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THE FAILURE OF CORPORATE MANAGEMENT OF THE SHARP COMPANY AS A RESULT OF NEGLECTING THE SALES STRATEGY AND MARKET RESEARCH

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Abstract. *This article highlights the problems of corporate management of a Japanese electronics manufacturer, Sharp Corporation, which was a leader in production of LCD TV sets in the world. The corporation had the world best technologies and production skills. This had formed overconfidence in the company's management, which resulted in misunderstanding the world trends and neglecting the problems in its sales activities. As a result, Sharp Corporation faced a serious managerial crisis, and 5 years after the crisis started the corporation was acquired by the Hon Hai company (Taiwan). Thus the story of Sharp Corporation teaches a very valuable lesson.*

Keywords: *Sharp Corporation, Japanese electronics industry, corporate management, corporate governance, corporate management crisis.*

ПРОВАЛ КОРПОРАТИВНОГО УПРАВЛІННЯ КОМПАНІЇ SHARP ЯК РЕЗУЛЬТАТ НЕХТУВАННЯ СТРАТЕГІЄЮ ПРОДАЖІВ І МАРКЕТИНГОВИМИ ДОСЛІДЖЕННЯМИ

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Анотація. *Статтю присвячено проблемам корпоративного управління японського виробника електроніки, компанії Sharp, яка була провідною компанією з виробництва РК-телевізорів у світі. Компанія Sharp володіла найпередовішими технологіями та виробничими навичками у світі. Через це у менеджменту компанії сформувалася надмірна самовпевненість, і це призвело до нерозуміння світових тенденцій і ігнорування проблем збутової діяльності. У результаті в компанії Sharp почалася серйозна управлінська криза. Після 5 років цієї кризи Sharp був придбаний компанією Hon Hai з Тайваню. Таким чином, історія компанії Sharp надає дуже важливий урок.*

Ключові слова: *Sharp, японська електронна промисловість, корпоративний менеджмент, корпоративне управління, криза корпоративного менеджменту.*

ПРОВАЛ КОРПОРАТИВНОГО УПРАВЛЕНИЯ КОМПАНИИ SHARP КАК РЕЗУЛЬТАТ ПРЕНЕБРЕЖЕНИЯ СТРАТЕГИЕЙ ПРОДАЖ И МАРКЕТИНГОВЫМИ ИССЛЕДОВАНИЯМИ

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Аннотация. *Статья посвящена проблемам корпоративного управления японского производителя электроники, компании Sharp, которая была ведущей компанией по производству ЖК-телевизоров в мире. Компания Sharp обладала самыми передовыми технологиями и производственными навыками в мире. Из-за этого у менеджмента компании сформировалась чрезмерная самоуверенность, и это привело к непониманию мировых тенденций и игнорированию проблем сбытовой деятельности. В результате в компании Sharp начался серьезный управленческий кризис. После 5 лет этого кризиса Sharp был приобретен компанией Hon Hai из Тайваня. Таким образом, история компании Sharp преподает очень важный урок.*

Ключевые слова: *Sharp, японская электронная промышленность, корпоративный менеджмент, корпоративное управление, кризис корпоративного менеджмента.*

Problem formulation. Japanese household appliance companies gained prosperity long time in the end of 20th century. Sony, Panasonic, Sharp, Toshiba, Canon etc. were global market and technological leaders in their segments, and this situation seemed to be sustainable. However from around 2000, market share and profits of Japanese producers of electronics sharply began to decline. One of the reasons of such decline was the catch-up of Taiwan and South Korea, but not only it. Some of Japanese companies made critical mistakes on their strategies, driven by wrong management and corporate governance. So it is meaningful to analyze these mistakes as capable to bring world leading companies to failure.

Recent studies. A lot of Japanese and foreign scholars analyzed this issue, namely Kaj Grichnik, Hwy-Chang Moon, Yasuyuki Onishi, Steven K. Vogel, Hideki Yoshihara, and wrote general idea. But researches mostly concentrate on external reasons of Japanese manufacturers failure, such as rise of South Korea, Taiwan and China. So in this paper, authors take one of Japanese leading electronic appliance companies Sharp as an example and analyze in detail what kind of strategy and path it took.

