



## Howard Stringer Transcript 3/28/06

MICHAEL EISNER:

So Howard, it's great to have you here. We kind of share a beginning. I was answering phones for Johnny Carson backstage and Jack Parr (PH), and you were answering phones for Ed Sullivan. Is that right?

HOWARD STRINGER:

Amongst others. Yes, I was answering just (UNINTEL) of phone calls. And I happened to be on Monday nights.

MICHAEL EISNER:

Anybody who'll complain? Just regular complaining about-- and not like from the show or--

HOWARD STRINGER:

A-- a-- a lotta people were both highly positive and highly negative about Barbra Streisand one time. And-- and then the Beatles-- Beatles-- were wildly popular viewers. And I used to-- I used to pretend to be George Harrison and answer viewers phone calls. That was the most fun I had in that job.

MICHAEL EISNER:

So you were actually responsible for bringing the Beatles to the United States?

HOWARD STRINGER:

Me, personally?

MICHAEL EISNER:

Yes.

HOWARD STRINGER:

No, I would say nothing of the kind. No.

MICHAEL EISNER:

So you came to the United States (COUGHS) well before you ran the Sony Corporation, just as a 23 year old man looking for adventure?

HOWARD STRINGER:

Yes. I-- I-- I think that's exactly right. I mean I-- I had no idea what I wanted to do. I was-- about as fascinated as-- with America as you can possibly be as a young man, because those were the sort of halcyon days of change in the-- in the United States. So I just came over here on a whim and never intended to stay-- and got drafted. And-- and one thing led to another. And here I am.

MICHAEL EISNER:

You were here six weeks and then you get drafted to go to Vietnam?

HOWARD STRINGER:

Well they were smarter than I was. I-- I-- I didn't see it coming. I-- I didn't expect to be drafted.

MICHAEL EISNER:

Well why would they draft a tourist?

HOWARD STRINGER:

I think-- that we were losing the war at the time. (LAUGHTER)

MICHAEL EISNER:

Nobody else would go, and so they went, (LAUGHTER) "Oh, here's a tourist. He's from Wales."

HOWARD STRINGER:

Oh it was--

MICHAEL EISNER:

"His father was in the RAF. Send him to Vietnam."

HOWARD STRINGER:

Long tradition of-- mercenaries everywhere (LAUGHTER) I go, I think.

MICHAEL EISNER:

And you just-- you wanted to go?

HOWARD STRINGER:

No, I didn't wanna go. I didn't know I was gonna go to Vietnam for one thing.

MICHAEL EISNER:

Where'd you think you were going?

HOWARD STRINGER:

Just--

MICHAEL EISNER:

Were you reading the papers at this point?

HOWARD STRINGER:

No, no. It-- the-- there was a rule actually that aliens couldn't go to Vietnam when I first joined the-- when I was first-- I didn't join, I was drafted into the American Army.

And-- and it all seemed like a terrible mistake. And actually, I thought I could talk my way out of it.

MICHAEL EISNER:

And? You couldn't.

HOWARD STRINGER:

And the bureaucracy is much bigger than I am. And I was very naive.

MICHAEL EISNER:

So how'd you get all these medals? Did you get wounded or did you just--

HOWARD STRINGER:

No, no. I was in charge of medals. I didn't get many medal (SIC). I--

MICHAEL EISNER:

No, I read you had like five medals.

HOWARD STRINGER:

Yes, I have five. But I think (LAUGHTER) most were for showing up.

MICHAEL EISNER:

You-- five-- okay so you-- how long did you serve?

HOWARD STRINGER:

Two years. Two years. One year in Vietnam-- just under a year in Vietnam.

MICHAEL EISNER:

And then you came back and didn't immediately become the Chairman and CEO of the Sony Corporation. You had a 30 year rise to that position--

HOWARD STRINGER:

Yeah--

MICHAEL EISNER:

--right?

HOWARD STRINGER:

--well I-- I went back to a very lowly job and made my ponderous way up the ladder.

MICHAEL EISNER:

-- you were a producer. You worked your way up to CBS. You became head of CBS. They became number one. Wow, pretty good.

HOWARD STRINGER:

Well there's a lot of-- a lot of trips and falls in between the-- that--

MICHAEL EISNER:

Yeah, but still pretty effective.

HOWARD STRINGER:

Yeah, it was quite fun.

MICHAEL EISNER:

Okay, so then you were like the heir apparent, the golden boy, the Welsh schmoozer at one point. You also were-- somebody called you that. And then you were also responsible for cutting back CBS News. That's not easy, cutting back a news department-- in personnel.

