

Akio Morita – The Leadership Style

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Innovation and miniaturization have been two unbeatable characteristics of Sony Corp., which were imbibed under the visionary leadership of Akio Morita. Akio Morita played an instrumental role in positioning Sony as a global leader in electronic goods. He also played an important role in improving relations between US and Japan after World War II. This case narrates the leadership style of Akio Morita—the paradigmatic hero, and its lessons to the academia and practicing executives.

Introduction

Late Akio Morita, former Chairman and CEO of Sony Corp., played a momentous role in founding, developing and expanding the company (Sony Corp.) through his impeccable leadership qualities. He co-founded Sony with Masaru Ibuka in the year 1946 in a dilapidated building. Under his leadership, Sony became a global market leader in electronic goods. By dint of Morita's innovative inclination and his urge to provide a better product to the consumer, Sony became the product leader in the global industry. In 1982, the International Council of the National Academy of Television Arts and Sciences¹, felicitated Morita with the Directorate Award, for his contribution to the broadcast industry for well over three decades. Within a span of 20 years since its inception, i.e., in 1970, Sony became the first Japanese firm on New York Stock Exchange.²

Akio Morita has been called a paradigmatic hero of post-war Japan. He reconciled the two incongruous views of the world (Japanese and American)—one that came naturally, while the other had to be acquired. Morita was a charismatic leader with a gift of incandescence. People who observed him in action had an impression that he lit up a room with his presence (Source: Legacy of a Great Man by John Nathan). Many Americans and Europeans considered Akio Morita a striking contrast to a typical Japanese. He has been described as a dynamo of dazzling energy, a gregarious, fun loving, and an appealing personality.

In 1982, UK's Royal Society of Arts presented him with its Albert Medal. His other awards include: *Legion d'Honneur*³ (Officier) from the Republic of France (1984); Commander's Cross of the Order of Merit⁴ from the Federal Republic of Germany (1987); *La Gran Cruz de la Orden del Merito Civil* from

¹ The International Council of NATAS is the largest organization of global broadcasters, with representatives from over 45 countries on its Board. It was chartered and created in 1969 to honor excellence in television programming outside the US by presenting the International Emmy Award.

² The NYSE registered as a national securities exchange with the US Securities and Exchange Commission on October 1, 1934.

³ *Legion d'Honneur* is France's highest decoration. It was created by Napoleon Bonaparte in May 1802 and first bestowed on July 15, 1804.

⁴ The Princely House of Liechtenstein is one of the oldest noble families. Commander's Cross of the Order of Merit is one of the merits of the Principality of Liechtenstein.

His Majesty the King of Spain (1990); Commander in the Order of Orange Nassau from Her Majesty the Queen of the Netherlands (1991); Commander in the Leopold's Order from His Majesty the King of the Belgians; honorary doctorate of degrees in laws from Williams College (1982) and the University of Pennsylvania (1990); and an honorary doctorate degree from the University of Illinois (1993). On April 29, 1991, he was accorded the First Class Order of the Sacred Treasure by His Majesty the Emperor of Japan, for his contributions to the growth and development of Japan's electronics industry.

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Background

Akio Morita was born on January 26, 1921, in the city of Nagoya, to a family of sake brewers. He was born as the eldest son in one of Japan's finest and oldest *sake* brewing⁵ families. In addition to *sake* brewing, the Morita family also produced soy sauce and *Miso* paste.⁶ Leadership in business was hereditary to the Morita family. Akio Morita in his book *Made in Japan* wrote, "Being in a business so central to the community, the Morita family has always taken a position of civic leadership as well". Akio Morita was groomed to become the heir to the family business.

His childhood experience of being involved in business laid a strong foundation for his future. His frequent visits to the company's office and *sake* brewery exposed them to various procedures of conducting business. He accompanied his father to the long board meetings. His father taught him how to talk to the people who worked for them. Morita was well-equipped with almost all the tactics of business by the age of ten. Morita was always told by his father "you are the boss from the start. You are the eldest son in the family, don't forget that." In that learning process with his father, Morita imbibed the traits and characteristics of a manager. In Morita's words "these concepts have stayed with me and helped me develop the philosophy of management that served me very well in the past and continues to serve me and my company today".

One more thing that helped him in expanding his business was that the Morita family had, in those days, already embraced the latest in Western culture, like the automobile and the electric phonograph.

