THE TASK AHEAD

New Man at Top Crossing Oceans to Confront Internal Borders

Sir Howard Stringer, chairman and chief executive, with Sony executives, who will help him try to untie technological and bureaucratic knots at the company.

By SAUL HANSELL
Published: March 8, 2005

The Sony PlayStation Portable, a hand-held player for videogames, movies and music, was an instant hit in Japan. And it is expected to be a best seller immediately after its American release on March 24. But for all its current and future success, the PSP as it is known, is emblematic of the challenges that Sir Howard Stringer will face as he becomes Sony's chairman and chief executive.

Although the PSP has a remarkably sharp, vibrant display, the screen is not made by Sony - once a technological leader in video screens - but by its Japanese competitor Sharp, the new global leader in liquid-crystal displays.

And despite the PSP's wireless communications links and digital music abilities, the first American version will not be able to download songs easily from Sony's online music

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Sir Howard Stringer with Sony's president, Ryoji Chubachi, right, and the departing chief, Nobuyuki Idei, who was often frustrated.

store, Sony Connect. That is because executives at Sony's game and music divisions, acting more like rivals than corporate colleagues, are still wrangling over the business terms.

Such are the bureaucratic and technical knots that are now Sir Howard's to untangle. In his first news conference since being named the first Westerner to take the top job at Sony, Sir Howard did not detail specific strategies, but he emphasized breaking down internal divisions - to "accelerate cross-company collaboration, thereby revitalizing the company and promoting creativity." Some skeptics wonder if Sir Howard's reputation for diplomacy and building consensus can compensate for his lack of expertise in technology and electronics. And they wonder how well his leadership will be accepted by the other top executives, given that he speaks no Japanese and intends to continue spending much of his time at his homes in New York and Oxfordshire, England, rather than Tokyo, where the company has its world headquarters.

At the news conference, Sir Howard dismissed these concerns, saying that he was in constant contact with Sony executives around the world and that his skill was bringing out the best in others.

"I don't live in Hollywood, but I'm responsible for movie making," he said. "I don't sing songs, and I'm responsible for a music company."

Sir Howard, a Welsh-born naturalized American citizen who has been running Sony's business in the United States for the last seven years, is credited with revitalizing the music and movie divisions, cutting costs and bringing in new management. Now he will need to do much the same with the far more entrenched organizational structure in Japan.

Sony's product divisions, run by powerful engineers, are so set in their ways that Nobuyuki Idei, who rose through the marketing side of the business and is resigning after 10 years of running the company, has often expressed frustration that Sony's management would not do his bidding.

Sir Howard, in a provocative speech to Sony's managers in Japan in January, complained that the company's divisions were spending more time competing with one another than responding to threats from rivals in Silicon Valley, South Korea and China. While Sir Howard is charismatic and has worked at building relationships with Sony's Japanese leaders, it remains to be seen whether he can shake up the corporate culture or merely buck tradition. People in the United States headquarters in Manhattan note that he has been seen riding the elevator listening to music not on a Sony device, but an Apple iPod - a visible, if unstated rebuke to the technologists who fell behind the curve in downloadable music by concentrating on various proprietary Sony formats for storing and playing music.
Such flourishes might not endear Sir Howard to Sony's engineers in Japan, who have traditionally looked at foreigners as salesmen for their products, not as executives to be entrusted with power over product design.

So far, Sir Howard has had limited involvement in Sony's technology business. He has served on the corporate board, and his job as chief executive of the Sony Corporation of America includes supervision of electronics marketing operation in the United States.

But at the direction of Kunitake Ando, Sony's president who announced his resignation yesterday, Sony moved its United States electronics headquarters from New Jersey to San Diego last year, a decision that American executives concluded was, in part, intended to keep it further from Sir Howard.

In the last two years, however, Sir Howard has actively tried to revive Sony's portable music player business as Apple's iPod came to dominate the market - a distinct embarrassment for the company that invented the Sony Walkman in 1979.

Even when Sony did adopt hard-drive players similar to the iPod, they did not easily play MP3 files, the most common format for digital music. Sony promoted its own Atrac format, which appealed to its engineers - and to Sony Music executives fearful of piracy through MP3-swapping services like Kazaa - but not to consumers.

Sir Howard pushed Sony Music's piracy fear aside and helped persuade the electronics division in Tokyo to introduce flash-memory and hard-drive players that do play MP3 files. And he created a new organizational structure meant to coordinate player design and Sony's online music service. This unit is run jointly by Phil Wiser, the chief technical officer of the Sony Corporation of America, and Koichiro Tsujino, a longtime engineer in Tokyo.

But this strategy has been slow to take off. For one thing, Sony's player costs $349, or $50 more than the iPod with the same storage capacity. And to the exasperation of many inside Sony and many of its retailers, Sony does not support Microsoft's Windows Media formats, which are used by a range of online music services like Napster and are currently incompatible with Sony's players. Sir Howard, according to those who work with him, has been trying to work out a deal with Microsoft, but has met resistance from Tokyo.

