

# Howard stringer's sony leadership



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The report is an evaluation of the organization structure implemented by Sir Howard Stringer in October 2005. The transition of Sony's organization structure from Transnational structural to multidivisional structure has been analyzed in detail.

Goold and Campbell's five tests have been conducted to determine the appropriateness of Sir Howard Stringer's structural choice given his desire to make Sony a more innovative and flexible organization. The risks and benefits of the structural choice has also been assessed.

The report displays the cultural web of Sony before and after Sir Howard's arrival. It was derived that the Reconstruction type of strategic change had been used to bring about the transformation in the organization's culture. Consequently, Sir Howard adopted the " Education and Communication" and the " Collaboration/Participation" styles of strategic change implementation.

In conclusion, it can be seen that the stock share value has increased during 2005-2007 which means that Howard Stringer was doing a good job at implementing his change.

## **Introduction**

As a part of this report let us start by introducing Sony Corporation.

## **SONY**

Sony is one of the leading manufacturers of electronics, video, communications, video game consoles, and information technology products for the consumer and professional markets.

Sony was founded on 7th May 1946. The representative corporate executive officers at Sony as of today as Howard Stringer(Chairman, CEO and President), Ryoji Chubachi (Vice Chairman) and Nobuyuki Oneda (Executive Deputy President and CFO). (Sony Global (2009) has provided the above information).

Sony Corporation (commonly referred to as Sony) is a multinational conglomerate corporation headquartered in Minato, Tokyo, Japan, and one of the world's largest media conglomerates with revenue exceeding ¥ 7. 730. 0 trillion, or \$78. 88 billion U. S. (FY2008). Its name is derived from sonus, the Latin word for sound.

Sony Corporation is the electronics business unit and the parent company of the Sony Group, which is engaged in business through its five operating segments-electronics, games, entertainment (motion pictures and music), financial services and other.

Sony's principal business operations include Sony Corporation (Sony Electronics in the U. S.), Sony Pictures Entertainment, Sony Computer Entertainment, Sony Music Entertainment, Sony Ericsson, and Sony Financial. As a semiconductor maker, Sony is among the Worldwide Top 20 Semiconductor Sales Leaders. The company's slogan is make. believe. (Wikipedia (2009) provided information regarding Sony Corporation).

## **Company Strategy**

Vision (2005): “ make Sony cool again”

Vision (2009): “ make. believe”

When Howard Stringer joined as the CEO of Sony Global Japan he made new strategies and used those strategies to restructure the organization to be in-line with these strategies.

Firstly, he looked at the core competencies of the company and focused mainly on the electronics, games and entertainment sector. He established a growth strategy saying, “ Our target is for the Sony Group to achieve consolidated sales of over 8 trillion yen and an operating profit margin of 5% (electronics 4%) by the end of fiscal year 2007”. NewsBlaze (2005) published the company strategy from the fiscal year 2005 to 2008 as given in Appendix C of this report.

The three-year revitalization plan/strategy was as follows (in brief):

#### Restructuring the Electronics Organization

Eliminated the corporate silos and bring more focus on competitive growth.

#### Improving Sony’s Profit Structure

##### Cost Reductions

##### Sale of Real Estate, Stock and Non-Core Assets

##### Strengthening Sony’s Current Electronics Business

Focus on areas of the Electronics business by bringing profitability in television by the second half of 2006.

##### Focusing Resources on Growth Strategy

Making the HD World and Major Profit Pillar

Launching of a range of high-definition products in 2006.

Focusing on Intelligent & Interoperable Products

Developing network-enabled products and applications

Strengthening Technology Development

Creation of Home and Mobile Platforms

Concentrating Investment on Semiconductors and Key Component Devices

Next-Generation Display (OLED)

Enhancing Software Development

Group Convergence Strategy

Pursuit of mobile entertainment

Establishment of Cell Development Center

Group Strategy by Individual Sector focus on:

Games

Entertainment

Motion Pictures

Music

Mobile Phones

Financial Services

Network Services, Retail

Retail Business

Note: Refer to Appendix C for a detailed Company Strategy.

