Who is responsible for creating innovation in companies?

Five guidelines for action based on the insights gained from the pioneering work of 17 corporate executives
Question:
Who is responsible for creating innovation in companies?
Answer:
It is the top management’s job.

We, the members of the Innovation 100 Committee, conducted symposia and interviews with seventeen corporate executives pioneering reform, regarding their awareness of and actions promoting innovation in order to find ways for Japan’s companies to evolve into innovation-oriented enterprises.

What we have discovered from our research is that the drivers of reform are corporate executives. Innovation is not generated spontaneously by specific individuals or groups within a company out of the blue. In order to create innovation, along with the presence of innovation-oriented employees, corporate organizational structures, environments that are designed for creating innovation and the strong will to force through reform are required. In short, corporate executives' proactive commitment is necessary.

Efficiently running their existing business is not the only task of corporate managers. Fostering innovation is another core mission for top management. Based on this concept, we have compiled this report so that it may serve as a reference for corporate executives to initiate action.

In this report, the knowledge of top corporate executives regarding innovation is summarized into five issues and five guidelines for action. Furthermore, in order to lead to specific actions, these action guidelines are broken down into 100 questions for corporate executives.

We sincerely hope that by taking the time to answer these questions for themselves, corporate executives and their companies can come to recognize their own areas for growth as well as generate unique action guidelines, leading to discussions within their companies and specific actions towards reform in those companies.
What is the Innovation 100 Committee?

In order to overcome the paradigm that “large companies cannot be innovative,” the Innovation 100 Committee was established under the Venture Business Creation Council. Its members are corporate executives from large Japanese companies who are pioneering efforts to promote innovation in their organizations. The Committee launched its activities with the participation of seventeen corporate executives; we hope that we can expand this number in the future to further develop our research agenda.

The Innovation 100 Committee was established with the highly ambitious aim of making Japan an Innovation Nation.

In the current situation where conventional Japanese models for success are said to have become outdated and the country is now on the verge of being washed away by the waves of the fourth industrial revolution, what is required from Japan’s top management is the leadership to cope with these changes, to show the direction that companies should take, and to take action through their own initiatives.

This report is the summary of frank, face-to-face, talks with seventeen corporate executives who are also members of the Innovation 100 Committee, about their insights and actions regarding their companies’ reforms.

We made every possible effort to bring out the real voice and unique insight of each corporate executive in their talks about how to create environments that allow innovation to continuously emerge while overcoming or breaking down the countless obstacles that are particularly associated with large companies.

One common point clearly emerges from their statements, and that is the companies' strong sense of mission to create new value through innovation.

If we are able to increase the number of corporate executives who share such a sense of mission to 100 in the future, a new stream of innovation will be created in Japan. This will help society cope with the changing global environment.

This is what the world hopes to see from Japanese companies.

When this stream is realized, we believe that the objective of this Committee has been be achieved.

Chairperson Kunitake Ando,
Former President and COO, Sony Corporation
Executive Director, Japan Innovation Network

The Innovation 100 Committee definition of “innovation”

“Innovation” is defined not only as activities for research and development, but also as activities that:
1. create new value (products and/or services) by means of innovative methods (technology and/or ideas) that will lead to solving problems for customers and society as a whole,
2. disseminate and/or diffuse this new value to clients and society at large, and
3. bring in compensation (cash) for the value provided.
List of members of the Innovation 100 Committee
(listed below in the order of the Japanese syllabary)

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Shigetaka Komori
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Shoei Yamana
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Hirotaka Sugiyama
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Kazuo Hirai
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Nobuyuki Hirano
President & Group CEO
Mitsubishi UFJ Financial Group, Inc.

Yoshiaki Fujimori
President and CEO
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Introduction

Ensuring the virtuous economic cycle that was created under Abenomics, achieving the largest nominal GDP in postwar history – 600 trillion yen –, and creating a robust economy that gives rise to hope, comprise the central core of the mission of the Ministry of Economy, Trade and Industry (METI). To achieve these ends, it is necessary for Japanese companies to continuously create, innovate, and enhance their productivity.

The Abe Administration has been steadily implementing plans and policies to improve the business environment, including reducing the effective corporate tax rate down into the twenties in FY 2016 and reaching an agreement in principle on the Trans-Pacific Partnership (TPP) negotiations. Also, the administration will proceed with the reform of “bedrock” regulations in growth industries including electric power, agriculture, and medical care. Then, it will be the responsibility of companies to make decisions on investments in production facilities, technologies, and human resources in order to ideally leverage the pro-growth political-economic framework built and furnished by Abenomics.

While the state of existing industries has been changing significantly on a global scale due to the advent of new technologies, such as autonomous driving, artificial intelligence, robots, and drones, merely following past successes will be insufficient for us to achieve our desired growth. Amidst the stream of this Fourth Industrial Revolution, METI is committed to navigating new directions for change of industrial structures and to supporting companies in their bold initiatives by offering R&D assistance and carrying out regulatory reforms.

Some people may say, “Innovations won’t take place at large companies.” However, as many of Japan’s precious management resources reside in these same companies, such as human resources, production facilities, technologies and financial capital, it is necessary for them to boldly allocate these resources in growth fields. Furthermore, chains of innovation will involve diverse entities through collaboration of large companies with networks of mid-ranking companies, SMEs, startups, universities and research institutions.

This Report presents action guidelines and good case examples based on discussions held by many of Japan’s excellent CEOs during meetings of the Innovation 100 Committee, we hope that this will help large companies create innovations. We would like companies to utilize this Report as material containing beneficial insights for the expansion of business on the front line of global competition. Also, we hope that CEOs can mutually enhance their motivation by exchanging views and inspiring each other.

The key players are companies, and the time to act is now. We would like all Japanese companies to unleash their power and potential, so as to create an innovative society in which new innovations are continuously created.

Motoo Hayashi
Minister of Economy, Trade and Industry
Why do we need innovation now?

Emerging countries are agile and quick to take advantage of ICT. The future of our business will depend heavily on our proactive use of ICT.

Nobuyuki Hirano, President & Group CEO, Mitsubishi UFJ Financial Group, Inc.

This is not an ordinary time but rather an extraordinary time and a turning point. Conventional management strategies no longer work. This is why innovation is becoming indispensable as a management strategy.

Naoki Izumiya, President and Representative Director, CEO, Asahi Group Holdings, Ltd.

The power of computers is increasing at tremendous speed. Management may fail in its decision-making if it does not properly understand the essence of this change in computing power.

