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Asia Pacific: Perspectives is a peer-reviewed journal published twice a year in May and November. It welcomes submissions from all fields of the social sciences and the humanities. In keeping with the Jesuit traditions of the University of San Francisco, *Asia Pacific: Perspectives* commits itself to the highest standards of learning and scholarship.

Our task is to inform public opinion through a broad hospitality to divergent views and ideas that promote cross-cultural understanding, tolerance, and the dissemination of knowledge unreservedly. Papers adopting a comparative, interdisciplinary approach to issues of interrelatedness in the Pacific Rim region* will be especially welcome. Graduate students, as well as established scholars, are encouraged to submit their work.

* 'Pacific Rim region' as used here includes North America, Pacific Central and South America, Oceania, Australia, New Zealand, Southeast Asia, East Asia, South Asia (India, Pakistan, Nepal, Bhutan, and Sri Lanka), and the Russian Far East.

Sony's Morita: A Visionary Leader

by Richard J. Lambert, M.A. candidate

Abstract

Sony has become one of the world's most recognizable names since its inception in the war-torn rubble of 1946 Japan. Akio Morita, 15th generation son of a sake brewer, gave up a post war life of privilege to break with the past and spearhead the effort to build Sony. He did so through personal passion combining traditional Japanese personality with aggressive international business acumen, setting a standard for post-war corporate development that resulted in the hybrid method of Sony corporate management that operated to please the will of Akio Morita. This paper explores a sequence of events unique in corporate Japan, which if examined separately would have contributed to the development of a good company but when administered in sequence under the visionary leadership of Morita, culminated in Sony. Morita is seen at the center of Sony's major decisions, which he orchestrated based on his conviction of Sony's capacity to realize product synergy from their diverse resources. Morita always felt that Sony could develop and exploit the technology of the future, with Morita's success often coming from his ability to apparently see what the future would bring. Morita certainly broke with the previous concrete-like management style. The visionary leadership he demonstrated should be held as an example not only for business Japan, but as an illustration of what a leader can be for the whole of Japanese society. The nation's future into the 21st century depends on Japan's being able to produce more men like him.

The Legend

Sony has become one of the world's most recognizable names since its inception in 1946 post-war Japan. A short-list of powerful and dynamic individuals have led the company: WWII trained physicist Masaru Ibuka, who had the unique idea of using the newly developed transistor for a radio; Akio Morita, who gave up a privileged life of becoming the 15th generation head of a 300 year-old family business in order to join Ibuka in development of Sony and whose 'sixth sense' came up with the Walkman; Norio Ohga, whose real passion was opera but who joined Sony after discovering Ibuka and Morita appreciated his audacious questions and would treat him as an equal; and Nobuyuki Idea, internationalist, picked by Ohga in 1995 to lead Sony into the digital age of the 21st century.

Until his stroke at the end of 1993 Morita spearheaded the effort of developing Sony into one of the world's best-known companies through a personal passion that combined Japanese personality and authoritarian management with aggressive international business acumen. In Sony's case, the Japanese notions of management by consensus (*ringi*) and *nemawashii* did not apply. Morita states,

"...very often the consensus is formed from the top down, not from the bottom up, as some observers of Japan have written" (Morita 1986: 198).

The result was a corporate culture that operated to please the will of Akio Morita and his small management team. Kenichi Ohmae surmised,

"It is no surprise that many of the most globally successful Japanese companies—Honda, Sony, Matsushita, Canon—have been led by a strong owner/founder for at least a decade. These leaders can override bureaucratic inertia; they can tear down institutional barriers" (Ohmae 1990: 91).

This corporate culture was kept intact while Morita had the energy to direct Sony, either personally or through his apprentice N. Ohga. As revealed by Mr. Ohga:

"The Japanese board of directors is a formality. Our Executive Committee was like our real board. That's where we made all our decisions about how much to invest and so...consensus takes time! In actual practice, Mr. Morita and I would discuss things and then tell the others of the decision and we had reached. Many things were decided in that manner, between the two of us" (Nathan 1999a: 208).