## **Organizational Structure**

### **Corporate Structure of Sony Corporation**

From the analysis on the organizational structure that Howard Stringer was trying to implement in 2005 we can see that it was clearly a multi-divisional structure. This structure has been further worked on since 2005 and there have been slight changes to the same.

### **Multi-Divisional structure (M-form)**

The multi-divisional structure is also known as the “ product structure” where the divisional structure groups organizational function into a division. Each division works as an independent section within the company and the divisional structure contains all the necessary resources and functions within it. Each Division will have its own sales, engineering and marketing departments. (Wikipedia, the free encyclopedia (2009).

Howard Stringer was attempting to implement the multi-divisional structure. He had assigned Ryoji Chubachi to handle the main Electronics business and Chubachi had implemented the multinational matrix structure. We will not go into details of the matrix structure but will explain it below in brief.

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In case of the Multinational Structure of the organization we can see that there were a few business units that were put together in order to increase their responsiveness in the market. There were five committees created across all these business units and business groups. This gave a better integration of knowledge, flexibility and the ability to analyze these units across its procurement, technology, product strategy, sales and productive business outcomes.

## **Strategy and Organizational Structure**

When Howard Stringer took over the Sony Global Corporation in 2005 he gave strategies for each product in the company. The strategies are stated above in the Introduction section of this report.

As per the strategies implemented we can see clearly that he had devised different strategies for each core product that Sony was providing and so he also divided the company's organizational structure the same way. Thus, we see that the company is become more flat and each division is reporting to the Headquarters.

As in a multidivisional organization such as Sony, the division's become flexible as in the sense that they are able to merge, add or close divisions. This is apparent in the fact that Sony's Mobile division merged with Ericsson to produce Sony Ericsson range of mobiles.

It can also be seen that Sony's Music Entertainment division had a 50-50 joint venture with Bertelsmann Music Group naming Sony's Music division as Sony BMG Music Entertainment and in August 2008 Sony bought

Bertelsmann's 50% shares and Sony renamed its Music division as Sony Music Entertainment.

Ergo, it is apparent that because of Sony's multidivisional structure each division is able to work as its own company which is flexible enough to have joint-venture projects as in the case of Sony Ericsson and the company is also able to make the decision of buying over another company such as the Bertelsmann Music group.

When Howard Stringer took over Sony he also closed down a chain of restaurants and other non-core business companies that Sony owned.

With a multidivisional structure in place Sir Howard Stringer was able to control and oversee each division from a distance by monitoring the business performance of each division.

If we look at the advantages of a multi-divisional structure we can see that because the structure is divided by product lines it allows each division to grow and specialize on their competences.

We can see that each division has actually become its own company like the Sony Electronics Inc., the Sony Pictures Entertainment Inc., and Sony Computer Entertainment Inc. As we will see in the redundancy test later in this report we can see that each of the companies that are based in each country have their own head offices. This means that there are many parent levels in this organization which means that many of the supporting departments such as HR and IT will be redundant but due to the large organization structure of the company Sony needs these headquarters to be



set-up. Although the knowledge sharing and cooperation between the business units become very limited but Howard Stringer has tried overcoming this by placing five strategic committees across the business units which are the product, technology, production, procurement and sales. Thus standardizations and centralization has helped to reduce effort and poor coordination.

Also, with Howard traveling around Sony's operations at a rate of 30, 000 air miles a month (Nakamoto 2006) is building spirits and reflecting in the eyes of the employees all around Sony.

## **Goold and Campbell Tests**

We will use the Goold and Campbell last 5 tests to determine the appropriateness of Howard Stringer's structural choice given his desire to “make Sony cool again” (Clayton 2005).

