

MADE IN JAPAN

Akio Morita and SONY

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On May 7, 1946, a new company was formed in Tokyo called Tokyo Tsushin Kogyo or Tokyo Telecommunications Engineering Corporation. Today, that company, renamed as Sony Corporation, is one of the world's most successful consumer electronics company, but at the time of establishment, the company's prospects seemed far from certain.

The founders of the company were Masaru Ibuka, a 38-year old electronics designer, and Akio Morita, then 25-years old with a background in physics. The new company's first offices were on the third floor of a bombed out department store in downtown Tokyo.

(The Second World War with Japan ended with Japan's surrender on August 15, 1945, following the dropping of an atomic bomb on Hiroshima on August 6, 1945. The devastation of Tokyo at that time was extensive, with an estimated 46-percent of the population having had their houses and factories destroyed).

The new employees of Tokyo Telecommunications sat around for weeks debating what to do to make some money to survive. Since food was in short supply, they decided to develop a rice cooker which used the electrical connectivity of wet rice to good effect. Once the rice was cooked, it would no longer be moist, and the electrical circuit would be broken. Despite building several prototypes, the product was never perfected and never released onto the market.

Ibuka, however, came up with a better idea. He developed a short-wave adapter that could be fitted to AM radio receivers enabling the listener to hear the short-wave radio broadcasts. In post-war Japan, the product was very popular, and the company was soon selling a good volume of adapters. The company also manufactured and sold replacement parts for phonographs, small heating pads and a variety of other products.

The objective, however, was always to get into the manufacture of high-tech equipment. Therefore, when the Japan Broadcasting Company put out a tender for audio mixing units and studio broadcasting equipment, Ibuka submitted a bid which was ultimately accepted because Ibuka had a close friend who was in charge of engineering reconstruction at Japan Broadcasting.

When Ibuka was delivering the mixing unit to Japan Broadcasting, he saw a tape recorder machine manufactured by Ampex and using magnetic tape manufactured by Minnesota Mining and Manufacturing Company, 3M. He arranged for an American officer to bring the tape recorder over to his factory, to demonstrate it to his workers. Everyone liked the idea of going into manufacturing tape recorders except the company accountant. Eventually, though, even the company accountant signed on to the idea.

The only problem, though, was the fact the company knew nothing about how to manufacture magnetic tape. Ibuka, Morita and a young engineer Nobutoshi Kihara set about learning how to make magnetic tape. Their first idea was to use coated cellophane, but the material stretched too easily distorting the sound. They also tried using craft paper as the base onto which the magnetic coating was applied. That was partially successful, but once they were able to source some better plastic material, they were then able to start producing magnetic tape of consistent quality and durability.

Finally, in 1950, the company released it's first tape recorder -- a big, boxy machine weighing 35 kg (approx. 75 pounds) priced at 170,000 yen (about US\$470). The machine worked well, but nobody knew what a tape recorder was or what they could do with one.

"I then realized that having a unique technology and being able to make unique products are not enough to keep a business going. You have to sell the products, and to do that you have to show the potential buyer the real value of what you are selling. I was struck with the realization that I was going to have to be the merchandiser of our small company. We were fortunate in having a genius like Ibuka who could concentrate totally on innovative product design and production while I learn the merchandising end of the business."

– Akio Morita

To sell the tape recorders, Morita started looking for specific applications. He demonstrated a machine to the Japan Supreme Court, and they immediately bought 20 units since stenographers were in extremely short supply. A smaller, sturdier unit was also developed for schools so they could add Japanese soundtracks onto the 16mm educational films being used. Gradually, sales volumes started to build.

Around this time, the company also got caught up in its first patent dispute. The new tape recorders were built using an AC bias recording system which had been developed and patented in Japan by Dr. Kenzo Nagai of Anritsu Electric, a subsidiary of Nippon Electric Company (NEC). Ibuka and Morita bought half-ownership of the patent in 1949, and discovered that Dr. Nagai had applied for a U.S. patent on the technology in 1941, but with the outbreak of the war, this patent application had never been processed. When the Balcom Trading Company of Tokyo imported some tape machines from the U.S. using the AC bias recording system, Sony took them to court for patent infringement and won after a 3-year court battle.

By 1952, the tape recorder market was starting to consolidate, and Ibuka decided to go to the U.S. to see for himself what uses of tape recorders were catching on, and to learn more about manufacturing magnetic tape. The trip was only partially successful -- most manufacturers refused to allow visitors into their plants. But it was hugely successful in another way -- while in the U.S., Ibuka visited William Shockley at Bell Laboratories where the transistor had just been developed. Ibuka was told a license for the transistor might soon be available, and he returned to Japan full of ideas about how to organize his entire company to take advantage of this new technology. Sony, by this time, had 120 employees including about 40 graduate engineers.

A licensing agreement for the transistor was signed in 1953 in New York by Morita on behalf of the company. A licensing fee of \$25,000 was paid, and Morita went on to tour the United States and Europe looking for new ideas for the company. Ibuka, meanwhile, worked on developing high-frequency transistors which could ultimately be used to produce a compact, transistor radio. The company's goal was to produce a radio small enough to fit into someone's pocket -- something that would never have been possible without transistors.

Around this time, Ibuka and Morita also decided they wanted to develop a new company name which could also double as a brand name. The company's current name in Japanese was Tokyo Tsushin Kogyo Kabushiki Kaisha -- a real mouthful. Since the English translation -- Tokyo Telecommunications

