’s economy, more and more foreign enterprises began to set up wholly-owned companies to expand their business in china. This also makes the Chinese market competition become more diversified.

This chapter will also go through the organization of Honda and Panasonic to analyze the composition of the two companies in the Chinese market in more effective ways. After the unique development, the two companies have formed their own unique organizational structure, and embarked on a different path of development.

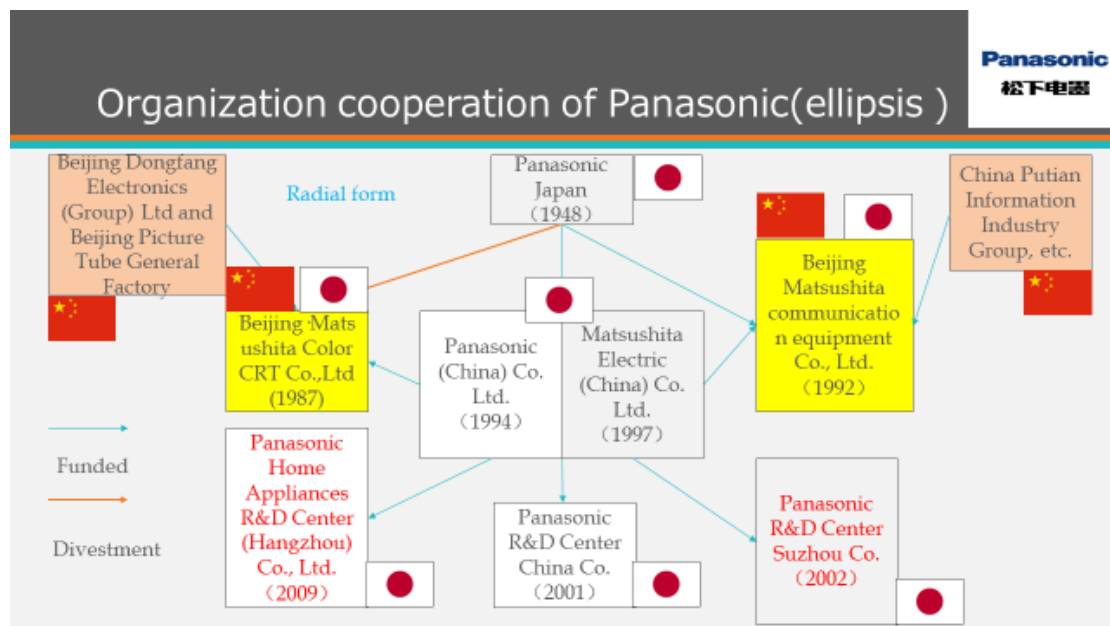


Figure 3-1 Organization cooperation of Panasonic (ellipsis) Made by writer

As the first Japanese companies to enter the Chinese market. Panasonic Corp has a strong background of government support, but also has a more dominant management. Initially Panasonic Corp joint venture with Chinese companies established Beijing Matsushita CRT Color Co. Ltd 7 years later after the establishment of the regional company.

However, with the localization of the process of the industry, the existing form of joint venture has been unable to meet the business model of Panasonic Corp. Through multi-party negotiations, in 2002, Panasonic (China) Co., Ltd changed into a wholly owned company. It also accelerated the pace of investment in China Panasonic Corp. In the following years, Panasonic Corp accelerated the pace of the establishment of a wholly owned subsidiary in china.

Perhaps this was to a certain extent, strengthen the management and operation of enterprises, but on the other hand, it may also loose local cooperation resources. Even large companies that have developed in China, such as Panasonic, are unable to fully grasp the complex Chinese market.

Technology R & D is an important bargaining chip for Japanese enterprises in the competition. At the second stage of market expansion in China, in order to respond to the Chinese market better, Panasonic has set up in China Panasonic R&D Center Suzhou Co. and Panasonic Home Appliances R&D Center (Hangzhou) Co. Ltd. two research centers. Perhaps because of the caution of Japanese companies, the two research centers were also wholly owned by Honda.

Although Panasonic's independent research has maintained technical cooperation with local research institutes and universities in China, because of the lack of local industry partners to support, it lost sensitivity to the market. This is particularly prominent in the Panasonic TV market.

Panasonic Japan managed the joint venture better, in order to achieve a 51% stake.

The operation of the Top Down type has limited the vitality of the new enterprise. The pursuit of a large number of cheap labor production ignored the changes in the market. Once the joint venture pushed the abyss of huge deficits, it has also become a turning point in China's transition from a replica management model to adapt to change.