It was Morita, a graduate in physics and an expert in marketing, whose self-sacrifice, dedication, and management style brought Sony to a position of international recognition. Through Sony we witness the creation of a company in 1946 with sales of \$6,944 employing 35 persons (Lyons 1976: 2) to an international conglomerate in 2000 with sales of \$63 billion employing 189,700 persons (Sony 2000). We see Morita personally develop from an advocate of Sony to a vocal and visible advocate of Japan's right to become the first Asian nation to accede to a position equal to that of the USA and the European countries. Henry Kissinger spoke of Morita thus:

"First of all, the Japanese in my experience are not great communicators. They tend to operate within their consensus, and when they get dropped out of the consensus and get into a dialogue with other cultures it's tough because they don't feel they have the authority to make independent decisions. So, even for many of us who have Japanese friends who we value, the problem of communication is very difficult. Morita could conduct a dialogue, and while he was a very patriotic Japanese and a firm defender of the Japanese point of view, he could communicate it in a way that was meaningful to non-Japanese... He was probably the single most effective Japanese spokesman I ever met" (Nathan a: 77).

The Early Years: Foundation Made in Japan

The founders of Sony, M. Ibuka and A. Morita, established Tokyo Tsushin Kogyo K.K. on May 7, 1946 (with a later name change to Sony Corporation in 1958). The founders had met during the war while jointly working on a heat seeking missile project for the Japanese Navy. Both were physics graduates and were eager to exercise their technological prowess in the production of consumer goods free from the wartime authorities. Prior to incorporation Ibuka had written a 10 page document entitled "The Founding Prospectus" stating the purpose of establishment:

"To create ideal workplace, free, dynamic, and joyous for engineers to realize their craft and skills. Untoward profit seeking is eliminated. Profit shall be placed as secondary motive, but our service commitment should be pure and total including explanation to customer in a manner they can understand. Our service department should include introducing the latest technology from abroad" (Nathan 1999a).

The genius of Ibuka was soon realized by Morita, which served to define the roles that each would follow in the future development of Sony. "We were fortunate in having a genius like Ibuka" said Morita, "who concentrated totally on innova-

tive product design and production while I learned the merchandising end of the business" (Morita 1986: 58). Morita's genius was to be seen in his ability to follow through with successful marketing on the products that Ibuka's engineers were to develop.

With the Occupation Forces purging the *zaibatsu* influence from the postwar environment, the founders were able to exercise real management in the establishment of Sony. Sony did receive support in its establishment from prewar men of influence: Ibuka's father-in-law Tamon Maeda, former Minister of Education; Junshiro Mandai, former Mitsui Bank chairman; Michiji Tajima, director general of Imperial Household Agency; Rin Masutani, wealthy entrepreneur; and Morita's father, Kyuzaemon Morita, wealthy 14th generation Nagoya businessman and the largest initial investor (Morita 1986; Nathan 1999a).

Sony was a beneficiary of the Japanese government's investment in war technology. During the war the Japanese authorities realized that a hope for victory was to emphasize the technological aspects of warfare through the development of advanced weapons. Most of this research was done at laboratories near industrial centers by research teams assembled from the best universities. Due to their technological prowess these men were deferred from traveling to the front lines and avoided being killed. The war's end released an abundance of such highly trained engineers ready to work for the civilian restoration of Japan's industrial base. In the ruins of 1946 jobs were scarce and Sony had no trouble finding highly trained people ready to devote themselves to the reconstruction of Japan through realization of Ibuka's dream as embodied in his prospectus.

The enthusiasm the Japanese applied in the reconstruction is evident by what was accomplished during the aftermath of the war. The mindset of the defeated Japanese was one of disciplined soldiers working to relieve the shame of defeat. Morita commented that the spirit that was evident in post-war Japan while rebuilding the nation was similar in nature to that which the Japanese exhibited in the post Meiji era. In a span of less than 40 years in order to survive the European colonialists Japan was able to militarily defeat both China and Russia (Morita 1986: 161-162).

