



Re-energising the Sony Spirit

By Dr. Jonas Ridderstråle & Mark Wilcox

The race for business leadership is on. In order to get to the future first, your corporation needs speed. If you paid attention at school, you are familiar with the fact that in physics, velocity is a function of mass and energy – the lower the mass and the greater the energy, the faster an object moves.

There is a business translation of this equation. In recent years, most companies, including Sony, have been obsessed with processes focused on de-massification. They have downsized and rightsized, out-sourced and off-shored. Just about everything but the core competences of the firm have been under pressure from the outside, as companies have tried to become even faster, smarter, cheaper and better. The main ingredients of the dominant business recipe of the past decade have consisted in re-engineering, re-aligning, re-structuring and re-organising.

However, at the same time, many organisations have neglected the other

variable in the equation: energy. Based on our work with Sony Europe, it is clear that the next challenge is to re-energise corporations. The 1990s gave us a competence-based view of the firm. In this article, the first of a two-part series, we will outline the fact that the time has come to move on and profit from a psychology-based perspective, which will help executives boost employee engagement and the energy level of the enterprise.

SHRINKING TO GREATNESS

The business case for de-massifying an organisation is easily made. Deregulation, digitisation and globalisation have pushed companies from a world of locally isolated information deserts into an internationally integrated information jungle where markets rule and reign. Things that you once had to build in-house you can now buy from someone else, somewhere else. Moreover, people that you once had to employ directly can now work for you but operate under the command of someone else, somewhere else.

Ditching bulk is alluring. The short-term cost-savings of such arrangements are easily calculated, and any negative effects on the long-term competitiveness of the firm, such as a decline in tacit knowledge, a dissolution of business relationships or a diminishing standard

of employee engagement, are more difficult to measure. Since humans are fundamentally quick-fix, uncertainty-reducing animals, the seductive power of the shrink-to-greatness approach has proven to be enormous.

There are numerous examples of companies that have practised the institutional dumping of activities, people and processes that management believed could no longer provide the company with a competitive edge. Often, the only thing that these 'state-of-the-art' organisations are left to compete with is the knowledge possessed by a few key employees (called 'core competents'). The transaction cost minimisation logic of these de-massification procedures, however, comes with a number of caveats:

- Sustainable competitive advantages cannot be based on outsourcing. As soon as there is a well-functioning external market for something, your competitors have access to these things, meaning that your company has nothing special to offer.
- Articulate knowledge, even that possessed by your core-competents, is increasingly becoming a commodity as competence-producing organisations become more numerous, geographically dispersed and uniform. Around the globe, standardised MBAs abound.
- Studies show that in today's non-linear economy, long-term success is based on innovation rather than optimisation. Maximising knowledge creation, rather than minimising transaction costs, is therefore the new road to riches.
- Eliminating corporate mass often causes energy leakage and deteriorates employee engagement, leading to declining performance.

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Accordingly, for modern companies, de-massification has become a necessary but no longer sufficient condition for the creation of a competitive edge. To thrive truly, senior executives need to move on and explore the energy dimension of corporate strategy. Consider that while research shows that the education and experience of people in organisations together explain some 28% of

work-related performance, confidence and self-efficacy – the belief in one's own ability – alone account for approximately 38% of the explanation of such performance. Add to that the impact of hope, optimism and resiliency, and the massive influence of positive energy becomes even clearer. Peak performance is about high skill and high will.

While we do realise and subscribe to the view that the firm of the future will compete on competence, those firms cannot succeed on competence alone. Organisations are a lot like cars. As noted by Professor Manfred Kets De Vries, "they do not run themselves - except downhill." Knowledge, in the form of education and experience, is to a company what petrol is to a vehicle. You can fill up the tank, but if you remove the sparkplugs, the car will not move. Therefore, as a leader of a corporation aspiring to create the future, you are facing a vital choice; you must re-energise now or begin to look for retirement.

Like many other companies, Sony has recently been under severe attack from growing competitors. The glorious Sony brand profile has lost some of its old magic, and profits have been declining. Meanwhile, reduction of personnel has caused weakening employee engagement within the European organisation. For the first time in the history of the company, analysts considered the firm to be on the ropes. Although hard to admit internally, the corporation that brought you music on the move has become weighted down by the melancholy of management by numbers. Getting the spirit back into the corporate machine is therefore now at the top of the agenda for Sony management. The company's new ambition is bold, 'to become the leading digital entertainment brand of the 21st Century'.

RE-ENERGISING THE CORPORATION

Recognition of a need for a change in corporate strategy, though, poses a problem. The traditional recipe for getting a company back on track has been the application of more management and more control. However, management, as we knew it during the 20th Century, was largely defined as the art of assuring organisational order. To achieve this objective, executives were supposed to destroy deviance – primarily negative deviance, but if a couple of positive deviants were killed in the process, that was a sacrifice most companies were willing to make in the



name of professional management. While this approach ensured that the corporation was never inefficient, the negative side effect was that the organisation was incapable of achieving radical or revolutionary change. Sometimes, it seems, the cure can actually be worse than the disease. Good management, not bad, is to blame for most major failures in corporate history.

Research even indicates that, over time, fewer than 2.5% of the largest and most global companies are capable of beating the market index. Please, re-read the last sentence. We are not talking about companies achieving amazing success, but about beating mediocrity – the average. As the leader of a business you can either borrow the strategy of James Dean – live fast, die young – or you must focus on Just ‘de’ – de-structure, de-layer, de-routinise and destroy to build. Energy, by nature, is a force of destruction and creation.