After years of development, Panasonic China has formed a radiological organization with the core of its wholly-owned regional co-ordination company Panasonic (China) Co. Ltd to strengthen the strategic integration, but also lost the effective resources of local partner at the same time.

## **Part 2 Non-zero-sum Games and Open Innovation**

Open innovation breaks the traditional closed innovation model, can make use of the internal resources and external resources more effectively, and also make better use of external channels to expand the market, strengthen their product competitiveness.

And the more open technology market can also reduce the depreciation pressure caused by technological innovation, can transfer technology and creativity into economic income more efficiently, reduce R & D loss and technology leakage risk. In particular, this is the way to go forward in front of the technology, large enterprises such as Panasonic are facing more pressure than imagination. Open innovation can bring more comprehensive product technical support, accelerate innovation speed, can improve the success rate of innovation, quickly occupy the market, and improve the enterprise influence.

The application of Non-Zero-Sum Game in economics is to establish the strategic relationship of win-win. Only a high degree of consistency of the interests of the two sides in order to cooperate for the common goal of deepening cooperation and

friendship. Cooperative game emphasizes collective rationality, efficiency, fairness and equality. Only on this basis can we choose a good partner to build a strategic alliance. The strategic alliance can effectively buffer the impact of the fierce competition, reduce the waste of resources caused by competition and the formation of trade barriers. Open innovation is the best embodiment of non-zero-sum game theory. Win-win cooperation will also inject new vitality into the traditional Japanese enterprises, from the new active in the world economy stage.

### **Part 3 Approach of Honda**

Let's get back to the Honda Cop. In China under the policy, and Panasonic's way, Honda was also a joint venture with Chinese enterprises to enter the Chinese market. But Panasonic and Honda have produced a lot of difference.

Since 1982, Honda has engaged in technical cooperation with Guangzhou Automobile Group. In 1992, the two companies jointly set up a joint venture company for motorcycle business. Until 1998, Honda had entered the Chinese market for a full 16 years and gain cooperation experience, which also laid a solid cooperation relationship for Honda Chinese companies to expand the market.

Next, I will analyze the difference between Honda and China by the organization chart of the company. This is also a factor in the development of different directions of the two companies.

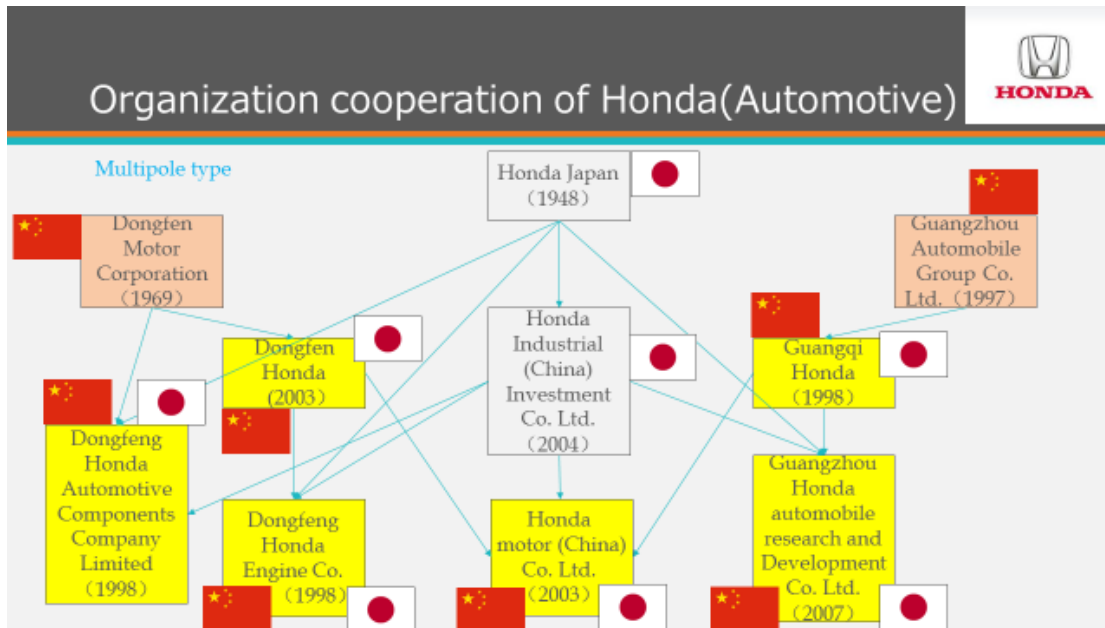


Figure 3-2 organization cooperation of Honda Automotive (ellipsis) Made by writer

We can see that Honda also has a wholly-owned regional coordinating company in China Honda Industrial (China) Investment Co. Ltd. As the core of China's regional business, the company carries the connection with local enterprises, and also the overall strategic direction, which can be understood as the heart of Honda in China.