Purpose of the paper. The purpose of this paper is to analyze the key reasons of the Sharp's failure by discovering the corporate management patterns of the former world's leader in LCD TV sector.

Main material of the research. Sharp achieved ordinary profit for the first time in three years in fiscal 2017. Taiwan's Hon Hai Precision Industry, which has invested $3.888 billion in Sharp and put its company under its control, undertook management reforms. First of all, Hon Hai normalized contracts with business partners and lowered procurement cost by using Hon Hai's bargaining power which was as much as $150 billion. The Mihara factory (Mihara city, Hiroshima prefecture) was closed in 2017, and it was consolidated at the Fukuyama Plant (Fukuyama City, same prefecture) [1].

At one point, Industrial Innovation Organization (IIO), a Japanese government fund, was considered to invest and save Sharp. However, at the last moment, main banks of the company altered their decisions, and Hon Hai's investment was decided.

Considering the future of Sharp, it would be the right choice to utilize Hon Hai's money and ability to make goods cheaply. Hon Hai also has network all over the world and has $150 billion of sales amount. IIO was aiming for splitting up Sharp's medium and small size liquid crystal business and integrating Sharp with Japan Display (JDI - Hitachi, Ltd., Toshiba, Sony's medium and small-sized liquid crystal business integration company), which was invested by IIO. However, if Sharp had been added to the pickup team such as JDI, there was a possibility that efficient decision making could not be made.

We can say that it is fortunate that Sharp entered Hong Hai group, but it is a case symbolizing the defeat of Japan's electronics industry. It is the first case that major electronics companies were bought entirely by foreign capital.

In the early 2000s, Sharp, which led the global television market with liquid crystal technology, was regarded as a winning company while major electronics companies suffered from the collapse of the IT bubble. Sharp competed with its rival "Panasonic" and constructed a huge factory of liquid crystal panels one after another in Japan. It gave a thought of "Resurrection of Japanese manufacturing" on people.

In the 1990s, the Japanese electrical industry lost to Korea, Taiwan and the United States with semiconductors, and swore to revenge with liquid crystal panels. "Don't repeat the mistakes on semiconductors" became the key

word, and they did not allow followers to follow by a huge investment. They also paid close attention to technology leakage. Nevertheless, the prosperity of the Japanese panel industry did not last ten years. In particular, Sharp which was the world's best liquid crystal manufacturer was thrown into a fateful crisis of survival in defeat of the liquid crystal panel. Where did Sharp mistake?

Construction of Sharp Kameyama No. 1 plant (Kameyama city, Mie prefecture) began in 2002. Sharp built a world's first vertically integrated factory from panel to television by investing $1 billion. It was a strategy that does not allow information leakage to South Korea and Taiwan by putting state-of-the-art technology in black box.

The liquid crystal TVs (LCD TVs) "Aquos" (produced at the Mie Factory) which was released in 2001 was explosively sold [1]. Sharp expanded the screen of the liquid crystal panel to 20 inches or more, which was limited to portable size before, and it replaced tube TVs (CRTs).

Katsuhiko Machida, who became a president of Sharp in 1998, said that Sharp would replace CRTs with liquid crystals. Back then it was the heyday of big screen CRTs. Matsushita Electric Industrial 's "Gaou" and Sony's "WEGA", etc. were well sold. The liquid crystal was still coarse in pixel and display speed was slow. Rival manufacturers underestimated and said that liquid crystal is not competing with CRTs yet.

Just looking at the technical side, Sony's decision was right. Liquid crystal was far behind the CRTs in the denseness of the images and the smoothness of the moving pictures. But consumers chose a stylish LCD TVs.

We have to move back the electron gun that projects the image in order to make a CRT large screen. The larger the screen, the longer the depth of the main body of the TV, and the larger the volume. However, if we do not use an electron gun, depth will not increase no matter how large the screen is. Consumers recognized LCD televisions as TV of the new era, then bulky CRT TVs became relics of the past. "Liquid crystal shift" progressed quickly regardless of picture quality.

Sharp, who succeeded in the first "Aquos", made further investment. In 2004 Kameyama factory No.1 was completed. Mie prefecture contributed $90 million, and Kameyama city contributed $45 million subsidy to attract this factory. In 2005, Prime Minister of Japan, Junichiro Koizumi visited it. Sharp on the momentum announced the construction of the Kameyama No.2 plant the same year. The total investment was $1.5 billion. The second factory operated in 2006. Even after that, Sharp continued to increase production intermittently at the 1st and 2nd plants. By the year 2008, it invested $5 billion [1].