## **The Specialist Cultures Test:**

### **The Organization Structure: Specialist Culture test**

In the Specialist Culture test we placed Sony between ‘ Good’ and ‘ Very Good’ as Sony has an Engineer-driven culture (Edwards, Lowry, Ihlwan, Hall 2005). “ Sony is an engineering culture” (Paczkowski 2008) says Howard Stringer and they really take care of their engineers. Engineers have the freedom to think and come up with new designs. When a certain project was undertaken engineers from all the different departments met in one place to finish that task. This shows that there is no organizational contamination of the specialist engineer culture test.

## **The Difficult Links Test**

### **Shared know-how Links**

Sony holds Knowledge-sharing sessions and several other activities company wide. They host forums to enable interactive discussion about the company news and they engage their employees in company developments and “ in-the-Know” at all times as claimed by them on their website.

Sony also provides all documents, policies, lessons learned and all other types of documents on their intranet sites.

### **Shared Tangible Resources Links**

Though with a multidivisional organization with so many parent companies the amount of duplication of work increases but after Sir Howard Stringer came into Sony he divided all core businesses by products into separate units that would report to the Corporate office and setup a corporate R&D unit to reduce the duplications and also brought in standardized engineered products to help the reduction of cost.

### **Pooled Negotiating Power Links**

Sony’s Mobile division merged with Ericsson to produce Sony Ericsson range of mobiles. Ericsson had the latest mobile technology and Sony had the vast experience in consumer electronics and entertainment like music, pictures and games. Bringing them both together in a 50-50 joint venture gave Sony power in the market. This would help both the companies generate economies of scale.

It can also be seen that Sony’s Music Entertainment division had a 50-50 joint venture with Bertelsmann Music Group naming Sony’s Music division as <https://assignbuster.com/howard-stringers-sony-leadership/>

Sony BMG Music Entertainment. Financial analysts covering the merger anticipated that up to 2, 000 jobs would be cut as a result, saving Sony BMG approximately \$350 million annually (Wikipedia, 2009)

## **Coordinated Strategies Links**

After Sir Howard took over he put together the Electronics Unit which consisted of:

- The Semiconductor Business unit
- Core component Business Unit
- B&P Business Group
- Audio Business Group
- Digital Imaging Business group
- VAIO Business Group
- Video Business Group
- TV Business Group
- Connect Company

He strategically placed all these units and groups together in order to establish Sony as a leading player. They wanted to develop a semiconductor and core components group thus they put these two relevant new business units under the Electronics Unit.

With this new engineering structure Sony wanted to increase their internally sourced components, centralize their engineering functions and reduce their cost by consolidating and cutting down their manufacturing sites.

## **Vertical Integration Links**

By coordinating the flow of its internally sourced components and by standardizing designs throughout the company Sir Howard has managed to reduce cost and enhance product development.

## **New-Business Creation Links**

Vertical integration is very obvious in the Sony business as they try to enter the digital world they are buying companies and doing joint ventures to meet the specific needs of their customers and that is to bring the mobile, music, gaming and video entertainment together. Sony is in a good position to do a backward or forward integration in case it decides to do so. The structure is flexible enough to accommodate that.

The links are best handled through self-managed networking among units and top management should leave this up to the unit rather than impose top-down coordination process.

## **The Redundant Hierarchy Test:**

### **The Organization Structure: The Redundant Hierarchy Test**

The reason we have placed them between satisfactory and good is because although the company had many hierarchical levels in the organization they were able to reduce the redundancy through standardizing their internally sourced components. Sony also standardized its designs across the different units and in its core business which was the Electronics Business they had five committees across each group which were the product, technology, production, procurement and sales. This centralization has helped to reduce effort and poor coordination.

Also, with Howard traveling around Sony's operations at a rate of 30, 000 air miles a month (Nakamoto 2006) he tends to increase the communication gap between the different groups and companies at Sony.

## **The Accountability Test**

### **The Organization Structure: The Accountability Test**

The reason we have placed them between good and very good is because in the multidivisional structure the overall structure of the company is flat. Thus, most of the units are directly reporting to the corporate office. This increases the responsibility and accountability of each unit heads.