From the organizational structure, we can see the most obvious difference is that Honda's subsidiaries in China are basically joint ventures with local enterprises, even the core of the R & D center has no exception. From the perspective of absorption of cooperation resources, Honda's approach is a more effective form of internal and external connections. The risk of product development will be shared with partners, deepen cooperation mechanism, and effective use of various channels of cooperation to complete product sales, improve the interests of enterprises.

Perhaps by chance, perhaps by the opportunity, Honda and Guangzhou Automobile Group's joint venture has 50:50 holdings on the way to today. This is for the joint venture, the Chinese enterprises are also good for the company's development bear the responsibility, rather than owning Honda Corporation in independent market.



This way of cooperation also appears in the Honda and Dongfeng Group. And in the Chinese market, it formed a wonderful relationship of cooperation, that your partner is also your competitor's partner.

When Guangzhou Automobile Group Co., Ltd. And cooperated with Honda, it also cooperated with Toyota Corporation and Mitsubishi Co and other enterprises in China. Dongfeng Motor Corporation is also a more in-depth cooperation with Nissan.

This unique way of cooperation with the Panasonic Company is very different. It may be different for the type of industry, shaping the different forms of business, but also give us into a new market from another aspect, that you can also take a more flexible strategy to deal with complex markets.

And from all of the research center, we can also see the difference between Panasonic and Honda from the spirit of the enterprise. Even to a certain extent, Panasonic's open innovation has also maintained the principle of independence, while the technology is the proud of the Honda Company but in a more open form.

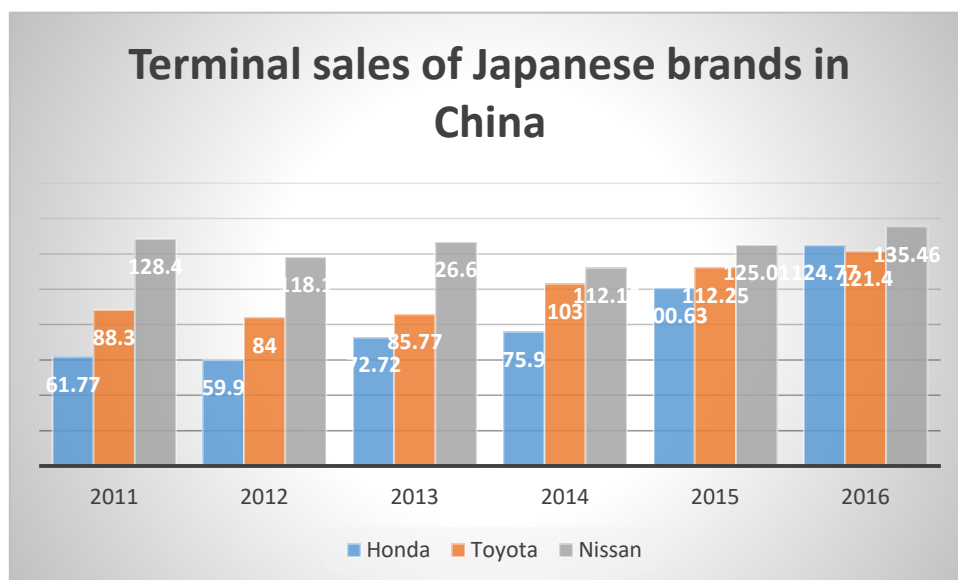


Table 3-1<sup>3</sup> terminal sales of Japanese brands in China (Unit: 10,000)

<sup>3</sup> Base on 中国汽车产业发展报告 Made by writer

From the sales data, we can see that Honda began the strategic adjustment from 2012, the sales volume is also growing steadily, and exceeded Toyota in 2016. And by Honda, Toyota and Nissan together, they constitute the three giants of the Japanese companies. In the future development, the competition between Japanese companies will gradually increase.

And there is no absolute correct approach to strategy, but rich in soft co-operation in order to respond to the intention of competition and crisis better. In today's increasingly competitive market, efficient business operations can bring vitality and benefits to the company.

#### **Part 4 Compare Panasonic with Honda**

- Organization

It can be seen from the organizational structure of the Panasonic Corp that the organizational structure belongs to radiation organization, and affiliated companies have a relatively low autonomy. Instead, the Honda Corporation has a multipolar organization with a higher degree of autonomy.