HOWARD STRINGER:

No, it's-- that was traumatic. That-- that's as difficult a thing as you can do. But cutting that-- cutting journalists is the hardest thing in the world, because other journalists-- respond quite savagely. And so you become-- an-- an object of some ridicule.

MICHAEL EISNER:

Yeah, but how did you do that and now you have announced and have started to do that-- have to do that as-- as a part of tightening the belt at-- at Sony-- and-- and-- and-- and not be so savagely-- I mean I do much less and got much worse publicity than you did. And you were actually firing people. I was hiring and getting killed. And you were firing and getting awards. (LAUGHTER) What is-- this is not fair.

HOWARD STRINGER:

I don't think it is that simple. I-- I-- I think it-- that-- it-- everything-- nostalgia's a seductive liar. It looks different in the rear view mirror, you know. (LAUGHTER)

MICHAEL EISNER:

I see. Well I think--

HOWARD STRINGER:

I don't--

MICHAEL EISNER:

--that's true.

HOWARD STRINGER:

--I don't think it was that-- it was that-- comfortable an experience at the time. And nor was I-- unscarred by the experience. It just looks that way in retrospect.

MICHAEL EISNER:

And did that have an effect on you that eventually when an opportunity came to you from Michael Ovitz to run a consortium of three telephone companies who were gonna go into the cable business-- which our company did and with three other phone-- companies-- was that one of the reasons that you were interested in that? That you just had-- had been at CBS so long and had gone through so many wars that this looked like a-- a futuristic opportunity? This is pre Sony.

HOWARD STRINGER:

Yeah, that's-- that's a good way of putting it. I-- I-- I think that I had been President of CBS for seven years. And I got up on stage once and gave one of those emotional speeches rallying the troops and the affiliates, and I-- I could hear myself. And I got off the stage and I said to a friend, "You know, I don't think I have another speech left in me." And-- and I think the sense of adventure, which has propelled me more than ambition said, "Let's just go find something else. Now let's get out while you have the chance before-- before they push, you know."

MICHAEL EISNER:

That's exactly why I'm doing this show.

HOWARD STRINGER:

Of course.

MICHAEL EISNER:

That is-- it's very well put. That I don't have one more speech to one more group about the same thing.

HOWARD STRINGER:

Yes.

MICHAEL EISNER:

Okay, so you go into this area with the phone companies, which notoriously are known for not being able to look into a new direction. And both your group and the group that Disney was doing couldn't quite make it work. Did that-- did you find that frustrating, trying to corral three giant telephone companies?

HOWARD STRINGER:

Yes. I-- I think it-- I don't think it was anybody's fault. I mean I-- I think their vision of the future is now being realized. I think we were-- we have, both of us, 10 years too soon. And w-- at the fir-- at the be-- at the beginning of the job, it felt like another exciting adventure. And it felt new and revolutionary.

I was kind of proud of myself. I was almost an entrepreneur. But in the end, not a very successful one, and it failed. And-- and I thought, "Well this is okay. This is an experiment." But I didn't blame anybody. You and I talked about this at one time. We were too early. We were too soon. It was-- it was not meant to be.

MICHAEL EISNER:

Kinda like my father when-- I grew up in New York-- was involved with the DuMont (PH) Television Network, which was too early--

HOWARD STRINGER:

Yes.

MICHAEL EISNER:

--and-- and too soon. Okay, so the position you're now in, which is an amazing position being a Westerner, an American head of a Japanese company. And I-- I've dealt a lot with Japanese companies. And it-- and it's-- and it's an art. And they're brilliant. But it's run somewhat differently than-- than-- than an American company.

And the-- and the bottom line is that you're on the cusp of a-- it seems to me-- of a major turnaround. The electronics division is turning around. You're gonna compete with-- Steve Jobs and iPod. Your digital-- your-- your digital-- movies are gonna-- are-- are working. -- all this stuff is starting to come together.

And-- and-- and-- and you read that it-- it-- it is on the hor-- on the cusp. When you went there, Samsung was becoming more valuable in Korea than Sony was in-- in Japan. The days of the-- the-- the Walkman and the Trinitron (PH) and all the-- the great Sony stuff was starting to-- to atrophy. And now, a Welshman comes in and is charged with leading a-- 185,000 people or whatever it was in-- in Sony--

HOWARD STRINGER:

--one--

MICHAEL EISNER:

--was it-- that's what it was, right? (LAUGHTER) No-- no longer, right?

HOWARD STRINGER:

Sorry-- (LAUGHTER) I...

MICHAEL EISNER:

No, that's alright. The-- was it so big that you couldn't think about really how difficult it was? That it was just so enormous, you just went and did it?

