Case 16 Masaru Ibuka, Akio Morita, Soichiro Honda, and Takeo Fujisawa: The Groundbreaking Nature of Sony and Honda Becoming Global Companies

Abstract This chapter introduces the entrepreneurs, Masaru Ibuka and Akio Morita of Sony, and Soichiro Honda and Takeo Fujisawa of Honda Motor, all who played a leading role in economic growth.

"Sony of the World"; "Honda of the World"

After Japan's defeat, through the postwar reconstruction period and the era of high economic growth, many entrepreneurs thrived. Looking solely at those involved in the manufacturing industry, one can quickly name a diverse group of entrepreneurs. In addition to Sazo and Konosuke, others of stature were Keizo Saji of Suntory, Shojiro Ishibashi of Bridgestone Tire, Takeshi Mitarai of Canon, Toshio Iue of Sanyo Electric, Tokuji Hayakawa of Hayakawa Electric, Masaru Ibuka and Akio Morita of Sony, and Soichiro Honda and Takeo Fujisawa of Honda Motor. These entrepreneurs played a leading role in economic growth, especially during that lengthy period. It is also worth noting that the business sectors in which they were active all involved consumer goods.

The dynamism of entrepreneurs during this period can be considered a continuation of innovative entrepreneurial activities. Regarding continuity, the following two points need clarification:

1. How did business opportunities for entrepreneurial activities spread throughout the country in that period? (what were the objective conditions for innovative entrepreneurial activities?)
2. Why were only certain business managers able to take advantage of the greater business opportunities? (what were the subjective factors underlying innovative entrepreneurial activities?)

T. Kikkawa, *History of Innovative Entrepreneurs in Japan*,
https://doi.org/10.1007/978-981-19-9454-8_22

In this case study, these two questions will be examined by looking at the paths of four entrepreneurs who created the globally renowned companies Sony and Honda.[1] Sony and Honda are selected for the following reasons:

1. Unlike other companies such as Matsushita Electric that existed before World War II, Sony and Honda were founded after the war.
2. Both Sony and Honda are well known not only in Japan but also throughout the world and are representative of global companies originating in Japan. The period covered by this case study starts at the year after the end of WWII, when both companies were founded, and continues to the final years of the high economic growth era (the end of the 1960s), when Sony and Honda transformed into global companies.

Profiles of the Four Businessmen

Masaru Ibuka was born in April 1908 (Meiji 41) in the town of Nikko, Kamitsuga County (now Nikko City), Tochigi Prefecture. After graduating from Waseda University with a Bachelor's degree in electrical engineering, Ibuka worked for PCL (Photo Chemical Laboratory), a subsidiary of Toho Pictures, and Nihon Ko-on Kogyo, before establishing Japan Measuring Instruments (Nihon Sokuteiki Kabushiki Kaisha) in November 1940 (Showa 15) during the war. After the war he founded Tokyo Tsushin Kogyo in May 1946, the predecessor of Sony, with others including Akio Morita, a naval engineer he had met around 1940. Tokyo Tsushin Kogyo changed its name to Sony in January 1958, and Ibuka served as president of the company from November 1950, becoming chairman in June 1971. He passed away in December 1997.

Akio Morita was born in Nagoya, Aichi Prefecture, in January 1921 (Taisho 10), thirteen years after Masaru Ibuka. Upon his graduation from the Department of Physics at Osaka Imperial University, Morita immediately became a naval technical apprentice and was soon promoted to lieutenant in the Navy. After the war, Morita participated in the founding of Tokyo Tsushin Kogyo. With Ibuka in charge of technology and Morita in charge of sales, the famed duo helped transform Sony into a world-class company. Morita became vice president of Sony in December 1959,

[1] Description, with modification, based on Kikkawa, T., & Nonaka, I. (1995). Kakushinteki kigyosha katudo no keiki: Hondagiken to Sonii no jirei (*Continuous succession of innovative activity by businesspeople: Cases of Honda Motor Corporation and Sony*). In T. Yui, & Hashimoto, J. (Eds.), Kakushin no keieishi: Senzen sengo niokeru Nihon kigyo no kakushin kodo (*The business history of innovation: Japanese companies' innovative behavior before and after World War II*). Tokyo: Yuhikaku Publishing Co., Ltd. Concerning Soichiro Honda, detailed description can be found in Itami, H. (2010). Honda Soichiro: Yattemimo sende nani ga wakaru (*Soichiro Honda: What can you say if you haven't even tried?*). Kyoto: Minervashobo.; and Itami, H. (2012). Ningen no Tatsujin Honda Soichiro (*Soichiro Honda, a master of being human*). Kyoto: PHP Institute, Inc.

president in June 1971, and then chairman in January 1976. He passed away in October 1999.

Soichiro Honda, the founder of Honda Motor, was born in November 1906 (Meiji 39) in Komyo Village, Iwata County, Shizuoka Prefecture (present-day Hamamatsu City). Upon his graduation from high school, Honda served as an apprentice at Art Shokai, an automobile repair shop in Tokyo, and mastered mechanical engineering skills. In 1934 he established Tokai Seiki, a piston ring manufacturer. Making a fresh start after the war, Soichiro started the Honda Technical Research Institute in Hamamatsu City in October 1946, and two years later, in September 1948, the Honda Technical Research Institute was reorganized as Honda Motor Co. Soichiro served as president of the company from its founding, and in October 1973, he and the vice president, Takeo Fujisawa, retired in what was referred to as a "brilliant departure." He passed away in August 1991.