Sony policy from its inception was to finance its independence through private capital formation rather than through large borrowings from banks. This low debt ratio kept Sony free from undue influence from Japanese banks which were indirectly controlled and regulated by the government (Reingold 1971). In 1960 Japanese industry average ownership by banks was 23%, while the holdings of Sony by banks were just 8% (Nathan 1999a: 64/65). In 1961 Sony was the first Japanese company to be listed on the NY Stock exchange for the sale of ADR's, injecting not only additional capital into the company but foreign influence. By 1976 the foreign ownership of Sony was estimated at 42% (Lyons 1976: 222), and estimated at 40% as recent as 1998 (Murasawa 1998).

Morita states that the registration of the ADR's may have been the hardest work he ever had to do, but was it a profound learning experience.

"Fortunately, Prime Minister Hayato Ikeda was pleased with the idea, because he was an internationalist and this would be a first for Japan, a first postwar capital liberalization" (Morita 1986: 94).

As part of registration it was necessary for Sony to undergo an audit by the SEC and Price Waterhouse; differences in Japanese and US business practices were noted which had to be rectified for Sony to receive approval. Principal among the changes necessary was the need to for Sony to institute consolidated accounting practices for subsidiaries (Nathan 1999a: 65-66). The adoption of international accounting practices from the early 1960's allowed Sony to avoid the pitfalls of the more arcane Japanese accounting methods.

Employment practices at Sony created an environment where employees felt they were part of Sony, and gave their utmost to accomplish its success. The war had forced liberalized labor practices that gave workers rights not available during the prewar *zaibatsu* era. A lifetime employment policy was instituted with unions that had a say in management. Sony was quick to institute these new ideas, and a consciousness sprang up in which management and employees felt a shared fate toward redevelopment, to catch up with and even surpass the Americans (Morita 1992a). Morita felt that the best companies were those that were the best at creating this shared sense of fate among all employees. Revolutionary at the time, Sony instituted one-class cafeterias at all their production facilities. Also revolutionary was the Sony recruiting system that did not emphasize college ties. Morita put into policy an idea he had outlined in his mid 1960's book, *Never Mind School Records*:

"I established a policy at my company of disregarding school records once an employee was hired so that nobody would be tempted to judge a person on his academic background rather than on his proven ability and performance..." (Morita 1986: 109).

Morita's corporate policy was simple: there had to be mutual respect between workers and management and a sense that the company is the property of the employees and not just a few top people. In return those people at the top have a responsibility to lead the corporate family faithfully and be concerned about the members (Morita 1986: 143). The corporate culture that developed was stable and allowed Morita to concentrate on the promotion of Sony's products, projects, and 'idea' to an international audience.

The tape recorder was the first product that gave Sony international exposure. In 1949 Sony had purchased the rights to a patented 'AC Bias' recording system that had been developed by a Dr. Nagai prior to the war. The technology had been introduced in the USA in 1941 but never registered due to the outbreak of the war. By 1950 Sony was developing several recording models based on this patented technology and sent letters to the world's tape-recorder makers advising Sony held the rights to this patent. This letter came to the attention of the GHQ, and Mr. Ibuka was called in by an officer from the patent department at GHQ to confirm his patent.

After an interview with a worried Ibuka, GHQ confirmed Sony's patent. Soon after this Sony learned that an American company, Balcom Trading, was importing tape recorders for

sales in Japan. After Balcom ignored Sony's letter advising of their patent rights, Sony took a bold step for a small company in occupied Japan: it filed a lawsuit in Japanese court against an American company. The court heard the plea and granted an injunction, preventing Balcom from selling their recorders until the case was aired. Balcom contacted the US manufacturer of the machines, Armour Research, which claimed to have its own patent on the 'AC Bias' system. Armour sent their lawyer to Japan, but after three years, in 1954, the dispute was settled in Sony's favor. Sony was able to receive a license fee on all 'AC Bias' machines sold in Japan or produced in Japan for export and was granted the right to export royalty-free to the USA. In addition to a welcomed revenue stream, the publicity of an upstart Japanese company taking on the Americans was a boost to a young Sony. Morita remarked about this early encounter,

"It was my first negotiation with the Americans, and it ended so well I began to feel new encouragement about the future (Morita 1986: 63).

