

Sony corporation: globalization meets localization essay sample



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What is a transnational corporation? Select any one and present a short essay on what the company produces, where are the facilities located, and refer to aspects of capital, labor, and markets of its final product.

Abstract:

A transnational corporation is a nationally based company that manages production units or provides service in two or more countries. They are corporations that make decisions from a global perspective rather than one centralized headquarters. Typically the corporation will have its headquarters in one country, while it operates in one or more other countries. Sony is a Japanese transnational corporation headquartered in Tokyo, Japan. It is one of the leading manufacturers of electronic products for the consumer and professional markets. Sony provides worldwide service and has over 162, 000 employees globally. This paper will explore the production of Sony and how the location of its facilities affects the corporation's capital, labor, and markets of product.

Transnational corporations are nationally based companies that manage production units or provide service in two or more countries. They are corporations that make decisions from a global perspective rather than one centralized headquarters. The first transnational corporation was the Dutch East India Company, which was founded in 1602 and developed trade links for prized commodities such as pepper between Arabia, India, China, the Dutch East Indies, and Japan. (Rodrigue, 2012) Since then, they have become the most powerful economic and political forces in the world today including several corporations that have budgets larger than many countries

in the world. In fact, as of 2002, 51 of the top 100 global economies were transnational corporations. (Anderson & Cavanagh, 2002)

Transnational corporations have had a powerful impact on international relations, as well as local economies. They have a huge role in globalization. These corporations hold ninety percent of all technology patents worldwide and are involved in seventy percent of global trade. (Dunning, 1992) More and more of these corporations have continued to develop. What started with 7, 000 TNC's in 1970, jumped to 40, 000 by 1995. Today there are over 60, 000 transnational corporations worldwide; more than half of which come from only 5 nations: The United States of America, France, Germany, the Netherlands and Japan. (Ward, 2003)

I thought that it would be interesting to research a transnational corporation that originated in a country other than the United States. Therefore, the company that I will be addressing in this paper was founded in Japan: Sony Corporation. This particular TNC is called a Transnational Media Corporation meaning that its primary product is information and entertainment. I wanted to choose a corporation from outside of the United States, but that was still popular and had strong presence here. Many transnational corporations tend to focus more on their homeland corporations and show less concern for factories overseas. (Dunning, 1992) I chose Sony because I was interested in finding out if the decisions made by Sony officials were primarily for the benefit of Japan, or if these decisions were made in the interest of all of their global consumers. Sony originated in September of 1945 during the aftermath of World War II. Japan was under reconstruction and there was a high demand for news and information.

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This new increase in demand inspired a man by the name of Masaru Ibuka to create a radio repair shop so that people in need of communication from the government could have the equipment to do so. (Gurshun & Kanayama, 2002) The following year Ibuka and his friend Akio Morita formed a company called Tokyo Telecommunications Engineering Corporation. The company built Japan's first ever tape recorder, which they named the Type G. (Luh, 2003) Unfortunately for Ibuka and Morita, Japan had a bad public reputation of creating low quality products. Morita believed that if the two wanted to enter manufacturing and sales of electronic equipment, it must create a market presence in the United States where product quality had a good standing. In 1951, Ibuka decided to travel to the United States where he learned of the creation of the transistor by a man named Bell Lab. He was able to convince Bell to license the transistor technology to his Japanese company for uses in communication. (Gurshun & Kanayama, 2002)

Masaru Ibuka and his team of engineers made the first commercially effective radio transistor called the 'TR-63 Radio' (Schiffer, 1991) By the late 1950s, Americans had begun to buy portable transistor radios in massive numbers, causing an a great enhancement in this novice industry from intitial sales of approximately 100, 000 units in 1955 to nearly five million units by the end of 1968. (Chang, 2008) In the meantime, Masaru Ibuka and Akio Morita renamed their company to Sony Corporation, which was a combination of the Latin word sonus, meaning sound, and sonny, a nickname for a small boy. This name was a reflection of the company's ambitions to grow and correspond to an image of vibrant youth. (Chang, 2008)

Two years later Akio Morita founded the Sony Corporation of America, officially transforming Sony into a transnational corporation. Following their invention of the transistor television, Sony offered American Depository Receipts (ADRs) on the over-the-counter market of the New York Stock Exchange in June of 1961, laying a foundation toward its development into a global company. It was not until 1970 that Sony's shares were officially listed on the Exchange. (Luh, 2003) Sony began encouraging other experienced workers to leave their jobs and consider a career with Sony, inspiring other Japanese companies to do the same. This initiated Japan as a commanding exporter in the 1960s, 70s, and 80s and improved the perception of Japanese products of being 'low quality'. In fact, Sony was able to charge above market price due to the public awareness of their high quality products. (The United Nations Library on Transnational Corporations, 1993)

