

## Strategic Analysis of Japanese Megabanks – Strategy Canvas Analysis & Competitor Benchmarking

Saïd Business School, University of Oxford, UK

Nicholas Burgess

[nburgessx@gmail.com](mailto:nburgessx@gmail.com)

April 2020

We have performed a series of five strategic analyses of Japanese Megabanks. This paper is the last analysis in the series, where we compare RUFG<sup>1</sup> and key competitors using a 'strategy canvas' to assess competitiveness. Furthermore we evaluate the prospect of finding 'blue ocean' opportunities to exploit, where profit margins are wider and markets are not congested.

### Introduction

Strategy Canvas analysis is used to produce a value curve for an organisation and its competitors. It measures perceived performance against Critical Success Factors (CSFs). This can be a subjective process and difficult for managers to agree on the perceived performance as highlighted by (Kim and Mauborgne, 2002).

### Strategy Canvas for Japanese Megabanks

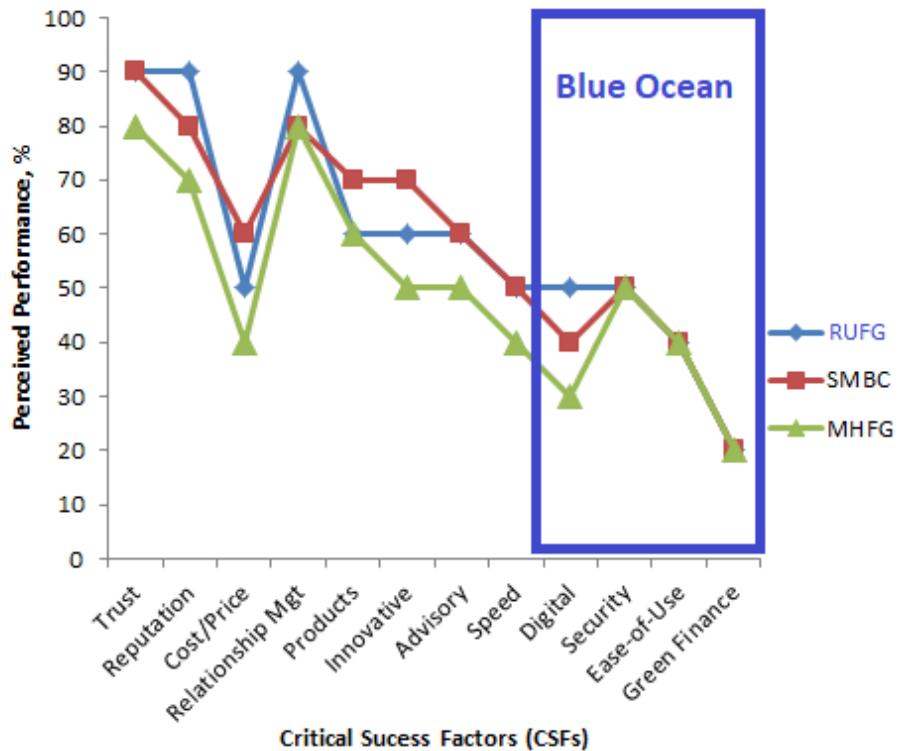
In figure 5.1 we apply a strategy canvas to RUS, see appendix A, and concentrate on the supply side of the business i.e. the deposit business which is based in Japan and managed by the parent company RUFG, where we believe 'blue ocean' opportunities exist.

The megabanks are:

- Mitsubishi Financial Group (MUFG)
- Sumitomo Mitsui Banking Corporation (SMBC)
- Rainbow & Unicorn Financial Group (RUFG)

---

<sup>1</sup> See appendix for full case study details

**Figure 5.1** Strategy Canvas: Japanese Megabanks / Financial Service Providers

### Critical Success Factors (CSFs)

In figure 5.1 CSFs are ordered by importance from left to right, which broadly fall into the following categories.

- **Trust and Reputation**

The most important CSF for megabanks is trust and reputation. No business is conducted without trust and relationships formed over decades! The strategy canvas reflects that the “megabanks” compete well on trust, which is the main business driver in Japan.

- **Cost/Price**

Companies are struggling to compete on costs, which are typically high due to costly legacy systems and negative interest rates, where investors have to pay to deposit funds, eroding profit margins. Megabanks are cost cutting, making extensive redundancies to combat this and closing offices.

- **Digital Services & Technology Innovation**

All competitors are weak in this area and not well placed to exploit opportunities.

- **Green Finance**

Currently there is little competition to finance potentially lucrative contracts in green infrastructure projects. Climate change is prompting governments to embrace clean energy which requires the financing of large scale infrastructure transformation projects ([Thomas, 2019](#)).

### Implications for the Organisation

Little value is gained and at great cost when investing in CSFs to the left of figure 5.1, the 'red oceans' or highly competitive CSFs. There is much to be gained by investing in CSFs where investors are weak with low value curves. Investing in 'blue ocean' less competitive CSFs can be highly lucrative as demonstrated by Tesla who dominate the electric car industry unchallenged, resulting in exceptional share price surge ([Forbes, 2020](#)).