Takeo Fujisawa, the business partner of Soichiro and considered the "best right-hand man" in Japanese business history, was born four years after Sochiro, in November 1910 (Meiji 43) in Koishikawa Ward, Tokyo (now Bunkyo Ward, Tokyo). After graduating from Keika Junior High School, Fujisawa established the Japan Machinery Research Institute in April 1939. After the war, he met Soichiro through an acquaintance and the two hit it off. Takeo joined Honda Motor as managing director in October 1949, becoming vice president in April 1964. He consistently oversaw Honda's sales, accounting, and human resources operations after joining the company, implementing "two-man management" with Soichiro, who oversaw technology and development operations. Takeo retired simultaneously with Soichiro in 1973 and passed away in December 1988.

Commonality of Their 1946 Founding and Early Product and Sales Strategies

Looking back at the footsteps of Sony and Honda Motor during the period between the postwar years to the era of high economic growth, we realize there was remarkable similarity between them. Commonality of the two companies can be summarized in four points:

First, the similarity in their beginnings and their early adoption of common strategies for products and sales.

Tokyo Tsushin Kogyo (hereinafter referred to as Totsuko), the predecessor of Sony, and Honda Technical Research Institute, the predecessor of Honda Motor, were both established in 1946, in Tokyo and Hamamatsu respectively. At their founding, both companies were the size of a small-town factory, with Totsuko

employing only about 20 people[2] and Honda employing only 34[3] as of 1948, the year that the company changed its name to Honda Motor.

In Totsuko's founding charter, Masaru Ibuka emphasized that the company would leverage its technological prowess to develop new products that no existing large electronics manufacturers would touch. This spirit was Totsuko's source of energy as well as its basic product development strategy since the company's founding.

The magnetic tape recorder was the first of the "new products that no large electronics manufacturer would touch," and it was the catalyst for Totsuko's subsequent growth. Ibuka and Morita, the key founding members of the company, were both technicians, but with the launch of the tape recorder, a rough division of labor was established—Ibuka was in charge of technical development and Morita in charge of product sales.

In August 1950, Totsuko developed Japan's first tape deck and tape, and released them as the G-type tape recorder. Totsuko's development of the tape recorder was triggered by the strong interest shown by Masaru who managed to see an actual tape recorder through someone associated with the occupying Allied forces. The G-type tape recorder, commercialized after overcoming many obstacles, weighed 45 kg and cost 160,000 yen at a time when the starting salary for civil servants was 5500 yen (in 1951).[4] Due to its high price, its weight, and unfamiliarity, the first tape recorder in Japan showed no signs of selling even a couple of months after its release. It was some time before the first device was sold; the buyer was an oden [fish cake stew] eatery in Yaesu, Tokyo. Totsuko then stepped up efforts to market the G-type tape recorder to the courts, at the time suffering from a shortage of stenographers, and he succeeded in selling twenty units to the Supreme Court.[5]

However, realizing that the price and weight of the G-type tape recorder limited marketability, Totsuko produced the H-type tape recorder, a smaller and lighter version of the G-type, at about half the price. Launched in March 1951, the H-type was a tape recorder with a price tag and performance suitable for audio-based education in schools.

During the period of Allied occupation, "the Americans stressed the importance of learning to listen and speak correctly and emphasized the importance of studying

---

[2] Sony Corporation (1986). Sonii soritsu yonjusshunen kinenshi: Genryu (*Commemorative book for the 40th anniversary of Sony's foundation: Origins*) (p. 24). Sony; and The Public Relations Center of Sony Corporation (Eds.) (1996). Sonii soritsu gojusshunen kinenshi: Genryu (*Commemorative book for the 50th anniversary of Sony's foundation: Origins*) (p. 26). Sony Public Relations Center.

[3] Honda Motor Co., Ltd. (1955). Shashi soritsu nanashunen kinen tokushu (*Commemorative book for the seventh anniversary of its foundation*). Tokyo: Honda Motor Co., Ltd.; and Honda Motor Co., Ltd. (1999). Kataritsugitai koto: Charenji no gojunen (*What we would like to say for the next generation: 50 years of challenge*) (p. 7). Tokyo: Honda Motor Co., Ltd.

[4] O*p. cit*., Sony Corporation (1986), p. 66.

[5] Ibuka, M. (1991). Wagatomo Honda Soichiro (*My friend Soichiro Honda*) (p. 117). Tokyo: Gomashobo.

language [English].[6]" So the utilization of tape recorders in the classroom would also benefit schools. According to Masaru Ibuka, thanks to the sale of the H-type tape recorders, costing 80,000 yen apiece, Totsuko "suddenly had much better cash flow and was able to spend generously for development.[7]"

Totsuko's early tape recorders were mainly for institutional use (courts, schools, etc.), rather than for home use. The fact that the "G" in the G-type tape recorder stood for Government was indicative of this use. To spur marketing, Akio Morita personally visited elementary and other levels of schools to teach students how to operate tape recorders. Thus, Totsuko cultivated a market for a new product and taught the market how to use it. Thus, education was an essential step for Totsuko in cultivating a market for its new product. This process of educating the market would be repeated for transistor radios and VCRs as the company grew.

Meanwhile, Honda Motor launched its operations with the production of the A-type engine, an auxiliary engine attached to bicycles. The launch was in November 1947, a year after the company's founding. This A-type engine was commonly called "Bata bata" [flap flap in Japanese] because of the sound it generated.

The mass production of Honda Motor's first full-fledged motorcycle, the Dream D (two-stroke, 98 cc), began in August 1949. Coincidentally, this was the same month that Totsuko successfully developed a prototype tape head and magnetic tape recorder. At the time, there were no Japanese manufacturers producing both motorcycle bodies and engines. Thus, with the launch of the Dream D, Honda Motor became the first Japanese manufacturer to produce both.

The Dream D was modified and marketed as the Dream E in October 1951. The Dream E subsequently became Honda Motor's mainstay product that put the company on a growth track. From a technical standpoint, the Dream E's chief feature was the use of an overhead-valve (OHV) four-stroke engine, with a soft exhaust sound and no exhaust smoke, unlike many of the competitor products that used a two-stroke engine.

