

The number of restructurings by sony business essay



Restructuring is considered to be the corporate management term of reorganising an organisations ownership, operations, legal and other structures within in order to make the company more profitable and more organized with its needs to be successful. (Norley, Lyndon; Swanson, Joseph; Marshall, Peter.) There are many reasons for why restructuring includes the changes of the owner ships or the organisational structure, or a reaction towards a crisis or a change such as a change in the financial position, the company becomes bankrupt or it repositions or it bought out.

According to my analysis and understanding or the definition of restructuring, Sony had restructured themselves approximately five times over nine years. They have reorganised operation systems, they have restructured management teams, and they have added structures in the purpose to make profits. Due to all their problems they faced, Sony tried to correct them by changing structures and even eliminating some to try solving the problems. Below the five restructuring changes will be discussed.

Sony has restructured itself firstly by restructuring of electronics business, It has created the Ten-Company Structure, Sony also Unified-Dispersed Management Model, it also announced another round of organisational change of the board, Sony announced another restructuring exercise in 2001 and lastly in 2003 to reorganise Sony back to a seven business entity.

With regards to restructuring of Sony's management, they felt that the " Group" structure was redundant therefore the new structure was to regroup the electronics business into eight companies. This restructuring exercise focused on the products that formed the " Others" group. Each of these

divisions had their own goals and each division was responsible for all of its operations. The process was reduced from a number of six layers to minimum of four layers following the restructuring

Secondly in January 1996, they announced a new Ten-Company structure which replaced the eight company structure that was implemented in 1994. Under this new structure the Customer Audio and Video Company was split into three new companies namely: The show Companies, like the Home AV Company and the Personal AV Company. Then there was another new company called the Information Technology Company that was formed to enable more focus on Sony's business interests in the IT and PC industry.

Thirdly Sony did some restructuring and created a Unified-Dispersed Management model. Sony's electronic business was the focus of restructuring efforts therefore in April 1999 Sony announced changes in the organisational structure. The company wants to take advantage of the opportunities that are offered by the internet which is aimed at streamlining the business operations. Sony's key business divisions were therefore reorganised into a network business. This concerned the drop of ten divisional companies into three network companies namely: Sony Computer Entertainment Company, the Broadcasting and Professional System Company, and Core Technology and Network Company.

By splitting the Sony headquarters in two separate units during the Unified-Dispersed Management it was aimed to reinforce the management capability of Sony's demarcate roles of headquarters and the recently created network companies. In response to Sony's financial problems they proclaimed that

they were reshuffling their top management team and carry out ways that did cut some major cost exercises. Their manufacturing facilities were reduced and this resulted in an elimination of 17, 000 jobs.

The restructuring that took place within the years was when the organisational board of directors were reorganised. During the month of May, the year of 1998, Sony transformed their work of its board of directors and it recognized and added some new positions such as the CO-Chief Executive Officer. Idei reshuffled the management system to facilitate quicker decision making and to improve the efficiency of Sony, it also got reshuffled in order to provide a greater role of clarity to the managers. This system separated the individual's responsibilities for policies that were made to identify the responsibilities for the business operations.

The Fourth restructuring that took place was another round or organisational restructuring. Sony announced another round of organisational restructuring in March 2001 which was intended to transform into a Personal Broadband Network Solutions company, as a result of launching a wide variety of products and services under the broadband brand, this allowed the consumers across the world to gain access. Sony's headquarters were also revamped into a Global Hub centre under the new structural framework, this determined and showed that the roles were to devised into the whole companies management strategy.

Lastly In 2003 Sony announced another major restructuring exercise in order to strengthen its corporate value. Following this announcement Sony was reorganised into seven entities. These business units were given the power

to structure short-term and long-term strategies. This restructuring was said to be carried out over a period of three years.

Why do you think Sony restructured itself as often as it did?

The purpose of restructuring Sony's electronics business was intended to improve the company's actual focus on the potential products and focus on the decision making process that would make the company more reactive to the changing environment within the market and then make decisions on those changes. This divisional company structure was the beginning of the company within a company system. Management restructuring took measure to reduce the company's reliance on a single leader.

During this period of the Ten-Company Structure restructuring implication, changes in the marketing division, which belonged to the previous organisational set up, which created three new marketing groups for the company. The analyst said that because they consolidated Sony's Japanese marketing operations in order to separate its universal procedures and processes so that the company could operate in a much more focused approach.

Centralising all the R&D efforts of Sony was conducted during the restructuring of the Ten-Company Structure. The previous R&D structure was recreated and three new corporate laboratories were then established. Namely: Architecture Laboratory, Product development Laboratory and System & LSI Laboratory. In addition a new 021 laboratory was established in order to conduct a long term Research & Development for future technology

products. This change was done in order to separate responsibilities and make it easier to manage.

The restructuring of the organisational structure aimed to achieve three main objectives which were: to strengthen the electronic business, to make and ensure that Sony's three subsidiaries were private and to strengthen the overall management capabilities. The restructuring was intended to enhance the shareholder's value through the creation of Value Management. This structure aimed at decentralising the worldwide operations of the company.