A subcontracting company which supplied parts gathered around the Kameyama Plant and developed as a "liquid crystal complex". Sharp called TVs which were produced there "Kameyama brand", continued to appeal it in TV commercials. Machida became a board chairperson, and Mikio Katayama who led the development of Aquos became president at the age of 49 years old in 2007. As soon as he took office, he decided to build a third liquid crystal plant in Sakai, Osaka Prefecture, following Kameyama No. 1 and No. 2 [1]. The investment amount was $3.8 billion. Parts manufacturers such as glass makers also built factories at the complex, and it was named "Green Front Sakai", and the total investment of it reached $10 billion including such cooperating companies. It was an unprecedented huge investment in the history of Japanese electrical industry.

There was a reason why Sharp made such huge factories. In semiconductor memory DRAM, several Japanese manufacturers including NEC, Hitachi, Toshiba and others continued to make small incremental investments individually. So they lost in a scale competition to Korea and Taiwan which carried out huge investment by public and private sectors together. Japan has repeated the mistake of "sequential input of strength" also in business that the Japanese army did during World War II. Sharp invested $8.8 billion by just capital investment of liquid crystal in seven years from the start of Kameyama No. 1 construction work to the starting operation of Sakai factory not to repeat same mistake in semiconductors [1]. Sharp and Panasonic repeated a huge investment in Japan as if they were driven by an obsession. Such Sharp and Panasonic movements were welcomed favorably by media and public opinion as "domestic return of manufacturing industry" and "resurgence of manufacturing of Japan". President Kunio Nakamura who decided to make huge investment at Panasonic was raised as "charisma" and became a promising candidate for Federation of Economic Organization chairman at the time [3].

Panasonic invested in plasma television assuming it as a favorite of flat screen TV. In the liquid crystal using the principle of reflection, the screen becomes whitish in a bright room, and the dark scene becomes difficult to see. On the other hand, the plasma which spontaneously emits light could clearly display the image even in a bright place [2]. It was easy to produce large screen panels, so Panasonic predicted that plasma would be the mainstream of large TVs from 40 inches.

Mass production of plasma panels began at the Ibaraki Plant (Osaka prefecture) in 2001, the 2nd plant in 2004, the 3rd plant in Amagasaki, Hyogo Prefecture in 2005, the 4th plant in 2007, the 5th plant with 1 million monthly production started to operate in 2009. Total investment in Amagasaki extended into $4.25 billion [2].

However, Lehman shock hit both companies. In 2009, when Sharp's Sakai Factory and Panasonic's Amagasaki Plant No.5 started operating, the sales of televisions stopped suddenly in the markets of Japan, the United States

and Europe, which were the main markets of flat-screen TVs. Panasonic was mainly based on plasma, however it declined the advantage due to technological innovation of liquid crystals, and consumers started choosing cheap LCD TVs. So it changed the plan. Amagasaki Plant No.5 stopped production less than two years after operation in 2011. In 2012, the 1st, 2nd and 3rd plants stopped production. The remaining 4th plant also tried to change the use from TV in which demand cannot be expected to electronic blackboard etc., but it ceased production abruptly at the end of the year. Panasonic acquired management rights of Himeji Plant which was joint investment of Toshiba and Hitachi, Ltd. However, Panasonic could not raise the operation rate at all, resulting in an excess of debt of $4.55 billion by the end of March 2013. Panasonic tried to sell the liquid crystal business after a while, but it couldn't find buyer. Panasonic eventually discontinued production of the liquid crystal panel at the end of September 2016 after continuing the sixth consecutive terms of deficit [2]. Panasonic lost close to $10 billion for plasma and liquid crystal. If it was a company of a similar size, it was not surprising that it went bankrupt, but it survived because of businesses other than television such as white goods, housing equipment, batteries and electronic parts for automobiles.