Nobuhiro Endo, President, NEC Corporation

Our company could end up being just another equipment manufacturer if new competitors conducting integrated business development using new technologies such as AI and the IoT entered our market.

Yoshiaki Fujimori, President and CEO, LIXIL Group Corporation

Emerging countries are agile and quick to take advantage of ICT. The future of our business will depend heavily on our proactive use of ICT.

Nobuyuki Hirano, President & Group CEO, Mitsubishi UFJ Financial Group, Inc.
innovation now?

Business executives belonging to the Innovation 100 Committee understand the fact that successful models from the past do not work amidst environmental changes such as rapid digitalization, the progress of globalization, the rise of emerging economies, the entry of competitors from other industries, and the diversification of customers’ needs.

The progress of digitalization will result in a shakeup of companies. **Companies that cannot adapt successfully will be driven out of the market.**

Tadashi Ishii, President and CEO, Dentsu Inc.

Unexpected, disruptive technological innovations continue to arise with the momentum to change industries and the boundaries between industries. We need **to make efforts and be prompt enough to leave behind conventional businesses and build new ones.**

Shoei Yamana, President and CEO, Konica Minolta, Inc.

Enhancing competitiveness in the global market is extremely important. There is **a sense of a danger of being crushed by our competitors** if we do not change our conventional business models.

Hideaki Omiya, Chairman of the Board, Mitsubishi Heavy Industries, Ltd.

Rapid changes in technologies, logistics, and the needs of clients **have significantly disrupted** what we relied on for success in the past.

Hidekuni Kuroda, Representative Director of the Board, President and CEO, Kokuyo Co., Ltd.
Many companies around the world cannot take steps toward the innovations that are required as society and industrial structure dramatically change on a global scale.

**Five issues that hinder innovation**

**Issue 1:**
**Companies tend to stick to successful models from the past too much.**
Amidst dramatic changes in the environment, companies are focusing on the preservation of the value that they have already created. As a result, they cannot leave existing successful models or their associated processes behind and miss opportunities to transform their business models into new ones.

**Issue 2:**
**Companies tend to focus on short-term business performance and rely too much on existing business.**
They concentrate resources on existing business, focusing on short-term business performance. As a result, the resources for implementing the mid- and long-term strategies become inadequate, and their management cannot prepare for environmental changes, therefore miss opportunities for growth.

**Issue 3:**
**Companies cannot understand the hidden needs of customers.**
They cannot search for value or anticipate issues that customers are not yet aware of because they excessively focus on responding to the immediate needs of customers in front of them. As a result, they miss opportunities to develop products and services which will appeal to customers in the future.

**Issue 4:**
**Ideas from the bottom up tend to be rejected.**
Ideas on solving issues collected by front-line people understanding the issues are blocked by the barriers of middle managers and organizational structures, and such information is not used in those organizations. As a result, they miss opportunities for future business.

**Issue 5:**
**Companies are over-reliant on their internal resources.**
They fall prey to the ‘not invented here’ syndrome by putting too much confidence in internal resources and hesitating to find opportunities to use external resources. As a result, they cannot use the almost unlimited resources available outside of their companies (around the world) and miss business opportunities.
Business managers belonging to the Innovation 100 Committee unanimously agreed that the reason for companies to exist is the creation of value for society. Business managers are always making bold efforts to continuously generate new value.

Five action guidelines for top management to generate innovation

Guideline 1: Predict changes and disseminate and resolutely implement a vision for reform

Anticipate changes and disseminate and resolutely implement a vision for reform. Build business models that can create new value. First, by predicting various future societal changes from each manager’s own perspective. Second, by continuing to inform employees about managers’ visions. And third, by managers themselves taking resolute action.

Guideline 2: Reconsider various aspects of management

Implement a ‘two-layer management system’ achieving both efficiency and creative thinking. Realize mid- and long-term growth by simultaneously working on the “improvement of efficiency” to boost short-term performance and the “enhancement of creativity” to search for mid- and long-term business opportunities - but with distinct management approaches.

Guideline 3: Establish a value-based system

Establish a system for creating new business based on value propositions. Based on hidden needs, encourage action to build value-oriented solutions and business models and establish necessary educational systems and organizational systems.

Guideline 4: Encourage bold efforts

Develop an environment where employees can freely repeat the process of trial and error. Establish a process spanning from ideation to achieving commercialization. Create an environment where employees passionate about finding solutions through trial and error are recognized and supported.

Guideline 5: Encourage the crossing of borders

Promote open innovation and overcome barriers inside and outside the organization. Promote the creation of value through cooperation that proactively uses other organizations’ ideas, thoughts, and technologies and integrates knowledge and information from inside and outside the organization by overcoming sectionalized structures inside companies and barriers between companies.
Guideline 1: Predict changes and disseminate and resolutely implement a vision for reform

Build business models that can create new value. First, by predicting various future societal changes from each manager’s own perspective. Second, by continuing to inform employees about managers’ visions. And third, by managers themselves taking resolute action.

It is the duty of managers to sense the trends of the times, to consider measures to respond to such trends, and to resolutely implement such measures.

Shigetaka Komori  
Chairman and CEO, Fujifilm Holdings Corporation

“Managers must have the ability to sense current trends,” says Mr. Komori. “The first step of my vision for reform is to understand the situations in which drastic changes in the environment or critical problems occur and then to predict what will happen in the future. If we are able to anticipate future circumstances, we can consider measures to be taken in preparation for the future.”

“After formulating such measures, we should specifically consider the amount to invest and the amount of return to be gained, and we should prepare management plans for the time it will take to make projects profitable, which is the second stage of my vision. The third stage is to clearly inform the whole company of such management plans. We should not only inform executives of such plans but also repeatedly inform all employees and present our goals to them by various means such as internal magazines and our intranet. As for the fourth and last stage, we just need to implement the plans - boldly implement them.”

“However, we cannot completely predict the future. Therefore, when I receive proposals from employees and I need to decide whether to implement them, I will implement them in cases where I consider the probability of success to be more than 60%. If the probability is 50%, the implementation of the proposals would be nothing but a gamble. However, if I consider their implementation to be a gamble that does not affect the overall conditions of our business, I will choose to implement them in some cases,” says Mr. Komori, explaining that managers need to have the courage to make decisions, discovering the essence of things and taking risks.

Choose which paradigm shift to follow. There is no right answer, but only top management can and should take risks

George Nakayama  
President and CEO, Daiichi Sankyo Co., Ltd.