From an early age, Akio had his heart in electronics. He was fond of tinkering with electronic appliances, and Mathematics and Physics were his favorite subjects during his elementary and junior high school days. After graduating from High School Number Eight, he entered the Physics Department at Osaka Imperial University. During his study at the university, Morita decided to get into the Navy by way of continuing his study in Physics. In 1945, Morita was assigned to the office of Aviation Technology at Yokosuka. After he finished his four-month period of military training, he received the rank of lieutenant and was placed in the optical division at Yokosuka. There, Morita met Masaru Ibuka, who was working as a civilian representative. Masaru Ibuka was an electronics engineer, who was in charge of his own company then. After Japan was bombed, Morita was sent to Nagoa (his home town) on duty.

Morita was 24 when he quit the Navy and returned home after the war. He chose academics as his next profession. He taught at Tokyo institute of Technology. In 1946, Akio Morita came into contact

⁵ *Sake* is the national drink and the cultural symbol of Japan involving elements viz., water, rice and yeast prepared with technical skill favored by land/weather.

⁶ *Miso* paste is a kind of soy sauce in a paste form.

with Masaru Ibuka. Morita discontinued teaching and along with Masaru Ibuka, co-founded *Tokyo Tsushin Kogyo Kabushiki Kaisha* (which later came to be known as Sony).

Nurturing the Organization

After founding the organization, Morita and his team started working in association with Dr. Kenzo Nagai, who had patented a high frequency AC Bias system. Morita later acquired the patents over the AC Bias system. Record makers all over the world were informed that, whoever uses the patented AC Bias system would have to obtain license from them. Morita had to face a few initial hiccups in starting the organization. He formed a team with Masaru Ibuka and Nobutoshi Kihara. When they ran short of plastic, they used cellophane. Morita then substituted cellophane with strong and thin Kraft paper, which was used as the base for the record. Their initial attempts on the magnetic material for making the record were failures. Morita, in cooperation with the team continued with the experiments and they were successful in subsequent attempts when they discovered that mixing a chemical called Oxalic Ferrate into the magnetic material improved the existing quality of the tape. The first tape produced in 1950, was bulky and heavy but worked efficiently. Morita launched the tape, when it was hardly known in Japan. Selling the device was equally difficult, because people did not know the utility of the object. The bulkiness and the steep price of the tape were the two impeding factors that prevented consumers from buying the tape.

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Globalizing Sony

Akio Morita was a visionary leader. He decided to expand his company (*Tokyo Tsushin Kogyo Kabushiki Kaisha*) across the world. Since its inception, Sony anticipated that its success would be determined by competition in the international markets, rather than at home. The company had to face a few problems in the initial stages. The main problem the company had to face was Japan's image as a producer of poor quality goods. The name of the company had poor recall among people outside Japan. In order to solve this problem, Morita suggested using the name 'Sony', which was a combination of the Latin word '*Sonous*' meaning "sound" and a British word 'Sonny', meaning "little man".

While on his expansion spree, Morita visited countries like Germany, the US and Holland in 1953. The industry boom in the US and its promising opportunities impressed him. When he visited Philips Electronics⁷ in Holland, he was surprised to discover that this great organization had its headquarters in the old world town of Eindhoven. Here the scale and pace of life seemed manageable. "If Philips can do it," he wrote home to Ibuka, "perhaps we can also manage." Thus, he was prompted to venture into the US markets.

Taking Sony to the west was a challenge for Akio Morita. It was a challenge of reconciling two incongruent views of the world—the Japanese and the American, in order to establish Sony's brand in America. In the words of Nobel laureate Kenzaburo Oe, "Akio Morita was a person between the opposite poles of an ambiguity". The poles Oe referred to were, the Japanese (Eastern) culture on the one hand and the American (Western) culture on the other.

⁷ Royal Philips Electronics of the Netherlands is one of the world's biggest electronics companies and Europe's largest.

Sony, under the leadership of Morita, created the first transistorized radio in 1955 and the first tiny, 'pocketable' transistor radio in 1957. In 1955, Morita started exploring the US markets. The initial days in US were not very friendly to Sony. Morita failed to get the enthusiasm from the distributors in US. Finally, a purchasing agent at the Bulova watch company saw the miniature radios and placed an order for 100,000 units, provided he could market them under the Bulova name. This was a huge order, whose worth was more than Sony's total capital at that time. But, Morita was an avidly risk-taking and an exceptionally foresighted executive (Exhibit 1). He was set on building Sony into an international brand. Despite Sony's and Ibuka's nod to accept the order, he

refused Bulova's order. Later, he would describe this as the best business decision of his career. In 1960, Sony Corporation of America was established in the US. The year 1965 was a breakthrough for Morita and his team, as their product (Magnetic tape) was acknowledged by IBM and accepted by them for data storage in their computers.