Meanwhile, because Sharp invested intensively in liquid crystal only, when it withdraws from the liquid crystal, the meaning of existence of the company disappears. So Sharp could not withdraw, and suffered from a struggle. If production is reduced according to demand, impairment treatment of panel factory will be necessary. However, Sharp's balance sheet, where it repeated huge capital investment, had its debts expanding to the limit, and if it had been impaired, it easily would have fallen into debt excess. As a result, Sharp at that time continued to produce products without chance of selling and increased its stock to avoid impairment. By being ahead of other companies in liquid crystal technology, there was overconfidence in Sharp at that time that if it built a l arge liquid crystal panel plant, it could have won. Although the domestic panel factory was steadily increased, Sharp neglected to expand the sales channel corresponding to it. Especially the marketing in emerging countries was largely delayed by Samsung Electronics and LG Electronics in Korea. Sharp started out marketing after it experienced a sharp downturn in the marketplace in advanced countries after the Lehman shock, but it was already late.

In 2011, Sharp asked Apple to invested nearly $1 billion, and changed Kameyama No.1 factory from television to liquid crystal production line for smartphones. In fact it was a factory dedicated to Apple. In 2012, when the management crisis surfaced, Sharp spun off the Sakai factory into Sakai Display Products (SDP) and asked for a capital investment of $660 million from Hon Hai's president individually [1]. Sharp escaped from the crisis by removing the Sakai factory from consolidated accounting that had huge deficits. On the other hand, Hong Hai which got the Sakai factory expanded its sales channel to the U.S. emerging TV manufacturers such as Vizio, etc., and in just a few years it restored profitability of SDP. It shows the importance of the balance between producing and selling.

Sharp's Sakai Factory and Panasonic's Amagasaki Plant are very similar to Yamato and Musashi, a battleships constructed by the Japanese Army during the Second World War. Yamato and Musashi which gathered Japanese military technology was the biggest battleship ever and had a powerful main gun. However, the United States whose battleships were submerged by Japanese fighter planes in Pearl Harbor attack learned the fragility of the large ship with big cannons, and subsequently it put main focus of the equipment in the air fight. Then it built a lot of aircraft carriers to carry the aircrafts to battlefields. Naval warfare where the fleet and the fleet face each other in the ocean did not happen, and Yamato and Musashi were sunk without using the main guns. Japan with poor resource wanted a short-term decisive battle and tried to settle at once with a large ship gun. However, that was only Japan's desire, and the actual war was prolonged. They only saw what they wanted to see. They also assumed that the war situation would proceed as they thought. When somebody tried to deal with unexpected situations, he was criticized as coward. The armaments lacked strategy, and they did not compete with the new war of the Allied forces making full use of high-performance radar and aircraft.

In the early 2000s, when Sharp and Panasonic built the world's largest panel factories, the main battlefield of digital has already shifted from the TV to the internet. People who surrounded television in the living room changed their habits to watch videos with smartphones and using Twitter, Facebook, and LINE. War ended in defeat without having fully operation on Sakai and Amagasaki factory even at once. Tactics to make high-definition panels cheaply and massively were already outdated before the war.

A smartphone that replaced TVs and became "a king of home appliances" did not spread only by the performance of hardware. Prior to launching iPhone, Apple, which led the market in the smart phone, had launched iTunes Store, a music delivery service. The service to download to the smartphone and listen to favorite music changed the youth's lifestyle. When launching iPhones, it launched the App Store, and various applications such as games were able to be downloaded.

The U.S. internet giant competed with Apple. Google developed Android for smartphone OS. Korean Samsung Electronics and Chinese manufacturers made cheap smartphones and sold all over the world. The world's

smartphone market became the structure of iPhones vs. Android terminals. Japanese electric manufacturers sticking to "i-mode" by NTT docomo have been left out of the times. During the smartphone revolution, Sharp and Panasonic continued futile competition domestically for high definition and large screen. Sakai and Amagasaki factory was the symbol of it. Although the opponent set up an air fight using the radar, they tried to intercept it with a large ship gun. It is the essence of failure of the Japanese electronics industry.

Sharp and Panasonic could not imagine the day when television is no longer the "king of appliances". However, if the management teams stopped by the supermarket in the United States of internet developed country, they may have been able to feel the decline of the TV position. At the time of 2010 in large supermarkets in the United States, 60-inch large LCD TVs were displayed at the same floor where bread and milk are sold. If they were made in China, the prices were around $1,000. However, in Japan, TVs of the same size still were sold at around $3,000. However, in the United States, there were no consumers who spent such a large sum of money for "just TVs". In other words, "King of Home Appliances" was downgraded to commodity (daily necessities).