For Sony the future started with their purchase in 1953 to the rights to the transistor from Western Electric/Bell Labs for \$25,000. Ibuka had recognized the potential of the transistor, and for 6 months lobbied MITI officials for approval of the foreign exchange necessary for license fee. It is interesting to note that if MITI had not approved Sony's request, inevitably another company would have developed the first commercially successful transistor radio and the Sony we see today would certainly be different.

But Ibuka convinced MITI, Sony received approval for the necessary foreign exchange, and Morita traveled to the USA and completed the negotiations with Western Electric. Even though Western Electric had advised that a hearing aid was the only product that could be expected, Ibuka saw the potential, exercised his genius, and Sony started development on what was to become their first international success, the portable transistor radio.

Made in America

The United States was the place where Morita learned many of the skills that allowed him personally, and Sony as a corporation, to compete anywhere in the world. The size and wealth of the United States in the 50's and 60's gave Morita marketing ideas and gave Sony access to a market for consumer products that did not present itself in post-war reconstruction Japan. Early success in the United States gave Sony a competitive edge honed in an international market place that Sony could later take back to Japan and other worldwide markets.

Morita commuted between the USA and Japan, and in 1955 negotiated what he later described as the best decision he ever made: contrary to instructions from Tokyo he turned down an offer to produce 100,000 *privately branded* transistor radios for Bulova Watch. Rather than tie down the fledgling Sony's capacity by producing another brand, Morita made the decision to utilize current capacity for producing only the Sony brand. As explained by Morita

"I was lucky in those days. I didn't have much experience in business and I didn't have a boss looking over my shoulder, so

when I decided ... nobody could say no to me in the company. I made company policy as I went along" (Morita 1986: 84-86).

The early success Morita had in the USA culminated in the opening of Sony USA in February 1960. During this time Morita was extremely active: in 1961 he orchestrated what was to become the first Japanese company to list its stock on the New York Exchange through ADR's (American Depositary Receipts); he set up a direct distribution system rather than rely on the traditional trading company route; and in October 1962 he opened the Sony Showroom in a prime Fifth Avenue New York location. It was here that he displayed his patriotism, for on the flagpoles above the entrance flew side by side and at equal height both the USA flag and the Japanese flag, "the first to unfurl in New York City since before World War II" (Nathan 1999a: 67).

Morita practiced internationalism, stating,

"Eventually we must become international at our headquarters. It is increasingly important to keep the whole world in view at all times" (Lyons 1976: 184).

He moved his wife and three children to an apartment opposite the Metropolitan Museum of Art in June 1963. Ibuka was reluctant to allow Morita to leave Japan at this time as Sony was a \$77 million business (Nathan 1999a: 69), but with 50% of Sony product being exported, Morita insisted. When Morita promised he would commute to Tokyo at least once week every two months Ibuka agreed (Morita 1986: 99).

Upon moving to New York, Morita advised to his wife:

"We are not to limit our friends to Japanese. I want to meet as many Americans as possible. I want to know them, so I won't be a stranger here" (Lyons 1976: 115).

Morita was early to recognize a Japanese trait still apparent today

"Most Japanese businessmen who visited the United States in those days tended to be clannish and learned about the country from the other Japanese businessmen who had preceded them...Despite a couple of years of living in a foreign country, these Japanese businessmen were still strangers..." (Morita 1986: 89).

While living in the USA was invigorating, it was a challenge. An ad placed by Sony for employment in a Tokyo Newspaper in 1966 indicates what Morita had to face on a daily basis: "Wanted: Japanese men up to thirty years of age who can pick a fight in English!" (Nathan 1999a: 63).

In order to spread the Sony cause the Moritas entertained more than 400 people in their apartment during their New York stay. Mrs. Yoshiko Morita had not had this kind of hosting experience in Japan, but she was a quick study and upon returning to Japan wrote a best seller entitled *My Thoughts on Home Entertaining* (Morita 1986: 104). These events exposed Morita and Sony to the world of American business. By the end of the 1960s Morita, alone among Japanese businessmen, was on the international advisory boards of Pan American, IBM, Morgan Guaranty Trust, and had developed lasting relationships with many American business leaders and politicians (Nathan 1999a: 73). On a personal level it appears that even New York City appreciated the contributions of the Moritas; in 2002 the new wing of the

New York Museum of Modern Arts will be dedicated as "The Akio and Yoshiko Morita Room" (Nathan 1999a: 71).