Morita was very particular about customer's tastes and customer's preferences. This was one of the prime reasons for making Sony a product leader in the industry. According to Morita, in order to sell the product to the customer, one needs to know and understand the way the customer lives. For this reason, Morita shifted his family in 1963 to the US. He lived in a roomy apartment, sublet by the violinist Nathan Milstein, on Manhattan's Upper East Side and lived there for over a year. Morita shifted to the US, despite resistance from Sony's Board and Ibuka, as no Japanese organization had ever sent its No. 2 man to live abroad. Ibuka finally agreed, when Morita promised to spend a week in Tokyo every two months.

Morita's creativity and his out-of-the-box thinking was seen in the financial and investment aspects too. He dared to think away from the conventional mode of thinking in the financial area. Under his leadership, Sony issued American Depository Receipts in the US in 1970. It was the first time that a Japanese company had offered shares on the New York Stock Exchange. This enabled the company to raise capital not just in Japan but elsewhere too. Sony explored another avenue for Japanese companies to raise foreign capital, at a time, when the common practice of Japanese management was to borrow funds from banks.

Through mid-60s, Morita became the best-connected Japanese businessman in the US. He stood as the only Japanese on the international advisory boards of Pan American, IBM and Morgan Guaranty Trust; he developed lasting relationships with a broad spectrum of American business leaders. Morita

Exhibit I: Morita's Vision, Sony's Mission

Sony had a fundamental and shared vision with all its employees. The family feeling was developed and fostered.

The road of the pioneer is full of difficulties but despite many hardships, the employees of Sony always worked in harmony because of their joy in participating in creative work and their pride in contributing their own talent to their pursuit of goals.

The accent was always on Technological superiority and selling skills. They believed that Technology was no obstacle; only cost and imagination were.

Sony followed the policy of right person in the right job.

It was always a pioneer; at the same time, its products met the lifestyle needs of its customers.

It focussed on R&D and spent a large percentage of its earnings to maintain a competitive edge.

Once the decision was taken to launch a product, it was all systems go at Sony and no time was wasted. Akio Morita was often quoted as saying "Companies that do not work hard – disappear".

Source: www.sony.net

made the best use of his relations in the US and leveraged connections for the benefit of Sony. In 1971, Sony became the first Japanese electronics company to manufacture television sets in the US. Akio Morita was the vice chairman of the *Keidanren* (Japan Federation of Economic Organizations). In addition to his contributions to Sony, Morita also managed to build a cultural bridge between Japan and US, as a member of the Japan-US Economic Relations Group, better known as the “Wise Men’s Group”. He achieved extraordinary success in easing trade frictions between Japan and the US. Through the publication of literary works such as *Made in Japan*, he became one of the most well-known Japanese in the US.

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In 1972, Sony became one of the first Japanese companies to build a US factory. Morita entered into various joint ventures, which proved to be successful and profitable for Sony. The joint ventures engineered by Morita throughout the 1970s and 1980s, included CBS/Sony, Texas Instruments Japan and Columbia Pictures Entertainment group. Sony purchased CBS Records for \$2 bn and paid \$3.4 bn for the Columbia Pictures Entertainment group, in 1989.

In 1979, Sony entered the financial services business in America by forming an alliance of Sony-Prudential Life Insurance, facilitated by his personal connections with the American executives. The US market was always at the center of Morita’s vision of a global Sony Corp. He was determined to build a Sony presence in the US, that would dominate the landscape without appearing foreign, and he achieved a phenomenal success: (Note: In 1998, according to a Harris Poll,⁸ Sony overtook General Motors and General Electric, as best-known and the most highly esteemed brand name among US consumers).

Akio Morita said “American management treats workers as just a tool to make money. When the economy is booming, they hire more workers, and when the recession comes, they lay off the workers. But, you know, recession is not caused by the workers. American business organizations must play down this traditional role of bureaucratic management and replace it with a sense of inspirational and visionary leadership; a democratic form of leadership that stresses inclusive structures, open communication channels, ethics, and integrity”. In America, Morita observed a “trust gap” between top management and the rest of the organization.