- R&D center

Panasonic Corp R & D centers management by the parent company had the lower autonomy. It has been wholly owned, and there is no local industry cooperation. Honda Corporation's R&D center independent from parent company with high autonomy, and co-financing, co-management and research and development by Honda and a number of local cooperative enterprises.

- Local partner

Panasonic partner example in China :

Refrigerator and Air conditioner: Guangzhou Wanbao Group Co. Ltd. It is China's wholly state-owned enterprises with a considerable scale. It is one of China's top 500 enterprises, but the product visibility is low. <sup>4</sup>

TV and Lighting equipment : BOE Technology Group Limited by Share Ltd. From state-owned enterprises to a limited liability company, with strong technical strength, the product in the Chinese market visibility is low. <sup>5</sup>

Cooking system and Motor : Zhejiang Province Light Industry Group Company. Chinese state-owned enterprises, with a certain degree of visibility. <sup>6</sup>

From the example we can see that the Panasonic Corp in China area partners generally have a strong government background. Although it has a certain technical ability, but it overall lack of business management experience, and the awareness of most of the enterprise products in the Chinese market is low.

Honda partner example in China :

Dongfeng Motor Corporation: It is one of China's four major auto groups, the Chinese brand 500, ranked 16th, headquartered in central China's largest city of Wuhan, its predecessor was built in 1969 in Hubei Shiyan "second car factory." Dongfeng Motor Corporation business covers a wide range of commercial vehicles, passenger cars, school buses, auto parts and automotive equipment, ranked 182 in the world's top 500. The Dongfeng brand in China ranked fiftieth in the Chinese market with a high degree of visibility.

Guangzhou Automobile Group Co (hereinafter referred to as GAIG) was founded in

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4 白水和憲.(2004). 『松下電器、中国大陸新潮流に挑む』. 資料:海外会社一覽表「中国」. 水曜社.

5 同上

6 同上

June 1997. In June 28, 2005, Guangzhou Automobile Group Co. Ltd was established by the Guangzhou Automobile Group Co, Wanxiang Group Corporation, China National Machinery Industry Corporation, Guangzhou Iron & Steel Group Co. Ltd., and Guangzhou Changlong Hotel Group Limited Company as co-sponsors of the joint-stock transformation to the original Guangzhou Automobile Group Co. Ltd. The company established by the way of launching the large state-owned joint-stock enterprise group, is the top level of the China automobile industry group. The company introduced a number of joint venture partners, restructuring the enterprises set up shares of the company, ranked 303 in the world's top 500, also in China with a high degree of brand awareness.

From Honda in China's partners, it can be seen that the partners have a strong government background, and the overall corporate visibility in Chinese market or international market is obviously higher than Panasonic's partners, and have high appeal and influence among consumers, also have a considerable degree of technical research and development strength.

Through the three aspects of the analysis above, Panasonic as the first Japanese companies to enter the Chinese market, with a special background of the times, some even can be called the Chinese home appliance industry tutor. Under the influence of Panasonic, today's home appliance market could be flourish. However, due to the early stage of entry, Panasonic Corp became a company with strong characteristics of Japanese companies. The direct type management mode in the Chinese subsidiary made them lost autonomy. Although it speeded up the production and R & D of the local, substantially maintained in the blood of Japanese enterprises, not really into the Chinese market.

A large number of wholly owned subsidiaries, research centers and a joint venture subsidiary with substantial management rights constitute the organizational form of Panasonic in the Chinese market. Even under a wide range of open innovation, Panasonic China involved in the local research institutions, universities or affiliated

enterprises between the cooperative development and research. But in the parent company's high degree of co-ordination also making the alliance advantage gone, cannot use partners' effective resources more efficient.

In contrast, although Honda in cooperation with the Chinese company has also experienced untold hardships, this form of organization harvest the growth and development unexpectedly. Many years of cooperation made Honda and Chinese partners to establish a solid relationship of cooperation, under the common cooperation to play a full advantage of the alliance. In the book, the *Alliance Advantage* identified 3 elements of future competition:

*Three features of the race of the future make alliances essential. First, many of the great opportunities of the information age call for the melding of skills and resources that few individual companies now possess entirely. Second, this revolution isn't being built on vertically integrated structures of single corporations, as was the industrial revolution that preceded it. Third, the uncertainty inherent to the information economy, with its myriad of new markets to create and emerging technologies to define, calls for alliances not only to serve the usual purpose of bringing together complementary strengths but also that of combining insight and understanding to reduce uncertainties and accelerate learning.* <sup>7</sup>

Compared to Honda Corporation, Panasonic Corp has been strengthening its vertical integration, this conservative way killed off the vitality of enterprises. As for the others, conservative Honda accidental absorbed a variety of external resources instead, in the structure of the Japanese companies to break the unique single structure.