The apparent ease with which Morita was able to fit into the American business elite from early in his career shows the extreme effort he put into adapting himself to the local environment. It was not easy for Morita to hide or lose his Japanese consciousness at will when facing the outside world. But it was necessary for him to become an internationalist for the success of Sony. When asked in a Japanese TV interview about the complexity of working between the USA and Japan, Morita replied,

"You have to switch off your Japanese way of seeing things, or they will never understand what you are saying... It's more difficult than you can imagine" (Nathan 1999a: 88-89).

Morita never forgot his Japanese roots carried on through his father's 300-year-old business. The Morita family time together in the USA was cut short because of it:

"Although we had planned to stay two years in New York, our visit was cut short by the unexpected death of my father. He had relieved me of the responsibility for the family business after the war, but I remained the eldest son and now I was the head of the Morita family and its fortunes, and so I had to be back in Tokyo" (Morita 1986: 106).

Morita started the international commuting routine again and in 1985 advised, "I stopped counting my trans-Pacific trips at 135 a long time ago" (Nathan 1999a: 69).

In spite of achieving such growth and reputation within corporate Japan some considered Sony and Morita as postwar upstarts, an indication of Sony's postwar creation without the support of *zaibatsu* or *keiretsu*. Or perhaps it was Morita's business philosophy that appeared hostile to the consensus driven status-quo managers of corporate Japan. Morita advised,

"Obsolete and meaningless business customs and practices must be done away with. I have always challenged conventionalism and I will continue to do so" (Morita 1986: 223).

Morita continued to challenge the mores of Japanese business practice, and his disdain for consensus is shown in the 1968 joint venture negotiations which resulted in CBS/Sony Records in Japan. The CBS group president Harvey Schein had for over a year pursued discussions for a possible venture with different Japanese firms, but with no results. A first meeting was arranged with Morita and as Schein says, "At that first lunch, we had a virtual agreement by the time we had gotten to the soup" (Lyons 1976: 44). CBS/Sony Records later became the largest record manufacturer in Japan.

The CBS/Sony Record venture gave valuable ammunition to Sony's launch of CD in 1982. Together with the launch of the CD, Sony was able to release the world's first fifty CD collection title, using the record software bank from CBS/Sony Records. This instant marketability of integration between the CD player and CD discs was a convincing exhibit of 'product synergy', which was to become a Morita policy used by Sony in future projects.

In retrospect the Betamax introduction of 1975 was a convincing example to Morita of a product introduction lacking 'product synergy'. The machine, one of the first VCR's launched, had the advantage of being launched prior

to the competitions VHS format, and had initial success. Apparently Disney and Universal Studios feared this success, as they jointly filed a copyright infringement lawsuit in 1976, fearing consumers taping TV shows would somehow hurt their business. The legal action forced Sony to dedicate resources in defense. During the eight-year legal contest competitors launch a VCR in VHS format that is the type finally accepted by consumers. Sony was exonerated at the Supreme Court level in 1984, but as explained by N. Ohga,

"In the final analysis, though, Sony lost the VCR wars because of content. If we had been able to offer our own rich selection of video titles, we could very well have prevailed. In that sense, the incident taught Sony a valuable lesson" (Ohga 2000).

Product synergy was evident with the launch of the Walkman in 1979, allowing Sony to sell Walkman units together with Sony/CBS music on Sony tapes. The development of the Walkman showed Morita at his best: using all his experience of marketing and knowledge of consumer psychology to make a decision and then exercising authority to complete the project. We also see Morita's audacity in claiming that no amount of market research would have foretold the success of the Walkman, using his almost mystic ability to know what product would be successful in a future market. Morita said, "But I am also a person who can apply a kind of sixth sense to people and products that might defy logic" (Morita 1986: 158).