The screen of the first Aquos launched in 2001 was 20 inches, however, 65 inches appeared in 2005. When competition to increase screen size slowed down, price differentiation began. 30% of annual price decline started. Once the digital product enters this phase, it is not easy to stop the price drop. Sharp was supposed to know that more than anyone else.

From the mid-1960s to the end of the 70's, Sharp experienced intense "calculator war" with Casio Computer and Cannon. In 1964, Sharp's former company, "Hayakawa Electric Industry" released a transistor calculator "Compet CS-10A", whose price was $5,350. It was roughly the same as a Nissan's passenger car. These were the things that Individuals could not buy. However, for the last 15 years, prices fell sharply due to the fierce development competition of Sharp and Casio Computer.

"QT-8D" which was released in 1969 succeeded in making the size compact and lightweight as small as 1.4 kilograms compared to Compet which was 25 kilograms. The price was $988. It was less than one - fifth of Compet. "EL-805" put out in 1976 was the first model with a liquid crystal display, and despite being as light as 200 grams, it was only $268. Five years later, the business card size "card calculator" became a mainstream and the price fell to around $60 [4].

In the 15 years since 1964, Sharp and Casio continued to make innovations and formed cornerstones of the semiconductor industry by miniaturization of circuits and so on. The technical level of both companies definitely ran at the top of the world at that time. The two companies did not conspire to agree on prices and competed fiercely, and the price of the calculator sharply dropped to 1/100.

According to the example of calculator, the price of LCD televisions will decline to $100 in a few years. A calculator whose price was same as a car is now sold at $1 shops. Now the calculator function has been equipped in personal computers and smartphones, and we do not need to buy calculators themselves. TVs may follow the same path.

The fall of television also had a serious impact on the performance of home appliance mass retail stores. The price of TV, which was a source of long-term revenue, has collapsed, and the sales number also dropped sharply. Since then until today, home appliance mass retail stores are focusing on selling smartphones, housing remodeling, and photovoltaic power generation systems, etc., however, they have not yet compensated for TVs. The first floor of a home appliance mass retail stores in Tokyo is filled with smart phones, and TVs that once occupied the prime location on the first floor are now sold with audio and alcohol on the second floor.

Electric machine manufacturers overseas, which have been struggling with Japanese electric machine manufacturers since the calculator, quickly coped with the shrinkage of TV production. Phillips in the Netherlands, which was a rival of Japanese manufacturers in the world of AV equipment market, began to narrow down the AV and semiconductor businesses as well as TV's in 2005. In 2011, it sold the TV business to "TPV Technology" of Taiwan. It assumed that it could not earn profit on TV business anymore. In May 2013, Phillips changed the official company name from "Royal Phillipps Electronics" to "Royal Phillips". By eliminating "electronics" from the company name, it claimed that it was no longer an electric equipment make anymore. Philips' current main business is medical equipment, health equipment and LED lighting. Especially in medical examination equipment, it is one of the world's leading manufacturers with the U.S. GE and German Siemens, and profits are higher than the heyday of electronics [5].

Meanwhile, Japan's major electronics manufacturers such as Sharp and Panasonic continued large amount of investment even after 2009 when they no longer make profits due to price competition of television, and they misjudged the timing of withdrawal. In Japan, the word "discontinue retreat" is used positively. Audacious tactics such as "Do not think about running away, believe in victory and push forward" are valued as gracious. However, from the viewpoint of shareholders, employees, and business partners, they are very annoying. Many stakeholders suffer disadvantage if they do not survive. As Philips stopped the television and Nokia sold the mobile phone business, even if we abandon tradition and pride, we must adjust ourselves to changes of the environment.

How about a rival maker, Samsung? At that time, Samsung was afraid of Sharp's start of overseas production of LCD televisions. At that time, the difference in image quality between Sharp and Samsung LCD panels was obvious. If Sharp had made it cheaply in China and arranged in stores in emerging countries, Samsung would have had no chance of winning. Samsung needed several years to catch up with Sharp in liquid crystal technology. However, Sharp built large plants in Kameyama and Sakai and chose domestic production. When the newspaper reported a massive investment in liquid crystal and plasma panel in Japan, Samsung was steadily drawing up a reversal strategy.

