A Brief Analysis on the Internationalization of SONY

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Abstract: SONY is a well-known Japanese multinational enterprise, which still own large number of fans and the huge influence in the whole world. It is necessary to study the international development of such a great company. Based on exist profile and literature, this firstly introduces the general situation of the company and the process of internationalization experience. Then we introduce SONY's strategy, and we also analyse its strategies from the pros and cons. Finally, made some suggestions based on our analysis. Overall, we hope this study could help people better understand the international way of a company.

1. SONY's Introduction and Its Internationalization

1.1. Introduction

SONY Corporation is a Japanese multinational conglomerate corporation headquartered in Tokyo. The company operates as one of the world's largest manufacturers of consumer and professional electronic products, the largest video game console company, the second largest video game publisher, the second largest record company, as well as one of the most comprehensive media companies.

1.2. History of SONY's Internationalization

In 1946, Tokyo Tsushin Kogyo K.K. (Tokyo Telecommunications Engineering Corporation, the predecessor of SONY) started as a small company with capital of just 190,000 yen and approximately 20 employees.

For the cause of SONY's internationalization is also quite interesting, this comes from a trip of the founder, Akio Morita. When Morita visited the United States for the first time in 1953, he felt overwhelmed. The cars, the wide roads, the long distances, the buildings soaring into the sky, the high-speed Development of the American economy suffocated him. Later, when he visited Philips in the Netherlands, he was surprised to find that the headquarters of this world-renowned conglomerate was actually located in the ancient town of Eindhoven. Philips inspired him: it didn't matter where the company was located; it was crucial to build an internationally recognized brand [1].

Table 1: Acquisition & merger cases

Business type	Year	Events
Music	1998	Columbia Records (Acquisition)
	2004	SONY BMG (Merge)
	2012	EMI Music (Acquisition)
	2015	ATV Music (Acquisition)
Movie	1989	Columbia Pictures (Acquisition)
	2005	MGM Pictures (Acquisition)

As a result, SONY quickly began its international business strategy. First, by setting up branches in different countries, SONY explore the international market. In the 1960s and 1970s, it set up branches in the United States, Hong Kong and European countries, as shown in Table 1.

Secondly and in the 1980s, SONY has established SONY Music Entertainment (Hong Kong) to develop the Greater China market; In the United States, SONY Set up a joint venture with The Prudential Insurance Company to establish SONY Prudential Life Insurance Co. Ltd. It acquired the recording division of CBS in the United States, renamed CBS/SONY as SONY Music, and acquired the Columbia Three-star Film Company in the United States, entering the Hollywood market. During this period, SONY's international strategy has undergone a significant shift, and it is no longer just focused on the sale of the original products.

Later, SONY's strategy was to deepen its existing markets and expand into new business areas at the same time. The famous cases are that in October 2001, SONY and Sweden Ericsson set up a 50% joint venture to establish SONY Ericsson Mobile Communication Company, and in December 2004, SONY Pictures Entertainment acquired MGM, becoming the world's largest film studio [2]. In addition to cooperation and acquisitions, SONY in the early 2000s also vigorously developed new technologies and held various events to showcase SONY's corporate culture and social responsibility, as shown in Figure 1.
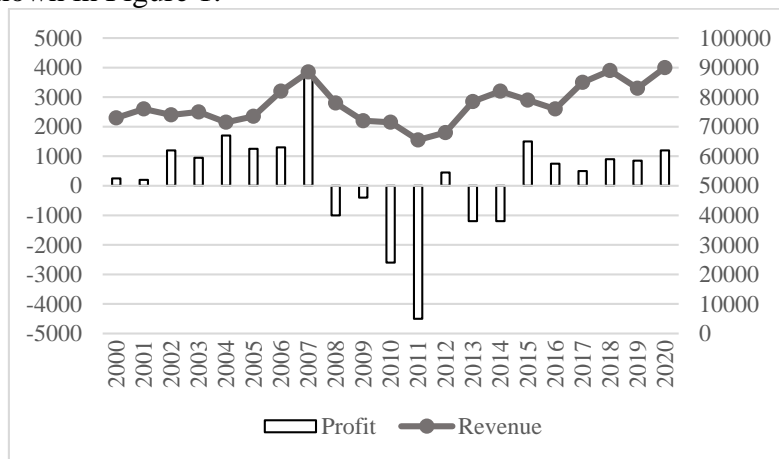

Figure 1: SONY's revenue and income during 2000~2020

SONY's internationalization development is in line with the theories related to the development of multinational companies. For example, in the early stage of international operation, SONY explored overseas markets and sold its products by setting up overseas branches. Later, SONY began to adopt various forms of equity investment or non-equity investment to carry out FDI in order to achieve the purpose of increasing enterprise's value and advantages. And then, with the development of SONY's strength, it began to form transnational strategic alliances and set industry standards [3]. It fully shows the development course of a transnational corporation.