The two-stroke cycle performs the four processes of intake, compression, combustion, and exhaust in one piston round trip, while the four-stroke cycle performs these four processes in two round trips. The four-stroke cycles have advantages over two-stroke cycles, including a softer exhaust sound, no smoke emission, better fuel economy, lower oil consumption, and ease in starting.[8] In addition, Honda's novelty

[6] Kawabe, N. (1988). Sonii no maketingu senryaku, 1945–79 [Sony's marketing strategy, 1945–79].In Hiroshima daigaku sogo kagaku-bu kiyou I (*The Bulletin of the School of Integrated Arts and Sciences, Hiroshima University: Regional Cultural Studies*), 14, p.144.

[7] *Op. cit*., Ibuka, M. (1991), p. 118.

[8] Honda Motor Co., Ltd. (1975). Honda no ayumi: Senkyuhyakuyonjuhachinen kara senkyuhyakunanajugonen (*The history of Honda: 1948 to 1975*) (p. 9). Tokyo: Honda Motor Co., Ltd.

lay in its adoption of the OHV for the production of four-cycle (stroke) vehicles, instead of its competitors' side-valve [flathead] style.[9]

The commercialization of the Dream D and Dream E models shows that, immediately after its founding, Honda Motor adopted the same product strategy as Totsuko—entering fields no other manufacturers touched.

Soichiro Honda had confidence in the technical field, but was an amateur in sales, and was looking for someone whom he could entrust with sales. Through a friend's introduction, Soichiro met Takeo Fujisawa, and in 1949, Fujisawa joined Honda Motor. Following release of the Dream E, Honda Motor launched the Cub-F (hereafter referred to as Cub), a bicycle auxiliary engine, in June 1952. Fujisawa developed the sales network for the Cub, which became famous for its "red engine, white tank" catch phrase.

Like others in the same industry, until then Honda Motor's products had been sold through dealers. But Fujisawa, seeing that "if we relied only on dealers, [...] the distribution pipeline would become clogged," concluded that "we must envision a larger distribution network.[10]" "Fujisawa put his focus on bicycle stores, which were far more numerous than motorcycle retailers (300 to 400 nationwide at the time). When the Cub was launched, Fujisawa sent letters to 55,000 bicycle retailers across Japan, encouraging them to become Cub dealers. Eventually 15,000 bicycle stores decided to carry the Cub.[11] Thus, the division of labor within Honda Motor's top management was established early on, with Soichiro in charge of technology and Takeo in charge of sales and finance.

As described above, Totsuko and Honda shared commonality in their early sales strategies. Both manufacturers sought to cultivate new markets through active involvement in sales. Akio Morita's education of the market and Takeo Fujisawa's development of the sales network were clear examples. Another important commonality was the early emergence of sales-focused executives, such as Akio and Takeo, at the top of the managerial hierarchy.

Overseas Business Trips in 1952 and Investment for Competitiveness

The top executives of the two companies both made important international business trips in 1952, just 6 years after the companies' founding. As a result of these trips, both made decisive investments that set them apart from their competitors.

---

[9] See op. cit. Honda Motor Co., Ltd. 1999. Kataritsugitaikoto (*Things that should be handed down from generation to generation*) (p. 24). Tokyo: Honda Motor Co., Ltd.

[10] Fujisawa, T. (1974). Taimatsu ha jibun no tede: Honda to tomoni nijugonen (*Make your own products and sales networks: 25 years with Honda*) (p. 14). Tokyo: Sanno University Press.

[11] *Op.cit.*, Honda Motor Co., Ltd. (1975), pp. 10–12.; and *Op. cit.*, Honda Motor Co., Ltd. (1990), pp. 25–26.

In April 1952, Masaru Ibuka of Totsuko traveled to the United States to conduct market research on tape recorders, studying how tape recorders were being used there. Contrary to his initial expectation, tape recorders were not widely used in U.S. schools, and in terms of availability, Japan might even have been ahead of the United States. Although his market research yielded little, through his keen technician's sense he managed to learn about development of the transistor at America's Bell Telephone Laboratories.

Totsuko's trip to the United States resulted in investments to strengthen competitiveness that would set him apart from others and turn the company into the "Sony of the world," that is, purchasing the transistor patent and developing the transistor radio.

In 1953, the year after Masaru Ibuka's U.S. trip, Akio Morita also visited the U.S. and signed an agreement with Western Electric, the parent company of Bell Telephone Laboratories, for the use of the transistor patent. At the time, it was believed that transistors were only for use in hearing aids, but Masaru judged that hearing aids would not be a mainstream product and focused on finding a new use for transistors: the development of transistor radios.

In reality, when Masaru Ibuka founded his company Totsuko, he was opposed to the production of radios, the industry's leading product at the time.[12] Ibuka believed that a small company like Totsuko would be unable to compete where major manufacturers were locking horns to produce bulky radios attached with a power cord, under the slogan "a radio for every household." However, after obtaining information about transistors in the United States, Ibuka began to envision personal radios, "a radio for every person"—something small, portable and not requiring a power cord.

"Totsuko spent an unimaginable amount of money and effort for a company of its size to develop a transistor that the company was not even certain would ever become a viable product" . . . "Anyway, it cost a lot of money.[13]" After persuading the Gotanda Branch of Mitsui Bank and its main office Screening Division, Totsuko was finally able to obtain a loan of the necessary size.

Totsuko launched Japan's first transistor radio, the TR-55, and the world's smallest pocket transistor radio, the TR-63, in August 1955 and March 1957, respectively, to favorable reviews. These products were marketed under the "SONY" brand, in accordance with a policy decided in February 1955. The TR-63 was Totsuko's first full-fledged export product, giving birth to the new English term "pocketable radio" and helping to spread the Sony brand name worldwide.