The product development cycle in the pharmaceutical manufacturing industry requires a span of twenty years. Mr. Nakayama, who is leading in this industry, says, “various paradigm shifts can occur in twenty years. Top management has the responsibility to identify and choose a paradigm shift that will last a long time. As we cannot spend much time in making decisions, top management itself has the responsibility to take risks. There is no right answer.”

As for our inhaled medication for preventing influenza, the estimated profitability of this medication based on the probability of success was low. However, I approved the development of this medication, because I thought that the value of this medication to the public would be very high and that our company could handle the risks as long as we could anticipate such risks. This medication eventually turned out to be more profitable than we had expected. Such things frequently occur. What to choose and what to decide are important for top management.” In preparation for occasions on which he will need to make decisions, Mr Nakayama is constantly acquiring information so that he can make decisions as a top manager, endeavoring to predict world trends for a twenty to fifty year time period by visiting sites for medical care to directly hearing the opinions of doctors, and talking with his company’s researchers.
It is necessary for top management itself to bring about actual change, rather than to just preach about mindsets and attitudes.

Naoki Izumiya
President and Representative Director, CEO, Asahi Group Holdings, Ltd.

“This is not an ordinary time, but rather an extraordinary time and a turning point. At such turning points, conventional management strategies are no longer effective. Therefore, the creation of innovations is necessary as a management strategy,” says Mr. Izumiya. He stressed the importance of a management process put in place by top management that effects tangible changes. To create innovations, top management should be in charge of such creation and exert leadership. "It is necessary for top management to enlighten its staff on the importance of bringing about actual changes, rather than to just preach about mindsets and attitudes with empty encouragement such as “you can do it,” and “use your brain more.” Whether proposals from my staff are related to goods or related to strategies, I repeatedly ask the question, "whose needs will this meet?" Then I ask whether or not such goods or strategies are the first the world has seen. If not, I ask whether or not they are the first Japan has seen. Thus, repeatedly asking the same specific questions, I pass down top management’s thought process on these issues to my staff.”

"On top of that, top management should revitalize our organization, exercise leadership, and promote innovations, while effectively utilizing the term innovation,” explained Mr. Izumiya.

*The underlying strength of Japanese companies is that managers take the social value of business activities into account when they conduct business. Needless to say, returns to shareholders are important. However, the creation of social value will lead to the creation of innovation, which consequentely contributes to shareholders. Also, we are in an era when a company should conduct its business activities with all of its employees keeping in mind that each of them is a participant in management and an innovator. To make sure that all employees are on the same page, it is obvious that a top-down approach is important. It is equally important to employ a bottom-up approach at appropriate times. Top management must have the capacity to plan and design in order to make decisions on what can be decided while leveraging all the knowledge of the employees and help all employees unleash their creative energy in an organized manner.*

Dr. Ikujiro Nonaka
Professor Emeritus, Hitotsubashi University
Japan performed spectacularly well in the 1970-80s. Japanese companies entered many major world markets and offered outstanding quality, design and value. They created better versions of Western products. They innovated some new products, such as Sony’s famous Walkman. All of us continue to enjoy Japanese products for their quality, design and value. We hope today that more Japanese companies make a commitment to develop a new range of innovative products and services. Japan’s good name and workmanship will always make these products successful worldwide.

Philip Kotler
Professor at Kellogg School of Management, Northwestern University

Change does not occur if we do not continuously remind all employees up to ten or twenty times every day, 365 days a year, for five to six years.

Yoshiaki Fujimori  President and CEO, LIXIL Group Corporation

"What is innovation?" asks Mr. Fujimori. "Innovation is a culture of not being satisfied with the current situation and also seeking a higher goal. It also means making efforts and taking risks.

A leader needs to find a vision for which to aim and take everyone on board." To realize innovation, "if there are 10,000 employees, a leader should talk about that vision to the 10,000 employees until it spreads. If there are 100,000 employees, then talk about it to the 100,000 employees. A leader should show the way, talk about it to the employees, and drive them to move." He also says, "innovation doesn’t occur if we do not continuously remind all employees of our vision up to ten or twenty times every day, 365 days a year, for five to six years. If the leader does not keep saying the same things with an unchangeable passion and a stable core message the first, 300th, and 1,000th time, the employees will not follow the leader."

"A leader says the same things over and over again. Even if it is the 100th time I have said something, it could be the first time for the employees listening, so I concentrate on talking." Based on this policy, Mr. Fujimori will keep talking to his employees through company newsletters, his blog, newspapers, and magazines.

It is important for all top management to keep giving the same orders to bring about an unwavering policy.

Shinya Katanozaka  President and CEO, ANA Holdings, Inc.

Mr. Katanozaka, president of ANA Holdings Inc., which has eighty group companies, finds that one important issue when promoting innovation is, “whoever is in charge, it is important for the top management to keep giving the same orders.”

“The presidents of group companies are replaced with presidents sent in from the parent companies every few years. For instance, at an IT company, if one president ordered employees to get orders from outside the company, but then the next president ordered them not to do so but rather to strengthen internal flight control systems against system failure, the company’s employees would be confused.” In fact, successive presidents of ANA Holdings Inc. continued to give the same orders on projects for international flights, and the business went from being in the red to being in the black. "We started international flights in 1986, but they stayed in the red for a long time and moved into the black in 2004. During that period, some people inside the company said that we ought to stop the international flights. Despite the declining birthrate in Japan, we have patiently kept operating international flights, and it has paid off."
Nowadays, if we only look at the changes occurring internationally, not only will we be left out of such changes but we can also lose our raison d'être. Competition in terms of only prices and working hours makes companies and employees feel exhausted. Innovation is what brings out competition in terms of value. Open innovation, which releases the skills and human resources buried inside companies from individual organizations and connects and combines such assets, is essential for changes in any industry. Therefore, managers need to break through the barriers in their own minds. The Innovation Network Corporation of Japan will aggressively support decisions made by managers and entrepreneurs who try to work on open innovation.

Toshiyuki Shiga  
Chairman and CEO, Innovation Network Corporation of Japan

Guideline 1:  
Predict changes and disseminate and resolutely implement a vision for reform

Increases in the labor force and the improvement of productivity lead to economic growth. In Japan, the population is declining, and the possibility of increases in the labor force is limited, so the improvement of productivity through innovation is going to be the main engine for future economic growth. Promoting innovation requires individuals who propose ideas and teamwork to realize such ideas. Collecting proposals made by employees, evaluating such proposals, organizing teams to realize their ideas, and fostering the seeds of innovation within the organization – I think these are a manager’s duties. We also started working on such efforts at our own company, and many Japanese companies are proceeding with focused efforts, so I believe that such efforts will lead to rising standards in the Japanese economy.

