

Introduction to sony corporation commerce essay



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Sony Corporation has a history of almost more than 60 years. It has a wide sales network and is registered in approximately 200 countries. However, the primary manufacturing facilities of Sony Corporation are located in Asia. Sony Corporation is involved in the developing, designing, manufacturing and selling electronic equipment and devices, game consoles and software. It is also producing and distributing motion picture, home entertainment, television products, and recorded music. In addition to this, it is also rendering its services in the financial services sector which involves insurance operations through the Japanese insurance subsidiaries and banking operations through a Japanese Internet-based banking subsidiary. Sony's products are largely marketed in Japan, the United States, and Europe.

Major Problems and Challenges Faced by Sony Corporation

Sony is a multinational organization and has to deal with the dynamic industry in which it is operating. It has developed itself by formulating a steady work environment where engineers had thoughtful appreciation of technology and have worked without restraint as they pleased to focus on development of dynamic technologies and creation of products that people have always desired (Mintzberg, 1989).

Sony Corporation, which has been a leading corporation once, has reported losses for almost four consecutive years. It declared a record annual net loss of 520 billion yen (\$6.4 billion) for the year ends in March 2012. The main strategic problem of Sony Corporation is embedded in its several product lines that provide too many parts of the entertainment value chain. The company's innovation and operations slowed down due to the introduction of

the “ empire-building” strategy. It has lead to the weakening of its competitiveness in all of the market segments of its business. In addition to the internal problems faced by the wide product lines by Sony, it is facing other external challenges as well. In late 2000s, global economic crisis caused a significant decline in consumer spending as of recession and resultantly caused a decrease in the profitability of Sony. The overall demand of the products of Sony has declined due to the appreciation of the Japanese Yen as it has lead to negatively affect the purchasing power of non-Japanese consumers of Sony Products. Further, the Great East Japan Earthquake disaster and its consequences also effected Sony’s operations badly and resulted in extensive re-establishment costs. In the presence of these external and uncontrollable challenges, Sony was unable to cope with the increasing competition and it became difficult for Sony to retain its market share within the electronics and game industry. In accordance with such problems the top management team of Sony was comparatively conservative. As a result, Sony lost its competitive edge in the industry due to decrease in its technological innovation. In a nutshell, the primary emphasis of Sony Corporation on restructuring strategies in such alarming and challenging situation leads to enormous and continual losses.

Overview of Sony Corporation Strategies and its Implications

Sony Corporation is a giant in its industry having well-built core competencies. It has economies of scale and wide scope both in production and research and development because of its huge network in Japan, the United States and other countries all around the world. Moreover, its unique

quality, technology and differentiated products are other top strategic benefits that can help it to attain competitive advantage in market.

Sony's business operations have been restructured many times in last two decades. Sony's first signs of loss began in early 1990s when it experienced a loss of ¥ 293. 36b in 1995. The reason behind this loss was primarily the unrelated diversification and the dearth of innovation. New products are imitated very soon by the competitors in the digital era because these products can be produced by assembling widely-available parts. So there always remain the dangers of being entangled in price wars (Kusunoki, 2003). This can only be avoided by readily adapting changes in a way that competitors cannot keep up. In reaction to this, Sony put all its efforts into restructuring the corporation considering it as a way towards success as there was general trend of diversification in leading companies (Itami, 2001). It faced heavy restructuring costs in this course but these efforts failed to attain the expected results and outcomes. In 1994, Sony formulated an eight company structure with an aim to create a market-responsive company but the losses prevailed. In 1996, it designed a ten-company structure with a same goal to get the company back to profits. Again, due to unrelated diversifications, heavy decentralization and minimal involvement of board room in major decisions, the losses cannot be reduced. After 1999, the company focused on Internet based products due to dot com burst. This major shift in business focus further worsened the situation. The major reasons for further losses were the lack of consolidation and hence substantial fall in sales. In addition to this, the economic slowdown in the US

was also a key reason. Consequently, the focus on core competency was re-established which resulted in regaining profits slightly.

Sony must focus on increasing sales immediately so as to meet their short-term goals and attain success in long run. In addition to restructurings among Sony's product lines, it should ensure stable profitable trend to avoid more severe decline. In the past few years, it has been able to reduce its cost. It should maintain this reduction so as to increase gross margin in the long run. Moreover, it should utilize the increased leverage and other assets in the ways that can lead to optimum and efficient boosting of sales. Most importantly, it should try to reduce or mitigate the macroeconomic risk which has been a major cause of unexpected losses in previous years.