Sony soon realized the strategic importance of European markets too. In 1961, Sony overseas was founded in Zug, Switzerland. Morita observed that the tax laws in Switzerland were quite favorable and the government offered a favorable deal. That was Sony’s first company in Europe. It established its sales subsidiary in London in 1968. Morita worked on it for two years. Offices in Kent, Birmingham, Bristol, Manchester and Glasgow followed. By 1970s, Sony had established a reasonably strong presence in Britain. In 1974, Sony set up a manufacturing facility in Wales. Sony had to face political problems when it started its operations in France. After a long time, the Government approved a 50-50 joint venture. Despite French Government’s tight control, Sony products soon became popular among the French people.

A Principled Negotiator

In 1959, when Sony innovated the transistorized television and announced the same to the world, Delmonico International, distributors for Sony’s radios, began advertising that they would be handling

⁸ The Harris Poll is a US based widely followed survey, began in 1963. Harris Poll is not only famous in the US but also around the world.

**Exhibit 2: 1993 First-half Performance of Major Japanese Electronics Companies
(% Change over Previous Year First-half)**

Company	Parent Company Sales		Operating Income		Ordinary Income	
	Yen mn	% change	Yen mn	% change	Yen mn	% change
Sony	852,607	-0.6	2,008	-94.5	16,849	+25.2
Sharp	575,246	-1.4	11,980	-23.7	20,117	3.5
Matsushita	2,147,827	-6.4	11,711	-57.1	29,694	1.4
Hitachi	1,932,236	1.9	14,374	-40.2	29,863	1.6
Toshiba	1,535,712	1.2	5,618	-70.6	22,419	1.5
NEC	1,332,363	-2.2	11,127	-40.8	7,135	0.5
Fujitsu	995,298	-14.1	-6,356	n.m.	-13,793	-1.4

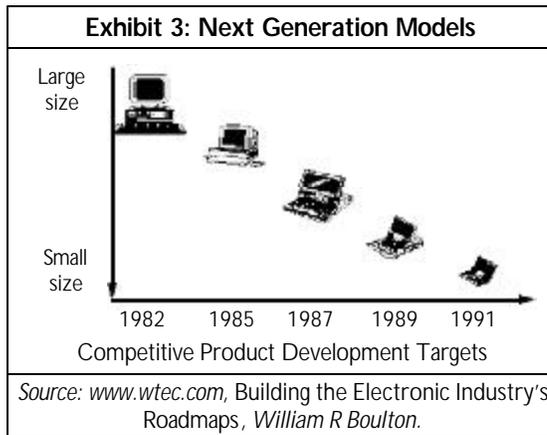
n.m. = no meaning

Source: Nikkei Electronics

the new innovation, without even consulting with Sony. Morita felt the deviating situation and wanted to discontinue the relationship. He immediately informed Delmonico that he had no intention of marketing the television through them. With the help of his lawyer, Edward Rosiny, he negotiated the issue out of the court with the patent filings as the evidence to support the refusal of Delmonico as their distributors. Morita resolved the issue, by paying off the amount agreed upon (\$75,000) and discontinuing the relation with Delmonico.

Akio Morita—An Epitome of Innovation

Akio Morita has on numerous occasions, proved that he was a gift of innovation to Sony. In 1976, he was named the chairman and CEO of Sony Corp. He always believed in the philosophy of leading the public with new products, rather than asking them what kind of product they wanted. He said aptly “the public does not know what is possible”. Morita had not relied on market research to decide on product development and, to this day, Sony does little such research. According to Morita, “You Americans worry too much about market research. The market research is all in my head! You see, we create markets”. Hence, instead of doing a lot of market research, Morita refined his thinking on the product and its use and tried to create a market for it by educating and communicating with the public. Akio Morita had a significant role in making Sony a product leader in Japan (Exhibit 2) and the rest of the world. Product development and innovation have been consistent and regular features at Sony. Morita implemented various innovative techniques at Sony to ensure regularity in innovation by the employees. Sony employees were encouraged to develop new designs and products, and the company held contests to help motivate creativity in the product design. Some of the product innovations of Sony under the leadership of Morita, were—transistorized radio sets, transistorized TV sets, portable stereo players, Walkman (portable stereo player), Watchman (hand-held flat television), Discman (compact disc player), video cassette recorder, Trinitron system (a new method of projecting a color image onto the TV tube), 3.5-inch computer floppy disc (which has now the highest storage capacity in the world for its size), Handicams (hand-held video cameras) and video tape players. Sony also pioneered filmless camera, Mavica; the compact disc system, eight-millimeter video. This way, Sony became one of the few companies that respect intellectual property and today, Sony has more than 30,000 patents to its credit.