Akira Kiyota  
Group CEO, Japan Exchange Group, Inc.

Design a future growth strategy by discussing it with outside directors.

Hidekuni Kuroda  
Representative Director of the Board, President and CEO, Kokuyo Co., Ltd.

Mr. Kuroda, who accepted the management baton at Kokuyo in March 2015, says, "I asked three veteran managers to be the outside directors of Kokuyo and they have joined our discussions on the type of growth we should design for the future." He proactively utilizes these outside directors’ knowledge to realize innovations. He is also proceeding with reforms regarding the board of directors. "We are persistently working to transform the board of directors so that people can have open-minded and neutral discussions." Mr. Kuroda is also working on awareness-raising among the management staff.
Guideline 2: Reconsider various aspects of management

Implement a ‘two-layer management system’ achieving both efficiency and creative thinking.

Realize mid- and long-term growth by simultaneously, but with distinct management approaches, working on the “improvement of efficiency” to boost short-term performance and the “enhancement of creativity” to search for mid- and long-term business opportunities.

A long-term perspective, mid-term challenges and current issues should be clearly defined and dealt with separately.

Akihiro Nikkaku  
President and CEO, 
Toray Industries, Inc.

Mr. Nikkaku leads Toray based on the three pillars of a long-term perspective, mid-term challenges and current issues, due to his conviction that “in the end, making a social contribution helps achieve sustainable company management. What kind of changes on a global scale will occur in ten to thirty years from now? Resource depletion, a falling birthrate and depopulation, population growth in emerging countries, among other possibilities. We need to establish a long-term perspective by clearly defining future needs in order to commit ourselves to the changes and needs. Then, in light of the long-term perspective, we will need to define mid-term challenges for the next three years. Finally, we will need to root out current problems thoroughly in terms of how to ensure annual profit and how to strengthen cost competitiveness. In particular, I believe that that the long-term vision should be decided by the top management. Rank and file employees should concentrate on the task at hand. People in managerial posts should have a three-year perspective. The managers should have an overview of the direction and goal so that they can provide clear direction to the employees. Otherwise the rank and file employees lose focus.”

The principal mid- to long-term vision will be pursued while methodically implementing short-term measures.

Shoei Yamana  
President and CEO, 
Konica Minolta, Inc.

Mr. Yamana elaborates that “since a company needs to be managed in a sustainable manner for ten, twenty, thirty years and more, the most important matter is to maintain a long-term perspective on increasing the corporate value. We need support from shareholders who understand that what the company is currently engaged in is indispensable for its future and take a mid-to long-term view rather than a short-term one without being in a constant state of worrying and rejoicing.” In addition, to explain the importance of combining short-term and mid-to long-term measures he adds, “strength cannot be obtained from a vision alone. A mid- to long-term vision needs to be pursued while implementing short-term measures”. Then, how should the long-term measures be implemented whilst implementing the short-term measures on a daily basis? “At Konica Minolta, we look at innovations from two perspectives: one is poised to develop completely new businesses including systems. The other is one where the core business transforms itself for growth and development. We have given the name “transformation” to the mid-to long-term plan in order to avoid the misunderstanding that only new businesses are formed.”
Company leaders should grasp ongoing dynamics and clearly set forth their policy.

Nobuyuki Hirano  
President and Group CEO, Mitsubishi UFJ Financial Group, Inc.

Mitsubishi UFJ Financial Group manages the company based on the combination of both disruptive innovation pushed forward by the Digital Innovation Division and sustained innovation in the existing business. Mr. Hirano explains that “the president of a company should grasp the dynamics of both and clearly set forth his policy.” He expects synergy effects from the combination of the two innovation types, for example by solving existing problems through new technologies in the FinTech field. He adds “this is like the injection provided by the first stage booster when launching a rocket. I expect that the Digital Innovation Division will perform this role. A booster without the control section is meaningless and the control section should synchronize both.”

Two innovations should be made: One in the existing businesses and the other by entering into other businesses.

Kazuo Hirai  
President and CEO, Sony Corporation

Mr. Hirai has been conscious of the need to make two innovations since he became the president of the company in April 2012. “One consists in making innovations in the products and services of the existing businesses to transform them into completely new ones. The other consists in entering into completely different businesses.” In particular, he aims to create value by challenging the conventional wisdom dominating existing industries. “We want to become a market leader by bringing in a fresh wind to the industry’s conventional wisdom, precisely pinpointing the pain points of customers.” With the newly introduced Sony Seed Acceleration Program (see p. 25) starting to bear fruit and the company’s performance having recovered, a positive cycle has been created alongside the changes in the mindset of employees for making innovations in the existing businesses and beyond.

It is the role and job of the leader to set goals transcending an organization’s walls

Nobuhiro Endo  
President, NEC Corporation

According to Mr. Endo, “when an organization is created, parts of it are optimal. Since an organization is created to achieve an objective in an efficient manner, maximizing efficiency is naturally considered as the preeminent goal. This is unavoidable to an extent. However, when the organization sets one overarching target beyond its departmental confines, the walls of the organization naturally disappear. It is the role of the president to take maximum advantage of corporate values.” “It is indispensable to utilize optimization achieved in one particular area for the wider optimization of the organization in order to create innovation.” Mr. Endo is engaged in an effort to change the mindset of managers by establishing a team of top managers called the V members, setting targets beyond the confines of departmental structures and providing a place for discussion.
Company leaders need to invest time in restructuring the organization and allocate resources.

Hideaki Omiya
Chairman of the Board, Mitsubishi Heavy Industries, Ltd.

The first flight of the MRJ (Mitsubishi Regional Jet) was described as a “disruptive innovation” by Professor Christensen, the leading authority on innovation theory. It was a long way for Mitsubishi Heavy Industries to complete the restructuring of the organization aimed to induce innovation before succeeding in this enterprise. Mr. Omiya explains that “we did not only restructure the organization in order to move from the business office / business division system focused on products to the domain system focused on customers, but also introduced a strategic business evaluation system and spent considerable time reviewing resource allocation including human resources and financing.” He goes on to add, “We evaluated marketability and financial soundness in order to classify all businesses into categories of expansion/retention, innovation, new development, and reduction/withdrawal. For example, a business classified as a new development shows a business which will not be profitable for the time being but on which focus will be placed. We aim to accelerate the selection and concentration by clearly defining the invested capital and the required return accordign to the classification.” As a result, a domain chief with new businesses is now able to balance the new businesses and the existing businesses and promote the new businesses without stopping.

