

Sony struggles to remain creative

Innovation vs. efficiency and productivity

Making a video game these days is getting more and more like making a movie. So-called blockbuster games are developed by large teams of programmers managed by “producers”, can take many years to come to market and generally cost major amounts of money to make. The rewards, however, can be lucrative. With global sales of more than \$20 billion a year, the computer and video games market is now bigger than Hollywood.

Project management for Primal

One of the industry’s major players, Sony Corporation, has just completed its most ambitious videogame project to date – Primal. Beginning with a small team, Primal has involved 35 full-time employees over a three-year period, including 12 programmers and three designers.

The management of creative people working on a commercial product with hardware constraints (such as the Sony PlayStation 2 console) can be challenging. Initially, Sony faced difficulties in keeping specialist employees on board. However, the project benefited by having all the team located in the same building. Further, every employee was full-time, thereby avoiding the complications of outsourcing.

Elastic deadlines and budgets

As a large corporation, Sony could afford to concentrate on product quality – the project did not suffer from having to be made on time and within budget. But such flexible deadlines and budgets could be seen to create a lack of urgency. Although well received upon release, the launch of Primal was delayed for several months and cost far more to develop than planned. The game also became much more complicated than originally envisioned and the design was perhaps too ambitious.

With a more rigorous project management structure, the project may have run smoother. The main problem was that the project manager was trained formally in games development, rather than in project management. He used Microsoft’s Project software as a scheduling tool rather than an all-round project management system. In creative industries, such “accidental” managers need to come to grips with the benefits offered by project management.

String of imaginative hit products

Sony’s PlayStation videogame console is just one of a string of imaginative hit products that include the Trinitron color television and the Walkman personal stereo player. The company’s creative, somewhat quirky, eccentric engineer-focused corporate culture, where ideas and

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enthusiasm are valued over and above seniority, experience and university degrees, has been the main reason for its success.

At Sony's interactive research laboratory in Tokyo, for example, a team of young researchers and designers are charged with bouncing around outlandish ideas, to develop working prototypes that have yet to find applications. This high-risk approach to innovation has already achieved strategic breakthroughs, such as a touch-screen personal digital assistant, a thin, flexible handheld device that responds to touching and bending, and an interactive surface that is sensitive to hand and finger gestures.

Disappointing sales, bold promises

But despite the success of its video games division and its commitment to blue-sky research, the consumer electronics giant is struggling to balance the demands of its size with the need to remain creative. With 161,000 employees and an annual turnover of more than \$62 billion, the corporation is faced with flat sales, falling profit margins and a lack of recent hit products. Sony has also been criticized for being late to market in key electronic sectors, such as flat-screen TVs and digital videodisc recorders, and for producing disappointing products like the Vaio computer.

As a result, Sony has streamlined its operations by reorganizing its factories and product lines, aiming to raise profit margins from the current 2.5 percent to 10 percent by 2006. In the core electronics business, 20,000 jobs will be lost (7,000 of these in Japan), around 30 percent of the firm's plants will be closed, the supply chain will be streamlined, and more assembly work will be transferred to low-wage countries, such as China.

Changing corporate culture

With a flat hierarchy, Sony has traditionally comprised arrogant, demanding managers, proud, headstrong engineers and free-thinking inventors. Fiercely independent business divisions were viewed as rivals, while product developers continually challenged engineers. Product planning meetings were based on creating demand, rather than researching it. Decision-making bordered on the reckless.

But the consumer electronics industry is changing: competition is becoming intense and product lines are moving closer together. With complacency setting in at Sony, resources became stretched too thinly, managers became less demanding and creativity was made over-complicated. Corporate culture had to change. Although the maverick spirit is still present, the company's growth has made it tougher to keep the old culture alive and healthy.

The case of Sony questions whether efficiency and productivity really go hand in hand with creativity and innovation. The corporation is struggling to find a balance between the drive to stay innovative and the corporate need to not fall behind the competition in key markets. It must decide whether it is leading, following or simply standing still.

Comment

This review is based on "Games giants battle for a multi-billion market: keeping control at PlayStation 2 studios" by O'Brien (2003), "Sony tries to be cool" by Dvorak (2003), "Sony's flexible approach pays dividends in lab" by Fitzpatrick (2003), and "Talk man or walk man?" published in *The Economist*.

O'Brien explores project management techniques used by Sony in developing its latest blockbuster video game Primal. The project relied on teamwork, personal contact and in-house resources, but faced challenges in managing creative people unwilling to compromise to accommodate hardware constraints. He suggests that managers in creative industries have much to learn from the application of project management techniques.

Fitzpatrick provides an insight into Sony's interactive research laboratory, where young product developers are looking at futuristic technology. However, the articles by Dvorak and *The Economist* paint a challenging picture of Sony's attempts to turn itself around, stressing the need to remain creative while balancing the demands of a large corporation.

Keywords:

Sony Corporation,
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