Meanwhile, Soichiro of Honda Motor visited the United States and Europe in November 1952, the same year as Ibuka's trip to the United States. Honda personally selected and purchased machine tools worth 450 million yen in total. These state-of-

[12] Yamana, I. (1992). Soniiryu shohin kikakujutsu: Saisho saikeiryo koseino sekaihatsu no seihin ha ikanishite umaretaka (*The Sony Technique of Product Planning: How the 'smallest, lightest, highly functioning and world first' products are born*) (p. 24). Tokyo: Koshobo Publishers.

[13] *Op. cit*., Sony Corporation (1986), p. 127.

the-art machines were deployed one after another at Honda Motor's new factories in Saitama (Shirako and Yamato) and Shizuoka (Aoi) that the company built in 1953–1954 to establish a mass production system. Soichiro's business trip was directly related to investments to develop competitiveness, investments that would play a key role in securing Honda's position as Japan's top motorcycle manufacturer.

After the restrictions on fuel sales that had been implemented under the Allied occupation were lifted around 1950–1951, 29 motorcycle manufacturers sprang up in Hamamatsu alone, and more than 100 nationwide. In 1950, Honda Motor was only the fifth largest motorcycle manufacturer in Japan, but in 1951, the year following the launch of the Dream E model, it became the third largest and from 1953 onwards it held the number one spot. During this period Honda Motor purchased machine tools totaling 450 million yen and built the Shirako Plant and other facilities. Due to the business crisis of 1954, to be discussed next, the company temporarily lost its number one position to Tokyo Hatsudoki (Tohatsu) in 1955, but as early as 1956 it regained the top spot, and has held the position ever since.[14]

Honda Motor, however, completing a series of new plants between 1953 and 1954—in Shirako (April 1953), Yamato (July 1953), and Aoi (April 1954)—and establishing a mass production system, faced a crisis in 1954 that could have destroyed the company. In January of that year, the company launched the Juno scooter, which was plagued by a series of problems, including overheating. The launch of the Juno marked Honda's entry into the existing scooter market, but the plastic molding introduced for the sake of novelty led to an unexpected defect: the air-cooled engine, covered with plastic, frequently overheated.

The Cub, the auxiliary engine for bicycles, also saw its sales shrink around the same time, as competitors began to sell similar products. Moreover, as soon as the company upgraded its mainstay product, the Dream, from 200 cc to 225 cc, complaints abounded and sales declined. Takeo Fujisawa's plan was based on the calculation that the monthly sales of 1 billion yen would cover the cost of purchasing the 450 million-yen investment in machine tools and the costs associated with the construction of the Shirako, Yamato and Aoi factories. The plan became untenable when Honda Motor's monthly sales fell to less than 500 million yen.

Under the business environment of the time, known as the 1954 recession, and with problems and declining sales of the Juno, the Cub, and the 225 cc Dream occurring almost simultaneously, Honda Motor was facing a crisis of survival. To overcome crisis, Soichiro and Takeo worked vigorously as an engineer-and-businessman team, like two wheels moving in tandem.

Soichiro worked around the clock to identify the cause of the problems with the upgraded 225 cc Dream. Meanwhile, Takeo judged that the era of a motorized bike in the form of an auxiliary engine attached to the bicycle had come to an end, so he

[14]The above description regarding the competition among the manufacturers in the Japanese motorcycle market is based on Tomitsuka, K. (1980). Otobai no rekishi: Mekanizumu no hensen to gijutsushatachi wo meguru dorama (*The history of motorcycles: Changing mechanisms and the drama among engineers*) (pp. 81–82; 125–127; 176–184). Tokyo: Sankaido Publishing Co., Ltd.

stopped production of the Cub and sold some of the machine tools he had just imported to Kobe Steel.[15] Furthermore, he temporarily halted production of the more powerful 225 cc Dream until Soichiro could pinpoint the cause of its problems, and instead concentrated the company's production effort on the older 200 cc Dream model during the consecutive public holidays of May to secure future cash flow. Honda Motor's labor union, just established the previous year in 1953, decided to cooperate with Fujisawa's policy and "unified labor-management efforts were committed to increasing the production of the 200 cc Dream.[16]"

However, it was impossible for Honda Motor to survive its 1954 crisis only through the sale of machine tools and the emergency production of the older 200 cc Dream. Therefore, Takeo decided to ask Mitsubishi Bank for a loan. Until that point, Honda Motor had not relied heavily on bank loans for plant construction or equipment purchases. On the contrary, dealers around Japan deposited proceeds from the Cub sales to the Kyobashi branch of Mitsubishi Bank, making Honda Motor a major customer who entrusted the bank with an immense amount of funds.[17] Tokita Suzuki, manager of the Kyobashi branch of Mitsubishi Bank, who received a loan request from Honda Motor, "enthusiastically explained his belief [in Honda] to the bank executives[18]"in order to gain approval for the loan. Thanks in part to such cooperation, Honda Motor was able to obtain a loan of 200 million yen from Mitsubishi Bank.

In addition, Takeo gathered 300 representatives of Honda Motor's parts suppliers and explained to them that Honda Motor would be unable to pay for the parts for some time and that it would be unable to place fresh orders. He admitted that this was an unreasonable request, and implied that inevitably some of the suppliers would give up on Honda Motor. Although a few suppliers did stop doing business with Honda, most expressed gratitude to Honda for advancing their business this far and agreed to continue working with the company.[19]

Meanwhile, Soichiro finally discovered that the cause of the problem in the 225 cc Dream was its carburetor, promptly resolving the problem soon after. Thus, thanks to their combined efforts working as a "two-man management" team, Honda Motor was able to overcome the company's greatest crisis since founding. As mentioned above, after 1956, Honda came to be consistently ranked first among Japanese manufacturers in terms of motorcycle production volume.