For the megabanks this study shows there are 'blue ocean' opportunities in digital services, fintech and green finance as highlighted in figure 5.1 where competitor value curves are low. ([McGrath, 2012](#)) suggests that top industry performers are innovative and take advantage of such opportunities.

SBI holdings are exploiting this area with much success ([Refinitiv, 2019](#)) so much they may be considered the fourth megabank. However they have much less market share having not formed customer relationships over decades like the other megabanks, since they are less established and new to the market.

### Usefulness of Analysis

The strategy canvas analysis helps put a value on activities and projects, such as trust and relationship building, which don't naturally lend themselves to a valuation. The analysis and the comparative assessment against competitors' value chains make the analysis useful and insightful.

It is difficult to reflect the cultural importance of trust and reputation on all CSFs using this analysis, which is a game changer in Japan. It is extremely challenging to access blue ocean opportunities without having already achieved success in 'red ocean' CSFs. The CSFs are not independent and there is an element of correlation and co-dependence, which is difficult to emphasise.

The study highlights which CSFs have the most potential for value generation and growth. The analysis identifies key candidates for investment with the highest potential for return on capital employed

(ROCE). It is an excellent tool to supplement performance a Du Pont analysis, which assesses which elements of a business that add and subtract value.

### Prospects of Finding a 'Blue Ocean'

The strategy canvas was exceptionally good at demonstrating where potential value could be captured in the market. ([McGrath, 2012](#)) suggests that top performing companies are innovative and exploit blue ocean opportunities, Tesla ([Forbes, 2020](#)) and SBI Holdings ([Refinitiv, 2019](#)) exemplify this.

In light of this study RUFG may wish to refine its value proposition and consider investing in potential blue ocean opportunities within digital services, fintech and green finance initiatives. This may help counter slowing growth and declining profits in more traditional red ocean activities ([Malnight et al 2019](#)).

The strategy canvas also suggests that cost is also a potential blue ocean that the megabanks are struggling to manage. ([Kavadias et al 2016](#)) highlights that top performing organisations asset share and collaborate to reduce fixed costs.

RUFG could act as a synergy manager and form internal alliances to innovate and reduce costs, in particular corporate banking businesses (B) with legacy systems could benefit by sharing the good technology available to securities (S) businesses.

The strategy canvas analysis has been most helpful in identifying blue ocean opportunities, where there is little industry competition and good growth prospects.

## Appendix Case Study

**Organization:** Rainbow & Unicorn Securities, London (RUS)

**Industry:** Financial Services

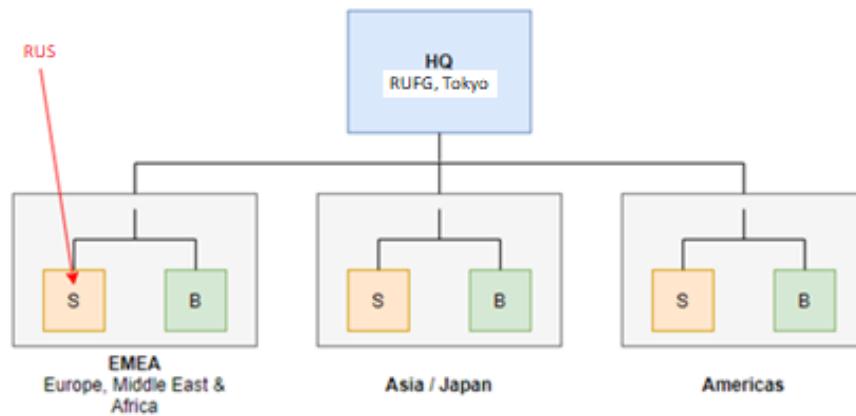
**Sector:** UK Corporate Lending & Project Finance

RUS provide financial services, trading expertise and risk management solutions within the interest rate, fixed income and credit markets. It specialises amongst other things in corporate lending and project finance within the UK and also Europe, Middle-East and Africa (EMEA).

RUS is fully owned by Rainbow & Unicorn Financial Group Tokyo (RUFG), which has a sizable balance sheet, predominantly due to large Japanese deposits. Japanese investors are extremely risk-averse with many business relationships based on trust, reputation and long-term track record formed over decades!

RUFG is one of three 'Japanese Megabanks' that dominate the financial services industry in Japan with combined deposits exceeding USD 10 trillion ([Piece-of-Japan, n.d.](#)). RUFG itself has assets of USD 20 billion and employs 50,000 staff with 500 offices worldwide.

**Figure A1: RUFG Organization Chart**



RUFG has 3 regional hubs to provide concentrated coverage in Europe & EMEA, Asia & Japan and the Americas. RUFG subsidiaries are siloed with Corporate Banking (B) ring-fenced and Investment & Securities (S) businesses separated to satisfy legal and regulatory requirements.

Corporate Banking subsidiaries (B) have large balance sheets, good access to capital but poor legacy systems & infrastructure. Investment & Securities (S) businesses however have good technology and systems, but small balance sheets and little access to capital.

