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MEDIA REPORT

## Stringer faces cultural challenges First foreign-born Sony chief could meet resistance

By [David B. Wilkerson](#), MarketWatch  
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**SAN FRANCISCO (MarketWatch) – Howard Stringer showed considerable skill in turning around Sony's entertainment business, but industry observers say it may not be easy to fully implement change now that he has been named the company's first foreign-born chairman and chief executive.**

Initial resistance to a Westerner at Tokyo-based Sony could present a formidable roadblock for Stringer to make the transition from an entertainment executive to one that runs the world's largest consumer electronics company.

"I think that where he might face resistance culturally, is when he tries to lay off employees, do restructurings, et cetera," says Usha Haley, professor of management and international business at the University of New Haven.

"There will need to be some of that; there probably is a lot of slack in that company," Haley went on to say. "And the Japanese are promoted on loyalty. That is the basis for their advancement in the organization."

A number of managers at Sony probably resent the notion that a non-Japanese person is taking over the company, said Hal Vogel, president of Vogel Capital Mangement.

This resentment could be exacerbated, Vogel added, by the fact that Stringer will have to "knock heads" to force the company's engineers to come up with an answer to Apple Computer's ([AAPL: news, chart, profile](#)) iPod, which has dwarfed Sony's portable music platform.

## Former CBS exec

Stringer, who came to Sony ([SNE: news, chart, profile](#)) ([JP:6758: news, chart, profile](#)) in 1997 after a 30-year career at CBS Inc., will succeed Nobuyuki Idei, Sony said Monday. [See full story.](#)

Among the main tasks Stringer hopes to accomplish is to foster more consolidation between Sony's various business units, because they tend to remain in their own silos with their own objectives, says Tim Bjarin, president of research firm Creative Strategies.

Can Stringer, a lifelong media executive operating almost exclusively in the U.S., make the transition to oversee Sony's massive global consumer electronics operations? Sony built its name by making Walkmans and televisions that boasted better pictures and sound.

"Gee, think about it -- if your heart and soul and your whole career was defined by a paradigm of technology innovation and technology leadership, would you want to follow this guy?" Abigail Hubbard, assistant professor of management at the University of Houston, said in an e-mail response

"So, it looks cozy now at the top," Hubbard went on to say. "But I think the challenge will come from cultural shifts that must occur throughout the company, getting the mid-level, life-long employee, managers on board. Either way, this comes across as desperation management to some extent -- looking for a savior."

One thing working in Stringer's favor, says Haley, is that he has a reputation among Sony executives as someone who cultivates harmony. She notes that Ken Kutaragi, the company's chief operating officer and creator of the PlayStation game system, had been considered the favorite to succeed Idei.

"But he was far too outspoken, and created a lot of resistance within the company," Haley said. "And the Japanese have a proverb: 'The nail that sticks out is hammered in.' Mr. Stringer, it seems, did not stick out."

## Film turnaround

The Welsh-born Stringer, who currently serves as chairman of Sony Corp. of America, is given high marks for having turned around the company's entertainment division, which was reeling from sluggish results in both film and music when he arrived.

When Stringer took over Sony's U.S. operations in 1998, Sony Pictures was still climbing out of the \$3 billion hole it had crawled into during the tenure of ex-CEOs Peter Guber and Jon Peters in the early 1990s.

The division turned its first profit in 2001, and in 2002, it had a record year, boasting major successes with "Spider-Man," "Men In Black II," "Panic Room" and "Mr. Deeds."

"He seems to have developed a strategy to underwrite a portfolio of films in such a way that it minimizes the volatility,"

Vogel said. "And of course he's had tremendous success with the 'Spider-Man' franchise. They played that very well, because they were able to appeal to all the demographics that are important to a film."

"Spider-Man" took in more than \$821 million worldwide, and its 2004 sequel, "Spider-Man 2," picked up nearly \$785 million.

Last year, Sony led a consortium that agreed to acquire Metro-Goldwyn-Mayer ([MGM: news, chart, profile](#)) for \$4.8 billion. MGM owns one of the largest libraries of post-1948 films in the world, with well over 4,000 titles.

Harry DeMott, a partner at Bourgeon Capital in New York, thought the move was a shrewd one on Stringer's part.

"The truth of the matter is that, unless you own a [cable or satellite] pipe - which they don't - you'd better have very compelling content so you can make partnerships with people who are going to distribute the content," DeMott said.

## Music malaise

Sony Music suffered from the same industry-wide malaise that has affected its peers since the birth of Web-based file-sharing programs several years ago.

"Getting music fixed up was obviously important; that's been a terrible business for a lot of people for a long time," said DeMott.

In 2003, following the resignation of music veteran Tommy Mottola from the top spot at Sony Music, Stringer demonstrated a capacity for unconventional thinking. He chose Andrew Lack, then president of NBC, as Mottola's replacement.

DeMott said that it was probably a good idea to appoint someone with solid media experience, even if he didn't know the music business that well, because of the "baggage" many music executives carried with them in the wake of the industry's downturn.

Last year, he and Lack engineered a merger with the music operations of German media giant Bertelsmann AG ([DE:522994: news, chart, profile](#)) .

"BMG was stronger outside the U.S., and Sony was strong inside the U.S. So that was all very effective," Vogel said.

David B. Wilkerson is a reporter for MarketWatch in San Francisco. Reporter Rex Crum, also based in San Francisco, contributed to this story.

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