

April 27, 2023

Connect, Open, Act Forging a Prosperous, Flexible Socioeconomic System through Collaborative Capitalism

Address on Assuming the Post of Chairman

Takeshi Niinami

Chairman

Keizai Doyukai (Japan Association of Corporate Executives)

Having been nominated to this position of responsibility as chairman, I now assume the important role of taking over the outstanding legacy forged by my predecessor, Kengo Sakurada. I feel humbled by the task ahead.

Keizai Doyukai was founded by a group of like-minded business leaders in 1946, immediately after Japan's defeat in the Second World War. The mission statement penned at the time of Keizai Doyukai's establishment includes the following words: **“Now is the time for all of our members to join forces, for each to encourage and prod the other, to share the best fruits of our minds, and to concentrate all our forces on the reconstruction of the Japanese economy.”**

Today, seismic geopolitical shifts have led to an era that is far from peaceful, and as a rapid wave of inflation surges across the world, Japan stands right at a critical juncture. Faced by such instability, Japan's corporate executives should not leave it to others to act, but should instead feel a personal sense of urgency, and connect with the world in order to **learn more, think more, take action themselves, and ultimately change society**. It is precisely now, during this time of turbulence, that we have a once-in-a-lifetime opportunity to effect change. I want us to leverage private-sector leadership to revitalize Japan's economy and restore the dynamism of the private sector as a means of finding solutions to societal issues. I therefore intend to tackle this important role by joining forces with the many talented colleagues I have here in Keizai Doyukai and genuinely

“sharing the best fruits of our minds.” I sincerely hope I can rely on your support.

■ **Creating a Society That Combines Growth with Collaboration**

Today, I would like to talk about my vision of the socioeconomic system Keizai Doyukai should seek to bring about in the future.

First of all, the key prerequisite is that Japan’s economy must grow,. It’s fair to say that the Japanese economy’s international status is diminishing. But Japan is by no means a have-not nation. In fact, both its companies and households have accumulated copious funds. Japan’s companies need to create new value through vigorous investment, while also continuously raising wages, investing in human capital and leverage the resulting dynamism to enable further investment,. Japan’s companies have already amassed the funds necessary to set this engine of growth in motion. If only we could rid ourselves of the tendency to be satisfied with the status quo and recover a strong desire to forge a future that is better than today—in other words, if only we could regain the animal spirits described by John Maynard Keynes—we could restart our engine and ensure continuous growth into the future. Keizai Doyukai is determined to bring about this change.

The world is currently undergoing radical change. Our restful dream of globalism during the détente after the Cold War was shattered by the sound of gunfire reverberating in Ukraine. The world was turned upside down by an infectious disease of a type we thought humankind had already defeated. Worldwide inflation hit us with a wave of price increase that came out of the blue for the people of Japan, to whom a deflationary economy had become the norm. New technologies such as ChatGPT and the metaverse are radically transforming society in unprecedented ways. We have reached the point where we have no choice but to change. Or, to put it another way, this is a once-in-a-lifetime opportunity to rid ourselves of the chronic ”status quo disease” that pervades Japan, and regain our animal spirits.

However, we are no longer motivated solely by the idea of becoming affluent in economic terms. The yardsticks and values we use to define the affluence we seek have become more diverse, and the distortions caused by growth are increasing. We already know that the type of win-lose animal spirit that leads to profits gained from the suffering of others is not sustainable.

I believe we need to create a society in which everyone is given equal opportunity to forge their own path in life based on their own beliefs, and if they take on a challenge and fail, they will be able to pick themselves up again. However, assistance when things go wrong should not only be provided unilaterally by the government looking after the public; it should also be provided by people looking out for each other and pooling their resources. And companies must be part of that too. I envisage a society that allows everybody to benefit from a rich cultural milieu in which nobody is left behind, individual lifestyles are respected, people care about each other, and everybody can experience enjoyment—and I call this “collaborative capitalism.” I want us to create a socioeconomic system in which such collaborative capitalism underpins all that people do. What we should aim for is definitely not the socioeconomic system of the 1980s, when the Japanese were regarded as single-minded “economic animals.” Instead, I envisage a socioeconomic system that combines growth with collaboration to provide well-being. I believe that Japan, which has cultivated a rich spiritual foundation, has the capacity to be first in the world to develop such a socioeconomic model.