This case study is fictional, yet inspired by real-world industry practice and first-hand experience.

## References

(Burgess, 2019a) Libor Benchmark Reform

An Overview of Libor Changes and Its Impact on Yield Curves, Pricing and Risk

SSRN working paper, 2019. Available at <https://ssrn.com/abstract=3479833>

(Burgess, 2019b) An Introduction to Algorithmic Electronic Trading Opportunities & Costs

Opportunities & Challenges within the Systematic Trading Industry

SSRN working paper, 2019. Available at <https://ssrn.com/abstract=3479833>

(Burgess, 2020a) Strategic Analysis of Japanese Megabanks – Analysis 1 of 5

Changes in Relative Prioritization of Stakeholders & the Implication for Corporate Strategy

SSRN working paper, 2020. Available at <https://ssrn.com/abstract=3645549>

(Burgess, 2020b) Strategic Analysis of Japanese Megabanks – Analysis 2 of 5

Macro Scenario Analysis of Financial Services, Available at <https://ssrn.com/abstract=3645551>

(Burgess, 2020c) Strategic Analysis of Japanese Megabanks – Analysis 3 of 5

Core Competency Development for Competitive Advantage

SSRN working paper, 2020. Available at <https://ssrn.com/abstract=3645553>

(Burgess, 2020d) Strategic Analysis of Japanese Megabanks – Analysis 4 of 5

Financial Services Industry Analysis

SSRN working paper, 2020. Available at <https://ssrn.com/abstract=3660674>

(Burgess, 2020e) Strategic Analysis of Japanese Megabanks – Analysis 5 of 5

Strategy Canvas Analysis & Competitor Benchmarking

SSRN working paper, 2020. Available at <https://ssrn.com/abstract=3660679>

(Fang et al. 2018) CEOs with Diverse Networks Generate x16 Market Value

CEOs with Diverse Networks Create Higher Firm Value. Harvard Business Review, April 2018

(Forbes, 2020) Tesla Blue Ocean & First to Market

Here's why Tesla just surged past a record \$900 per share. Forbes Magazine, Feb 2020.

(Ghemawat et al 2019) Record Pace of Globalization & CAGE Distances. The State of Globalization in 2019, and What it Means for Strategists. Harvard Business Review, Feb 2019

(JP Morgan, 2019) The World's Most Important Number (\$350mm Contracts Linked to Libor)

Leaving Libor: A Landmark Transition. JP Morgan Global Markets Paper, Jan 2019

(Kavadias et al, 2016) Survey: World's Top Performers are Collaborative & Asset Share

The Transformative Business Model. Harvard Business Review, October 2016.

(Kim and Mauborgne, 2002) Charting Your Company's Future. Harvard Business Review, June 2002.

(Malnight et al, 2019) Counter Slowing Growth & Declining Profits with Purpose

Put Purpose at the Core of Your Strategy. Harvard Business Review, Oct 2019

(McGrath, 2012) Growth Outliers are Stable & Innovative  
How the Growth Outliers Do It. Harvard Business Review, Jan-Feb 2012

(Minzberg, 1994) Evolutionary Strategy  
The Rise and Fall of Strategic Planning. Prentice Hall, 1994

(New York Times, 2014) Alibaba & Jack Ma's Success Built on Networking  
Circle of Friends. New York Times, 2014

(Piece of Japan, n.d.) Japanese Megabanks Dominate, Occupying 50% of USD 6.8 trillion of Deposit Market. Mega-Banks Occupy Japanese Bank Market. [www.piece-of-japan.com](http://www.piece-of-japan.com) (no date)

(Ramirez et al, 2017) Using Scenario Analysis Metrics to Exploit Market Challenges & Opportunities Using Scenario Planning to Reshape Strategy. MIT Sloane Management Review, Summer 2017

(Refinitiv, 2019) Fintech Competition Challenging Japanese Megabanks  
The Forces Challenging Japan's Mega-Banks. [www.refinitive.com](http://www.refinitive.com), 2019.

(Ryall, 2013) Networks from 5 Forces to One: VCNs (Value Capital Networks)  
The New Dynamics of Competition. Harvard Business Review, Vol 91, no 60.

(Statista, 2018) Hedge Funds Market Cap AUM \$2.9 Trillion  
Value of assets managed by hedge funds worldwide, [www.statista.com](http://www.statista.com)

(Thomas, 2019) Financing Global Transition to Zero Carbon Emissions & Capital Movement to Meet Society's Needs. Speech: Introduction to the Green Finance Institute, July 2019.  
Available at [www.greenfinanceinstitute.co.uk/](http://www.greenfinanceinstitute.co.uk/),

(Van Alstyne et al, 2016) Disruptors: Platforms vs Pipelines, e.g. Amazon, Uber, Airbnb & Apple  
Pipelines, Platforms and the New Rules of Strategy, Harvard Business Review, April 2016

(Zenger, 2013) Value Chains & Systems, Value Creation Maps and Strategy Metrics to Know the Value of your Firm. What Is the Theory of Your Firm? Harvard Business Review, June 2013