Sony's original pocket-size radio took four years to develop. The R&D expenses for the radio amounted to 12% of sales. The Trinitron color TV took eight years to develop at an accumulated R&D cost that amounted to 19% of the sales. The Charge-Coupled Device (CCD) development required for the 8 mm video camera took 13 years and cost \$200 mn. With the continued growth of the company, these project management responsibilities, once held by senior management, have been passed on to the "group-level" general managers.

Though innovation was Akio Morita's first and foremost practice to be followed at Sony, he also concentrated on the aspect of miniaturization of the product (Exhibit 3). Morita's vision of the next-generation products had been that they should be half the price and one-third the weight or size of current products. Sony has maintained its market leadership with successful product line expansions and new product developments based on his vision. Though it was initially difficult for Morita to position the miniaturized products before the distributors in US markets (as they were used to large-sized products), with his negotiating and convincing skills, he paved a successful passage for Sony into US markets as well.

The Leader Par Excellence on Management

Akio Morita had his own style of managing and leading things. He said, "No theory or plan or government policy will make a business a success, that can only be done by people. The most important mission for a Japanese manager is to develop a healthy relationship with his employees, to create a family-like feeling within the corporation, a feeling that employees and managers share the same fate". Morita imbibed and implemented a system at Sony, in which, the door to change and improvement was always open. Which was why Morita established a policy at Sony; once they hired an employee, his school records were a matter of the past and were no longer used to evaluate his work or decide on his promotion. In fact, Morita, as a post-war liberalization of labor practice, promoted the concept of lifetime employment at Sony. This included equality and minimal pay differentials between the management and the employees. This led to the formation of a consensus, in which management and employees felt that they shared the same fate. This practice brought tremendous reform to Japanese management. In addition to these reforms, he introduced a few pro-employee practices like "Flexible Holiday system", which allowed Sony employees including management, to take consecutive holidays according to their preferences. Short-term benefits were never Morita's kind of thinking. He said, "Although this concern should not altogether be criticized, an excessive emphasis on short orientation is dangerous". The popularization of this management philosophy has accelerated the establishment of a world financial empire as well as service industry and leaves behind the manufacturing sector, which requires long-term perspectives, as in R&D.

Morita had always given due importance to the stakeholders. In his opinion, stakeholders are those who hold common interests in the business operations, which means growth and prosperity for the business. This included a wide range of people with whom the organization was involved in one way

or the other viz., customers, employees, suppliers, communities and shareholders. In a nutshell, Morita's management philosophy was: "Seek profits ahead of market share, increase dividends to share holders and treat employees more humanely". Morita brought about certain softness in the approach of the company, from a manufacture-oriented mentality to a consumer-oriented disposition by developing products with higher added value and longer life, rather than frequent model changes, contributing more to the community and environmental protection.

The Other Side of Akio Morita

Akio Morita, though a successful person and an illustrious leader, could not pay adequate attention to his personal life. According to Hideo Morita, Akio's eldest son and the current head of the family, his father was a consummate performer all his life. No one, foreign or Japanese, ever saw Akio unmasked. "He had an image of himself as the head of the Morita family, the 15th generation, and also as the president of one of the fastest-growing companies in Japan. He had to act—I'm sorry to use that word but I can't help it—as the most understanding international businessman in Japan. He tried very hard, and he worked and he studied hard to play that role. I admire that. But it was never real. He could never be good at any of those roles, including that of a husband, including that of a father". Akio Morita was raised in a traditional Japanese family. At home he was himself a stricter traditionalist than his own father. The polite Japanese word for wife—*oku-sama*—means, literally, "the personage at the rear of the house". Morita expected Yoshiko, his own wife, to come forward, when he needed her to manage their social life, and to remain in the background, where he was certain she belonged to other times. Hideo Morita said, "What he said was his decision".

Morita was, sometimes, accused of moving too fast, of being impatient. To convey the same to him, his New York office staff presented him a red firemen's helmet as a present, because they said, he was always in such a hurry. Morita, sometimes had a tendency of applying the invisible sixth sense against visible logic, to people and products.

However, Akio Morita is counted among the top leaders in the world today for the quality of his dynamic and innovative leadership. Undoubtedly, he was the man behind the electronics giant Sony Corp., that employs 173,000 people worldwide with 25,299 of those in the US. Apart from the business, the role that he played in bringing the two hostile countries (Japan and America) closer is unforgettable. Thomas S Foley (US Ambassador to Japan) said, "Akio Morita was a great friend of the US-Japan relationship. The post-war years which saw our two nations' bonds become closer and closer, were enhanced by innovative, visionary business leaders such as Morita". 🇺🇸

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