The restructuring of the board of directors was intended make sure that Sony's management was more responsive. Sony then again started announcing another change to the board of directors, he established yet another new position of co-chief executive officer. Idei reshuffled this management system again in order to make easy and speedy decisions, and to improve the company's efficiency and provide the managers with much more clarified roles.

The fourth restructuring done of the organisational structure was implemented so that Sony could try becoming the leader within the media and technology industry and using the broadband era to accomplish that. This fourth restructure of the company concerned the designing of new headquarters to the functions as a hub for Sony's strategy. Which in return would strengthen the electronic business and facilitate network based content distribution.

The fifth restructuring of reorganising the business entities was aimed to try and create a much stronger corporate value. The fact that Sony reorganised <https://assignbuster.com/the-number-of-restructurings-by-sony-business-essay/>

the business entities to seven business , which consisted of four network companies and three business groups, this allowed the company to separate their long and their short-term strategies.

The actual mission of Sony is to secure the growth of the business in a sustainable manner, while at the same time constantly improving the company's profitability. Therefore all the restructuring that was done was intended to reach a leading position in attractive markets and to focus on securing competitive share of electronic consumer goods. They also wanted to improve the company's efficiency and cut costs in operation.

Looking at the restructuring that was done each one had a purpose and a reason why it was implemented and therefore because of its financial problems and other concerns it faced it was only natural for a business to implement certain strategies to try resolve to the problem. Although some businesses would not have gone through the same extent as Sony of continuing to restructure, they did however have their reasons and aimed to become better.

To what extent did Sony's restructuring efforts centralise or decentralise decision-making within Sony.

Decentralized decision making is any process where the decision making authority is distributed throughout a larger group. (Ms. Mridu Verma, 2006,) It also means that a higher authority is given to lower level functionaries, executives, and workers. This can be in any organization of any size, from a governmental authority to a corporation. Centralized decision making is whereby a top manager retains most decision- making power to him/her self.

During the restructuring of the organisational structure from an eight divisional company to a ten-company structure, the decision making was centralised. Meaning the top manager, Ohga, made the decisions on his own. Ohga's made decision to centralise the R&D efforts of Sony and to revamp them and to create three new corporate laboratories. Other decisions made while centralised was the restructuring of the electronic businesses. Ohga's aim at restructuring the electronic businesses was to enhance the company's focus on potential products and make the decisions process for company more reactive to the changing market environment.

Ohga's responsibility at this point was to run all the companies activities. He wanted them to report to him as if they were reporting to the shareholders once a year at a shareholders meeting. Ohga's role will be to then review the strategies and examine the points he feels should be questioned and then provide advice where necessary. The main goal of the new system of a centralised decision making was to ensure that the decisions been made will at the end of the day strengthen the company.

With the Unified-Dispersed Management Model this restructuring effort of a new structure was aimed at decentralising the universal operations. The company's headquarters gave the network companies the authority to function as an autonomous entity in their corresponding businesses. Therefore to help more functional and operational independence, the company headquarter also relocated the support functions and the R&D labs to each network company.

In order to further boost the Sony's electronic business, the management team created Digital Network Solutions under the purview of headquarters. The role of the Digital Network Solution was to produce a network business model by mapping out the strategies and develop the necessary technologies to exploit the opportunities offered by the internet. If decision making was centralised this decision would not have been made due to the fact that it would rely on one person to decision if it should be implemented or not.

Therefore a lot of decisions were implemented while been decentralized. This was because each business unit was experiencing different problems and with decisions making been decentralized they took matters in their own hands and implemented decisions accordingly. The main reason to create a DNS was to try and develop a network base that could provide the customers with digital and financial services. This decision helped Sony reach to their customers in more than one way and it saved them time.

With Decentralization it allowed Sony to take advantage of division of labour by involving them in the decision-making process within the organization. This enables the employees to improve their performances by trying to help the company improve unproductive areas immediately without the approval of top of the organization.

How culturally diverse do you think the different Sony businesses were, for example, consumer electronics, entertainment, insurance, etc?

The “business case for diversity”, theorizes that in a global marketplace, a company that employs a diverse workforce (which includes both men and women, people of many generations, people from ethnically and racially diverse backgrounds etc.) is better able to understand the demographics of the marketplace it serves and is thus better equipped to thrive in that marketplace than a company that has a more limited range of employee demographics.

An expert suggested that a company that supports the diversity of its workforce can help improve the employee satisfaction rate, increase productivity and retention. (Sparrow, P. R. and Cooper, C. L. 2003) This portion of the business case, often referred to as inclusion, as it communicates how an organization uses its various significant diversities. For example if your workforce is diverse but you employees do not take advantage experiences they learn then the company cannot monetize the benefits of having background of diversity offered.

With Sony the three sections each experience different work place differences. This is because each person with in their sections has their own experiences and a unique group identity. An organization’s culture tends to determine the extent to which it is culturally diverse. (Ms. Mridu Verma, 2006) Therefore looking at Sony consumer electronics they count two-thirds of Sony’s revenue.

