WHY DO CORPORATE GIANTS FAIL?

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Abstract- Corporates are multinational companies who hold several businesses under their umbrella. They tend to focus on almost every single business unit in their particular business sector and claim the market share. This paper is an exploratory study of analyzing why do corporates fail and what could have been done by them in order to claim sustainable competitive advantage and to exist in the market for a longer period.

Index Terms- Business strategy, Corporate giants, Innovation, Success factors, Sustainable competitive advantage

1. INTRODUCTION

This paper presents a brief information about why do famous corporate giants fail in today's competitive world. For presenting this paper we have analyzed about fifteen famous corporate giants who have miserably failed in their business due to major strategic mistakes or any other reasons.

The major constructs of this paper are
1) Introduction
2) Literature review
3) Research methodology
4) Business analysis
5) Discussion
6) Suggestions
7) Conclusions

2. LITERATURE REVIEW

For the literature review, we have studied and analyzed several papers which talks about famous failures of corporate giants. Our observations include Fortune 500 companies list from the past three years and a research E-book titled ”50 famous failures of corporate giants” by VALUER+ are studied for this paper.

Every year, about 15% of companies lose their presence in the Fortune 500 companies list which were present in the previous year. This is due to several reasons which include failure business strategies, lack of innovation, etc.

The list of companies which were mentioned in the E-book under study are the companies which failed due to lack of innovation, overconfidence and failure to adapt to the modern revolution.

There are approximately 41,000 listed companies in the world with a combined market value of more than 80 trillion USD. This is equivalent to the global GDP. More than half of this amount is held by institutional investors and the public sectors according to the new Organization for Economic Co-operation and Development (OECD) report. Apple, a multinational technology company, ranked as the world's No.1 corporate in the field of electronics and considered to be the King of Innovation. When speaking about corporates in India, it is a home to several corporate giants like TATA, Reliance, Amul, etc.

From the data collected from the Fortune 500 companies list of 2020, 2021 and 2022, we put forth the following observations

- AT&T, an American multinational telecommunication company which was present in the 9th position in the year 2020, has gone three steps down and reached 13th position, thus disappeared from the top 10 list the next year. This downfall was due to the acquisition of Time Warner and DirecTV and their attempt for becoming the major media player. Focusing on this, they failed to concentrate on their main business.
- Exxon Mobil, an American multinational oil and gas corporation which was present in the 3rd position in the year 2020, has gone six steps down and reached 10th position in the next year due to strategic failures. In the year 2022, Exxon mobil has gone four positions upwards to the 6th position. Due to the pandemic restrictions, the gas and oil prices reduced to a great extent, hence the management was forced to reduce the headcount of the employees by 9,000 in order to make the ends meet.

From the data analyzed, we can identify the following key success factors which are being implemented by successful corporate giants

- Walmart, a multinational retail corporation has two success strategies in its bag and they are single focus for keeping the prices low and has a loyal customer base. This is the reason Walmart is successfully securing the 1st position in Fortune 500 companies list for the past ten years consecutively.
- Apple leads the market worldwide. Its success factors include autocratic leadership, innovation, loyal customer base and self-reliance. This helps Apple in securing one of the top five positions in the fortune 500 companies list every year.

- Amazon, a multinational technology company focuses on several fields and excels in e-commerce, web services, logistics, etc. their secrets of success include loyal customer base, their easy to follow business model and their never ending innovation.
- International Business Machines (IBM), an American multinational technology company that had its success era in the 1960's. In the early 1990's, IBM failed to adapt to the PC revolution and there begun their downfall. Later, IBM adjusted their focus on hardware solutions instead of software. Today, after going through several transitions, IBM is one of the most powerful technology companies especially in the field of software. Hence, we infer a valuable information, "Massive failure and persistence towards it brings success".

3. RESEARCH METHODOLOGY

The research methodology used in the paper is exploratory research with secondary data from magazines, reports, articles, internet sources and primary data collected from faculty advisor.

4. BUSINESS ANALYSIS

A brief explanation about the gap that bridge between the success and failure of fifteen famous corporate giants is given below.

1. Kodak

Technology company that dominated the photography film market in most of the 20th century which invented the 1st digital camera back in 1975 but could not get approval to launch or sell it because of fear of the effects on the film market.

2. Nokia

Nokia, a company founded in Finland, created a cellular network in the world. It was the global leader in mobile phones in the late 1990's and early 2000's. They didn't want to lead the drastic change in user experience. Later, Steve Jobs launched iPhone which was revolutionary at that time. Nokia finally made the decision to compete with Android but it was too late.