## **The Flexibility Test**

### **The Organization Structure: The Flexibility Test**

The reason we have placed them between good in the case of its flexibility is because Sony's structure after Sir Howard Stringer had made it flexible for the company like the Sony Mobile business unit to merge with Ericsson Sony's Music Entertainment division had a 50-50 joint venture with Bertelsmann Music Group.

Sony also sold many of its non-core assets like the restaurant chains etc after its restructuring since it made it easy by moving these non-core business units out of the way to concentrate on the core business.

## **The Risk and Benefits of the Multidivisional Structure**

As we found out through our analysis that Sony Corporation has a multidivisional structure and Gould and Campbell's five tests of good general

design principles helps us to see what risks and benefits that Sony Corporation faced when Howard Stringer took over.

## **The Benefits**

In Electronics group Sony placed centralized decision-making power over key areas under the Electronics CEO. This change assures coordination and focus across newly defined business groups.

Exact horizontal coordination in main areas- product planning, technology, procurement, manufacturing, and sales and marketing-will allow fast and streamlined decision making across product lines.

Concentration on particular business area (Games, Entertainment, Electronics, Mobile phones)

Flexible (Sony Corporation can focus it's resources on different business groups, which depends on market situation, add, close or merge divisions )

Specialization of competence (We can see that each division has actually become its own company like the Sony Electronics Inc., the Sony Pictures Entertainment Inc., Sony Computer Entertainment Inc.)

Ability to give clear direction and make a working environment that draws out the unique talents of employees and helps them to reach their full potential

Encourages general management development

Ownership of strategy (As per the strategies implemented we can see clearly that he had devised different strategies for each core product that Sony was

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providing and so he also divided the company's organizational structure the same way)

Investment in core businesses

Sony divisions enable to work in tandem for their mutual advantage (to develop new-age products).

## **The Risks**

Conflicts between divisions

Additional cost of the center

Difficulty of co-operation between business groups (due to the large organization structure of the company the knowledge sharing and cooperation between the business units become very limited but Howard Stringer has tried overcoming this by placing five strategic committees across the business units)

Divisions might grow too large (as we said before each division has actually become its own company like the Sony Electronics Inc. or the Sony Pictures Entertainment Inc. and there is a risk of them grow too large)

Power is centralized

As CEO Sir Howard Stringer recalled in a 2005 New Yorker article, the engineers started to suffer from a damaging “not invented here syndrome,” even as rivals were introducing next-generation products such as the iPod and Xbox. As a result of their belief that outside ideas were not as good as inside ones, they missed opportunities in such areas as MP3 players and flat-  
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screen TVs and developed unwanted products-cameras that weren't compatible with the most popular forms of memory, for instance.

Looking at the above risks and benefits we can see that though there were a lot of risks in the structure Sir Howard needed to make a decision and he made this decision with the help of allies in the company and he also took help from persons who were made in-charge of changing the IBM structure many years back. They were successful in doing so and since Sir Howard was declared President of Sony Global we can say that he is still in there and is still fighting and restructuring to put Sony back on to globe again. Sony is today coming up with new customer focused products rather than products that are innovative but it is not what the customer wants.

## **The Cultural Web Before Howard Stringer**

Organizational culture sometimes influences the organizations strategy if taken for granted. Culture has played a role in Sony's current financial difficulties. They had power blocks which hindered the flow of communication and corporation between the management, designers, production and marketing.

The Cultural Web, developed by Gerry Johnson and Kevan Scholes in 1992, provides one such approach for looking at and changing your organization's culture. Using it, you can expose cultural assumptions and practices, and set to work aligning organizational elements with one another, and with your strategy.

The Cultural Web identifies six interrelated elements that help to make up what Johnson and Scholes call the “ paradigm” – the pattern or model – of <https://assignbuster.com/howard-stringers-sony-leadership/>



the work environment. By analyzing the factors in each, you can begin to see the bigger picture of your culture: what is working, what isn't working, and what needs to be changed. The six elements are:

**Power Structures:** Sony had a culture, where long serving executives have very strong influence on the organization. At their annual general meetings all these executives take up the front seats while the lower ranks are relegated to the back.