There was a time when anything shipped abroad and marked "Made in Japan" was associated with paper umbrellas, kimonos, toys, and cheap trinkets. (Chang, 2008) Sony played a key role in changing that stereotype and helped establish Japan's reputation for innovation by defying a tradition of copying the products of others. This drive to be original gave birth to some of Sony's most successful consumer products, such as the Trinitron color television, Sony Walkmans, video camcorders, MP3 players, Blu-Ray discs, and their most popular, the Sony Playstation. (Luh, 2003) Today Sony produces consumer electronics, semiconductors, videogames, media entertainment, computer hardware, and telecom equipment. As of March 31, 2012 they had a total consolidating sales and operating revenue of approximately 6.395 trillion Yen (nearly 77.4 billion dollars) and a

headcount of 162, 700 employees amongst over 150 countries. (Konan, 2012) The headquarters still remains in Tokyo, Japan, but the most significant producer of Sony's revenue lies here in the United States. The Sony Corporation of America is a subsidiary of Sony and has facilities in Canada, Mexico, Brazil, Costa Rica, and of course, the United States. It produced total revenue of 2, 512, 345 Yen in 2009. Almost three quarters of the revenue of the Sony Corporation of America came from the United States. (Konan, 2012)

The final products within the Sony Corporation of America include compact disks (CDs), CD-ROMs (Read Only Memory), cd-extras, digital versatile discs (DVDs), DVD-ROMs, super audio CDs, universal media discs, Blu-ray discs, and 3D Blu-ray discs. Sony retailers are located throughout the entire United States especially in the New England and Mid-Atlantic regions.

Sony is located worldwide but especially in East Asia, Europe, and the Americas. The purple marker is where Sony Corporation's headquarters are located: Tokyo, Japan. Sony is located worldwide but especially in East Asia, Europe, and the Americas. The purple marker is where Sony Corporation's headquarters are located: Tokyo, Japan. The challenge for companies wishing to globalize is often cultural rather than strategic. Understanding how business is done in other cultures, and how the company can fit into local communities, is a crucial part of succeeding outside the home territory. (The United Nations Library on Transnational Corporations, 1993) From early on, Sony believed that it was important to secure local managers in order to learn from their experience and understand how business is done in their home countries. They believed that local managers could guide you through <https://assignbuster.com/sony-corporation-globalization-meets-localization-essay-sample/>

negotiations with local governments, strike deals with suppliers and distributors, and help ease your company into the fabric of local communities. (Gurshun & Kanayama, 2002) Sony stressed that a key component to expanding abroad is to blend into the local community. Listing the company on the local stock exchange, participating in community service projects, appointing well-respected local executives to your Board of Directors, and many other things, can do this.

In the 1950s Sony hired Harvey Schein to head the company's United States operations, the first non-Japanese person to hold this kind of position. (Sony, 2012) One of the biggest challenges any global company faces is finding appropriate talent abroad with both local market knowledge and cultural sensitivity, and a willingness to work well with the company's top management. (Jedrzej & Scott) For Sony, this is an especially difficult challenge. Harvey Schein for example, joined Sony as prized local talent. However, he left amidst cultural and philosophical disagreements over management style with the top management in Tokyo. (Chang, 2008) Knowledge and experience aside, good communication should be the most important quality to look for in local talent. After all, the foreign manager is the company's public face abroad, and the source of intelligence for headquarters on the market prospects and consumer behavior overseas. Akio Morita felt that the main goal of American management at Sony Corporation of America under Harvey Schein was profit. (Carasco, 2003)

In Morita's view, profit did not have to be so high because, in Japanese companies, shareholders do not request immediate returns, preferring long-term growth and appreciation. (Rubin, 1996) Morita said, " If you ask a <https://assignbuster.com/sony-corporation-globalization-meets-localization-essay-sample/>

Japanese executive, 'What is your most important responsibility?' he will invariably say that continued employment and improving the livelihood of the workers is at or near the top of the list. In order to do that the company must make a profit, but making a profit will never be at the top of the list." (Luh, 2003) Sony executives genuinely believe that they continue to go down the right path and that the company will thrive in the digital era. To this day, they continue to build upon the original Sony spirit that Ibuka laid out during the founding of the company in 1946: Innovation comes from the heart. (Gurshun & Kanayama, 2002)

Sony has built a well-respected reputation throughout its existence by inventing and innovating great products. That is why Sony executives call Sony DNA: the constant drive to dream and create. (Carasco, 2003) On Sony's corporate website, the following statement aptly sums up the soul and essence of what Sony strives to be: "We are not here to be logistical. Or predictable. We are here to pursue infinite possibilities. We invite new thinking, so even more fantastic ideas can evolve... We take chances. We exceed expectations. We help dreamers dream." (Sony, 2012) Sony will continue to have deep Japanese roots in the way that it runs business. However, my research has led me to believe that the values of this transnational corporation are not of global power or greed like it seems many TNCs appear to be. They are not preoccupied with the success in Japan, or the United States, but rather all of their locations, employees, products, and customers as one united entity.

