THE NEXT COMPETITIVE STRATEGY PARADIGM SHIFT: JAPANESE COMPANIES’ PATH-DEPENDENCY AND MODULARIZATION TO RE-INTEGRALIZATION IN PRODUCT ARCHITECTURE STRATEGY

Tomomi HAMADA
Economics Department, Nagoya University, Japan
Hamada.tomomi@f.mbox.nagoya-u.ac.jp

Motonari YAMADA
Economics Department, Nagoya University, Japan
A40579a@cc.nagoya-u.ac.jp

ABSTRACT

In recent years, products composed of more than a thousand parts, such as electric devices, home appliances, and automobiles, have been rapidly commoditized for the sake of rationalization of production and economies of scale. Due to the commoditization, such products are continuously “modularized” in product architecture by the low-price producer. This is done by standardizing interfaces between parts, simplifying production process lines, and assembling generic parts simply. Consequently, low-price commodities manufactured not with especially skillful technology or engineers but rather with cheap labor are spreading globally; this aggravates price competition among firms in an industry. Japanese firms, which enjoyed profits from elaborate products involving “closed-integrated” architectures with sophisticated technological competence, lost large parts of their world market shares because of such a paradigm shift in competitive strategies in their industries. Unfortunately, because selected technologies or strategy and constructed organizational capabilities are path-dependent, changing them is quite difficult. To address the above problem, I examine the effectiveness of a “re-integration strategy” in the context of successful cases such as Canon, Nikon, and Denso. This approach adds value to a commoditized product by utilizing established organizational capabilities, and allows firms to grow sustainably while avoiding price competition in an industry.

Keyword: Modularization, Re-integralization, Product architecture, Japanese companies