2. The Strategy of SONY and Its Analysis

2.1. The Founding Prospectus

Founder Masaru Ibuka drew up the Founding Prospectus of Tokyo Telecommunications Engineering Corporation in January 1946. It is still handed down as the origin of SONY. So, when learning SONY's strategy, we must first understand the Founding Prospectus.

For instance, the purpose of incorporation [4], as shown in Table 2:

Table 2: The purpose of incorporation

Number	Details of the purposes
No.1	To establish an ideal factory that stresses a spirit of freedom and open-mindedness, and where engineers with sincere motivation can exercise their technological skills to the highest level.
No.2	To reconstruct Japan and to elevate the nation's culture through dynamic technological and manufacturing activities.
No.3	To promptly apply highly advanced technologies which were developed in various sectors during the war to common households.
No.4	To rapidly commercialize superior technological findings in universities and research institutions that are worthy of application in common households.
No.5	To bring radio communications and similar devices into common households and to promote the use of home electric appliances.
No.6	To actively participate in the reconstruction of war-damaged communications network by providing needed technology.
No.7	To produce high-quality radios and to provide radio services that are appropriate for the coming new era.
No.8	To promote the education of science among the general public.

Undoubtedly, brand commitment is one of the most important strategies. SONY interprets a brand commitment as a guarantee that SONY will provide a product or service to its customers. There are three main features of this commitment. First, to promise the best to consumers; Second, to reflect the quality of SONY's guarantee; Finally, to the connotation of the company and the prospect of interpretation.

2.2. Brand Globalization Strategy: Global Localization

In the 1980s, when the business world called for a "global, local" strategy of brand globalization, SONY began to promote the concept of brand globalization: "global localization" and carried out a "global localization" reform of the corporate structure within the group. The company introduced the concept of strategic business units and brought the overseas independent business units under the control of the parent company.

By "global", SONY means that the company's philosophy, key core technologies and strategies should be the same and shared in all markets around the world, based on the global strategy and coordinated on this strategy. In addition to managing Japanese companies, the Tokyo headquarters of the company supervises global operations, enabling each region and headquarters to learn from each other and share resources to achieve global cooperation [5]. At the same time, Japan as research and development and production technology research and development of the primary center.

The so-called "localization" means that the power of marketing, advertising, promotion and product execution should be basically given to local companies so as to better adapt to the needs of the local market more quickly. The first meaning of localization strategy is to achieve localization in operation, that is, to carry out localization in market research, product research and development, raw material procurement, production, distribution and sales. In this way, SONY is required to set up a headquarters in each region of the world, and the parent company authorizes these operational headquarters to make decisions related to production, sales, logistics, technology, and financing, to improve operational efficiency and meet consumer demand in the region. The second meaning of localization is to realize the localization of management talents for overseas companies. Localization of talents is mainly due to the unbearable cost pressure of employees sent abroad in the early stage of internationalization, and the employees sent are not as familiar with the local market as the locals, as shown in Figure 2,3.
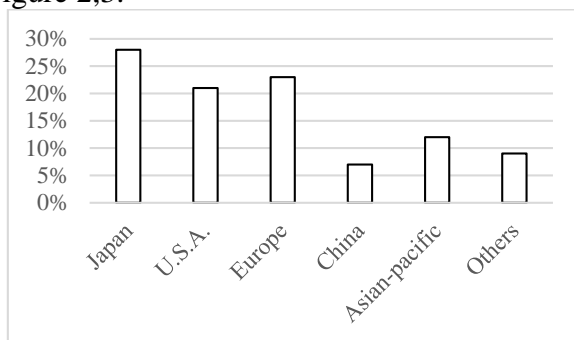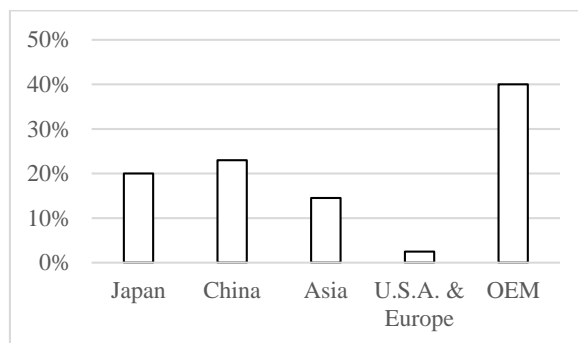

Figure 2: Main markets during 2010s

Figure 3: Independent production and OEM

2.3. The Performance Doctrine

The so-called performance management refers to the continuous cycle of performance planning, performance coaching and communication, performance appraisal, application of performance results and improvement of performance goals that managers and employees at all levels participate in to achieve organizational goals.