I would like to emphasize continuously that “the company should not depend only on its core business. The company can grow only when it undertakes new businesses and combines them with the core business.”

Hirotaka Sugiyama
President and CEO, Mitsubishi Estate Co., Ltd.

When looking into the future, Mr. Sugiyama reckons that “the core business will not necessarily continue to be rock solid,” and stands behind his employees. “It is not necessarily a good thing for a company to own the Marunouchi area (Tokyo’s primary office and business district). The negative aspect is that employees as a whole become dependent on it. Although the core business is important, without relying on it, the company needs to undertake new business ventures to combine them with the core business for further growth and developmnt. The development of new businesses plays a key role for company growth, but many risks are involved in it. Mr. Sugiyama thinks “it is difficult to foresee risks in a new business. However, there is no business without risk. I talk about the importance of not only covering risks, but also managing them.” He is also focusing on developing new structures, such as creating a division for new business creation under direct control by management. Mr. Sugiyama is working towards a change in the mindset of employees and the realization of innovation and makes clear that “today, software plays an important part also in the real estate business. To address rapidly changing customer needs, it is important to collect various types of insights in order to to anticipate future needs and in due course create a market around those.

Guideline 2: Reconsider various aspects of management

In the 1970-80’s, Japan was quite successful in generating disruptive and market-creating innovations. However, disruptive and market-creating innovations have been disappearing over the last 25 years, because the focus has changed from market-creation to efficiency. The problem is not innovation but management style to support new ideas. So I think we should take pride in our past and be excited about the future. I am looking forward to the Innovation 100 Committee promoting innovation from Japan’s multinational companies and coming up with new approaches for management and finance.

Clayton M. Christensen
Professor at Harvard Business School
I provided a space in which it was possible to ignore existing rules and build our innovation process.

Naoki Izumiya  
President and Representative Director, CEO, Asahi Group Holdings, Ltd.

Mr. Izumiya recounts how he “established an office away from the head office in which it was possible to build an innovation process by ignoring the existing rules.” “About twenty years ago, I was unhappy about the fact that we had hardly any grasp of the wider changes in society and values despite excellent market research capabilities”. So he decided to relocate the Institute of Lifestyle & Culture away from Azumabashi, where the head office is located, to Aoyama. “It was necessary to acquire data, but it was more important that people positioned in the office in Aoyama could step outside for a breath of fresh air and talk about, for example, ladies’ fashion while working there.” Returning to the head office, the people running the Aoyama institute put their new capabilities to work, rolling out new products.

It is imperative to pursue ongoing business operations. But on top of that we need to add something new.

Tadashi Onodera  
Chairman of the Board, KDDI CORPORATION

Mr. Onodera is convinced that it “is imperative to pursue ongoing business operations. But on top of protecting our existing business we need to add something new. What is certain is that existing businesses will gradually decrease in size over time. It will become necessary then to redirect the attention of people who have pursued those businesses to new things. To do so, I am already stimulating these people by way of personnel exchanges.” He emphasizes that “when implementing a two-layered management system for existing as well as new business creation it is necessary to clearly define the management focus so as not to cause fragmentation. Because of this, I clearly explain the respective roles of each business division.”

Company leaders visit customer touch points to swiftly launch new ideas for creating new businesses and opportunities.

Hidekuni Kuroda  
Representative Director of the Board, President and CEO, Kokuyo Co., Ltd.

Mr. Kuroda does not hide his sense of crisis. “Our 110 years old business model of selling stationery and furniture in cooperation with Kokuyo stationery shops has been destroyed by internet sales. Our current situation is that all past success has been turned upside-down.” With the increasing need for innovation, the president visits customer touch points to quickly get ideas for innovation with the aim of creating new businesses. “If creativity at the customer touch points is not enhanced, the life expectancy of the company will shorten rapidly. How will people at these touch points try to create new things and make it successful as a business?” Mr. Kuroda has been developing a mechanism to that end. For one, he reintegrated spin-off companies in October 2015. “I decided to reintegrate the spin-off companies with single domains such as stationery or furniture by considering that with the depopulation in Japan, it will not be possible for them to create new markets.” Kokuyo is now engaged in an effort to create new business from the perspective of customers.
Establish a system to create new business based on values.

Based on hidden needs, encourage actions to build value-oriented solutions and business models and establish necessary educational and organizational systems.

**Guideline 3: Establish a value-based system**

Being able to predict how values will develop in the future based on present value systems is a crucial skill.

Nobuhiro Endo
President, NEC Corporation

NEC Corporation is moving from the conventional business model in which the company provided specific customer-demand-driven value to a business designed to provide value for a variety of customer needs. In this process, the company is attaching increased importance to the skills of determining value. Mr. Endo comments in this regard, “it is difficult to predict the direction in which values will change in society. In these circumstances, I consider that it is important to be able to estimate future changes in values. Simple observation is not sufficient for the evaluation of a change. We need to estimate the change in values by understanding trends in the current changes in values. Sensitivity towards certain information realized through communication with customers is indispensable in estimating value. This ability is not something that can be acquired by command. The skills can only be acquired and improved by communicating in conversation with customers.” He at all times stresses the importance of communication and a customer-centered view at the company.

The solution is found at the customer touch points. It is essential to understand and analyze what is happening on site in order to see the future direction.

Akihiro Nikkaku
President and CEO, Toray Industries, Inc.

Mr. Nikkaku explains that understanding the value customers are looking for can only be done on site by saying, “some people understand innovation as something dream-like, but the innovation I have in mind is to solve practical problems on site. If the current situation is thoroughly analyzed, new discoveries are made. Innovation is not something that is produced with a high-handed attitude.” He further explained that it was not a rash decision to use carbon fiber for airplanes, saying that “what is crucial is to have a full understanding of the on-site applications. We must look at not only the business site and production site, but also at the research site applications. We will be able to gain an understanding of the direction we need to take in the future when we fully grasp all on-site applications based on a detailed analysis. Since the present is the result of the past, it is important to study what happened in the past to have a good perspective of the future. Carbon fiber is a success case, where a new value was generated as a result of exploring the performance possibilities of a fishing rod, a golf club shaft, etc. to the utmost limit.
With the increase in global maturity, it is not possible to create a market if a product or service is not useful to society.

Tadashi Ishii  
President and CEO, Dentsu Inc.

