

Sord: Computer Industry's Rising Star

By Kenichi Komahashi



Takayoshi Shiina,
president of
Sord Computer Corp.

Sord Computer Corp. is one of the most talked-about venture businesses in Japan today. Established in 1970 by President Takayoshi Shiina, who is only 40 years old this year, Sord is a personal computer manufacturing company that takes its name from the first and last two letters of "soft" and "hard." It embodies Shiina's ideal of building his company into an integrated computer maker dealing in both software and hardware, and is based on his unbounded confidence in the great potential of the electronics industry. Sord resembles Apple Computer Inc. of California in the way its personal computer business has grown.

In fact, Sord's growth has been so spectacular that it is often cited as a model example of a successful venture business. The company's sales doubled annually from only ¥1,100 million (\$4.6 million) in the fiscal 1978 year (March 1978–February 1979) to ¥2,600 million (\$10.8 million) in fiscal 1979, ¥4,900 million (\$20.4 million) in fiscal 1980, and ¥10,000 million (\$41.7 million) (for profits of ¥775 million) in fiscal 1981. The growth rate slowed slightly in the next fiscal year, but sales still reached ¥15,400 million (\$64.2 million), yielding profits of ¥957 million. Sales in fiscal 1983 (Mar. 1983–Feb. 1984) are estimated to have reached ¥22,000 million (\$91.7 million).

Sord Computer Corp. Business Performance

(Unit: ¥1 mil.)

	Sales	After-tax profit
Fiscal 1978	1,100	—
Fiscal 1979	2,604	168
Fiscal 1980	4,930	396
Fiscal 1981	10,010	775
Fiscal 1982	15,406	957

(Year ends in February)

Anticipating needs

Sord started out as a software company, writing programs on commission. However, the development of the world's first microcomputer by Intel Corp. in the United States suddenly brought Shiina's dream of manufacturing a popular computer small enough to sit on an ordinary office desk a step closer to reality. A Sord project team worked day and night to develop a desk top machine that eventually proved to be the world's first microcomputer with an operating system, the basic software that controls the whole com-

Kenichi Komahashi, 27, is a staff correspondent of the economic weekly Toyo Keizai Shimpo and specializes in the computer industry. He joined the magazine in 1980.

puter. Sord thus could truly be considered a world pioneer in the development of the personal computer.

But what really propelled Sord into its present position was the fact that it pioneered not only the personal computer but also revolutionary software. A computer is only as convenient to use as its software. Sord achieved its goal of user-friendly software requiring no programming by developing the Personal Information Processing System (PIPS), a simplified program language incorporating tabulation and computation functions. With its powerful new software, Sord rode the wave of the personal computer and office automation boom to success.

Around the same time, Visi Corp. of America developed Visi Calc, a simplified program language with functions similar to those of PIPS, and soon built a thriving business by selling it to owners of Apple computers. Like Apple and Sord before it, Visi Corp. succeeded by accurately anticipating the needs of the day. It is striking how these three well-timed, successful venture businesses appeared almost simultaneously in Japan and the United States.

Translating plans into action

Today, Sord has a 10% share of the personal computer market in Japan. NEC Corp. is the industry leader with a 40% share, followed by Sharp Corp. and Fujitsu Ltd. Whereas fourth-ranked Sord specializes in personal computers for

business use, the top three companies deal in a variety of personal computers, ranging from simple models for hobbyists to business machines. Sord, too, has begun to market computers for both home and hobby use, and is trying to increase its market share by expanding its line to include high-speed 32-bit microcomputer systems for scientific and technological computation.

Sord has two plants in Japan, one in Chiba and the other in Gumma Prefecture. It is also producing microcomputers in Ireland. (Although the company once also started microcomputer production in Singapore and intended to develop it into the company's base for Southeast Asia, it has recently had to cease production because cost factors have become higher than earlier anticipated.) The company exports its personal computers to countries all over the world, with the ratio of exports to total sales reaching 20%. Sord turned its eye to overseas markets and started production abroad early in its history, another indication of the company's unusual ability to promptly translate plans into action.