Critical Evaluation of the 'One Sony' Strategy

The most important challenges for Sony are the high competition in industry and the macroeconomic risks. In this regard Sony should re-develop its competitive advantage, regain focus, ensure quality and reduce external factors effect on company's performance and profitability.

The chief executive of Sony Corporation has emphasized on the fact that it's the time for Sony to change now. He has given a revival plan that elucidates a major shift from the company's unprofitable television business. It also planned to cut 10, 000 jobs as well. In the new strategy, it is emphasized that the Sony would concentrate on three businesses namely the mobile devices, including smartphones and tablets; cameras and camcorders; and games.

Sony has fruitfully expanded into various business segments (Electronics, Game, Pictures, Music, and Financial Services) since the beginning of the company as a telecommunication company in 1946. It has diversified its product lines and has attained remarkable reorganization in a wide range of sectors. It has enhanced many other resources like research and development, marketing, customer services and even unrelated areas. All this has led to both positive and negative effects simultaneously. As diversification has led to the expansion of the company, it has also resulted in decreasing its specialized capabilities. Hence, Sony was unable to keep hold of its competitive advantage in any sector or segment of its business and lost the competitive edge against the highly specialized competitors within each segment.

So it's the need of the hour that Sony locates a specific segment or sector to focus and specialize in it and then it should restructure the company around that focused segment. This type of restructuring can help the company to utilize maximum of its resources in the most productive and optimal way. The current move of Sony's strategy is exactly in this line. Sony is about to terminate or integrate its least profitable segments. Such restructuring will lead to the development of a proprietary product collection and special set of Sony hardware and software products that can be used against the highly specialized competitors like the products of Apple. In this way, Sony can have an edge over the competitors in long run as no other company is operating in such wide range of sectors currently as Sony is. Sony, no doubt, will have an incomparable experience in this regard. This type of restructuring can reverse the recent unprofitable trend of the company as it

will be a strong positive signal to the market and its competitors enhancing the confidence of consumers and investors.

The segments or sectors of business that should be focused should have the specific features. Sony should focus on such sectors which are already its main segments, namely the consumer, professional & devices segment or the networked products & services segment. Moreover, such segments should also have the prospect or potential to get integrated with various remaining segments. In this way, Sony will be able to leverage most of its current resources. Most importantly, this market segment should be moderate in competition as well. Sony would be able to implement the strategies in such segments where it has bigger market share recently.

Keeping these benefits in view, the mobile devices of Sony are extremely desirable sector to be focused by it. The series of Sony Ericsson smartphones launched with the Xperia brand in 2011 which operated on Android gained an extensive market share and have much more potential. Similarly, the Xperia smartphones can also be integrated with Sony tablets, personal computers and game consoles in this concern. In this way, Sony can be able to lower the cost and increase the demand for such Sony products in the long run keeping the main focus on the abundant competition in the smartphones and tablets markets.

Another sector to be focused by Sony can be of the games. The main reason behind it is that it's the major segments for Sony in which it has competitive market share. The sector of games can induce synergies among Sony's product lines. Moreover, the competition in the segment of games business

is not as extreme as it is in the other market segments. Sony intends to replace the operations of disjointed lineup of content delivery platforms to expand its PlayStation game network which will offer music and video as well. This is no doubt a good strategic step.

However, one Sony strategy is intending to focus on Sony's digital imaging business that involves digital cameras and camcorders. This policy is again not very appropriate as Sony will have to face intense competition from Canon, Nikon, and Olympus. Moreover, Sony will also face threats from substitutes such as tablet computers which are highly equipped with advanced digital imaging functions. Keeping all these factors in view, it can be deduced that Sony will encounter great problems in the integration of digital imaging sectors with its other businesses.

Another appropriate feature of the new strategy is the decision of shrinking the TV business as the severe competition from Samsung and LG, the deficiency of synergy potentials and the comparatively low share of market is making it impossible for Sony to attain or retain its competitive advantage.

The focus on certain sectors will provide various benefits to Sony. Sony can start acquisitions within related segments once it has established strong focus. The acquisition strategy will lead to increase market share, to get the economies of scale, decrease manufacturing costs, and provide access to new technologies and patents. An increase in the market share will provide Sony with higher pricing power. The economies of scale will raise its productivity. The reduction in the manufacturing cost will lead to give benefit in a price competition. The technologies and patents will allow Sony to speed

up their innovation progress which is slow right now. Sony must start by acquiring smaller companies in its focused market segment and should overpay premiums for the expected synergies as well.