After the mid-1990s, SONY introduced American-style expressionism. Transforming the original divisional system into corporate system is equivalent to transforming SONY's business units into individual companies [6]. The head office is responsible for new business investment and overall coordination, while the head of each business department is responsible for the balance sheet and income statement of the assets. Meanwhile, the "performance pay" system has been introduced. Assigns responsibility, authority, and resources to various departments through performance management. The company carries out performance appraisal on employees, and combines the appraisal result with the bonus and promotion of employees. SONY's performance

management move was a big change at the time, and it did lay a solid foundation for the establishment of the SONY empire. It has greatly stimulated the enthusiasm and initiative of SONY's various business units, encouraging them to assume all operational responsibilities and allowing SONY to continue to lead in the electronics industry.

At the same time, SONY has formed a unique 5P performance appraisal system by combining performance management with the actual situation of the company according to the previous problems in corporate management. Personnel, past, present, position and potential correspond to these five P's respectively.

3. The Positive and Negative Elements of SONY's Strategy

3.1. The Positive Elements

3.1.1. Good image of SONY's Brand

Cores of SONY brand image building [7]: (1) Let consumers know that SONY's products are the most fashionable, the most innovative and the most attractive;(2) Let consumers feel an excellent quality after using SONY's products and fully recognize SONY emotionally;(3) With unique product features, it is different from other brands, which is what SONY's consumers should be committed to;(4) Provide pleasant, timely, and considerate service. So, through the brand commitment, consumers naturally gravitate toward the SONY brand. Moreover, SONY pays attention to the fulfillment of its brand promise, which must be premised on the ability to fulfill its promise. It has strengthened consumers' trust in the SONY brand.

According to the reaction of consumers in the market, even though SONY's advantage in the field of consumer electronics has been greatly reduced, thanks to the accumulation of brand image over the past decades, many SONY fans can still be seen on the Internet platform in China. It can be said that these loyal brand fans are very important intangible assets for an enterprise.

b. Successful International Markets

Because SONY has established the brand globalization strategy and the management global localization strategy early, SONY's internationalization operation is very successful [8]. First, the globalization of a brand is not just about changing a more memorable name. In addition to providing high-quality, high-end and high-price products, R&D laboratories are set up in major consumer markets such as the United States, China, Europe and India to provide products more in line with the needs of local consumers. Secondly, globalization and localization of management can more effectively open and integrate into the local market. As is known to all, Japanese enterprises tend to hire domestic or even internal promoted managers. However, the ratio of external and foreign managers in SONY is higher than that in other Japanese enterprises, which is conducive to breaking through the limitations caused by local cultural thinking. As a result, when people consume the products of good international companies, including SONY's, they tend to care more about the products themselves than where they come from, or their products rarely reflect the characteristics of their home countries.

3.1.2. Encourage Employees to Innovate

"To establish an ideal factory that stresses a spirit of freedom and open-mindedness, and where engineers with sincere motivation can exercise their technological skills to the highest level." [9]As said, this culture, which encourages employees to innovate, has allowed SONY to produce many of the most innovative products of the time.

At the same time, with SONY using good performance management to evaluate its employees, seniority became less important. SONY focuses on the actual performance management system performance of employees as the main object of evaluation, focusing on the performance of employees in SONY Company. Such meritorious measures also let SONY get rid of the shackles of traditional assessment, attracting many truly talented employees, and became the impetus for SONY's development.

3.2. The Negative Elements

3.2.1. Bloated Product System

With the rapid development of electronic products, a group of emerging enterprises such as Microsoft, Intel and Apple have risen rapidly through flexible management and organizational models and become the makers of industry rules. SONY's pursuit of perfection and advance layout thinking, in this complex, fast, changing business society has been a great impact. At the same time, SONY's huge size, unwieldy structure, complex business categories, and lagging technology and product development distracted its energy and resources, gradually eroding its market share to competitors.

