High hopes for Sony's cut-throat plans

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When Howard Stringer took over the helm of Japanese electronics giant Sony in June, many expected the Welsh national to be merciless in sacking people and closing down factories in an effort to boost profits.

So it came as no surprise to industry analysts when Sony announced Thursday that it will slash 10,000 jobs worldwide, thereby reducing its workforce by about 7 percent. In addition, the company said that it will shut down 11 plants both within and outside Japan. It will also be selling off about $1.1 billion in securities, real estate and other assets that are not central to its core operation, namely producing consumer electronics. The drastic measures are expected to save Sony around $1.8 billion by the end of March 2008.

Stringer is the first foreigner to head the global electronics company that has seen its fortune dwindle over the years, despite the continued success of its PlayStation video-game consoles among other blockbuster products. In fact, Sony said it is expecting to post its first annual loss this year -- the first since 1995 -- estimating a loss of $90 million for the current fiscal year ending March 2006, instead of a $270 million profit it had foreseen a year ago.

The losses would result from the short-term liabilities incurred as a result of the restructuring efforts such as providing severance packages.

"We must be like the Russians defending Moscow against Napoleon, ready to scorch earth, to stay ahead of the invaders," Stringer said at a news conference held at a Tokyo hotel. "We must be Sony united and fight like Sony warriors."

A former television producer turned business executive, the 63-year-old stressed that "without question, the revitalization of electronics is our number one priority."

Once the leader of the consumer-electronics world with its global bestseller, the Walkman, making it a household name across the globe, Sony has been slow to develop digital technology. Indeed, it has been unable to compete in the portable-digital-music market that continues to be dominated by Apple's iPod and has lagged behind companies such as Sharp on the flat-screen television market, two of the biggest-selling electronic goods in recent years.

Stringer has repeatedly said he wants to improve Sony's fortunes in the television market by the middle of next year, and he has voiced his commitment to boosting sales of products such as digital camcorders and mobile phones in addition to PlayStations.

Of course, the job cuts and factory shutdowns are only the first step in the long process to make the company leaner and meaner. Stringer also said the company will strive to be less fragmented by its numerous divisions, which currently operate more like separate entities rather than part of one company, thereby encouraging executives to change their managerial styles.

According to many industry analysts, the appointment of a non-Japanese to run a company that has personified Japan's rapid economic growth since the end of World War II might make it easier for employees to bite the bullet and accept the necessary changes, however painful they may be, at least in the near term.

For Stringer is by no means the first foreigner to be appointed chief executive of a blue-chip Japanese corporation. One of the most celebrated business executives in the country for the past few years is Carlos Ghosn, a Lebanese-born Frenchman who has led car giant Nissan from a loss-making car maker into one of the most robust companies listed on the Tokyo Stock Exchange in a matter of years.

There is no doubt that Sony executives are hoping for similar results from Stringer, who has been knighted by the British sovereign for his contributions to his native country.