---

[15] See: Yamamoto, Y. (1993). Fujisawa takeo no kenkyu: Honda Soichiro wo sasaeta meihosayaku no himitsu (*Studies of Takeo Fujisawa: Secrets of the great aide who supported Soichiro Honda*) (pp. 111–127). Tokyo: Kanoshobo Publishers.

[16] *Op. cit*., Honda Motor Co., Ltd. (1975), p. 21.

[17] Sakiya, T. (1982). *Honda Motor Co., Ltd.: The men, the management, the machines* (p. 87). Tokyo: Kodansha International Ltd.

[18] Nishida, M. (1983). Kataritsugu keiei: Honda to tomoni sanjunen (*Handing down business management to the next generation: 30 years with Honda*) (p. 66). Tokyo: Kodansha Ltd.

[19] *Op. cit*., Sakiya, T. (1982), pp. 96–97.

Full-Scale Entry into Overseas Markets from 1957–1958

The third commonality, as well as simultaneity, shared by Sony and Honda was that both entered full-scale into overseas markets from 1957 to 1958, becoming global companies as early as more than ten years after their founding. The two grew to be global companies in the following ways:

1. In March 1957, Totsuko launched the transistor radio TR-63, their first full-scale export product,[20] and in August 1958 Honda launched the Super Cub, the leading export.[21]
2. In June 1959, Honda established American Honda Motor, and in February 1960, Sony established Corporation of America (Totsuko changed its name to Sony in January 1958).
3. In June 1961, Sony became the first Japanese company to issue ADRs (American Depositary Receipts), and in December 1962, Honda Motor also issued ADRs.

Sony's "growth made progress in parallel with its globalization as a company. Or rather, Sony was able to become the major company we know today by building on its experience of becoming a global company.[22]" The company's first full-fledged export product was the transistor radio TR-63, launched in 1957 during Totsuko's time. As mentioned earlier, in 1955 the company decided to put the "SONY" mark on its products, because of English speakers' difficulty in pronouncing "Tokyo Tsushin Kogyo" or "Totsuko". Totsuko was determined to make the Sony name known in overseas markets.

In January 1955, Totsuko received an order for 100,000 units of the TR-52 transistor radio (nickname: the U.N. building-shaped radio), which it had developed as a prototype, from the major American watch manufacturer Bulova. But Akio Morita turned down the order because it wouldn't allow the use of Sony's brand name on the radios, even though it was the type of order the company desperately wanted at the time.[23] In 1958, the company name was officially changed to Sony Corporation, so as to spread the brand name internationally. In 1960, Sony established a local sales company, the Sony Corporation of America, around the same time that the Sony brand name began to penetrate the U.S. market through the successful export of transistor radios. In September 1962, Sony Corporation of America opened a showroom in a prime location in New York City, which was referred to as the "Sun [Japanese] flag on Fifth Avenue.[24]"

---

[20] *Op. cit.*, Sony Corporation (1986), p. 329.

[21] *Op. cit.*, Fujisawa, T. (1974), p. 71.

[22] Kano, A. (1982). Sony shinjidai: Shukakuki wo mukaeru mirakoka senryaku (*New era for Sony: Mirror effect strategy that is about to bear fruit*) (p. 1). Tokyo: PRESIDENT Inc.

[23] *Op. cit.*, Sony Corporation (1986), p.142; and *op. cit.*, The Public Relations Center of Sony Corporation (Eds.) (1996), pp. 84–85.

[24] Maeda, K. (1979). Kaigai maketingu no hatten: Sonii to hondagiken no kaigai kogaisha (*The development of overseas marketing: Overseas subsidiaries of Sony and Honda Motor*). In *op.cit.*,

In 1961, Sony became the first Japanese company to offer its shares to the general public as American Depositary Receipts (ADRs), and the move was well received. This was an opportunity for the company to directly finance its overseas operations. It also meant that the U.S. market recognized Sony as a top-tier international company. Sony's stock was listed on the New York Stock Exchange in September 1970.

Meanwhile, Honda Motor also made early efforts to globalize the company. "In Showa 25 [1950], we were the Honda Technical Research Institute of Hamamatsu, but today we are the Honda of Japan. This year, we must become the Honda of the world.[25]" This sentence is part of the "President's Hope" by Soichiro Honda that appeared in the company's Monthly Report No. 6, but it is important to note that "this year" is 1952, only six years after the company's founding. It is said that employees at the time could not help but smile at Soichiro's insistence on global conquest.

However, in March 1954, when the company was facing crisis, Soichiro announced his intention to enter the Tourist Trophy (TT), the world's top motorcycle race, in order to inspire his employees and others involved. The resulting success in the TT and other races helped to dramatically raise Honda's international profile as a motorcycle manufacturer.

Honda Motor's first full-fledged export product was the Super Cub (50 cc, 4.5 hp), a lightweight motorcycle launched in 1958. According to the corporate history, "The Super Cub experienced explosive sales immediately after launch. We can say that we joined the ranks of the modern mass-production, mass-distribution companies thanks to the Super Cub.[26]" In marketing the Super Cub, Honda Motor rebuilt its motorcycle sales network in Japan, again capitalizing on its network of bicycle dealers. In April 1960 the company established the Suzuka Plant (Mie Prefecture) and set up a mass production system for the Super Cub.

The Super Cub was well received not only in Japan but also in the United States and other countries. Its marketing in the United States was spearheaded by a locally incorporated sales unit, American Honda Motor Co. (Amehon), established in 1959. In marketing the Super Cub, Amehon launched its famous "You Meet the Nicest People on a Honda" campaign. An article in Life magazine at the time, "America in Love with Honda," stated:

> Honda has created a new way of thinking about motorcycles. Gone was the unappreciated image of rough guys in black leather jackets that had long been associated with motorcycles, and in its place is an image of fun, an image of happiness... that many Americans could finally embrace. In short, Honda products gave riding a motorcycle a social dignity all its own. Today, Honda has truly captivated the American market.[27]

K. Nakagawa, H. Morikawa, & T. Yui (Eds.), (*The enlarged edition of basic knowledge on modern Japanese business history*) (p. 379).