Nowhere may the perils of Sony's approach to proprietary technology be more glaring than in televisions. For the last decade, Sony has dominated the conventional television business with its Wega technology, an image-processing chip that produces superior images on picture tube screens, and equally superior profit margins. But as happens so often with the leaders of older generations of technology, Sony's managers were slow to try to shift from the Wega line to newer technologies.

And Sony's notoriously picky engineers debated new flat-panel technologies for years and ultimately rejected both plasma and L.C.D. technologies as inferior. Instead, they decided to develop a new generation of display screens based on light-emitting diodes, which are not yet ready for the market.

Only recently did Sony executives acknowledge their mistake and take the humbling step of joining forces to build a new L.C.D. television factory in Pangjung, South Korea, with Samsung, the Korean company that has been working hard to steal Sony's traditional mantle as the stylish technology leader.

The PlayStation and PSP are the brainchildren of Ken Kutaragi, an outspoken and iconoclastic Sony engineer who until yesterday was seen as the leading candidate to be Sony's next chief executive. With Sir Howard's promotion, Mr. Kutaragi will give up his
seat on the board and his oversight of the electronics and semiconductor businesses that were added to his portfolio two years ago.

In an interview last month, Mr. Kutaragi said that the PSP would let Sony restore a sense of "kin" - Japanese for "urgency" - which had been the company's hallmark in years past. The PSP, he said, would "revitalize Sony engineers and revitalize us over all."

Mr. Kutaragi said that the development of the chips that go into the PSP would help the company gear up for an even bigger challenge: designing the next generation of game machines around a new microprocessor, called the Cell Chip, that Sony is creating along with I.B.M. and Toshiba. Mr. Kutaragi had said that this chip would also be the basis for advanced television sets and other electronics products.

But Mr. Kutaragi, for all his successes, has been criticized as epitomizing the territorial culture that Sir Howard means to shake up. Even as he built the PlayStation unit into a powerful and profitable business, Mr. Kutaragi did so by keeping aloof from nearly every other part of Sony, and he has alienated many of his colleagues.

Five years ago, for example, he decided that the PSP would not incorporate Sony's budding Memory Stick format, instead using its own design for expanding the machine's memory. And under Mr. Kutaragi, the game division has refused to let the PlayStation be sold on the Sonystyle.com Internet retail site, so as not to alienate its traditional retail outlets.

Although Sony had long been interested in developing a portable game device to compete with Nintendo's hugely successful Gameboy series, development of the PSP began only about two years ago, when Mr. Kutaragi's engineers devised a small optical disk format that can hold game software as well as a full-length movie. Game publishers have long preferred using optical disks for their products, which Sony pioneered with the original PlayStation, rather than the cartridges used by the Gameboy, which are more expensive to manufacture.

By the time Mr. Kutaragi started building the PSP, he had also been given responsibility for the Sony Electronics unit. He used that position, as well as long experience at Sony, to pull in engineering talent and technology from 20 different Sony units.

The result of that rare cross-corporate collaboration has been a machine that has impressed nearly every reviewer with the sophistication of its graphics, its flexibility and its wireless abilities. And orders from distributors and retailers have been so strong that Sony has been plagued by shortages, although Mr. Kutaragi said he hoped soon to expand production to three million units a month at the PSP plant in Japan.

It is not clear, however, that the rest of Sony is geared to take advantage of the expected frenzy for the PSP. The music division remains at arm's length, while Sony Pictures so far plans to release only a few movies on the proprietary disk format.

Moreover, even though the PSP now uses the Memory Stick that has found its way into mobile phones and digital cameras from Sony and a few other companies, there is no current marketing plan to promote the PSP along with other Sony devices.

Perhaps more surprising, Sony Electronics is no longer selling music players that use Memory Stick. Such a device would let someone move songs between the PSP and a smaller player that would be easier to carry for on-the-go listening.

Mr. Kutaragi, in the interview before the recent management shifts, recalled that Sony's founder, Masaru Ibuka, "clearly stated that Sony would be a so-called paradise for
engineers who have aspiration, who have a technology, who have a dream."

But Mr. Kutaragi said that under Mr. Idei the company had strayed too far from its engineering roots. "We are losing our main strength," he said. "Technology should be our main focus."

Now it will be the job of Sir Howard, who is not an engineer, to see if he can lead the technologists in ways Mr. Idei himself acknowledged he could not.

In the reorganization, Mr. Kutaragi's responsibility for the electronics operation has been transferred to Ryoji Chubachi, who has been appointed Sony's president.

"My relationship with the electronic company will very much depend on the relationship I have with Dr. Chubachi," Sir Howard said yesterday in Tokyo.

When Mr. Kutaragi was removed from the board, so were six other Sony executives. At the news conference yesterday, Sir Howard explained that the board could not agree on which internal executives should remain on the board. That may leave the door open for Mr. Kutaragi, with whom Sir Howard said he had a good relationship.

"Kutaragi-san is very important to this company," Sir Howard said. "He is, after all, the epitome of convergence that we both talked about for a long, long time."

_Todd Zaun contributed reporting from Tokyo for this article._

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