Many of the working seniors did not even discuss their share values and did not have the involvement in the business.

**Control Systems:** Sony emphasized on budget plans and emergency fixes as their main control systems. Quality was not really emphasized, they believed in getting the work done with the least amount of cost. Lower level staffs were not awarded for their achievements or bonuses given at the end of the year. All these were aimed at controlling cost.

**Organizational Structure:** They had the functional/Transnational type of organization where the CEO sits at the top and all functional heads report to him. They believe in top management taking all the decisions without the involvement of the junior level engineers. These caused lack of communication and co-operation between the various units and more of delegation to get the problem solved.

**Stories:** Sony had gone through continuous restructuring for the past 9 years to improve their financial positions. Sony was not customer focused. They

did not invest in non-core businesses and lacked new-age products even though they had very good and talented engineers.

Although Sony believed in harmony of the people and the company but with all this restructuring the morale of the employees was down and this was evident when there was a comment that there is sparkle in the eyes of the employees after Howard Stringer took over.

Rituals & Routines: As per the Japanese culture of respect Sony had a ritual that it never fired its high rank executives even after retiring. The senior managers were made “ Advisor” (Gunther, 2006) and each of them had their own secretary, a car and driver and they also had the authority to second-question people who were actually working at Sony.

At Sony the ritual was that if an engineer came to know about a fault in the product they would let the seniors know they would just fix the problem and just do it. Thus seniors were not involved in the business

Symbols: There was a symbol of seniority when the company never really retired its senior managers and also in the fact that during annual meetings the seniors would be given the preferred and best seats in the hall while the others were given uncomfortable seats to symbolize the importance that Sony gave to its senior managers.

To create the harmony they want and give employees a range of different health and wellness programs. Some of those (as taken from the Sony Site) are as below:

- They provided On-site fitness centers

- On-site flu shots
- On-site cafeterias
- Wellness fairs
- 100% medical and dental plans
- Health risk assessments
- Gym discounts
- Stop Smoking programs
- Nutrition information
- Ritual & Routines
- Respect for senior managers
- Work in Harmony giving employees the best working environment.
- Seniors never got fired.
- Engineers got the freedom to do what they wanted to.
- Engineers did not inform senior managers of faults they just fixed it.
- Stories
- Continuous restructuring
- Morale was down
- Believed in the harmony of the environment and the people's freedom of working in that environment
- Symbols
- Senior management given big pays
- No one really gets retired
- Health related programs and discounts available.
- Complete Medical covered.
- The Paradigm
- Respect for Seniors

- Emphasis on Harmony through-out the company
- Health and wellness programs, discounts and medical coverage
- Engineer-driven Culture
- New innovative products
- Power Structure
- A lot of power was given to seniors in the company who were not involved in the day to day work.
- Less responsibility on the shoulder of the seniors managers as responsibility was not taken
- Control Systems
- Budgets
- Emergency Fixes
- Organizational Structures
- Transnational
- Branches/devolved
- Delegative leadership style
- Engineer-driven culture

Figure 7- Cultural Web before Howard Stringer became CEO of Sony Global

Sony Corporation mainly focused on giving the best environment to its employees especially its engineers who were the minds behind the innovations. A high level of respect was kept between the senior and junior employees in the company. Various Health and wellness programs and benefits were available for employees. Sony was an engineer-driven culture which put what the engineers thought and innovated before what the customers wanted or what the market demanded.

## **The Cultural Web After Howard Stringer**

**Power Structures:** Howard was made the new CEO thus giving power of the company to him. He was able to make changes but very smartly Howard made Chubachi his right hand man since he was aware that he was the first non-Japanese CEO of the company. His power can be seen in the fact that Howard is now President of Sony in 2009.

**Control Systems:** There was a more cost control in the company through reduction of employees in many of the sites. Manufacturing companies were consolidated and shut down in many areas. Rewards and bonuses based on group performance (not seniority) after Howard Stringer had taken over.