Morita observed people's desire to listen to music anytime and anywhere and he instructed his engineers to strip out the recording function from an existing portable tape recorder, resulting in lower power consumption and weight. He equipped it with headphones, making it a play-only device silent to outsiders, and a device one could listen to even while walking. Sony's marketing and engineering teams were doubtful of its acceptance, but Morita was so confident that he advised he would take personal responsibility for the project and resign if it did not sell. He pushed it through to completion without any market research, and it became an enormous international success.

This practice of lending recordings and artists from CBS/Sony as software to sell Walkmans and CD recordings to sell CD players was successful policy of product synergy for Sony. A few years after the Supreme Court handed Sony the Betamax victory in the 1984, the pursuit of inherent content to create product synergy drove Morita to his final and largest projects in the USA. Morita stated in his 1986 book, "I believe that Sony technology will be widespread in filmmaking before the turn of the century" (Morita 1986: 243). Following through on this idea, Morita led Sony in its acquisition of CBS Records USA in February 1988 for \$2 billion and Columbia Pictures in September 1989 for \$3.2 billion (plus acquisition of debt of \$1.6 billion). At the time these were the largest acquisitions seen to date of American firms by a Japanese company (Nathan 1999: 180-181).

CBS Records had years of record history in the USA, and Columbia maintained rights to 2,700 film titles. Considering Morita's statement in 1986 that he preferred to "lead the public with new products rather than ask them what kind of products they want" (Morita 1986: 79), the acquisitions gave rise to as yet unknown potential through direct access to the

United States market. Along with a huge software bank for Sony to exploit with sound and video recordings, Columbia offered new horizons to Sony through television, syndication, films, and all the current and future technology that Hollywood had to offer that Sony could exploit. Morita felt that owning recording and picture studios in the USA would give Sony the clout necessary to establish the industry for the next generation of digital video and audio technology (Rudolph 1994).

Because the Japanese CBS/Sony had been so successful the purchase of CBS Records USA seemed a natural fit. But the fact that Sony approved the purchase of Columbia Pictures for such a huge price so soon after the CBS purchase and for a project that did not seem to have the same fit as CBS Records, was a tribute to Akio Morita. In August 1989 the executive committee of Sony met to discuss the Columbia acquisition. The high acquisition cost was a concern to everyone, including Morita. According to Sony Secretary Iwaki, even Morita expressed concerns and initially suggested abandoning the project. But that night over dinner with the committee members Morita confided that he had always dreamed of owning a Hollywood film studio. In an interview for Nathan's book Iwaki recalled,

"We decided to proceed, based on what Chairman Akio had said the night before, and we also agreed that if we wanted the studio we would have to pay the price. Since we had no real means of evaluation, we wouldn't really be able to bargain. It would be a sort of take-it-or-leave-it proposition" (Nathan 1999: 190).

The value to Sony of the Columbia acquisition can only be argued in hindsight; the decision-making process cannot. Morita was the deciding factor, as he has been in so much of Sony's development. We are not privileged to know what arguments Morita used to convince Sony's executive board, but one can imagine Morita the visionary advising of the need for Sony to have a base from which the technologies and innovations necessary for success into the 21st century could be created. We can imagine Morita the leader convincing his long time associates that even though Columbia Pictures was the largest deal in Sony history the future potential offered was worth the cost. It was time for Sony to see the future, and the future was the entertainment business.

After the decision was made and the acquisition complete, realizing the value of the acquisition was dependent on the innovation by a Sony without active participation from Morita. In 1990 Morita appoints N. Ohga as President of Sony, taking for himself the title of Chairman. As such, Morita was spared having to take responsibility for the eventual \$2.7 billion write-off from the Columbia acquisition that Ohga declared on November 17, 1994. Ohga declared the decision to write off rather than carry forward the cost as sound, in order to clean up the books for future management (Nathan 1999: 239). Whether the cost to Sony should be considered a loss or a continuing investment on value received is a matter still open to debate.