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<sup>7</sup> Yves L. Doz & Gary Hamel , *Alliance Advantage: The Art of Creating Value Through Partnering*, 1998

Panasonic and Honda, two completely different industries, and in the special context of the times into the Chinese market. No matter how the market will change in the future, what they have brought is not simply the "made in Japan", but also the new culture and ideas. In the fierce market changes, there will be more new enterprises born, but I am sure what will not change is that indeed Japan will have more extensive and depth cooperation with China, and make more contribution to our economic construction.

## **Chapter 4 Founder Concept**

Matsushita Electric Industrial Co. Ltd. founder Matsushita Konosuke and Honda Technology Industrial Co. Ltd. founder Soichiro Honda, are two outstanding representatives of the Japanese business community. Please allow me in the following chapter to briefly introduce the two giants from the world's top who brought the far-reaching impact to the Chinese market.

### **Part 1 Konosuke Matsushita**

Mr. Konosuke Matsushita, is the first Japanese entrepreneur in china. His own business philosophy, became a model for people in China in 80s to learn business. The distinctive features of the "business division system ", "lifelong employment system" and "array" of Japanese enterprise management system made by him. People call him the God of management.

Mr. Matsushita has visited China 2 times, he believes that the contribution to society is the real business philosophy, and think that the enterprise is the same as religion, the enterprise profit and contribute to the society to a new height. When he came to China, this culture also brought to China at the same time, and have a full impact on generations.

He created the division is actually a centralized decentralized management, while Japan indicated the division of the system for delegate authority, he believes that the integration of decentralization and centralization is the key to management, but this is not to give up the command. And this is fully reflected in the operation of China's Panasonic.

This idea deeply imprinted in the management of the system, but has been unable to cope with fierce competition. Especially in coordination with the cooperative company, too tough management will influence the effective use of local partner resources and may even stifle new vitality.

No doubt the idea of Mr. Matsushita was successful in that era, but now the times have become more diversified and complicated. How to correctly inherit his will, is indeed a far-reaching issue for the Panasonic Group. We also look forward to the rise of Panasonic once again.

## **Part 2 Soichiro Honda**

Mr. Honda grew from a little blacksmith to a generation of car legend. But the most surprising thing is that criticized as "stubborn, difficult to read, do not understand the Chinese market," Honda cars even one day can also break the solid Japanese pattern.

One of the elements of success of Honda China, is the perfect heritage of the concept of Mr. Honda. Mr. Honda is able to work well with people who are completely different in character, and use it as a work ethic. He believes that the same type of people are easy to get along with, easy to communicate, but to run a company must have a variety of types of talent. This kind of strong inclusiveness reflected in the enterprise management is more extensive and show deep sense of cooperation.

People said that Mr. Matsushita is a businessman, but Mr. Honda is more like a grassroots technician. He has never had any doubts about the complex and technically scarce Chinese market, and has never made any mandatory demands on the cause of China. He fully believes in the cooperation between China and Japan.



Mr. Honda's idea of "people-oriented" has deeply influenced Chinese employees. In the difficult period of enterprise growth, China and Japan hold a common sense of crisis to deal with all difficulties. The mutual understanding between the two sides is the key to the success of the joint venture. It is also in Mr. Honda's great feelings under a strong Chinese characteristics with the Honda was born. After reading the Chinese market, there will certainly be beyond the future of Toyota and Nissan.

## Chapter 5 Conclusion

By comparing the corporate structure of Panasonic and Honda's two companies, the impact of entrepreneurial ideas on the business, we can see the timing entering the Chinese market high-autonomous approach is better for Japanese companies.

A high degree of centralization will make the joint venture lose its creativity and lack the understanding of local partners, which will certainly affect the success of the business. In particular, China's unique and complex background, in order to achieve business goals more effectively, local partners support and resources is essential.

Deepening cooperation will inevitably bring about cultural collision, the traditional form of Japanese business management lack the flexibility to deal with the necessary flexibility. More open approach will absorb multi-resources to improve the competitiveness of enterprises better.

For Japanese companies, the vast Chinese market also has a lot of charm. When entering the Chinese market more open cooperation mechanism may become the key to the success of the enterprise.

In the open innovation concept prevalent today, how to give up the traditional concept of creating new system will become the key of the success for enterprises in Japan and other developing countries especially China.

I look forward to see the "Made in Japan" active in the world of the stage once again, and to make new contributions to the economy of China and Japan. In the future, there will be more Chinese and Japanese enterprises come together to open up the new market. On the basis of mutual understanding and mutual learning, we can go farther.

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