[25] Requoted from *op. cit*., Honda Motor Co., Ltd. (1975), p. 42.

[26] *Ibid.,* p. 50.

[27] Requoted from *ibid.,* p. 41.

The "Nicest People on Honda" campaign completely changed the image of motorcycles in the United States. By successfully replacing the traditional image of "a vehicle for rough men in black leather jackets" with a new image of "a handy vehicle for the nifty and the thrifty," Honda Motor effectively created a brand new product line, a "friendly motorcycle," for the sizeable U.S. market.[28] The overall Honda brand also became a household name in the United States. Following Sony's lead, Honda Motor started offering its shares as ADRs in 1962.

Entry Into Large Established Markets in 1963–64

The fourth simultaneous and shared attribute was the 1963–64 entry by both companies into established, large markets that were initially on the periphery of their core businesses. Honda entered the automobile market in 1963 and Sony made a full-scale entry into the television market in 1964.

Honda Motor, which had firmly established itself as a motorcycle manufacturer, became directly involved in automobile manufacturing when a bill for Extraordinary Measures for the Promotion of Specified Manufacturing Industries was drafted in 1962. Honda Motor hastily decided to enter the four-wheeled vehicle market after determining that if the bill passed, new entrants would be regulated and could effectively be prevented from manufacturing automobiles permanently. In August and October 1963, the company launched the T360 light truck and the S500 compact sports car, respectively, marking its entry into the automobile market. In March 1967, Honda began selling its first full-fledged four-wheeled vehicle, the N360, a micro-passenger car.

The Honda N360 was less expensive than its rivals, the Subaru 360 and Mazda Carol, and had superior space utility. The model became the top-selling microcar as early as May 1967, two months after its launch, and by May 1969 the number of units registered in Japan exceeded 300,000 (reaching a sales plateau in the fall of that year due to a defect found in June 1969).[29] Honda Motor then launched the 1300 sedan in May 1969 and began to produce small passenger cars as well.

In parallel with its entry into four-wheeled vehicles, from 1964–1968 Honda entered the Formula One (F1) division of the World Grand Prix, the pinnacle of motor racing. Its participation in F1 served to raise Honda's international profile as a four-wheeled vehicle manufacturer. For Honda, F1 was also a "laboratory with wheels,[30]" and according to Soichiro Honda, the requirements for competing in

[28] Ibid., p. 41.; and *op. cit*., Honda Motor Co., Ltd. (1999), pp. 121–125.

[29] Yoshida, T. et al. (1991). HONDA 360 STORY: Chiisana kyojin senkyuhyakurokujusannen kara senkyuhyakunanajuyonen (*HONDA 360 STORY: Small giant, 1963 to 1974*). (pp. 112–113). Tokyo: Miki Press.

[30] *Op. cit*., Honda Motor Co., Ltd. (1975), p. 63.

the race were not different from those for manufacturing mass market vehicles.[31] In November 1964 Honda Motor built a new main plant for four-wheeled vehicles in Sayama, Saitama Prefecture, and in October 1967 began production of four-wheeled vehicles at its existing Suzuka Plant (in parallel with motorcycle production).

Having established a mass production system, Honda Motor also focused on establishing a sales system for four-wheeled vehicles. For the sale of these vehicles, an important role was played by the SF (Service Factory) that was conceived by Takeo Fujisawa and whose construction began in July 1964.

At that time, existing major manufacturers such as Toyota and Nissan had already established complete dealer networks, and it was difficult to establish a new sales network of the same type. Therefore, Takeo decided to have his motorcycle dealers handle Honda's four-wheeled vehicles. As it was difficult to set up a new automobile repair shop within the floor space of a motorcycle dealer, Honda Motor paid for the construction of service and repair shops that could be shared by several dealerships in various locations. These were the Service Factories. In addition, motorcycle dealers with too small a floor space for even displaying automobiles were asked to place only catalogs and posters. Honda Motor paid for the construction of a joint exhibition hall and business meeting room to be shared by multiple small motorcycle dealers. Honda continued to use motorcycle dealers to sell automobiles until 1973, when the SF (Service Factory) system was eventually dissolved.

Meanwhile, Sony's full entry into the television market began with the completion of the Chromatron-type color television in September 1964. Although Sony had already produced micro-TVs and other products, they were for only a specialized segment of the television market. The Chromatron color tube system used by Sony to produce color televisions had a brighter picture than the shadow mask systems used by many of its competitors. On the other hand, the Chromatron type had the disadvantage of being more difficult to work with than the shadow mask type. Masaru Ibuka and his team worked on developing the product, saying "Sony is an innovator. There is no point in doing the same thing as others,[32]" but were making slow progress. It was almost as if Sony was going to "commit suicide with Chromatron.[33]" Finally, in 1964, Sony succeeded in developing a Chromatron color television, but had to introduce a different type shortly thereafter—the Trinitron system. In developing the latter, the research experience with the Chromatron-type helped greatly. The new Trinitron color TVs that went on sale in October 1968 were well received and Sony rapidly increased its share in Japan's television market.

[31] See NHK reporting team (1992). Gijutsu to kakutoshita otoko: Honda Soichiro (*Soichiro Honda—A man who fought with technology*) (p. 45). Tokyo: NHK Publishing, Inc.

[32] *Op. cit*., Sony Corporation (1986), p. 60; and *op. cit*., The Public Relations Center of Sony Corporation (Eds.) (1996), p. 144.

[33] *Op. cit*., The Public Relations Center of Sony Corporation (Eds.) (1996), p. 310.