Behind this quick advance abroad was a goal Shiina set in the company's early days: to become Japan's "second Sony." Sony developed the transistor radio 30 years ago, but the product was not received well in Japan. Undaunted, Sony exported the transistor radio to the United States where it was a hit, then re-exported it to Japan to attain its remarkable growth.

Even to this day, it is extremely difficult

for small companies to establish themselves in the crowded Japanese market. Shiina thus conceived the idea of winning recognition for Sord products first in America, the world's biggest market, and then using that as a springboard to penetrate Japan. Sord took every opportunity to exhibit its products at American trade shows, starting with the NCC (National Computer Conference) held in 1975.

Sord's sales in America soon began to move and the company established an office in California's Silicon Valley. Then trouble struck. An American offered to become Sord's U.S. sales agent. Sord concluded an agency contract, but it turned out unsuccessful. It became impossible for Sord to use its brand name in the U.S., and its plans to win recognition in the American market were shattered.

Products suited to local needs

Fortunately, Sord computers began to sell far better than expected in Europe. PIPS also began to catch on in Japan, and Sord was soon growing rapidly, compensating for the setback in America.

When Irish authorities first approached Sord to establish a tax-exempt factory in their country, the scope of the company's business did not warrant such a step. However, as the expiration date on the offer drew near, Sord decided in 1980 to build a factory in Ireland with a view to developing it into the company's production base for supplying the European market. Keenly conscious of Apple, which had already advanced into Ireland, Sord named its Irish subsidiary "Orange Computer Products, Ltd." Simultaneously with the construction of its Irish factory, the company established a sales firm named Sord Computer Sales Ireland Inc., which, together with Sord's London sales company, today sells Sord products throughout Europe. Sord is also using the distribution networks of *sogo-shosha* (general trading firms) to sell its products overseas.

Sord's overseas plant reflects the company's philosophy to produce and sell products suited to local needs. Another example of such policy is its development of computers to handle the Korean Hangul alphabet and Arabic ideographs.

In October 1982, with its first American experience completely behind it, the company established Sord Computer of America Inc. in New York. While continuing to build PIPS into a major pillar of its business in America, Sord this spring will start marketing machines compatible with IBM personal computers. This is part of the company's policy to produce machines suited to the American market. The company intends to supply machines on an OEM (original equipment manufac-



Sord Computer Corp. showroom

ture) basis in addition to marketing under its own brand name. It is also planning to establish joint ventures with local venture companies in several countries.

Today, half of Sord's exports go to Europe, but the company intends to eventually establish an export ratio of 40% to North America, 30% to Europe, and 30% to Asia and the Middle East. Clearly, the company attaches great importance to the growth potential of the American market.

Fellow students, fellow dreamers

Doubtless, the driving force behind Sord's growth is founder Shiina's venture-some spirit, backed up by his strong confidence and uncanny ability to see into the future. In his boyhood, President Shiina dreamed of becoming a businessman and studied business management and English. It was his uncle, now deceased, who turned Shiina's attention to computers by expounding on the potential of the electronics industry.

Shiina entered the Electrical Engineering Department of Tokai University in order to acquire technical knowledge and skills. However, he was not a very eager student because he regarded study as only his secondary objective. His main objective in going to university was to establish contacts with people with whom he could start a business in the future. During his university days, Shiina sought out like-minded students and talked with them about his dreams for the future.

Upon graduation, Shiina entered Rikei Corp., where he was assigned to the import and sale of minicomputers manufactured by Digital Equipment Corp. in the United States. He proved a highly competent salesman, recording more sales than anyone else in his first year. However, he soon became dissatisfied with the company's method of doing business and resigned at the age of 26 to go independent. He organized a company with his uncle as the nominal president, himself as the only staff, and his mother to answer telephone calls.