In a non-linear business world, future success is increasingly dependent on an organisation’s skill and will in recruiting, retaining, rotating and rewarding positive deviants. So, how did we go about increasing the level of energy and employee engagement in an organisation inhabited by such mavericks with a mission? Firstly, in our work with Sony we decided to distinguish between three basic energy conversion modes:

- Physical: working harder
- Professional: working smarter
- Psychological: working heartier

Our primary interest in this project was focused on the latter aspect, although elements of the professional dimension always tend to interact with the psychological. By now, in all likelihood, and as in the case of Sony, in your industry the physical part of the conversion process is increasingly up to the Chinese.

Secondly, we thought it was crucial that the overall framework for re-energising the firm enabled more *fusion* to make the most out of diversity, facilitated *fission* to encourage creation-oriented projects that are separated from the exploitation-focused core of the firm, and reduced *friction* in the form of barriers to communication and knowledge creation.

This was the challenge that we formulated. Sony needs to introduce methods that enable people in all areas of the organisation to utilise their individual creative potential to the fullest.

Yet, at the same time, the organisation must take measures to ensure that individual freedom is combined with an ability to take collective action – ‘me’ and ‘we’ need to co-exist. The overall conclusion was that making ‘me/we management’ work rests with revisiting and then revitalising the spirit of the enterprise.

In the case of Sony, this spirit is and has always been about “*creative minds resonating with each other to bring new emotion and wonder to the world*”. Formally speaking, it is made up of three distinct components:

- Dreams: Exploring your dreams...with curiosity
- Emotions: Sharing your joy and experience...with everyone
- Innovations: Inspiring and exciting...with imagination

CORPORATE RELIGION

As a first step in our efforts to help Sony Europe re-build itself as a truly successful and sustainable knowledge and psychology based organisation, we decided to look to established sources by considering world religions. It did not matter whether we talked about Christianity, Islam, Buddhism, Hinduism, or Judaism. These religions have been around for hundreds or even thousands of years, so they must be doing something right.

You may think your company is all about managing and marketing intangibles. Well, religions are selling products that no-one has ever seen, at least not with any level of confidence, since Moses caught sight of the burning bush.

According to the British-American professor of religious history, Ninian Smart, all world religions, or world views, can be described using seven dimensions of strategic spirituality. For now, here is the short-list (in the next article, we will discuss in greater depth how these dimensions facilitate fusion and fission while simultaneously reducing friction):

- Ideological – Our Dreams
- Ritual – Our Ceremonies
- Mythical – Our Stories
- Ethical – Our Values
- Emotional – Our Experience
- Material – Our Things
- Organisational – Our Structures

In our work with Sony, we adopted and adapted this framework to the business in order

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to revitalise the spirit of the organisation. The latter point is important. We are not talking about managing change, but about being the change that you want to see in the future of your company – re-creation rather than invention. A corporate religion is different from a corporate culture. While cultures are popularly defined as “*the way we do things around here*”, your corporate religion should depict “*why we do things around here*”. Every organisation has a culture; a corporate religion is conceived and created and must therefore be nurtured.

All re-energising efforts need a catalyst. The one that we used in reconnecting and rebuilding the Sony spirit was the ‘like.no.other’ campaign, which was formally launched in Europe during the spring of 2005. The process aimed at re-energising the organisation was also heavily contingent on clear and continuous commitment from top management. The executive team of Sony Europe definitely regarded this as a chance to create a new future for the business and an opportunity to refresh the values and spirit of the brand. Management clearly intended ‘like. no. other.’ to be more than a strap-line. It was seen as a genuine effort to banish boredom and defy dullness within the organisation. The ‘like. no. other.’ philosophy should signify a way of thinking, acting and being Sony. The new manifesto for how to be ‘like us’ read:

*We are more than a business and
more than a brand.
We are an idea, a dream,
a philosophy, a spirit,
We share a different view of the world,
We're not here to be logical or predictable,
We do what others don't,
We enjoy new thinking, explore the impossible
and pursue the unknown,
We're optimistic, playful and ingenious,
We wonder, we question, and we create...
For every no, we see 'yes'
For every stop, we say 'go'
For every off, we turn 'on'
When others ask 'why?' we say 'why not?'
We are like no other*

INTO THE FUTURE

Centuries ago, Jonathan Swift pointed out that vision is the art of seeing things invisible to others. We have outlined the basic characteristics of our vision of why for so many contemporary organisations it is so vitally important to shift the focus from re-engineering to re-energising the corporation. However, while action without vision may be a nightmare, vision without action is just a daydream. Appearing in the next issue of CriticalEYE REVIEW, we will describe in greater detail the particular process Sony Europe is now working to re-energise its organisation: using a re-invented corporate religion to boost performance by engaging employees.



Jonas is at the forefront of the new generation of European-based business gurus. Jonas' imaginative take on contemporary business life makes him one of the world's most sought after and appreciated speakers. The '2003

Thinkers 50', the bi-annual global ranking of management thinkers, ranked him and his colleague, Dr Kjell Nordström, at number 21. His books 'Funky Business' and 'Karaoke Capitalism' (co-authored with Kjell Nordström) are internationally bestselling manifestos of what our era requires from business firms and their leaders. For a further article by Jonas refer to CriticalEYE REVIEW September 2004. He can be contacted at knightray@tele2.se



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