Another main focus of this new strategy is to improve the quality of its products by managing such features at the top level of management in integrated way. The major strength of Sony is its brand name because consumers deem Sony's products as trustworthy and having high quality generally. Whereas the quality of products of Sony has decreased in last few years. For instance, Sony declared that almost around 535, 000 of their VAIO laptops might be in danger of overheating because of the temperature gauge error in 2010. Similarly, Sony had also recalled eight models of Sony digital cameras because of the problems with the image pick-up shortly after its multiple delays in launching PlayStation3. Such quality problems have lead to cost lawsuit expenses and have damaged the corporate image as well. Now, Sony is seriously emphasizing on attaining specialization in its products to avoid any such circumstances in future which is a positive action of this strategy.

Moreover, Sony is expecting to enhance its business in emerging markets with greater focus on the innovation. It is a vital strategy for any business so as to keep itself in the market successfully. This will provide it with more markets' availability in the long run increasing the sales and hence profits.

However, this strategy is lacking in one very important aspect which is handling the macroeconomic factors. The presence of Sony in the international market has lead to its sensitivity to exchange rates and local

economies. No doubt, Sony cannot get direct control over such factors but it can utilize its Financial Services segment to mitigate the risk exposure. Sony can apply this strategy by making derivatives contracts (currency swaps and interest rate swaps) or by taking short positions in particular securities as long as these practices comply with laws and regulation. The most problematic task is goal congruence. It means alignment of the manager's incentives with the overall firm because such hedging measures can impact the profitability of the financial services segment. If these factors are ignored, they will again lead to unexpected losses to Sony in the long run making all other measures unrewarding.

Sony took the direct action in introducing the company system in the first place (Kunii, 2000). It then performed an organizational improvement synchronized with the changes in the surrounding environment. Its strategy shifted in accordance with Chandler's proposition that "organization follows strategy". Sony's organizational reforms and responding to environmental changes after the bubble collapse were significant (Nishiwaki, 1990). The one Sony and one management system will lead to solve many problems and have the capability of improving the performance of the company as all the major decisions are now to be taken and implemented by the top management. The new approach emphasizes on the strengths of the entire Sony Group as "One Sony" by implementing a rapid decision-making process. With the help of this, Sony's primary goal is to revive and cultivate the electronics business to create new value in addition to further escalation of the stable business foundations of the Entertainment and Financial Service businesses.

This management structure has reduced the previous complexity of the system and efficiency is expected to be increased. The more top-down leadership is expected to start to attain Sony's goals for the next years as it is said it's the key to spot the requirement to 'create visions', 'motivate', 'establish direction' and 'align people' (Kotter, 1999). The focus is on development of six components for successful strategic leadership that involves determining a firm's vision, retaining core competencies and mounting human capital. All these aspects are introduced to develop new technology and benefit from a centralized decision making system in the long run (Hannan and Freeman 1977, 1984).

Conclusion

Sony has faced many difficulties for several years and has now been able to properly identify many of its real problems. The latest strategy will lead to address them to some extent. Although some improvements have been shown in the recent times but still many areas are to be focused on in this strategic change. The basic reason behind it is that Sony is not a market leader now. Resultantly it does not have that old power to influence the direction of the market and follow its own plan. Moreover, the policy of defending its own interests has proved to be exigent. The strategies need not be deliberate always, they can emerge as well (Mintzberg, 1980). This strategy is good in many aspects and can lead to revive Sony Corporation but still Sony needs to work hard if it wants to survive and regain its market-leading position again.

Recommendations

A wide range of unrelated businesses operations are usually justified on the basis of scale and scope economies but this unrelated diversification can be more harmful than helpful in long run. So, Sony must perform a due diligence to assess the financials and brand worth of its different business units as its competitor Samsung has done. Sony should regain focus and invest in development and make improvements in its core competence. It will be helpful in regaining brand leadership.

Sony should restore its R&D, design, and marketing departments as well. Innovation should be induced in both products and services that will improve the relationship between the brand and the consumer. The innovation should make valid brand sense. It can be done by reflecting consumer preferences.

Sony should promote the marketing function to the board room again and allow marketing to take a lead of the business and the strategy as marketing and branding cannot be transferred to a tactical level handled by marketing managers who don't have an appreciation of the broader vision in the long run.

The market has become tremendously competitive. In this situation Sony should follow the old branding techniques only in case they are steered by a brand oriented leadership. The top management including the CEO of Sony should assess the meaning and identity of the brand to its customers in these dynamic and challenging times in a way that they innovate and lead the industries in which Sony is operating.

It is extensively important for Sony to regain the cool factor. It should enhance its designs and features all over again as this is the main strategy which can help Sony to survive in competition of the industry having strong competitors like Apple, Nokia, Samsung and others. The supremacy in designs and customer oriented features are very essential to be attained.