HOWARD STRINGER:

Yeah, I think so. I mean I-- I think-- you-- you certainly hesitate about a job like that, because particularly at my age you say, "Maybe it's not-- maybe there's no time for one more adventure. Maybe this is just too much." But on the other hand, it's a great company with its values really intact, and a great sense of itself with a tradition. And it-- in some ways it reminded me of CBS. And--

MICHAEL EISNER:

At least CBS you could talk to. How do you talk to them?

HOWARD STRINGER:

Well--

MICHAEL EISNER:

In what language?

HOWARD STRINGER:

--significant number of senior executives speak Japanese. And well, I have a lot of simultaneous translation which is first rate.

MICHAEL EISNER:

Well and I see you walking around the factories in that video, and you've that little thing in your ear--

HOWARD STRINGER:

Yes.

MICHAEL EISNER:

--you look-- you look not very Japanese. I mean, you're big and-- well and you've a thing in your ear. And you're able to joke and kid around and be kind of like an American executive the way you are? Or are you very serious and listening carefully and closing your eyes like this when people talk to you and doing things that-- that are more Japanese-like?

HOWARD STRINGER:

I-- I don't think they hired me to transform myself. I think--

MICHAEL EISNER:

--I mean I--

HOWARD STRINGER:

--insult the company. So I think being-- amused by the experience is part and parcel of my-- my-- my behavior. And I--

MICHAEL EISNER:

--did they--

HOWARD STRINGER:

--partly--

MICHAEL EISNER:

--get your h-- do they get your humor?

HOWARD STRINGER:

Yeah, it-- those who speak English get it. Those that don't, a lot smile out of politeness, I guess. And-- and also a lot of-- time is spent socially in the evening-- as is the Japanese custom, over dinner and sake and so forth, exchanging humor. It's a very humorous society.

MICHAEL EISNER:

And they accept self-deprecation? They think that's funny? Or they think you're-- you're-- you're gonna be-- depressed for the next-- (LAUGHTER) I mean we use self-deprecation and jokes and things like that to get through the day. You ma-- you can't quite do that as much.

HOWARD STRINGER:

Well I-- I do. I try. I mean I-- I-- I ca-- I don't-- I occasionally puzzle them, I'm sure. And-- and I've been criticized sometimes for-- for spontaneous humor that some people-- most of the Americans think is inappropriate. I've never had a complaint from the Japanese. I mean t-- they sort of expect me to say something mildly (LAUGHTER) idiotic, I think. I think--

MICHAEL EISNER:

So you--

HOWARD STRINGER:  
--it's part of the relationship now.

MICHAEL EISNER:  
--when you talk to them about say, this new chip--

HOWARD STRINGER:  
Right.

MICHAEL EISNER:  
--that is going to compete with Intel--

HOWARD STRINGER:  
Right.

MICHAEL EISNER:  
--it's going to be in the Play Station 3 . I think it's called-- you call it Cell --

HOWARD STRINGER:  
Right.

MICHAEL EISNER:  
--that. Now if I was in that job, I-- I've now said everything I know about chip technology. Have you had to study, like a chip, and understand why it's going to be better or not better than Intel's and have a serious conversation with them? Or do you just accept what they say to be true, that it's the greatest thing ever?

HOWARD STRINGER:  
Well you-- you-- you can never actually anticipate the future of technology very easily anyway. I-- I know the-- I know the sophisticated nature of the-- C-- Cell chip. I know what its processing power is. I know that it is-- it is-- considerable advance over for instance the chips in X-Box -- which are--

MICHAEL EISNER:  
Did you learn that?

HOWARD STRINGER:  
--not--

MICHAEL EISNER:  
Did you have-- like--

HOWARD STRINGER:  
Yeah--

MICHAEL EISNER:  
--come over and tell you--

HOWARD STRINGER:  
No, I-- you just pick it up as you go along. I mean I've toured the-- the-- if-- I-- I to-- had a tour of the factory where the Cell chip is made, where the semi-conductor is-- is-- designed and-- and created. And that gives you a sense of the level of sophistication. But could I carry on a debate over the relative merits of the Cell chip versus whatever it is IBM is inventing? No, I couldn't. We just were first. They're coming later. We have to get the Cell chip in the PS 3 working to-- to deliver an exciting product in the-- in the-- in the-- in the Play Station game. And I thought--

MICHAEL EISNER:

Yeah, but when you meet-- but when you meet with Ronnie Howard (PH) about the *Da Vinci Code* --

HOWARD STRINGER:

Yes.

MICHAEL EISNER:

--which is a Columbia Picture for May.

HOWARD STRINGER:

Which I did on Friday.