With Sony's full-scale entry into the television market under the leadership of Akio Morita, the company embarked on developing its own dedicated distribution network in Japan, centered on Sony Shops:

> By around 1965, Sony's domestic sales were growing with the help of store-front sales and discount shops that were emerging at that time. However, the explosive success of Trinitron color televisions in Japan led to a turning point for Sony's domestic sales, with the creation of its own dedicated network of stores.[34]

Objective Conditions That Enable Innovative Entrepreneurial Activities

As we have seen, four entrepreneurs—Masaru Ibuka, Akio Morita, Soichiro Honda, and Takeo Fujisawa—played important roles in the growth of Sony and Honda from their founding in 1946 through the 1960s. At the same time, although the two companies belonged to different business sectors, they shared a remarkable degree of timing and of dynamics of growth. The similarity strongly suggests that objective conditions underpinned the innovative entrepreneurship of the top management of Sony and Honda. These conditions were evident in the series of entrepreneurial activities that emerged in Japan between the postwar reconstruction period and the high economic growth period, as described in the first part of this case study. In the introduction to Case 16, two issues were presented, and here we must examine the first: what were the objective conditions that allowed for innovative entrepreneurial activities?

Such objective conditions from the immediate postwar to the 1960s can be categorized as demand-side and supply-side. On the demand side, disposable income of the masses increased and the need for consumer goods expanded and deepened. Referred to as the "consumer revolution" and the "arrival of a mass consumer society," such phenomena were not limited to Japan, but also manifested extensively in the western world, including the United States.

As disposable incomes increased, consumers developed greater desire to use their time more efficiently and to expand their activities geographically. Motorcycles and passenger cars satisfied these new temporal and spatial needs. In response to the growing desire for convenience in family life, home appliances spread rapidly, and went beyond "one per family" to "one per person." Televisions represented family use items; transistor radios represented personal use items.

Many companies that embodied innovative entrepreneurial activities in Japan during that period were involved in production of consumer goods. Thus the expansion and deepening of the consumer goods market, thanks to the increase in disposable income of the masses, created the historical and objective conditions for entrepreneurial activities.

[34] *Op. cit.*, Kawabe, N. (1988), p. 157.

On the supply side, changes in competitive conditions in Japan provided opportunities for emerging manufacturers. As the consumer goods market broadened and deepened, and business opportunities expanded, one might assume that large established manufacturers would be first to take advantage of the opportunities. Many of the existing large manufacturers, however, deliberately chose not to enter new areas or were unable to do so because of external factors.

In cases where large existing manufacturers were unable to take advantage of new opportunities due to external factors, the series of changes in the postwar environment, such as the dissolution of zaibatsu, ban on monopolies, and labor union offensives, bore significant meaning. A case in point is Toshiba, which had the potential to dominate the consumer electronics market, but was adversely affected by the rough waves of postwar reforms and labor union offensives.[35] Restrictions on fuel sales continued even during the Allied occupation and may have delayed existing motorcycle manufacturers, working to the advantage of newly founded Honda Motor.

On the other hand, in cases where existing manufacturers chose not to enter the market, it is important to note that the speed of expansion and deepening of the consumer goods market exceeded existing firms' pace of growth. As the need for consumer goods deepened, existing manufacturers first had to increase the production of and improve the quality of products they had already commercialized. After taking account of expansion in the consumer goods market, the companies entered promising new areas, but the scope of their entry was inevitably limited.

The hesitation or reluctance of large firms explains why Toshiba, Hitachi, and Mitsubishi Electric, which entered the television market early on[36] did not seriously pursue the development of transistor radios despite showing interest in transistor technology. No large manufacturers that could have posed a serious threat to Honda Motor were among the companies that entered the motorcycle market after the lifting of fuel sale restrictions. (Around 1955, it was not Kawasaki Heavy Industries that embarked on motorcycle production but rather its affiliate, Kawasaki Meihatsu Kogyo. Kawasaki Heavy Industries would later take over Kawasaki Meihatsu Kogyo, but as of 1955, the company's focus was not on motorcycles.[37])

[35] O*p. cit*., Nakamura, K. (1992), pp. 120, 132–133.

[36] See *op. cit*., Sony Corporation (1986), pp. 103–104; and *op. cit*., The Public Relations Center of Sony Corporation (Eds.) (1996), p. 674.

[37] For discussion above see: *op. cit*., Tomitsuka, K. (1980), pp. 82–184.

Subjective Factors That Enable Innovative Entrepreneurial Activities

Obviously the existence of the objective conditions discussed above did not enable all of the new manufacturers and their top managers active from postwar through the 1960s to embody innovative, entrepreneurial activities. Only a few exceptional companies and their top managers achieved this.

Masaru Ibuka, Akio Morita, Soichiro Honda, and Takeo Fujisawa were outstanding because they built Sony and Honda into exceptional companies, but how did their actions differ from those of other top managers? The second discussion point raised at the beginning of this case study provides some answers to the question: what subjective factors enabled innovative entrepreneurial activities?

The following five subjective factors enabled innovative, entrepreneurial activities:

1. Securing a competitive position by developing new markets and differentiating products.
2. Turning attention overseas from an early stage.
3. Establishing exclusive brand and sales channels.
4. Taking investment risks to differentiate themselves from competitors.
5. Having financial backers.