As the development of information and communication technology promotes the digitization of corporate marketing activities, the advertising industry is facing a very big turning point in its conventional business models. In these circumstances, Mr. Ishii says, “With an increase in social maturity, the ‘degree of usefulness of a product or a service’ is the key to success. This is the key idea for the creation of a market.” He says that in fact, this current of the times is perceived by young employees recently who are very conscious of doing “good” at Dentsu, whose corporate slogan is “Good Innovation.” “I demand young employees in particular make a contribution to society. They are sensitive to whether they are making a positive contribution to society in today’s Japan or not through solving customers’ problems.” As these changes occur, Dentsu is actively expanding the targets of communication and design. Mr. Ishii also engages in supporting the development of robots in anticipation of their application in the field by saying, “there are many employees who engage in the effort with a focus on realistic application in order to make them useful for nursing care and social welfare.”

Japanese people have a naturally high creative ability. According to a 2012 survey conducted by Adobe Systems, Japan was voted as the most creative country; however, Japanese people themselves usually don’t think so. Japan should be more confident in its own creative ability in order to realize innovation. Globally, innovative people’s mindset has shifted focus to creativity rather than efficiency. Both creativity and efficiency are important but I think that in most large Japanese companies, efficiency is part of the DNA and does not need more reinforcement. So, in this next decade, put your heart into creativity in the way you did with efficiency.

Tom Kelley  
General Manager at IDEO
Efforts are implemented in order for employees to get a feel for and develop an entrepreneurial spirit and mind.

Shinya Katanozaka  
President and CEO, ANA Holdings Inc.

ANA Holdings conducts employee trainings in Silicon Valley in its efforts to instil an entrepreneurial spirit and mindset in its employees. Mr. Katanozaka says that “this was triggered by the fact that nobody at the head office in Japan responded and dealt with an innovative idea proposed by an employee stationed in the bay area.” Currently, four people are receiving training and six people will take part in the next training. The president aims at creating an in-house venture in the future in the wake of this program. “Those under training get a feel for entrepreneurship and develop a wish to change the company. I do not ask them to submit an explanation or a report, but I do want them to come up with a proposal to change the company.”

A new organization with its finger on the pulse of market has been created, operating under a mechanism utterly different from any previous setup.

Shoei Yamana  
President and CEO, Konica Minolta, Inc.

Mr. Yamana has established business innovation centers (BIC) in five major cities around the world by saying “it is not possible to catch up with the speed in innovation in the world by way of accumulation of Japan’s technology development and business plans.” In the BIS, business development is pushed forward in a customer-oriented and in an agile manner unlike conventional development methods. The president sends in engineers to the BIC and proactively develops human resources as well. “The true customer value lies in how the market uses a technology and sees its value. It is important for employees to gain the insights needed to meet customer value expectations while verifying customer experiences at the BIC.”

Konica Minolta, Inc.

Business Innovation Center (BIC):
BIC are teams specialized in continuously creating new businesses that serve people and businesses by working on improbable ideas that nobody has been able to realize until now. The centers were established in five major cities (Silicon Valley, London, Singapore, Shanghai and Tokyo) in 2014 by laying out the goal of developing new service businesses tailored to the area, market and customer needs. The company aims to provide an agile solution development by creating the centers near the markets and by delegating authority to them.

Meet the BICs
We are based in North America, Europe, Asia Pacific, China and Japan in order to develop solutions in the customers’ business environment, further supporting the needs in the specific market.

All the members of the centers are composed of human resources recruited not from employees of Konica Minolta, but from outside the company. The BIC aim to contribute to the building of a better society under the slogan of “Giving Shape to Ideas.”
Guideline 4: Encourage bold efforts

Develop an environment where employees can repeat the process of trial and error as much as they like.

Establish a process spanning from ideation to achieving commercialization. Create an environment where employees passionate about finding solutions through trial and error are recognized and supported.

The New Business Creation department was created by gathering people who are not influenced by the corporate culture.

Hirotaka Sugiyama President and CEO, Mitsubishi Estate Co., Ltd.

Mitsubishi Estate started a new business proposal system which invited proposals from employees in 1999. Mr. Sugiyama says that there was a problem in the system. “Since somebody who makes a proposal has to deal with it all by themselves while doing their job, the support of the secretariat alone is not enough.” Therefore, the New Business Creation section was created in the Corporate Planning Division in April 2014 followed by its promotion to a “department” in October with a view to conveying the message that the company will engage in new businesses. The New Business Creation department is now in charge of the proposal system which allows those whose proposals have been approved to dedicate themselves to their proposals while doing their jobs. The New Business Creation department not only serves as the secretariat, but also actively engages in creating new businesses.

Mr. Sugiyama refers to the members of the New Business Creation department as “interesting people who have been gathered together. They are outspoken but do not quarrel and they are not influenced by the corporate culture.” In the case of developing a software, for instance, a developer is indispensable; the president therefore asks employees to “interact actively with people in different business fields in order to broaden ideas and vision.”

With commitment from the very top, an in-house fund aimed at fostering a culture of informal creativity and experimentation has been introduced.

Toshio Iwamoto President and CEO, NTT Data Corporation

Mr. Iwamoto analyzes the cause for the lack of success cases in the new business creation program within the company in the past, saying that “participation of a number of outstanding members did not lead to success due to a variety of reasons, including the lack of knowledge in the field and weak customer relationships, regardless of whether the subject field for IT innovation was finance, logistics, or others.” To tackle this, an innovation fund targeting specifically the venture creation ideas of frontline employees who usually face difficulties shepherding their ideas through the standard decision-making route. Although the size of funds varies depending on projects, money is delivered in stages, including the business planning at the very outset and the verification of concepts with customers. Mr. Iwamoto introduces this mechanism as “a site-driven fund designed to motivate people both in terms of business and personal enjoyment." “Although the amount is not very large on the whole, a number of people at the site have been coming up with new proposals through this mechanism.” As a result of the commitment of the president himself, some proposals are under serious consideration to be rolled out.
A mechanism has been developed where employees with ideas can try without fear of failure.

President and Representative Director, Tokyu Corporation

Hirofumi Nomoto

Tokyu Corporation established the In-house Entrepreneurial Development Program designed to create new businesses in April 2015. Mr. Nomoto explains the reason for the establishment of the program as, “outstanding human resources leave the company to start up their own business. This talent drain is wasteful for the company. The thing is that it is not possible for people with a mindset of a white-collar worker to succeed in starting up a new business because they conform to what is told by the company. I concluded from these two things that it is necessary above all else to develop human resources with a strong entrepreneurial mind.” Therefore, he introduced an in-house entrepreneurial development program that grants all participants job security even in case of failure. “Let’s look at the progress once every three years. If on course, let’s look at the progress again in two years. Withdrawal is also possible. Since failure is not a cause for a negative evaluation, anybody is encouraged to take on a challenge.” The introduction of the program has brought about a large effect. A total of about seventy new projects were submitted in half a year and some of them are under review for being rolled out.

