

Sony – organizational behaviour



Sony Corporation is a Japanese multinational company based in Tokyo, Japan. Its vastly spread out business is mainly focused on the gaming, electronics, financial and entertainment services sectors. The company is one of the top manufacturers of electronic products for the consumer and professional markets. Sony is ranked 87th on the 2012 list of Fortune Global 500

To understand the company better we will now analyze the way changes have taken place, what were they're reasons and how the company responded to it. Changes are not always the best thing but many businesses need to adapt to them to make changes.

Types of changes that have occurred in Sony

Strategic Changes

Nobuyuki Idei , former Chairman and Group Chief Executive Officer of Sony Corporation (until the 7th March 2005) Idei was appointed and initiated a major shift from analogue to digital technology, as there was a belief that Sony was lacking behind in the market in this respect. Idei also targeted the top position in the audio and visual industry, a universal standard in home computer devices and a new distribution infrastructure. He believed his job was the ' regeneration of the entrepreneurial spirit' believing it had been lost.

Sony's problems continued and were ' most obvious in its core electronic business, which makes up for two-thirds of its income' as the consumer devices such as DVD players, Televisions and music players came under

immense price pressure and Sony did not come up with any more exciting new gadgets to increase profits. Iwai resigned after many hurdles he faced and handed the authority to Welsh-born American Howard Stringer, a former television executive.

Prior to joining Sony, Mr. Stringer had a distinguished 30-year career as a journalist, producer and executive at CBS Inc. Stringer aimed to unite cutting-edge technology with entertainment content while reviving Sony's electronic business. To combat the price drops of rivals Stringer streamlined Sony, unveiling a sweeping restructuring plan that cut 10,000 jobs, shed a number of unprofitable divisions and products and attempted to centralize decision-making. Woods (2006) identified that 'Sony has started to respond faster to changes in the operating environment by focusing more on software and services as well as by streamlining its chain of command' (p. 17), while this new team was commended for accelerating the pace of change within Sony (Woods, 2006).

Stringer initiated more top-down leadership to achieve Sony's goals for the upcoming years, something that Kotter says is key as he identifies the need to 'create visions', 'motivate', 'establish direction' and 'align people'. Ireland and Hitt (1999) developed six components for successful strategic leadership including determining a firm's vision, maintaining core competencies and developing human capital, all aspects that Stringer has developed upon with his insistence to develop new technology and benefit from a centralized decision making system.

Structural changes

Sony being a multinational corporation in the electronics business, the company faces significant macroeconomic challenges. The decreasing trend in profits could be seen since 1998, possibly the main reason that prompted the need for an organisational restructuring. Whether the organisation's strategy influences its structure or vice versa, the structure of Sony has to be evaluated first. In 1999, after the restructuring, the company became a tall hierarchical structure with three main business areas - electronic, entertainment and insurance and finance.

Alongside with the " unified dispersed" model to face the constant market demands, the company became a divisionalized form with decentralization of dispersion of power to ease decision-making. The divisional structure of the electronics business is divisionalised due to its low interdependency level, adhocracy in entertainment business and professional bureaucracy in the insurance and finance business. In 2003, Transformation 60 saw a more centralised structure of Sony - management-wise and financial-wise. It was found that Transformation 60 still had the company in a divisionalised form but a stronger pull to formalize in its techno structure.

One of the problems faced include rapid evolution of technology causing top management to respond by investing heavily and restructuring of the organisation using a Value Creation Model and Transformation 60. Stiff market competitions resulted to partnership and takeovers for off-shoring purposes and to benefit the AV industry. The election of Howard Stringer as CEO will cause the problem in management style due to the differences in national culture. It can be concluded that Sony's management and business strategies affect its organisational structure as it was the drop in profits that

had the shareholders to pressurize the change of top management.

Recommendations include the need to combine both Western and Eastern cultures under Stringer and comprehensive considerations in investment strategies.