The cultural difference is mainly different only based on their locations and relationships that are formed within the different groups. The Current Sony Corporation has a unique history and the culture is firmly rooted within the relationship of her founders, Masaru Ibuka and Akio Morita. Ibuka and Morita are both characterised with business talents and are devoted electrical engineers. They both gave the company their insight and their visions for the company and identified ways that the company could make operations much easier and less complicated.

Ibuka gave suggestions to the engineers involved in projects from on the transistor radios to Walkmans. This created an umbrella strategy that Sony operates under, whereby the top management gave the company a general direction and try to develop and improve the company's vision/idea. (Ms. Mridu Verma, 2006) Therefore, although there is a intended direction, the actual product development is emergent and created greater flexibility for the company.

Research and development within Sony is very different from other companies with its greater flexibility. There is also the strong position system such as the adviser and trainee relationship . All this can be classified as the culture of the company in which the strategy is formed to be a combined behaviour. With a strong visions and importance human resource, one can clearly identify the mission statement policies of the managers. (Ms. Mridu Verma, 2006)

What do you think the dominate corporate culture is and why?

A corporate culture is the total sum of the values, customs, traditions, and meanings that make a company unique. Corporate culture is often called “the character of an organization”, since it embodies the vision of the company’s founders. The values of a corporate culture influence the ethical standards within a corporation, as well as managerial behaviour. (Vadim Kotelnikov, 2001).

According to Handy (1993) there are four different types of Corporate Cultures namely: The Power Culture, the Role Culture, the Task Culture and the Person Culture. The Power Culture is whereby an organisation revolves around and is dominated by an individual or a small group. The Role culture is whereby an organisation relies on committees, structures, logic, rules and analysis. A small group of senior managers make the decisions. They rely on systems, procedures and rules to control the organisation.

The Task Culture is whereby an organisation is geared to tackling identified projects or tasks.(Handy, 1993) The teams may be multidisciplinary and adaptable to each situation. Lastly the Person Culture is whereby an individual is the central focus and any structure that exists is to serve their individual needs. This may occur when a group of people decide that it is in their own interests to join forces and share work space, equipment, administrative support etc.

Looking at the above definitions the case study shows that Sony has more of a Task Culture. This is feature of organisations which are involves extending

research and development activities, in order for them to be more dynamic. Sony is continually subjected to change within the environment and therefore had to create temporary task teams in order to meet the company's future needs. The Information and expertise are considered to be the skills that are of valued within the company. (Lindsay Sherwin, 2009)

The fact that Sony restructured their selves so many times indicates that they were diverse enough to implement changes that they thought would help the company solve their financial problems. Sony revamped their R&D activities in order to establish and conduct research and development for future oriented projects. The concept of ' virtual companies'-temporary groups was also introduced by Sony and consisted of people from different divisions for launching the hybrid products.

Sony's restructuring of the management models were aimed at achieving three objectives namely: strengthening the electronic business, privatising three Sony subsidiaries and strengthening the management capabilities. The restructuring also intended to enhance the shareholder's value through the creation of Value Management. At Sony there are close connection between the departments, functions and specialities, communication and integration.

These are the ways that the organisation can foresee and adapt to the changes much more quickly. That is why Sony decided to decentralise the decision making. Influences within the team culture are based on the expertise and the up-to-date information, which is where the culture is most in tune with results. (Lindsay Sherwin, 2009). Sony was indeed a Task Culture because the staff member's felt very motivated due to the fact that

they were empowered to make some decisions within their teams, they also felt valued by the company because they may have been chosen within that team and given the duty to bring the task to a successful at the end of the day.

Sony's management team worked as a group the entire time and each problem they faced they tried to come up with solutions that would benefit the company. Over a nine year period Sony had been restructured up to five times. Sony's main aim was to integrate the talents by placing common goals and priorities in order to increase and be well prepared in the competitive market. Sony has the potential to be innovative with the international operations and the competitively strong because of their culture, this is because they were the first Japanese companies to set up a main branch in the United States.

Another reason why the Sony Group is A Task Culture is because it focused on the employees. Sony's human capital was considered to be the major assets, especially the engineers in the Research & Development departments. By been the leader within the industry is a tough tasks and is crucial for the firm to remain constant with their innovation from the engineers. Sony is an international corporation, therefore they bring together a large pool of talents and they implement the best of strategies for the organization.

CONCLUSION:

Even though other electronic firms are coping Sony and trying to obtain the market share and profits from Sony, Sony's is still very successful because

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they have remained to be innovative and have made it their mission to be excellent at what they provide and therefore perfection cannot be copied. Sony's main mission was to put together talents by placing common goals and priorities to help increase the company in the competitive market.

Sony remained innovate and brought in innovation into a company with international operations as well as a strong corporate culture. With well designed strategies and luck, Sony was able to become a great firm. Sony is for every changing and adapting and they are becoming more focused and efficient with the help of their employees, this resulted in them been much more innovative and competitive. Sony is changing in order to create much more sustainable competitive advantages for their products and for their partners.

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