**Organizational Structure:** With the structural changes that Howard had made to the company Sony had a flatter structure. Management was made to be more involved in each of the business units of the company. There was more responsibility given to senior and middle management.

**Stories:** As per Chubachi, it was said that since Sir Howard had taken over “ there was a sparkle in the eyes of the employees”. The over all morale of the company was better. After Howard came people were still not sure if they knew where they were leading to but they understood the company strategy which was to make the company cool again. People were more excited.

**Rituals & Routines:** After Howard came he dissolved the advisory board that consisted of 45 senior managers who had a say in the company even after they had retired. Main customer who had used Sony products for a long time where now giving their inputs on the Sony products. Engineers were given more appreciations. Success was being celebrated through Award

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ceremonies, Christmas parties, training programs and knowledge sharing sessions.

Symbols: After Howard came he dissolved the advisory board that consisted of 45 senior managers who had a say in the company even after they had retired. Each of them had a secretary, a car and driver and probably many other benefits. The gap between the senior management and the juniors was being reduced.

## **Ritual & Routines**

- Good communications
- Customer involvement
- Appreciations
- Giving praise
- Celebration of success

## **Stories**

- Reduced Gap between the senior managers and juniors.
- People were more aware of the company strategy.

## **Symbols**

- Senior management who had retired were not taken care of by the company.
- Promotions based on group performance

## **The Paradigm**

- Respect for Seniors
- Emphasis on Harmony through-out the company
- Health and wellness programs, discounts and medical coverage

- New innovative products

## **Power Structure**

- Engineers given limited power
- Management given more responsibility along with current power.
- Restructuring of power in the company

## **Control Systems**

- Budgets
- Partnership agreements
- Financial controls

## **Organizational Structures**

- Multi-divisional
- Units based on market priority and business needs.
- democratic leadership style

Figure 8- Cultural Web after Howard Stringer became CEO of Sony Global

From the above cultural web we can see that Sony did not undergo major paradigm changes but did move from a transnational structure to a multi-divisional (Electronic department was a matrix) structure.

## **Sir Howard Stringer's Change Management**

Change management is also known as Change control. It is usually referred to the process by which the change of a system/process/organization is implemented in a controlled manner.

If we look at the above Cultural Webs before and after Sir Howard Stringer took over Sony we can see that in order to bring the changes as per the paradigms shown above he had to adopt a Change Management program.

Organizational change management processes include techniques for creating a change management strategy which is getting everybody involved in the change process. Engaging senior managers as change leaders, they become the sponsors of the change program. You also need to build awareness of the need for change (communications) getting everybody to understand why the need for change. Developing skills and knowledge to support the change (education and training), helping employees move through the period of change (coaching by managers and supervisors), and methods to sustain the change (measurement systems, rewards and reinforcement).

Howard Stringer had instituted all these processes for his change management, but due to the dominance culture that existed before Howard Stringer took over, he had some resistance against his change management programme. There were forces for change and forces against change. Using Kurt Lewin's force field analysis tool will help us analyse some of the driving and restraining force in Howard Stringer's change management. These were some of the forces for and against his change management.

### **Positive Forces ( + )**

- He came from a different culture and a different way of doing things
- Customers want new products
- Improve speed of production and raise volumes of out put



- Involvement of all employees using the bottom-up approach
- Experience and talented engineers
- It was a long-term strategy
- Introducing new technologies
- Reducing cost
- Dominant values where they believe in top management taking all the decisions
- They believe in the status quo, the normal way of doing things

### **Negative Forces ( – )**

- Not customer focused
- Fear of losing their position or become redundant
- Uncertainty not sure if the change program will work or not

As per Johnson and Scholes in their book Exploring Competitive Strategy they have provided a framework for strategic change.

Diagnosing the change situation if Managing Styles and roles if Levers for managing change

In the case of Sony it is evident that Sir Howard adopted the Reconstruction type of strategic change. In this type of a change the paradigm does not fundamentally change but there will be major