Japanese to the Core

With Ohga as President, Morita freed himself from daily routine in order to pursue the position of Chairman of

Keidanren. Sony had become a force that the Japanese business establishment could not ignore. Morita had achieved international recognition, but becoming Chairman of Keidanren would give Morita the most prestigious and influential business title in Japan.

"In the Japanese economic circle, becoming chairman of Keidanren is likened to the succession of the Emperor" (Ohmae 1998).

To accomplish this Morita increased his level of activity to include that of self-appointed spokesman for Japanese business.

In the early 1990s Morita woke up both the Japanese and international communities by his public appearance together with nationalist politician Shintaro Ishihara. This resulted in the unauthorized publication in the US of *The Japan That Can Say No*, written at the time of Japan's economic zenith and economic tensions with the US. If one ignores Ishihara's portion of the publication, Morita's comments were a continuation of his effort to warn his fellow Japanese to avoid a tendency to become complacent and accept the status quo (Hanada 2000). Morita emphasized that Japan had achieved an economic status on equal footing with the US and Europe and should be treated as an equal. Along with this economic equality came Japan's responsibility to mature as a country and respond as an equal in the world community. As Morita stated in *The Japan That Can Say No*:

Saying "NO" Actually Represents A Deepening of Mutual Understanding

... Unless one registers opposition or negative reaction at precisely the right time, Americans take the situation for granted and later insist that they were right as no opposition was registered at the time of the demand. ... My purpose in advocating saying "no" is to promote that awareness. "No" is not the beginning of a disagreement or a serious argument. On the contrary, "no" is the beginning of a new collaboration. If Japan truly says "no" when it means "no" it will serve as a means of improving the US-Japan relationship (Morita 1989? "NO": 44).

Morita had no qualms about bashing Japan himself, as he did when he pre-empted Big Bang deregulators advising that Japanese corporations must re-evaluate their practice of building vast cash reserves and that they should share profits with worldwide stockholders and employees (Morita 1992c). He warned that the consumer-oriented, competition-enhancing deregulation that had taken place in the US had not taken place in Japan, resulting in government control that had developed into an intolerable situation (Morita 1993b). He wrote an open letter to the G7 economic summit members calling for lowering of all economic barriers, with non-regulation becoming the rule rather than the exception with Europe, the US, and Japan setting a worldwide example (Morita 1993a).

Morita's passionate energy is demonstrated in the schedule he set for himself at age 72 for the two-month period prior to November 30 1993. In addition to four trips within Japan, he visited New Jersey, Washington, Chicago, San Francisco, Los Angeles, San Antonio, Dallas, Britain, Barcelona, and Paris. He met with Queen Elizabeth II, GE chief Jack Welch, French President Jacques Chirac, Issac Stern, in addition to several politicians, bureaucrats, and business

associates. He was the guest of honor at a wedding, attended two concerts, a movie, and played nine rounds of golf. He even went to the Sony office in Tokyo for 17 days (Ohmae 1998).

Morita's career was preparation for what he might have accomplished had he the chance to serve as Chairman of Keidanren. With Morita having finally gained prestige among Japan's business elite, one wonders what might have occurred within the stodgy confines of status quo Japanese management if Morita had ascended to the Keidanren leadership. But fate intervened, and on November 30, 1993, the date of the intended announcement of Morita's ascension to Keidanren, he suffered a massive stroke that incapacitated him until his death in 1999. One hopes that Morita was lucid enough prior to his death to recognize the honor bestowed upon him by *Time* magazine as one of only 20 of the most influential capitalists of the 20th century (Pearlstone 1998).

Morita's stroke signaled the end of a near 50-year tradition of Sony's operation by its own owner/operators. There will not be a time in Sony's future when such a select group of individuals will have the ability to create policy for such a large corporation. Contemporary international corporations usually have a system of checks and balances to prevent one man or a select team from exercising inordinate control for the good of the shareholders. This issue never even became a question when Morita was in control, but with Morita out of the picture, the owner/operator element of Sony's organizational model became null and void.

Restructuring

Sony undergoes a fundamental change at the time of Morita's stroke. Norio Ohga, who had been CEO since 1990, advised,

"Ever since that day I felt I had lost my mentor. Of course, on small things and daily operations I was able to manage Sony myself, but on big decisions I had always sought the advice of Morita-san" (Schlender 1995).