A structure has been developed in which an employee can become a disruptor of the company and that helps disruptive ventures grow.

President and CEO, LIXIL Group Corporation

Yoshiaki Fujimori

Mr. Fujimori has built a system to allow in-house innovators to separate themselves from the company and create their own business by investing in them. “The key for an in-house venture to succeed is the no-turning back environment and provision of equity (capital).” The company invests around half of the capital in a venture. For example, a venture with eight billion yen was established in which LIXIL invested 49% and other partners invested the rest. Mr. Fujimori explains the biggest reason for the separation of the staff as, “a company employee cannot become a disruptor.” “We invest and pay retirement allowance to enable a person with an entrepreneurial mind to invest them as their own capital to establish their own venture. This environment helps the venture to grow significantly.” However, he also says, “it is important to give equity to a venture formed by multiple members. A one-man venture is helpless, but a venture formed by five interested members is encouraging.” LIXIL has already seen its first spin-off venture and the second one will be started soon.

In order for Japan to achieve sustained growth while facing population decline in the future, Japan needs to increase the amount of value added per capita. This can be achieved through both digital marketing and an increase in productivity of workers. Marketing means the creation of a system in which sales activities are not required. A system is already in place to help gain a deeper understanding of customers through use of data. The productivity of white-collar workers can be improved also to a great extent through use of IT. Leaving routine duties to IT while people focus their time and energy on creative tasks is workplace innovation.

President and CEO, Netyear Group Corporation

Fusiyo Ishiguro
Guideline 4: Encourage bold efforts

Passion is of paramount importance. It is essential to systematically picking up ideas on site.

Kazuo Hirai  President and CEO, Sony Corporation

Mr. Hirai agrees that “it is the passion of employees that is most required for achieving innovation.” “I believe that pride and passion are of paramount importance. I always say that it is passion before creativity and innovation.” A system has been developed to accommodate the passion of on-site employees and to systematically pick up their ideas for verification in Sony’s Seed Acceleration Program (SAP) which is a program designed to create new businesses. He adds, “when ideas are exchanged with people on site, young people come up with a variety of ideas. Thus, we have created the SAP, a platform for the verification of the feasibility of these ideas and the exploration of methods for creating new businesses. The introduction of the SAP has generated a virtuous cycle in which when an idea is discarded, another idea is submitted. In addition, it also had the effect that people on site are more motivated as a result of eliminating dissatisfaction.”

Sony Corporation

Sony’s Seed Acceleration Program (SAP) is designed to support challengers.

The Sony Seed Acceleration Program which was spearheaded by Mr. Hirai is a program where young developers play a central part in the creation of new businesses. The program facilitates the translation of new business ideas into practice in a speedy manner beyond traditional business boundaries. At its launch in 2014, Mr. Hiroki Totoki (the current president of Sony Mobile Communications) who is an entrepreneur himself was appointed as the executive in charge in order to get across the enthusiasm toward the development of new businesses within the company. So far, the wristwatch FESWatch in which the patterns of the dial plate and belt are changeable and the block-shaped electronic tag MESH which provides both a practical function and a function for playing have been commercialized through the SAP. They are being sold on the First F Light site equipped with crowdfunding and e-commerce. In addition, as a part of SAP activities, the Creative eLounge was opened in the head office. A lounge with an open atmosphere supports people-to-people interaction and facilitates idea creation. This is an open space developed as “a place for producing ideas” based on a proposal made by SAP operating staff. A total of about 20,000 people use the space every year.
Guideline 5: Encourage the crossing of borders

Promote open innovation and overcome barriers inside and outside the organization.

Promote the creation of value through cooperation that proactively uses other organizations’ ideas, thoughts, and technologies and integrates knowledge and information from inside and outside the organization by overcoming sectionalized structures inside companies and barriers between companies.

I do not entertain anymore the idea of creating innovation on our own.

Toshio Iwamoto  President and CEO, NTT DATA Corporation

“In principle, to create innovation, one must know know the site, the actual products and the context. As seen in a number of innovations created in the past by NTT Data, innovation is born when troubles of customers at the site and a new technology in our possession strike sparks against each other.” In order to translate words into reality, Mr. Iwamoto every year publishes the NTT Data Technology Foresight to promote the “Co-creation Workshop” designed to connect the problems of customers and society with NTT Data’s technologies. More than ninety sessions with customers have been held already this year. There is an underlying cause for NTT Data to actively promote open innovation. “Since the end of the 1990s, new projects with a budget aimed to create innovation were launched in three occasions in the past with a staff of 200 to 300 people. However, no significant result was obtained unfortunately. I do not entertain anymore the idea of creating innovation on our own.” Having learned a lot from the experience of the past, the president puts his effort into acquiring outside knowledge.

It is important to emphasize independent research and development, but too much emphasis should not be put.

George Nakayama  President and CEO, Daiichi Sankyo Co., Ltd.

Mr. Nakayama says that there is a unique characteristic of open innovation in the pharmaceutical industry. “If we are focusing on a technology, there is a chance that we may be caught up with and overtaken by our competitor. The ideal situation is that while we are focused on a technology, we look at the outside competitor, and if we judge that the other party is superior to us, we can cooperate with the party.” Of course, acquisition is an option. However, he reminds, “acquisition at all cost will lead to failure.” On the other hand, there is a case in which development of a nucleic acid drug for the treatment of an incurable disease called muscular dystrophy, which was difficult for the company, was made possible through funding by capital procurement from outside. “When I told the researcher that the research could not be pursued because of its high risk, he was not only discouraged at the news, but successfully negotiated with the Innovation Network Corporation of Japan for funding.” The president now accelerates the speed for research and development and looks for cooperation actively with outside stakeholders by saying, “I have learned that means are available even for a project with a high risk.”
Dentsu connects companies that have problems with other companies that can solve the problem by serving as a go-between hub.

Tadashi Ishii  President and CEO, Dentsu Inc.