MICHAEL EISNER:

Okay, there you go. And you could say to him, 'cause you have experience in this area-- "Boy, that second act is kind of like-- well can that move along and make a little cut or-- or more exciting or better music?" I mean you can't say to a technologist, "Could you make that Cell a little tinier and--

HOWARD STRINGER:

No, but you can push very hard to find other applications for it. For instance, we created a Cell development group, specifically to find other applications for the technology. And that just-- that's sort of common sense. You-- you do what you know within your-- your field. You-- you-- and you-- and you figure out how to know what you don't know.

MICHAEL EISNER:

So how-- talking about marketing and feel, the-- the-- the greatest marketer around in this country today is the-- is the guys at Apple, the-- the-- the iPod, which kind of took a lotta wind out of Sony. The-- the-- the Walkman was there first. And Sony is now going to compete in this area. How do you compete against the iPod? Do you make a better technology or do you make a better commercial?

HOWARD STRINGER:

(LAUGHTER) So that's very clever. Yes-- he-- Steve is a very good marketer. We-- we've actually got competitive products with the iPod now.

MICHAEL EISNER:

I'm told-- some people tell me it's even better.

HOWARD STRINGER:

It's-- it's better looking. It's a better piece of hardware. But it's-- the software hasn't-- been able to deliver the same kind of-- music set that-- that-- that the iPod has. It's not as satisfying-- digital music delivery system. And that's what we're struggling to come up with.

MICHAEL EISNER:

So you're trying to make it more consumer-friendly, not just better technology?

HOWARD STRINGER:

Yes, yes. I think--

MICHAEL EISNER:

And that's something that you can add value to.

HOWARD STRINGER:

Yes. Yes.

MICHAEL EISNER:

'Cause you-- having worked at CBS and having worked at all these companies, you understand the consumer.

HOWARD STRINGER:

Well it's a problem for the whole consumer electronics industry as it goes increasingly digital, it becomes increasingly complex. So making it simple and-- and convenient for the customer is something we're all having to really think twice about. Because it's not a question anymore of making a box, giving it to the customer, and saying, "Here it is. Turn it on. We're leaving."

Now you have to say -- why it's a good thing to have, and what it has to be connected to, what digital entertainment is possible off it, what digital services can be generated. And somehow, you have to make the whole process a lot simpler than it currently is. And the IT is c-- IT business is coming at the other side using-- using the infrastructure and the digital services to try and drive enthusiasm via the computer for the customer. So you've got these two sort of warring factions.

MICHAEL EISNER:

Okay, if we're dealing with a consumer and we're dealing with war, why is Sony adapting a high definition DVD product called Blue Ray, and there's another consortium on another technology, and we're gonna have the old Betamax VHS war--

HOWARD STRINGER:

Yup.

MICHAEL EISNER:

--where there are gonna be two technologies that are-- confuse the consumer. So wouldn't it be in your interest to kind of make peace and come out with one DVD, high definition technology?

HOWARD STRINGER:

Absolutely. Only we tried very hard to do that. We got very close about a year ago. We were-- we were the flip of a coin or a handshake away from a deal. But there's a point at which, when the specs are set-- because they're very different technologies-- once the specs-- specifications are set, you've passed the point of no return. You can't-- you can't bring them together, because then there'd be a delay of one, two, three years. So-- so it's sort of-- where the chips fall, is-- actually is a--

MICHAEL EISNER:

And who-- and who's gonna win?

HOWARD STRINGER:

Well--

MICHAEL EISNER:

'Cause-- 'cause the last time, the VHS won--

HOWARD STRINGER:

Yeah.

MICHAEL EISNER:

--and the Beta, which was Sony, took an embarrassing loss.

HOWARD STRINGER:

Yeah--

MICHAEL EISNER:

Well here you don't--

HOWARD STRINGER:

--yeah--

MICHAEL EISNER:

--that you certainly don't wanna repeat that.

HOWARD STRINGER:

No. And-- and-- and-- well many people thought the Beta was a superior technology. So isn't a question of what's best. Here you have transitional technology versus advanced technology. And-- it's going to depend in the end on the-- on how well Blue Ray performs vis-à-vis X-Box. It's become a battle of video games as well as battle for competing DVD standards.

And-- and-- and we have our share of studios lined up-- Disney and Fox, as well as obviously-- Columbia Pictures and MGM and beyond, and others who are still undecided. We have a lot of consumer electronics manufacturers-- HD, DVD, Toshiba with Microsoft's backing behind it. So it's-- it's-- it's a fairly titanic struggle.

MICHAEL EISNER

Okay, so Sony is-- I don't know-- 70 percent electronics. You come from the content side of the business. I've heard you speak about content is changing from-- the content people pushing content to now the consumer pulling content--

HOWARD STRINGER:

Right.

