

Sony's no-baloney boss

Akio Morita talks about trade, competitiveness—and his biggest flub

Below a burned-out department store 40 years ago, Akio Morita, 25, and Masaru Ibuka, 38, set out to make Japan's first tape recorders. Even basic materials were unavailable. For the tape, Morita scrounged thin kraft paper, which they cut with razor blades into narrow strips. For the magnetic coating, they melted oxalic-ferrite powder in a skillet to create ferric oxide, and painted it onto the paper strips. The tapes were terrible, but worked. The company that emerged was Sony.

This is no ordinary company; Chairman Morita no ordinary executive. Sony, with \$8 billion a year in sales now, broke the dominance of Toshiba and Matsushita by being first to sell consumers new products, beginning with that tape recorder and extending to the Walkman. A born maverick, sometimes accused by his countrymen of grandstanding, Morita is one of the few colorful personalities to emerge from the cookie-cutter ranks of Japanese business. New York is as much his home today as Tokyo. In excited, fractured English, he hobnobs with fellow chief executives and maintains a computerized telephone directory of 6,000 worldly movers and shakers he can call friend—a circle ranging from Henry Kissinger to the Berlin Philharmonic's Herbert von Karajan.

But wherever Morita goes these days, everyone wants to talk about trade. With the U.S. this year, it will tilt perhaps \$58 billion in Japan's favor, creating a political sore that politicians on both sides of the Pacific love to scratch. That's not Morita's style, yet his assessment of U.S. industry offers little comfort.

Why bash Japan, he asks Americans, when you bear blame as well? "More than 10 years ago, I helped General Motors buy a 38 percent interest in Isuzu. I assumed GM would use Isuzu and its dealers to sell GM cars in Japan." Instead, of course, GM imports Isuzu cars to sell in America. Then there's Lee Iacocca. "I read his book, and he said the Japanese are unfair in trade. But he's asking the Japanese government to increase Chrysler's quota of cars to import from Japan."

Another case in point: Sony needs American-made Mylar to manufacture recording tapes at its Dothan, Ala., plant. "Mylar was invented by Du Pont, but Du Pont's Mylar is not good enough. So we bring Japanese Mylar, made under Du Pont's license, all the way to Alabama." When Du Pont Chairman Richard Heckert learned this from Morita, Du Pont's man agreed to produce "Made in U.S.A." Mylar meeting Sony's standards.

Morita's simple, perhaps simplistic solution to America's trade woes flows from the Mylar tale: Produce real things well. "Right now in this country, service industries are booming. But if America goes to services and forgets production industries, you must not complain

about imbalance of trade, because you are not producing." Producing real things well, Morita adds, appears unimportant to many U.S. business executives. "They are moving to the 'money game'—buy a company, sell a company, take over a company. If you continue this, American industry will completely deteriorate."

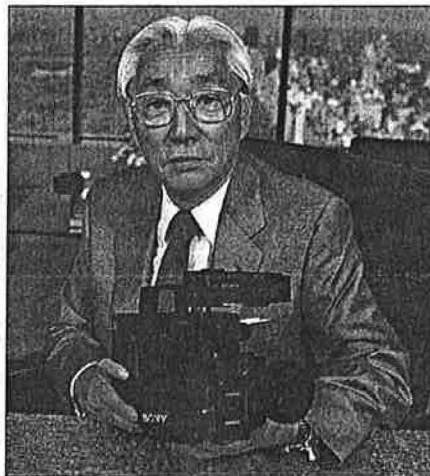
Feeding this process, says Morita, is the floating-rate system for trading currencies that has been in effect since 1971. "It's good for financial people—a currency can go either up or down in international markets, and they still make money. But for industry the system is wrong." To illustrate: Sony America, the U.S. affiliate, has increased sales by roughly 25 percent so far in 1986. But the dollar has weakened 26 percent against the yen in the past year. So when dollars are converted to yen on Sony's books, American sales are flat, at best. "Which figure is true?

Actually, nobody knows. With floating rates, no management can make a prediction." In such circumstances, Morita says, managers become nearsighted.

No one accuses Sony of that. If anything, it's too patient. Asked to name his worst business error, Morita hems, haws and finally replies: Beta. "Mainly, that was our mistake." Sony pioneered the video-cassette recorder with the Beta format, only to see it overwhelmed by competing VHS products. Why not admit defeat and make VHS sets? Morita replies that Beta's superior sound and picture will always appeal to people who demand quality. His analogy: "Most people use ordinary cameras. But some want a Hasselblad or a Nikon." In other words, Beta stays. Hedging bets, however, Sony pushes its new 8-millimeter format, whose success is anything but assured.

Morita feels comfortable taking the long view. He speaks of 20-year product cycles in consumer electronics, which is what it took to go from monaural long-playing record to stereo record to compact-disc player. Soon, cassette-tape systems that use digital rather than analog signals will appear, matching the quality of compact discs and starting a new cycle in tapes. "If we have a good product, we can keep producing. The Walkman always changes, but basic parts stay the same."

When Morita first came to the U.S. in 1953, desperate to sell Sony's transistor radios, the words "Made in Japan" were a joke. They're now the title of his new autobiography. Obviously, much has changed. "Now you say we have better productivity and better quality. But we learned it from you. If American industry decides to rebuild its competitiveness, it's easy. You already have a base."



SCOTT HOOD—USMWA

“Buy a company, take over a company. If you continue, American industry will deteriorate”

by Fred Frailey with Mary Lord

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