Internal and External forces

External and internal factors led Sony to the mess it is in today. During the last quarter of 20th century and the first decade of the 21st century, competition became high. Many companies started producing similar products to Sony and sold them at lower costs.

These days, consumers don't value quality as much as they value price, unless the producer has a brand name as strong as Apple. Apple is able to set high prices because the company's products are classy and majority of people all over the world see owning Apple products as a sign of prestige. Sony used to enjoy this status in 1980s and early 1990s; but a lot of things have changed since then. In the past, consumers were expecting to keep their cameras, TV's and other electronics devices for an extended period of time and as a result, quality of the product was a key factor. Nowadays, consumers expect to buy a new Television, camera or laptop every few years as these products are improved every few years, therefore lifespan of products isn't an issue for the consumers any longer.

Due to the external environment effect such as the Asian financial crisis, the ever increasing competition, as well as the internal business issues like the low efficiency, the profits of Sony has been reduced dramatically since 1998. Therefore the management had to execute some restructuring plan to

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respond to those concerns. According to the restructuring plan announced in March 1999, the structure of the group was divisionalized and more decentralization, in order to seize further growth opportunities in the 21st century. Besides, the group launched a “ unified dispersed” management model to ensure that the business operate more efficiently and to be able to survive the rapid change of environment.

Sony did a mass of changes to adapt to the market changes; unfortunately, the pace of the latter was overtaking the management’s expectations.

Consequently, Sony had to accelerate the reform plan and announced another restructuring plan called “ Transformation 60” in 2003. The change in 2003 saw a stronger pull to formalize in the techno structure although it can be seen that there is a mixture between the machine bureaucracy and divisionalized forms. Convergences in the three sectors saw power being more focused at the top management.

The change of technology, market competition and the differences in organisational culture, especially after the takeover of Stringer, were the main concerns of Sony. Organisational restructuring and investment strategies were among the solutions in coping with technological changes. Market competition forced Sony to deal with vast partnerships, joint ventures and mergers with other companies for outsourcing purposes. Finally, the change to a foreigner to lead a Japanese company spark concerns on the future of Sony’s organisational culture. How can change be implemented at Sony

We recommend that Sony acquire more aggressively within that segment to increase market share, decrease manufacturing expenditures and access new technologies. Furthermore, we recommend that Sony improve their quality control system in response to their recent quality issues and increasing reliance on external business partners. I would also suggest that the financial services division deal with the macroeconomic risks that Sony Corporation is facing.

Some key factors of change:

- 1) Sony must immediately focus on increasing sales in order to meet their short-term liabilities. We suggest restructurings among Sony's product lines; the company must first make sure it has stable cash flows to avoid more serious problems facing liquidity.
- 2) Sony has effectively reduced its COGS (Cost of goods sold) as a percentage of sales in the past few years. They should continue to make efforts to increase gross margins in the coming years by reducing manufacturing costs and generating synergies among their product lines.
- 3) Sony must find ways to utilize their increased leverage and other asset items more efficiently to generate sales.
- 4) Sony's stock prices demonstrate low investor confidence. Although this is causing frustration among the current shareholders, Sony should consider this as an opportunity. When expectations are lower, it would be easy for the company to do better.

5) Sony's growing reliance on overseas consumers made their operating results very responsive to exchange rates and the global economy. They should find ways to tackle the macroeconomic risks.

Since their foundation in 1946 as a telecommunication company, Sony has successfully stretched out into numerous business segments, including Game, Electronics, Music, Pictures, and Financial Services. Whilst the variety of segments have improved Sony's recognition and diversified their product lines, it has also spread Sony's resources, such as R&D, customer service and marketing into distinct areas. Facing highly experienced competitors within each segment, Sony has not been able to set up their competitive advantage in any segment. Therefore, we suggest that Sony look for a segment focus and reorganize the company around the focused segment. Sony will benefit from this restructuring because it allows the company to apply most of their resources in the most productive segment. The least profitable segments will either be shut down or integrated into the main segment.