MICHAEL EISNER:

--demanding content. Sony owns a-- a-- a big record company with-- a joint venture now, Sony BMG (PH). Obviously Columbia Pictures, you own 20 percent of-- of MGM, plus you have a-- a-- a distribution arrangement with them. There's-- some people would say eventually Sony is just gonna say, "To hell with content. Get rid of all the content and let's get back to our core business, electronics."

There are others that are saying, they wouldn't have brought in Howard Stringer if they weren't interested in the marriage of content and technology. Where does Sony stand now in this? Or should we be looking for you to divest-- some of these content companies?

HOWARD STRINGER:

Actually-- Steve Jobs is in some way the best salesman for convergence. I mean-- the iPod would not have been successful if he hadn't done a deal with the music companies. And the relationship with Pixar (PH) and Disney has a lot to do with using availability of content to drive the sales of his next generation video player. So it's-- it's increasingly hard-- not to see the advantages of having content to drive the sale of hardware and vice-versa. The-- the marriage-- that marriage--

The bridge between content and hardware is software. And that was something that we-- we didn't master. We-- we worked very hard-- so hard to protect the software, to protect the-- protect the content with our software, that we made it-- impossible to deliver.

And-- and I think what Steve Jobs did was step into the void with a-- with a kind of security light. The iPod is not a very secure device. Most of the content on it is not paid for. And-- and we-- we-- we didn't use content as a hammer the way he rather brilliantly did. We-- we tried to negotiate a relationship that would please both sides. We tried to reach a consensus.

MICHAEL EISNER:

And did the Japanese in Japan look at you all-- at that point you were running the content side-- as Hollywood flakes and--

HOWARD STRINGER:

Yup.

MICHAEL EISNER:

--you know f-- they're-- they're a problem-- child. They're getting too much money. They're overpaid. And beyond all that, they scream and yell about piracy to the point that we are impotent. Was that a more polite way--

HOWARD STRINGER:

Well--

MICHAEL EISNER:

--that their conversation came-- from Japan to the US?

HOWARD STRINGER:

--you pretty much got it. I-- I don't-- I don't know about impotent. But-- but no, I-- the only-- the-- the transition has been, amongst other things, the iPod. But with our Play Station Portable, we've-- we delivered content with it free of charge to the customer and drove the sales of PSP forward.

With our-- with our Walkman Phone (PH), which is very successful-- Sony Ericsson (PH) Walkman Phone-- we did it with embedded music content in it. So we are beginning to learn that-- that the power of two is more than the sum of the parts. And-- and I think that change is making Japan feel more comfortable about the relationship with content.

MICHAEL EISNER:

Well there's no question that Sony is a giant company with multiple electronic tentacles-- and high quality tentacles. And there's also no question that Sony is a high content company with amongst the best content in the world. Seems to me that they-- they-- they hired somebody to be the Chairman and CEO who people thought was surprising, 'cause of your Welsh background.

But in effect, if you think it through carefully, you seem to be the natural person to lead the desired confluence of these-- these two industries. And-- and from what I'm reading, you are breaking down those barriers and getting that done. Do you think that that can get done? And you know that confluence, that return of Sony to its preeminent position, can happen in the next couple years?

HOWARD STRINGER:

Well it--

MICHAEL EISNER:

What are your pitfalls that are ahead of you?

HOWARD STRINGER:

Pitfalls are-- a giant company like this, it's very hard to get everybody working together. And that's-- an awful lot of my time is spent bringing people together and encouraging the relationship. this company was a huge success before I got there. So I-- I-- I'm not coming here to teach anybody anything. I'm here to-- to bring out the best in both sides and to-- and to create a marriage where possible between--

MICHAEL EISNER:

Well that's--

HOWARD STRINGER:

--yeah, yes. It's-- it's that. And-- and if you can facilitate that in any way, you have to sublimate your ego to do that a lot of the time. And it takes--

MICHAEL EISNER:

--Welsh. Americans have trouble doing that. But Welsh people--

HOWARD STRINGER:

Welsh-- the Welsh-- we don't have much in the way of ego. There was nothing to have an ego about. (LAUGHTER)

MICHAEL EISNER:

I see. I see. Well I think it sounds like a fantastic adventure. And it sounds like you really are using the-- your-- your Vietnam history, your CBS history, your answering the phone for Ed Sullivan history, your-- your telephone company history, and now your early days at Sony to be the Chairman and CEO. And obviously you got it together. And I-- I thank you for coming and talking to me about it.

HOWARD STRINGER:

Any time.