

Life After Sony Leads Idei to Back \$82,000 Handmade Cars

By Jason Clenfield and Mariko Yasu - Oct 3, 2013

Nobuyuki Idei once embodied Japan's corporate establishment, the leader of technology giant Sony Corp. (6758) Now at 75, he's aiming to reinvent himself as a cross between a Silicon Valley venture capitalist and Hollywood mogul.

The former Sony chief executive officer describes himself as the "executive producer" behind a long list of projects, including a venture fund, a design consultancy and a salon for entrepreneurs. They're all designed to boost startups in Japan, a country the World Bank ranks behind Ghana and Tanzania in ease of starting a business.

"We want to transform Japanese corporations and Japanese society, because after Sony and Honda, no big companies have been born except retailers," said Idei, seated in front of a wall of windows at the offices of his Quantum Leaps Corp. in central Tokyo. "In Japan, the concept of patient risk money doesn't exist."

In a wide-ranging interview, Idei touched on everything from the difficulty Japanese entrepreneurs have in finding investors to Nikolai Kondratiev's obscure theories on technology cycles. He also said he had no regrets about his much-criticized stewardship of one of Japan's most iconic companies.

"I don't think I made any mistakes," Idei said. "From the beginning I was just a company employee at Sony. I never dreamed that I would be the CEO of the Sony Corporation, but becoming a CEO is like riding a roller coaster. You have ups and downs, negative press is inevitable."

20 Startups

Sony's shares peaked at 16,300 yen in March 2000, about four months before Idei took over as Sony's chairman and CEO. By the time he stepped down in June 2005 shares traded at about 3,900 yen. They are at 2,017 yen today.

Idei's office sits several blocks from the Roppongi nightlife district and is cluttered with black leather sofas and chairs. A triptych behind his desk shows the Manhattan skyline; the sound of birds chirping wafts in from outside.

Idei retains the mane of swept-back hair that was his trademark at Sony. Dressed in a blue and white-striped oxford shirt and blue slacks, he moves lightly across the office to tug papers from one of the many piles and then launches into an explanation of life after Sony.

Quantum Leaps

Quantum Leaps, founded in 2006, has grown into a 10-person firm aimed at helping Japan's entrepreneurs. Idei reeled off a list of about 20 startups to which he's lent his time, and sometimes his money. His latest project -- which he compared with a movie produced by the "Idei studio" -- is a venture capital fund that he is planning to finance by soliciting corporate sponsors.

Among the startups he's backed are Dreamforest Corp., a maker of smartphone accessories that can help you finetune your golf swing; and Green Lord Motors Co., a maker of hand-crafted electric sport cars he said might one day rival Tesla Motors Inc. (TSLA) The Kyoto-based start-up, in its fourth year of business, took orders for its first 36 cars this summer. They sell for about 8 million yen (\$82,000).

Focusing on startups is quite a switch for a man who was at the helm of a sprawling global conglomerate with more than 150,000 workers. The new tact reflects hard-learned lessons about how

corporate bureaucracy stifles innovation, he said.

Digital Transition

“I worked for Sony for many years and tried to transform it, but for a big company with something like \$90 billion sales it’s really difficult to foster something with sales of \$100 million within the group,” he said. “It’s just too big.”

During his tenure, Sony fell behind in the transition to flat panel televisions and Apple Inc. (AAPL)’s iPod stole the market for personal music players away from the company that invented the Walkman. Apple followed that up with the iPhone, which helped make it the most valuable company in the world.

“Managing a company is a marathon race with no end,” said Idei. “I was in charge for nearly 10 years and I had two primary duties: one to sow seeds for the future; the other was to manage today.”

To get Sony ready for the future, Idei said he built the Playstation business and started a mobile phone venture now bearing fruit.

Innovation Lab

Idei’s latest project is World Innovation Lab, a venture fund started in the last few months. The goal is to use his Rolodex to tap about 10 of Japan’s biggest companies for a few hundred million dollars. Fund-raising should be completed by the end of December, Idei said, declining to name who he’d approached because “we’re in a critical stage now.”

“Big companies in Japan have everything -- money, people, intellectual property -- but they’re too big to make small, unique things happen,” he said. “So the idea of WIL is to try to attract investment from big corporations and carve out venture businesses.”

A lifetime spent climbing the corporate ladder makes Idei an

unlikely savior for entrepreneurs, who need mentors with hands-on experience building businesses from nothing, according to Greg Tarr, managing partner at venture fund CrossPacific Capital in Palo Alto.

Scar Tissue

“The big question is: what qualifies a salary man to actually be advising the few good entrepreneurs that are there?” Tarr said in a phone interview. “The way we do things in Silicon Valley is we want to work with people who have been in that battle zone going from zero to \$10 million in revenue and have scar tissue.”

Japan remains a tough place to start a major business, though there are the rare exceptions such as Masayoshi Son’s SoftBank Corp. (9984), which has become the second largest company on the Nikkei 225 Stock average by market value since its founding in 1981.

“There are a lot of risk-takers, but they have to be endorsed by money,” Idei said.

With most Japanese venture capital firms run by banks loath to take on risk, start-up funding was about \$1.2 billion in the 12 months through March 2012, according to the most recent figures from Tokyo-based researcher Venture Enterprise Center. The U.S. market was \$27 billion in 2012, data from National Venture Capital Association shows.

The World Bank ranks Japan 114th of 185 countries in terms of the ease entrepreneurs have in starting businesses. The place with the fewest obstacles to getting off the ground is New Zealand. The U.S. ranks 13th.

“In Silicon Valley there is a kind of eco system starting with Stanford and Sequoia,” said Idei, referring to Stanford University and the venture firm Sequoia Capital. “They help each other. That environment doesn’t exist here in Japan.”