The restructuring will also propel the company to develop a proprietary product collection, or rather, an exclusive group of Sony software and hardware products that are to be used together, like the Apple products. The main segment will be the focus of that collection. Sony will then have an advantage over their competitors because no other firms have relative experience in the mixture of segments in which Sony currently functions. The restructuring will be a positive and strong improvement to the market, hopefully reversing the recent downward movement in consumer and investor confidence.

Once Sony has an established segment focus, they should start to acquire strongly within that segment. Acquisitions will help Sony gain market share, cut down on manufacturing costs, and grant access to the latest technologies and patents. An increased market share would provide Sony with increased pricing power; economies of scale would move up efficiency; reduced manufacturing cost would benefit. Considering Sony's recent financials, Sony should start to acquire small companies within the target market segment.

Finally methods of investment used by Sony may have to be re-evaluated because after the study about the company took place, there are signs and great evidence that that tells us the companies failure in its fiscal position may have been caused by previous/old investment decisions. Outsourcing may be fruitful but an in depth cost-benefit investigation has to be done. Investment decisions will be prove the capability of stakeholders to top management.

Sources of resistance

The different sources of resistance that could hinder Sony's move towards change could be classified into three different aspects; Personal, Economical and Social reasons. Personal reasons are those that the employees' feel will affect them if they allow change to happen. One of them is the need of training in which if new technology is implemented as a part of change. The employees may not want to keep going to training sessions on and off given that they have become accustomed to the norm. The next personal resistance that Sony could face is that if they divide the employees into

becoming more specialized, the work would become boring and dull hence opposing change.

The final factor that Sony could face is that if they do not discuss the change with the employees which would make them feel alienated and not a part of the decision making process therefore they would resist the change on the basis of not being a part of the team. Economical reasons that would be seen as resistance to change in Sony are as follows. The fear of reduction in employment or resistance towards machinery and technology is one. This is because as Sony strives to keep up with latest trends, they have to mold their workplace accordingly.

Thus the employees would see this as losing jobs and eventually resist change. This also leads on the fear of demotion or being under qualified for the new tasks or roles. The employees at Sony may feel that they would be devalued for their new tasks hence risk losing their job. The thought of increased workload with no matching rise in pay or benefits would also mean that employees at Sony will oppose change creating a hassle within the upper management bringing about the concept of change. Social reasons such as the need for adjustment to new surroundings, peers and bosses means that the individual employee would not be willing to welcome this as easily as thought. This would create a heavy source of resistance because of the lack of working, lower levels of commitment and productivity. Also employees at Sony could feel that the change, which is being brought, doesn't affect them for the better but in fact is done keeping the organization as a priority.

This means that employees possibly could feel left out and not a part of Sony therefore creating resistance. As a manager in Sony, dealing with resistance would be a huge task - not impossible but achievable through a few steps. These steps are as follows. Creating a strong culture within the organization as well as the team that allows for the team members and employees to be valued and given assurance that they will be in the future as well. The culture should also promote the employees in boosting their morale and confidence to use their skills anywhere required hence the economical reasons are virtually erased. Before executing the change, it would be advisable to involve the employees planning and implementing it.

This would make them feel a part of the team and would also boost their self confidence as well encouraging that the change is not only beneficial for Sony but for them as well. Development and training for the employees as well as the personal team members. This would ensure that the employees are psychological aware of Sony's motives and are willing to cooperate as well as molding them into being much more open towards welcoming change. Finally, as a manager, the most important thing to overcome resistance to change is the ability to be able to keep in mind the employees interest before Sony's. if the employees are kept happy, it would mean that they are much more open minded therefore willing to accept change. Also if the employees see that they aren't personally being affected in terms of social or personal dignity, they would gladly welcome change and cooperate.