The significance of new markets and differentiated products (factor 1) is evident in Totsuko's founding charter. Sony's insatiable pursuit of new markets and product differentiation was an important feature of its product development strategy. In fact, Totsuko (later renamed Sony) was a step behind Kobe Kogyo in the mass production of transistors. Both Totsuko and Kobe Kogyo received subsidies for mining and industrial testing and research from the Ministry of International Trade and Industry (MITI) for use in mass production of transistors: Kobe Kogyo in 1954 and Totsuko in 1956. However, Totsuko was ahead of Kobe Kogyo in developing practical application of transistors. Totsuko completely surpassed Kobe Kogyo in creating a new use—transistor radios—and in cultivating a new market.[38]

Honda also put much effort into differentiating its product from those of competitors and on market cultivation. The company was the first to introduce an OHV four-stroke engine in the Dream E model because of its focus on riding comfort, reducing exhaust smoke and noise. The N360 microcar was also well received in the market because of its lower price and superior space utility compared to similar vehicles from other companies. Honda's most dramatic market cultivation success came when it launched the "You Meet the Nicest People on a Honda" campaign in the United States with the launch of the Super Cub. To borrow an expression from

[38] The above description of competition between Totsuko and Kobe Kogyo is based on Matsui, K. (1979). Erekutoronikusu-sangyo: Senkushatachi (*The electronics industry: The pioneers*). In In *op.cit.*, K. Nakagawa, H. Morikawa, & T. Yui, (Eds.) (*The enlarged edition of basic knowledge on modern Japanese business history*) (p. 403).

the company's corporate history, with this campaign, Honda Motor succeeded in triggering the "eruption" of the U.S. "sleeping market.[39]"

The importance of expanding overseas (factor 2) is clearly demonstrated by the series of overseas business trips made by the top management of Totsuko and Honda Motor in 1952, only six years after the companies' founding. These trips led to decisive investments for competitiveness. The shared timing and attributes between the two companies in terms of early overseas expansion is also evident in the following: (1) the launch of the transistor radio TR-63 in 1957 and Super Cub in 1958 and the start of full-scale exports; (2) the establishment of a local subsidiary in the United States in 1959–1960; and (3) the issuing of ADRs 1961–1962 ahead of other Japanese companies. Sony and Honda Motor quickly became leading Japanese companies active on the global stage, only a little more than a decade after their establishment.

The importance of establishing their own brand and sales channels (factor 3) is illustrated by two symbolic episodes already mentioned. The first was when Akio Morita of Totsuko turned down an order for 100,000 units of the transistor radio TR-52 from the American watchmaker Bulova because it wouldn't allow the use of Sony's brand name on the radios. The second, when Takeo Fujisawa of Honda Motor used bicycle dealers to sell motorcycles and motorcycle dealers to sell automobiles, thus creating a sales network for the company's products. The staffs of Sony and Honda included not only technological experts such as Masaru Ibuka and Soichiro Honda, but also sales experts such as Akio Morita and Takeo Fujisawa. This combination was an essential precondition for the growth of both companies.

Honda's establishment of a motorcycle sales network, along with its early establishment of a mass-production system, was a major factor in defeating rival manufacturers. Marusho Motor (a motorcycle manufacturer) produced the Lilac model that triumphed in the Asama Kogen Race (motorcycle endurance race) in 1955 over the Dream, and at one time was poised to become a close competitor of Honda Motor. However, Masashi Ito, Marusho's former president, stated that the company eventually went bankrupt in 1961 because it lacked the sales network of Honda Motor.[40]

There is no denying that Sony's distribution network was weaker than Matsushita's, and that Honda's automobile sales network was less powerful than those of Toyota and Nissan. Nevertheless, Sony and Honda, both latecomers in the consumer electronics and automobile industries, successfully established their own sales networks despite having to compete against the more established companies. The market intelligence gathered through their own sales networks proved useful for the product development of both companies.

Taking investment risks to achieve competitiveness (Factor 4) includes Honda's purchase of new machine tools and construction of mass-production plants for the

[39] O*p. cit.*, Honda Motor Co., Ltd. (1975), p. 40.

[40] Based on *Hamamatsu Pong Pong Story,* a TV program that aired on NHK General TV on March 5, 1992.

Super Cub and N360, and Sony's (or Totsuko's) purchase of transistor patents and R&D for Chromatron-type color TVs. These investments were risky considering the capital size of the two companies at the time, and in fact some of them ended in failure. Honda Motor's purchase of machine tools for the Cub (sold to Kobe Steel) and Sony's development of the Chromatron format (switched to the Trinitron format) were examples that resulted in failure.

Overall, however, these major investments served as decisive turning points in the companies' efforts to distinguish themselves from, and triumph over, their rivals.[41] We must not forget that good labor-management relations[42] and the cooperation of their main banks enabled Sony and Honda to carry out risk-taking investments.

Financial backers (Factor 5) was closely linked to cooperation from the main banks: Mitsui Bank's loan to Totsuko for the transistor patent in 1953 and Mitsubishi Bank's bailout loan to Honda Motor during the financial crisis of 1954, were essential in their becoming global companies—the "Sony and Honda of the world." We cannot overlook, however, the high evaluation of potential for Totsuko and Honda Motor made by bankers at branch offices. Their convincing arguments to their respective superiors were crucial to securing these loans. In summary, the active entrepreneurial activities of Masaru Ibuka and Akio Morita, and Soichiro Honda and Takeo Fujisawa, themselves enabled these bank loans. In this sense, the existence of financial supporters can be regarded as one of the subjective factors for innovative entrepreneurial activities.

This section highlighted five subjective factors behind the innovative entrepreneurial activities of Ibuka, Morita, Honda, and Fujisawa. Others who successfully pressed ahead with innovative entrepreneurial activities from the end of the war through the 1960s seem to have shared all or some of these five factors.

[41] J. C. Abegglen and G. Stalk discuss how Honda Motor defeated its rival, Tokyo Hatsudoki, by exercising the first-move, sure-to-win cycle. See – Abegglen, J. C., & Stalk Jr., G. (1986). Kaisha: Jidai wo tsukuru dainamizumu (*Company: Dynamism that creates an era*) (S. Ueyama trans.) (pp. 78–81). Tokyo: Kodansha Ltd. – where the first-move sure-to-win cycle is practically the same as the differentiated investments indicated here.

[42] To overcome the business management crisis in 1954, Honda Motor had the cooperation of the labor union. At Sony, too, the relationship between management and labor was generally good despite temporary conflict during 1960–61.