

Company of the Month: Sony

A major world corporation

The Sony Corporation is, today, one of the world's major corporations. Sony does everything. It makes Hollywood films, records and sells the music of the finest artists and manufactures everything electronic from computer games to video projectors.

Today, the Sony Corporation is rich and powerful, but it grew from small beginnings in the rubble and ashes of post-war Japan.

From Radio to Rice

In September 1945, Masuru Ibuka returned to Tokyo and began work on the third floor of a cracked bomb-damaged building. He set up the Tokyo Tsushin Kenkyujo, the Tokyo Telecommunications Research Institute, known as Totsuko. Soon Akio Morita (‘Mr Walkman’) joined the group.



After the war, the Japanese were hungry for news from around the world. Masura Ibuko and his group of young engineers repaired broken radios and manufactured shortwave converters. When connected to a standard medium wave radio, this converter made it possible to listen to the full range of short wave broadcasts.



In post-war Japan money was very short, and the radio engineers often received part payment in rice. This was welcomed because of the serious food shortages. Later Totsuko started to make an electric rice cooker. This was one of Ibuka's few technical failures as it usually produced either overcooked or undercooked rice.

In post-war Japan, imports were very expensive, so many companies produced ‘copies’ of imported goods. Ibuka was keen to go further than merely copying imported technology, he wanted to improve on it. At that time, primitive sound recorders made their recordings on metal wire. Totsuko developed one of the early recorders which used magnetic tape.

By 1956 the company's capital had grown from 190,000 yen to 100 million and the staff had grown to 483 employees. At this time, the company almost exclusively served the domestic market in Japan. A major customer was NHK, the Japanese National Radio broadcaster.

Gradually, new products began to be sold outside Japan. Amongst the first of these was the transistor radio. The 'pocketable radio', the TR-63, became popular in Japan and for export.

In 1961 Ibuka said 'The days of radio are over. The future lies in television.' Their first television sets were black and white, but Sony engineers were soon researching with colour televisions. As Ibuka said, 'Sony is an innovator. We do things that no one has done.'

Their first success was with professional video tape recorders and later the development of the Sony Trinitron television tube. Later they developed the first (black and white) domestic reel-to-reel video recorders.

The Secret of Sony's Success

The continued success of the Sony Corporation has not been without failures, some of them expensive failures. But the senior management have consistently shown both vision and courage. The story of the Walkman illustrates these qualities.

After developing the compact tape cassette with Philips, Akio Morita had the idea that people would like a very small cassette player which played through headphones. The product was first released in Japan. It was called the 'Walkman' in Japan. The company planned different names in the export market; 'Soundabout' in the US, 'Stowaway' in Britain and 'Freestyle' in Sweden.



The immediate popularity of the product overtook the company's marketing plans. Tourists visiting Japan brought home Walkman players and as a result, the 'Walkman' name was known around the world before the other names could be launched.

The 'Walkman' was not the result of market research. Nobody knew if it would be successful. Many people were worried that the first Walkman could not record. Others said people would never be prepared to wear headphones. But despite all the criticisms, Akio Morita believed in his vision.

Soon 'Walkman' became a standard word in the English language. It first appeared in the second edition of the Longman Dictionary of Contemporary English in 1987.

The development of the digital Compact Disc showed the same story of courage and vision. Again the technical development was shared between Philips and Sony. Philips was the world leader in optical videodiscs and Sony had considerable expertise in digital audio processing.

One reason for the success of the audio CD was that both Sony and Philips controlled record companies. Sony had CBS/Sony Records and Philips had the Polygram group.



The Future

Sony's success was based on developing and manufacturing hardware. But, like Microsoft (see Business World archive), they see the future as being in software to be used on their hardware. For this reason, Sony's most recent investments have been software; music, films and television programmes.

Sony has been successful by breaking many of the 'safe' business rules. They have succeeded by taking risks and believing in their own vision. They have not merely asked 'What do customers want?' They asked 'What might customers want in the future?'