

**Akio Morita:
The Sony Way**

Akio Morita was president of the Sony Corporation, Tokyo, Japan, when he addressed The Economic Club of Chicago on Feb. 17, 1972 on management style.



“A few years after we built up our company we found if we depended only on the Japanese Market, perhaps someday, the Japanese economy will slow down or will experience recession, because at the time, the Japanese economy was very unstable. Since we thought we need more security, it is better for us to have a wider market to find our customers so that customers can buy all of our output. That is why we decided to go into the world-wide market.

“At the time, nobody believed Japanese products could be exported. In 1953, the first time I came to this country, I was so astonished at the huge scale of American industry, and advanced technology you had. I thought it would be almost impossible to sell products to this country. I got the same impression in Europe. But I thought if we have unique products with unique technology, probably we can find some customers. That’s why we tried to develop another new product which can be sold in the whole world...

“In 1953 we signed a patent license agreement with Western Electric. We became the first manufacturer of transistors in Japan. At that time, some people of Western Electric recommended to us to make hearing aids with transistors, because it was said at that time that transistors could not be used for a radio. We thought a hearing aid was not a good item to go into the whole world market with. We thought we should develop some new transistor which could be used for a radio. We tried to be the first manufacturer of a transistor radio, but unfortunately, some American company released transistor

radios to the market prior to our transistor radios, but I can say that SONY is the oldest transistor radio manufacturer in the world.

“However, the basic difficulty I found during my visit to this country was our company name. Our original company name was Tokoy Tsushin Kogyo, that means Tokyo Telecommunication Engineering. But I found no American who could pronounce our company name right. With such a difficult name, I did not think we could make any business in this country. That’s why Mr. Ibuka, our chairman and co-founder of our company, and myself were sitting together many days, trying to think out a new name. We made basic rules for adopting our new name. Firstly, name must be international. Secondly, name must be simple, short, easy to remember. Thirdly, name must be pronounced with the same sound all over the world. Finally, we found some Latin word, ‘sonus,’ which means sound, and also English word, ‘sonny,’ used as ‘sonny boy,’ for a cute boy. We thought we were a group of sonny boys handling the sonus products.

“At last we came up with SONY...

“Since I started my American operation 10 years ago, I found there were many differences in the concepts of management or employment between our two countries. The first thing I learned and I was very pleased with was, in this country, management has a right to let employees go. In Japan, we cannot do that. Once we hire our employees, we must keep them until their retirement age, usually that is 55 years old. So we do not have flexibility. But in this country, we can fire a person if we find he is not good enough. So as management I was very pleased and I found this was very rational as a business organization.

“But later, I was very much shocked. One day the man who worked with me for a long time and to whom I thought I gave good training in our company wanted to leave our company. Then later, I found out he joined our competitor. I was very much shocked because such a thing will not

happen in Japan. I thought I spent a great deal of money and effort to educate our competitor's employee, which is very dangerous. But I found in this country, both management and employees have rights to choose their boss or his employees; both sides have rights to do so...

"In this country, whenever I say our retirement age is 55, everybody is surprised, because 55 seems too young. But personnel who do not become executives must leave at the age of 55, because we think at 55 years of age, he still has flexibility to adjust himself after changing his business. It is difficult to understand that, in the United States, usually you have a retirement age of 65 among executives. In Japan, we don't have any retirement age for executives, because an executive is a person who has been promoted from the very lower level and is the one whom the company judged to have unique ability. It is dangerous and it is not good for the company to lose such a capable man, only because of his age...

"In Japanese companies, employees at each level exert efforts to formulate a plan or idea for the company, and then, propose to the senior, or superior, or the top management. In doing so, that man gets in direct contact with many people in the company for consultation and understanding of his colleagues and his higher authorities...So, young people formulate always ideas and study hard to propose to the top, and the top will judge from...experiences.

"The same thing happens at the executive level... Some top executives may sometimes be old, but we have young executives as well, and the young executives formulate their group opinion and then the top man will make the final decision from his experiences. So, when you meet some top Japanese executive, he may not seem to have good knowledge of his company, but if he has good experiences and broader knowledge, he has a capability to make a judgement on the proposal from the younger people. That's the way for the Japanese executives. In Japanese companies, one man does not make decisions. Always, top management

make a group decision, because it is safer.

"On the other hand, in American companies I found a brilliant and bright top management has a very strong leadership and strong authority. It he makes a right decision, that's all right. But if he makes one mistake, that destroys the whole company...

"In American companies, sometimes as top management changes, the whole corporate philosophy changes, because the philosophy of the company is controlled by one individual. Whereas in Japan, nobody has his own philosophy so that company philosophy is formulated in a long range view. Even if one of two executives retire or leave a company, the company philosophy will remain as it is...

"I think this is a good advantage of the Japanese system. Without having the right to fire our employees, Japanese companies have another advantage to formulate long range plans and create family feeling, and also even a labor union is a company unit. Therefore, even the labor union knows its interest and company interests are one in the same. Of course, we have many negotiations with the labor union, but if the company goes bankrupt, they know they will lose everything. So even if we have an argument with the union, we can compromise on certain points to make good decisions from a long range point of view. That is the Japanese system."