Samsung was forced into actual bankruptcy situation in the Asian currency crisis in 1997. In the "Survival measure meeting" held in 1998, Samsung decreased 120 business divisions to 34. Samsung abandoned all projects that could not win and put management resources into a potential business. That was an LCD TV. Although there was still a big difference in the technical strength with Sharp, it was equally matched for price competitiveness and global sales force. Samsung 's salespersons scattered in emerging countries. Although CRT televisions were still popular in emerging countries, Samsung made effort to enter the markets earlier than Sharp and prepare the position of interception against it. Meanwhile, no Sharp sales force appeared in Vietnam, Russia and China.

Samsung steadily began to capture the TV market of emerging countries where there are no Japanese manufacturers. By the "regional experts system", Samsung sent employees to 700 cities in 60 countries around the world, and Samsung made them understand local cultures, trends, needs and build network. In order to produce and sales goods and promote "Samsung brand" in each country, it invested $10 billion for annual advertisement and promotion [6].

Reactions of Japanese makers such as Sharp were dull because expensive LCD televisions were still sold well in developed countries. Japanese makers were aware that Samsung and LG were investing capital in emerging countries, but they did not take any measures for it. It was the same mistake that Japan made in the war. Sharp and Panasonic, which had too much confidence on their technological capabilities, devoted themselves on developing high definition televisions, and building big factories, and forgot the necessity of detailed marketing for the circumstances of each country. Japanese consumer electronics manufacturers have pushed away American and European household appliance manufacturers through such marketing efforts, however, such memories were not left in them. And in the fall of 2008, Lehman shock hit the world economy, and sales of LCD televisions in advanced countries stopped instantly. Production capacity of the domestic liquid crystal panels that expanded due to successive increase in production soon became surplus. Japanese makers such as Sharp hurriedly looked for sales routes to emerging countries, but already Samsung, LG captured them.

Conclusion. From above, we can summarize the case of Sharp. The biggest reason is that Sharp misread world trend, and assumed that big screen TVs' market would continue. Even though it was not easy to predict Lehman shock to slow down TV market, Sharp could have noticed the downgrading of TV to commodity and coming era of smartphones, if it had made market research in developed countries. Another reason is that it neglected new market exploration in emerging countries. There is a common cause of these two. It is too much devotion on developing high definition TVs and reinforcing production capacity. About reinforcing production capacity, it was based on a reflection on the past, however, Sharp cannot make any excuse that it did not do any sales and marketing activities.

There is a phrase "Japanese companies are good at producing high quality goods, but not good at marketing, sales and building strategies". It is mainly true. Even though they produce goods of bad quality till 1960's, the qualities were enhanced from 70's. After that, "To produce high quality products" became prime goal of companies. It is not a bad thing to have it at all, however because of this, they do not focus on those 3 factors (marketing, sales, and building strategies). That phrase was said long time, and Japanese companies still cannot improve it. Instead, because of this, they had huge sacrifice in recent years. In fact, Sharp almost became bankrupted and was bought by a foreign capital. To have strength such as having high quality products and production skill may mean that they do not focus on other things. However, the neglect of sales and marketing was too much. From this big failure, I believe that they'll strengthen those 3 factors.

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МЕХАНІЗМ ФУНКЦІОНУВАННЯ ПРОБЛЕМНО-ОРІЄНТОВАНОЇ СИСТЕМИ УПРАВЛІННЯ ЛЮДСЬКИМИ РЕСУРСАМИ

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Анотація. *Статтю присвячено актуальним питанням ефективності управління людськими ресурсами на основі проблемно-орієнтованого підходу в умовах трансформаційних процесів. Відсутність комплексного підходу до управління людськими ресурсами на всіх економічних рівнях призводить до зниження ефективності використання людських ресурсів, погіршення соціально-економічних показників розвитку. Мета статті полягає у формуванні дієвого механізму управління людськими ресурсами, який спрямований на адекватне вирішення різноманітних проблем і загроз, що поступають як із зовнішнього, так і внутрішнього середовища. На основі узагальнення, абстрактно-логічного аналізу, системного та комплексного підходів визначено складові механізму функціонування проблемно-орієнтованої системи*