US-Asia Technology Management Center Annual Meeting
Innovator’s Dilemma in Japanese Companies

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Self Introduction

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● Management Consultant
  ○ Focusing on US/Japan Business Development in IT area
  ○ Advice on corporate strategy, business development activity support

● Background: Export Division at Honda Motor Co., International BD at NTT America, BD at a US mobile start-up
  ○ 20 years in Silicon Valley, 30 years in the U.S.

● Media
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● Other
  ○ Board member at Techmatrix Corporation, Tokyo, Japan
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  ○ Board member at Japan Society of Northern California

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Japan’s Innovator’s Dilemma - past

World moved on to smartphones, but Japan kept pushing on “Galapagos phones”

Gala-kei circa 2006 (Galapagos phones)
With “One-seg” TV

iPhone circa 2007
First generation
Japan’s Innovator’s Dilemma - on-going?

Japan is the major player in “industrial robot”, but what about the new “service robot” sector?

Japan is the major player in “industrial robot”, but what about the new “service robot” sector?

FANUC

YASKAWA

2018: $16.5B
↓
2019: $13.8B

OMRON

2018: $8.5B
↓
2019: $11.2B
## US solutions vs. Japan obstacle

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<th>Common problem</th>
<th>US solution</th>
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| Value of the new product is out of scope of existing customers and not well understood within the organization | ● Let ventures do the messy work and acquire them later when successful  
● Cutting off existing sales channel or supply chain is relatively easy | ● Tend to do everything internally, without acquiring ventures  
● Strongly encouraged to keep long-term relationships with partners |
| Market for the new product is too small and unattractive                       | ● Hire/fire staff and create/dispose new division are easy                   | ● Hard to fire staff or dispose division, thus discouraged to hire new expert staff |
| Internal resources are not fit for the new product                             | ● “Iteration” is already an established concept as the necessary process for innovation |                                                                              |
| Future of the new product is uncertain, risky, and chaotic                    |                                                                              | ● Tendency to avoid risk and uncertain future                                   |
Systemic problem in Japan

- Innovator’s Dilemma?
  - Pressure to preserve the existing staff and avoid disposing old business
  - Culture and system encourage long-term relationships and stability, but discourage taking risks
  - Need to acquire skills for face the confusion and investing into risky areas, and M&A as a tool to avoid Innovator’s Dilemma

- Failure to move on to the next stage of “macro business model?”
  - End of manufacturing era
  - Software is eating the world
  - Many Japanese companies still refuses to move to the software-based economy
“DX” - new battle front of Innovator’s Dilemma

- Move to “software based economy”
- In the US, only the “disrupters” have been successful
  - Google, Apple, Facebook, Amazon, Netflix…
  - Large companies are struggling to adjust, yet often fail
  - Ones that are directly threatened by the disrupters are making “life or death” effort
  - McKinsey: “70% of DX projects tend to fail”
- Japanese large companies are also struggling
  - Many still are not feeling the threat directly, thus not understanding the value of Dx
DX evolution

- All others
- Walmart
- Goldman
- GAFA

Early stage:
- Digitize
- legacy/analog
- process
- RPA

Middle stage:
- Automation
- Self-service
- Visualization
- Cloud transition
- Digitize product/sales route
- Internal production
- Microservice

Top of the top:
- Sophisticated service
- Platform-ization
- Real time
“Midtown Uniform” in Manhattan

“Drink more water, less alcohol and a beer with more taste but fewer calories.” - Kody

“Get the ‘Hedge Fund’ collar. It increases your likelihood of being named Blaine tenfold.” - @midtownuniform
Some Japanese companies are adopting US methods

Example: Hitachi group

Transforming from “heavy industry” to “electronics”

- Acquiring new business
  - 2015: Acquired Pentaho
  - 2017: Hitachi Vantara launched, consolidating Hitachi Data Systems, Pentaho and Hitachi Insight Group

- Disposing non-essential business
  - 2012: Discontinued TV production
  - 2016-: Sold Hitachi Transport System, Ltd., Hitachi Capital, Hitachi Koki, Hitachi Chemical
How to adopt to the new environment

- New mantra is “iteration” - which means you have to make correction quickly, and sometimes abandon the project altogether before it is too late.
“Open Innovation” in Silicon Valley

- Many Japanese companies participate into venture investment in Silicon Valley
  - More variety of companies, variety of strategies, not just “small investment participation through Japan-friendly VCs”
  - Venture investment and Acquisition
  - Iteration with venture partners
- Learn, and find your own ways to “dispose” old things, one way or another
- Acquire startups in Japan, even though it cannibalizes your own R&D
- Utilize equity