3. Xerox

Xerox was the first to invent the PC and their product was way ahead of its time. Their management thought going digital would be too expensive and they never bothered to exploit the opportunities they had. They failed to understand that money can't be made by relying on the same technology over a long period of time.

4. Blockbuster

Blockbuster, a video-rental company was at its peak in 2004. It survived the change from VHS to DVD but failed to innovate into the market that allowed for delivery. The company figured that their physical stores were enough to please their customers but it was not the case.

5. Yahoo

In 2005, one of the main players in the online advertising market. This company undervalued the importance of search and neglected consumer trends and decided to focus more on becoming a media giant. Due to this, they missed out a lot of opportunities and paved way for Google to become the search engine giant.

6. Segway

Segway is a personal motorized scooter invented and brought to the market in 2001, designed with the intention of being a revolutionary transportation option. This failed due to the price matched that of a new motorcycle and also had difficulty in finding practical user for it.

7. Tie Rack

Tie Rack, a British tie retailer which failed due to the lack of its research about men's shopping behavior. They sold scarves, ties and cufflinks but it turned out men were mostly buying their ties when they bought shirts.

8. Myspace

It is a social media platform which was once capable of buying Facebook, missed to provide flexibility and free expression. After the failure, they totally stopped social media services and offered only entertainment and music.

9. Sears

Sears, a retailing giant which once flourished and was popular among customers in 1970's. Later, Walmart and Kmart emerged as competitors who became their threat. Their downfall started when they failed to adapt to changing customer tastes and they were unable to shift to digital premises.

10. Macy's

Macy's main business covered American departmental store service which was the biggest and market leader in the 1970's. They were the one who came up with the idea of marketing through television media but later neglected it as they were confident about their customer's loyalty and their physical outlets. QVC, a budding departmental store at that time picked that idea and had success, this was the main reason for their downfall.

11. Hitachi

Hitachi was doing electronics as their major business and had success. They were the choice of the customers in the field of electronics in the early 1990's. Their major threat was the digital revolution to which the company failed to adapt for. They also failed to incorporate newer methods of manufacturing.

12. Blackberry

Blackberry, which was once the trendsetter in the world of mobile phones, had the whole market in its hand from 2011 to

2017. Since then, the mobile industry focused on having bigger screens for phones but blackberry neglected it considering its design as the best which led to its downfall.

13. Toshiba

In the mid 1980's, Toshiba was considered as one of the world's most innovative companies. Due to the failure of their product T1100, a laptop that worked similar to a personal computer, affected their entire business and they struggled for their existence in the market. In order to clear their debt, in 2017, they established a memory chip manufacturing unit which was later acquired by Bain-Led group.

14. Motorola

Motorola, a revolutionary technology company, invented the first mobile phone in 1973. It was a great innovator in the field of hardware but neglected the importance of software. Hence, customers who preferred convenience and attractive user interface were disappointed. Due to the inability of running their business further, they sold their company to Google in August 2011.

15. Palm

Palm led the market for personal digital assistant (PDA), ranked as one of the top three companies that dominated in this field. Their products were the predecessors of the smart phones which are being used today and they led the market till 2005. They suffered due to the advent of iPhones and blackberry mobiles. They were too slow to adapt to their changing customer needs.

5. DISCUSSION

From the above corporate failures, it is noticeable that most of them have committed the same common mistakes. These Companies became market leaders for a while but failed miserably due to the following reasons:

- When customer's preference and taste changed, companies resisted change.
- Due to overconfidence and trust on customer loyalty, they continued to provide the same service even after knowing what customer needed.
- They lacked innovation which is considered as a driving force of any business.
- Their business strategies were created without any proper analysis of customers and their own environment, hence they resulted in loss.
- Disloyal customers abruptly stopped using their products/services and instantly shifted to their competitor's ones.
- The companies remained in their comfort zone without taking risk while opportunities knocked their doors.

6. SUGGESTIONS

Observing the inferences, we can draw out five inevitable steps which any company should follow to keep their wheels running:

- A business which puts customers first and provides what they need, flourishes better.
- Innovation must be considered as the life-blood of any business and thus investment for the same must be done.
- Change is inevitable, hence a company, in order to be successful, must adapt changes.
- Competitors and their moves must be valued by the company in the correct time.
- Creating a loyal customer base is inevitable to achieve success in a business for a longer run.

7. CONCLUSION

This paper presents simple yet effective inferences about why do corporate giants which had large impact on public audience failed and provides better solutions for sustainable competitive advantage.

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