In addition to putting about 250 people in the Business Creation Center (BCC) to create innovation for customers, Dentsu promotes activities to create new communications and ideas from a free point of view by launching the “Dentsu Lab Tokyo,” an open lab equipped with the latest technologies and equipment to accept external companies and human resources. In addition, the company actively promotes collaboration with venture companies both inside and outside Japan through corporate venture capital (Dentsu Digital Fund and Dentsu Ventures). Mr. Ishii explains the reason for the open innovation efforts as, “Dentsu is looking for a project that can be done only by Dentsu. It will be possible for Dentsu to take advantage of its strength of sharing an interface with nearly all Japanese companies. Thus, for example, Dentsu can connect a company that has a problem with another company that can solve the problem by serving as a go-between hub.” The added value produced as a result of such collaboration is precisely the value that only Dentsu can produce. The 2020 Tokyo Olympics is viewed as an excellent window of opportunity for open innovation.

It will be possible to find unknown treasure which have been lying dormant by making use of outside people.

Hirofumi Nomoto  President and Representative Director, Tokyu Corporation

Tokyu Corporation implemented the Tokyu Accelerate Program since June 2015. The program is an open innovation effort designed to develop and support venture companies within five years of establishment and create a business together. Mr. Nomoto explains the reason for the launch of the program as, “it will be possible to find unknown treasures which have been lying dormant by making use of the viewpoint of outside entrepreneurs. It is a sheer waste to leave it just lying there.” He is also looking forward to a secondary effect to be brought about by outside knowledge, saying, “It is also important that an atmosphere is created where employees put their ideas into practice.” The president promotes the change in the mindset of employees in combination with the “in-house entrepreneurial development program.”

Tokyu Corporation

Tokyu Accelerate Program

The Tokyu Accelerate Program was implemented with a view to creating new businesses for enhancing the convenience of life along the wayside of the Tokyo railway lines and building an ecosystem that will support the sustained development of venture companies around Shibuya, a busy fashion and youth-culture district in Tokyo. In November 2015, the final selection meeting was held in which the first prize was awarded to ABEJA Inc that optimizes towns and cities with artificial intelligence. The second prize went to Aquabit Spirals Inc that develops the “Smart Plate” which is an information delivery platform. The third prize was awarded to Sustainable Energy Development Co., Ltd, respectively. There were a total of 117 applicants. In the final selection, three companies were selected for the prizes of Tokyo award, Shibuya award and Futago award. Tokyu Corporation will examine the possibility of business cooperation in light of test marketing results.
An organization was established in the holding company in order to induce open innovation within the group.

Nobuyuki Hirano  President and Group CEO, Mitsubishi UFJ Financial Group, Inc.

Mr. Hirano recounts how “we have established a division to promote digital innovation in the holding company to induce open innovation within the group. We considered that a top-down approach and a concerted effort were necessary to promote innovation.” He also commented that it was “very exceptional” to have created a division in the holding company whose main task is the administrative management of the entity. The Digital Innovation Division is an “organization designed to promote innovation of the group as a whole by making use of the expertise of the credit card company, the securities company, the mobile bank within the group, and the customer contact point. Employees from the outside account for about one third of the Division by considering that it is necessary to have contact with the outside in order to generate disruptive innovation.” In addition, the Innovation Lab has been established with a view to activating an inter-group exchange. The president lends his support to the transformation in both mindset and process in the hopes of creating an organization that is not afraid of cannibalization.”

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Fintech Challenge 2015

The Bank of Tokyo-Mitsubishi UFJ, Ltd. has expanded its efforts of open innovation aimed at gathering knowledge and technology. As part of such efforts, it held the Fintech Challenge 2015, a business contest designed to provide “a new financial service favored by customers” in June 2015.

Ideas were solicited for the two subjects of “new methods for the promotion of mobile services and web portals” and “new settlement services for individual customers.” Outstanding ideas are commended and translated into practice.

Since the settlement business, in which money is involved, needs trust, it is generally difficult for new players to be trusted.
In our business, a card company is required as a partner. In the beginning, it was difficult for us to gain trust and negotiations were slow despite repeated meetings. In these circumstances, we had a meeting with Credit Saison Co., Ltd. Although many card companies are bank-affiliated, Credit Saison is distribution-related and has a strong culture. Our negotiations went smoothly with the participation of executives in the negotiation from the very start, including its president Mr. Hayashino. Speed in decision-making is the key in the dealing between a large company and a venture. We hope that a number of large companies will cooperate with venture companies through flexible decision-making.

Naoko Samata  CEO, Coiney, Inc.
KDDI has established a venture fund to attempt to change the mindsets of employees. Mr. Onodera cites as the reason for the establishment that “I felt that with the increase in size, the number of inward-looking employees had increased. Therefore, I wanted to create an opportunity to encourage them to adopt an outward-looking attitude.” He leaves it to the discretion of young employees to decide how this is achieved. “In the beginning, I took part in the evaluation of each case. When I judged that I was not required any more, I instructed that decisions be taken at a meeting with the participation of the division directors.” Currently, the evaluation is left to young staff at the level of general manager or lower and the president promotes collaboration with outside stakeholders. In addition, he implements the KDDI ∞ (Mugen) Labo which is a program to support ventures attempting to generate global IT services. Mr. Onodera refers to the influence of the collaboration with venture companies on the core business, saying “I expect that attractive content will not only increase the volume of the core business, but also enhance sensitivity of employees towards new things.”

**KDDI CORPORATION**

**KDDI ∞ Labo / KDDI Open Innovation Fund**

The KDDI ∞ Labo is an incubation program supporting entrepreneurs and engineers attempting to generate global IT services. The program supports entrepreneurs with two pillars consisting of “original programs” and “hardware programs.” The program was started in 2011 and 39 companies completed the program. The KDDI Open Innovation Fund is a corporate venture capital providing a wide range of venture funding both inside and outside of Japan. It is the aim of the program to provide high-level business support and create innovate joint businesses. The program was started in 2012 and about thirty companies received investment.

It marked a large step for our company to gain the cooperation both in business operations and finance from Itochu Corporation in 2008 (in order to develop the project ‘Save the World with Euglena’). The business was given a sudden push and gained speed thanks to the backing of this large company, increasing the number of customers as well as attracting support of Dentsu. In addition, we have received support for research from large companies, such as Hitachi, ANA, JX Holdings and Shimizu Construction. The number of venture companies driven by leading technology is not small in Japan, but I have the feeling that the number of large companies that give support in the initial stage of venture formation is small in comparison to the U.S. I think that it is indispensable for large companies to promote open innovation by taking advantage of tech ventures and university spin-off ventures in order to contribute to the economic development of our country. Therefore, I wish that the cooperation between large companies and venture companies will be further accelerated in the days to come.

Mitsuru Izumo
President, Euglena Co., Ltd.