It became obvious throughout 1994 that Morita was not going to recover, and in early 1995 Ohga (who would reach the age of 65 at year end) had to select a person who had the strength to compete with the ghosts at Sony in order to lead Sony into the 21st century of international management.

In early 1995 Mr. Ohga choose Nobuyuki Idei to head Sony. With the passing of the original founders and the authority vested in him by the last survivor of the original team, it became Idei's responsibility to institute change at Sony. The new structure would rely on a corporate restructuring more in line with international 'professional management' rather than on the personal will of the founder. Idei acknowledged the influence of the owners:

"I knew that running Sony was impossible because it was a company driven by the founders' vision: The founders' personal vision was the basis and the standard for every decision...Normally, there is a clear line between the owners of a company and professional managers, but in our organization that separation never occurred. Ohga is not an owner, but he behaves as if he were. His logic is theirs. And Sony logic until now has been based on personal relationships, on friendships...Sony is an extraordinary company in many

respects, but one of them is certainly that we have grown to half a hundred billion dollars on the founders' logic! Now we need professional management" (Nathan 1999: 294).

The days of one-man autocracy were over with Idei, and he instituted the structural changes for which he was chosen. He shook up Sony by accepting the American concept of 'corporate governance', the notion that the Board of Directors is supposed to represent the shareholder, not management. He downsized the Sony board from 38 to 10, including three outside directors. Under Idei Sony has led Japanese corporation in adopting investor friendly measures such as share buy backs, increasing shareholder returns, stock options to executives, and higher returns on equity (Tanikawa 1998; Murasawa 1998; Gibney 1997).

Morita recognized the coming of the digital age when he said,

"In the future we will no longer be able to do business as we once did, when we made things thinking they would be useful only in themselves...with each item as an end in itself. But such thinking in tomorrow's world will not be good enough—it must be broader" (Morita 1986: 249).

Idei concurred:

"The digital revolution will shake our total business platform...we have to recognize that in the future most of our products will become part of a larger digital network. From now on, then, Sony's work is to build bridges between computers and consumer electronics and communications and entertainment, not mere boxes" (Schlender 1995).

The latest product to accomplish this goal of integration between Sony's divergent resources, including a huge dose of the Hollywood entertainment business acquired through Columbia Pictures, can be seen in the recently introduced Playstation 2, which offers the consumer an amazing mix of all that Sony has to offer.

Visionary

Sony is the premier success story of post war corporate development in Japan. Purely and simply, the Sony of today is the legacy of Akio Morita. This does not mean that Sony was a one-man show, nor does it diminish the support and contribution of those who surrounded Morita. It means that Morita was one of those men who occur occasionally in history at the right time and place to accomplish greatness. Without Morita the Sony one sees today would not have resulted.

Morita clearly realized the need of power to cut through and break free from the constraints of the bureaucratic go-slow, consensus driven corporate model that stifled creativity. He put himself in a position of power, and he was not afraid to exercise authority to fulfill his vision for Sony's destiny. Morita made tremendous decisions based on his conviction that the value to Sony would be realized in the company's ability to exploit technology and to generate product synergy from Sony's diverse resources. Morita took huge financial risks by basing his decision on a future point in time where he projected that technology would arrive. His decisions were based on his expectation that Sony would lead the industry in creation and exploitation of as yet unknown technology. Morita's actions were based on his belief that he knew what

would happen in the future and on his conviction that his decisions coincided with what Sony would require in order to compete in this future.

Morita constantly challenged himself; success dependent on his force of will. His strength of will allowed him to take on responsibilities and make decisions that would have crushed lesser men. Morita's actions defined his being; he transcended entrepreneurship and became a leader of vision. His scheduled appointment to Chairman of Keidanren indicated that Japan's business society finally accepted Morita's leadership. But the leadership he demonstrated should be held as an example not only for business Japan, but as an illustration of what a leader can be for the whole of Japanese society. The vitality of Japan depends on the society being able to produce more men like him.

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