3.2.2. Numerous Branches

Because SONY is a large multinational company and creatively proposes a global localization operation strategy, in order to ensure its smooth operation on a global scale, SONY has branches all over the world. At the same time, SONY has also set up many research and development centers around the world. For example, there are two R&D centers each in the United States, China and India, and a total of five in Europe. However, for the following two reasons, there may be problems for SONY [10].

First, for SONY, which does not have outstanding benefits at present, the establishment of two or more R&D centers in the same market may lead to the increase of the total operating cost and the insufficient R&D depth caused by the disconcentration of R&D resources. Secondly, in today's highly developed communication and transportation, material and information exchanges around the world are increasingly close, and people's consumer demand preferences may depend more on income level than traditional geographical culture. For example, the demand of the US and European markets may be highly similar, and even the demand of the Chinese and Japanese markets in East Asia is not very different from that of the US and Europe. As a result, too many research and development institutions will reduce SONY's research and development efficiency.

3.2.3. Excessive Performance Management

After focusing too much on performance management, the "passion team" is slowly dying out. The genuine passion of employees has been gradually replaced by the promotion and money brought by the performance appraisal system. Similarly, the performance management appraisal system also makes SONY's employees lose the spirit of challenge, and each department becomes more focused on immediate interests in order to evaluate the performance. Any long-term challenge or innovation can affect performance appraisal, so employees in all departments become conservative.

4. The Suggestion for SONY Based on Personal Analysis

4.1. Optimize Product Lines

The consumer electronics market is the most important product market for SONY. Its products are mainly focused on the game console, camera, audio, TV and mobile phone markets. Apart from a small share of the television and mobile market, the remaining three sectors are still sizeable. But all of these products are already mature products, even sunset products. It can be assumed that in the absence of market monopolies, returns from these markets will decline gradually. Also, SONY's product line is too complex, as mentioned above.

First, therefore, SONY should actively keep up with consumers' new preferences and design a simple product line and product name like Apple or other electronics companies, rather than sticking with the big, comprehensive product line of the past. Second, SONY's products tend to be priced at the high end of the market, so it may be able to try to expand its market share by introducing more affordable products.

4.2. Keep up with Consumer Demand

There are two problems in SONY's ability to adapt to the transformation. On the one hand, due to its lack of understanding of the technological direction of The Times, although it was exposed to digital technology in the 1990s, it failed to lead the trend as before. For example, one does not see its strategic decisions about new technological directions in the digital economy, and then comes up with new concepts that can move into the future, just as Apple did, by making revolutionary innovations to form its own business system. As a result, it is impossible for SONY to maintain its initiative and leading position during the period of economic transformation.

Accordingly, strengthening technological innovation is an important measure for SONY to reverse the passive situation in the future. Most of SONY's product lines have been around for more than a decade, making it difficult to attract new buyers.

4.3. The Improvement of Performance Management

For the problems of performance management, there are some Suggestions. a. Because SONY only focuses on the results of performance, its employees are afraid to try and challenge some innovative things. The benefits of a long-term development plan should also be taken into account in the performance review. Only when multiple dimensions are evaluated comprehensively, can the company develop comprehensively. b. Successful enterprises should pay attention to the unity of performance management and corporate culture. When a company achieves better performance, it is not only because of hard indicators of performance management, but more because of good corporate culture. c. The excessive pursuit of performance by employees of SONY destroys the spirit of cooperation between teams. Real performance management is not only about performance, but also about employees' working attitude and quality. Only through comprehensive comparison and evaluation can the company get the best employees.

4.4. New Corporate Culture and Structure

SONY may never be short of innovation, what it lacks is commercialization of innovation. That is largely because of SONY's closed, old-fashioned approach and corporate culture. In order to solve this phenomenon in corporate culture, SONY can try to establish a reasonable new vertical management structure. This structure can span all business units in all countries, coordinate the

various product companies within the enterprise with a higher perspective, and do top-level design. In this way, the headquarters' ideas about reform may be better implemented in its global branches.

4.5. Relocate the Factory and Use the OEM

It is a common business model for The Japanese electronics industry to lay out the industrial chain and carry out OEM production on a global scale. Hitachi, for example, has outsourced all of its operations to overseas contract manufacturers. SONY now outsources 40 percent of its production. It is reasonable to believe that if, with the adjustment of its product structure, SONY adopts the mode of overseas factory establishment or OEM for non-core business and products with relatively low profitability, it is likely to further reduce production costs and increase profits.

In conclusion, the logic of these proposals is to use innovative and flexible thinking methods to adjust the existing products and business structure to meet the new needs of the market, while reducing costs, improving efficiency, and achieving the purpose of increasing returns.

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