Bibliography:

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Anderson, S., & Cavanagh, J. (2002, January 3). Report on the Top 200 Corporations. Retrieved November 29, 2012, from Corporations. org: <http://www.corporations.org/system/top100.html>

This was a website that provided me with information regarding the most successful transnational corporations in the year 2002. I used this information to show that some of these corporations had more income than entire nations, which means they have much economic and political power.

Carasco, Emily. (2003, February 21). The Content and Focus of the Codes of Ethics of the World's Largest Transnational Corporations. Retrieved December 3, 2012 from OnlineLibrary. Wiley. Com: <http://onlinelibrary.wiley.com/doi/10.1111/1467-8594.00007/full>

This article, which I received off of GoogleScholar, provided me with valuable information on the ethics of Sony Corporation. It gave me great insight on how the values of the founders of Sony are reflected through how the corporation is ran even today. Chang, S.-J. (2008). Sony vs. Samsung: The Inside Story of The Electronics Giants' Battle For Global Supremacy. Hoboken: John Wiley & Sons. This book contains a lot of information about the rise and fall of Sony as an electronic global supremacy. It contains information about things such as motivations, limitations, and strategies of the corporation as well as thorough explanations of the reason to become a transnational corporation, which provides relevance to my topic Dunning, John H. The competitive advantage of countries and the activities of transnational corporations. *Transnational Corporations* 1. 1 (1992): 135-168.

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This is an article from the journal *Transnational Corporations* 1. 1. I found the article on Google Scholar and it provided me with valuable information on Transnational Corporations specifically how they benefit the country of where they originate. Gurshun, R. A., & Kanayama, T. (2002). *The Sony Corporation: A Case Study in Transnational Media Management*. *The International Journal on Media Management*, 105-117. This is a case study about the history and development of Sony Corporation as well as the business strategy behind the expansion of the corporation transnationally. The paper argues that the business strategy and corporate culture of a corporation directly reflects the person responsible for developing the organization and business mission. It is relevant to my topic because it talks about Sony as a transnational corporation and the products it makes.

Jedrzej, G. F., & Scott, P. *Transnational Corporations and Human Rights*. Basingstoke, NH: Palgrave Macmillan.

This book actually ended up being less helpful than I thought simply because Sony corporation is not the 'stereotypical' transnational corporation. The books that I read on Sony described the corporation as one of high morality with values that include loyalty, human rights, and fairness. Konan, M.-k. (2012, May 10). *Sony News & Information*. Retrieved December 2, 2012, from Sony. net: http://www.sony.net/SonyInfo/IR/financial/fr/11q4_sony.pdf

This website provided numerical data regarding things such as operating sales, revenue, income, headcounts, success on the New York Stock Exchange, and other logistical data. Luh, S. S. (2003). *Business The Sony Way*. Oxford, England: John Wiley & Sons. This book provides the 'secrets of the world's most innovative electronics giant'. It provides explanation of <https://assignbuster.com/sony-corporation-globalization-meets-localization-essay-sample/>

what a transnational corporation is as well as the history of Sony Corporation from a local Japanese business to a global electronic supremacy. It is relevant to my topic because I have chosen Sony Corporation as my transnational corporation and this book will further develop my understanding for the corporation's decisions. Rodrigue, D. J.-P. (2012).

Dutch East India Company, Trade Network, 18th Century. Retrieved November 29, 2012, from THE GEOGRAPHY OF TRANSPORT SYSTEMS http://people.hofstra.edu/geotrans/eng/ch2en/conc2en/map_VOC_Trade_Network.html

This source provided me with information about transnational corporations including the first ever TNC called the Dutch East India Company. I used this as an introduction to my paper in order to build a historical background of my topic. Rubin, S. J. (1996). *Transnational Corporations and World Development*. Boston, MA: International Thomson Business Press.

This book talks about the impact of Transnational Corporations on the development of the rest of the world. It talks about the importance of localization within globalization and accepting other cultures. Schiffer, M. B. (1991). *The Portable Radio in American Life*. Tucson: The University of Arizona Press.

This book was not predominantly about Sony Corporation but rather about the effect of portable radios in the United States. I learned about Sony's invention of the TR-63 radio in this article, which provided a bit of historical background to my paper.

Sony. (2012). Company Vision. Retrieved 12 3, 2012, from Sony: Make.

Believe:

<http://www.sony.com.au/article/300251/section/sonycompanyoutline> This website had the company vision quote that I talk about on the last page of my paper. I thought it was the perfect way to conclude my findings about Sony Corporation. The United Nations Library on Transnational Corporations. (1993). Organization of Transnational Corporations (Vol. 6). (G. Hedlund, Ed.) New York, New York, United States of America: Routledge. This book thoroughly explains what it means to be a transnational corporation. It provides great detail on the historical evolution of the multinational business as well as its perspectives from economic theory. It continues on to talk about the conceptions of the global firm and how corporations manage across borders of several nations. It is relevant to my topic because it provides a good base to my paper by developing the idea of what a transnational corporation actually is. Ward, D. S. (2003). Transnational Corporations. Retrieved October 2, 2012, from Library of Halexandria :