Nobuhiro Sato, currently one of Sord's three managing directors, joined Shiina's new company shortly after it was set up. Sato had joined Nippon Univac Kaisha, Ltd. upon graduation from senior high school, and became involved in work concerned with computers. He went back to school to study more about computers, entering Tokai University where he became acquainted with Shiina. After graduating, Sato joined then Takachiho Burroughs Co. with which he, too, soon became dissatisfied. Attracted by Shiina's dreams, Sato joined his friend's new company.

Shiina was in charge of business and Sato in charge of software development.

Before long, the company began to receive hardware orders. Looking around for someone to take charge of hardware development, Shiina and Sato set their eyes on Tsuyoshi Sakuma, another university classmate and now managing director. Sakuma had joined Oki Electric Industry Co. upon graduation from senior high school and, like Sato, later enrolled in Tokai University. After graduation, Sakuma joined Sharp Corp., where he earned a reputation as a first-rate engineer. At first, he was not interested in his friends' invitation to join Sord, but eventually he succumbed. With Sato and Sakuma onboard, Sord began to run at full speed.

The company's third managing director, Akihiko Hiroishi, also joined Sord because he was inspired by Shiina's dream. Hiroishi became acquainted with Sakuma while the latter was with Sharp. After Sakuma joined Sord, Hiroishi visited the company out of curiosity. Impressed by the attitude of the employees of this small company, he decided to join.

One by one, Shiina's university classmates and other young engineers eager to take up a new challenge gathered to stake their future with the young company. Their number increased by the year, until today Sord has more than 500 employees.

One of the great differences which distinguishes Sord from other venture businesses is the fact that Shiina did not establish it based on his own specialized technical know-how. Because he always approaches new technology from a marketing standpoint, Shiina has been able to remain a cool-headed business executive and avoid becoming enamored of his own technology. This attitude and the team play of the engineers who support him lie behind the company's rapid growth.

Evolving into a middle-tier company

Having succeeded magnificently as a venture business, Sord's next big problem is how to evolve into a middle-tier company. Sord has become what it is today by anticipating the needs of the times and developing personal computers and a simplified program language ahead of the competition. But now the promising personal computer market is jam-packed with big makers who have brought their mass-production capabilities into the field, sparking ever-intensifying competition.

In the United States, IBM's all-out offensive has forced Osborne Computer Corp. into bankruptcy. Apple's market share is being eaten up by the IBM PC. In Japan, too, big corporations such as NEC, Fujitsu and IBM Japan, Ltd. have advanced into the market for personal



Sord's M68, one of the company's major computer products

business computers, which is Sord's forte. As an executive of one big company points out: "Sord has done very well. However, it will have difficulty if it tries to make a frontal attack on the market in the same way as the big corporations. Sord should fully utilize its merits as a venture business and make use of its greater mobility and flexibility by concentrating its corporate resources on pioneering new fields ahead of others."

Despite the difficult environment, Shiina's challenging spirit has not waned. "I want to go all out in competing with the big corporations," he says. "I will reinforce our software division in particular, and demonstrate that even a small company can survive in Japan."

Sord made a smooth start by marketing new machines competitive with those of rival makers. But the real showdown is expected to come this year. In order to emerge victorious, the company will have to reinforce its nationwide sales network and its network of agents, as well as its maintenance services. Sord also has plans to develop machines not yet matched by other companies.

Sord increased its capital in 1982 by allocating to third parties a new issue of ¥500 par value shares at ¥70,000 per share. It similarly increased its capital in 1983 by allocating new ¥500 par value shares at ¥40,000 per share. This allocation of shares at such high prices has caused quite a stir, and Sord is now attracting the attention of banks and financial institutions as the "star" of venture businesses in Japan. The company plans to register its stock for over-the-counter transactions this summer.

With such financial backing, Sord now has enough funds for its next big step. The next few years will be a crucial period for Sord, but industry observers have great expectations that it will continue to demonstrate its ability to develop new business to survive the fierce competition that lies ahead. ●