However, creating a society in which citizens help each other doesn’t mean we let our companies off the hook. As I explained previously, the prerequisite for this collaborative capitalism is that there must be growth. Accordingly, companies will need to continue enhancing their corporate value by constantly striving to innovate and restructuring their businesses, investing in human capital as they do so. Companies that cannot generate the necessary dynamism or adapt to change may be forced to withdraw from the market. We need a societal system that is premised on corporate executives facing up to the challenges of the situation, while also allowing workers to be given equal opportunities, and if they fail, to benefit from cooperation with others to pick themselves up again as many times as necessary. I intend to devote myself to contributing to the creation of such a society.

■ Eight Key Challenges to Be Tackled

Today, I would like to talk briefly about eight areas I think we need to focus on particularly.

The first key challenge is to **energize human resources of all ages**. I believe we should aim to create a socioeconomic system that enables all workers—not only executives, but also mid-career employees and young employees—to work energetically, take on new challenges, and forge their own paths in life without being over-constrained by the conventional logic governing companies or organizations. **I myself went abroad to study,**

after which I set myself the challenge of managing various companies in business sectors I hadn't previously experienced. Although I struggled and failed at times, I had the opportunity to meet some exceptional people and celebrate our work achievements together. I experienced at first hand how designing one's own career and challenging oneself to achieve new, demanding goals leads to personal growth.

In order to retain skilled human resources, companies need to make efforts to invest in human capital, including by continuously raising wages. In addition, they need to give employees opportunities to learn and challenge themselves by, for example, establishing systems for career design and reskilling. Companies that do make such efforts are also likely to attract all kinds of ambitious and talented personnel from outside their organizations. They will become employers of choice for highly talented personnel both internally and externally, and the efforts of these personnel to create new value will raise the value of the companies themselves, ultimately delivering competitive advantages that enable the companies to build up their capacity to reinvest. This is the sort of novel, fluid socioeconomic system I believe we should create.

However, such a socioeconomic system must be underpinned by diversity, equity, and inclusion (DEI), which is why **promoting DEI** is the second key challenge I would like to address. Rather than being entrenched in a single set of values, we must create organizations in which people accept differing values,, and are more flexible, more resilient, and brimming with creativity. DEI is the driving force for innovation, and is intrinsic to corporate strategies to improve competitiveness. In order to advance DEI, Japan also needs to address issues such as the declining birthrate and reforming working practices.

Ensuring that a diverse range of individual personalities are respected and can mingle with each other with bring dynamism to Japan's economy and society. This momentum could then be further accelerated and propelled to the next level through use of technology. Accordingly, I identified measures to **reinforce innovation and R&D** as the third key challenge. Science and technology are among the keystones of international competitiveness. Our national government needs to cultivate technological advantage over the long term by investing in fundamental research and involving the private sector in finding applications for such research. However, rather than conducting research randomly in all areas as it does currently, Japan needs to take a strategic approach and identify a reduced number of priority fields such as quantum technology, AI,

biotechnology, and healthcare, upon which investment should be focused going forward. In addition, we need to replicate the success of institutions such as the Okinawa Institute of Science and Technology (OIST). We must do everything possible to reinforce innovation and R&D.

Our fourth key challenge is to **boost start-ups**, which play an essential role in innovation. This is a crucial issue for Japanese society, which is suffering economic stagnation. So, what is required to increase the number of start-ups in Japan and encourage their growth? **As one important endeavor, we need to push ahead with regulatory reform to enable the private sector to lead the way in creating new fields for investment.**

And we must also make progress in streamlining and restructuring existing businesses to generate new industries. Accordingly, I want us to engage in further discussion about how we should **pursue corporate reform**, which is our fifth key challenge. The prerequisite for pursuing corporate reform is to **promote digital transformation (DX) within companies**, which is key challenge number six. In order to promote DX, I want Keizai Doyukai to provide opportunities for learning so that executives can find out about the world's most advanced trends in digital technology and actively incorporate these into their companies' business strategies.

Another major challenge is revitalization of the service industry, which employs more people than any other industry, but tends to have little say in policymaking discussions, and has been slow to raise productivity. This industry provides excitement and enjoyment through personal interaction, and if it becomes capable of continuously raising wages, and cultivates greater dynamism, it could energize Japan as a nation. Likewise, revitalization of the entertainment industry, including sports events and concerts, could help to reinforce Japan's soft power. This is key challenge number seven: **revitalize the consumer economy.**

The final key challenge on my list is to **achieve sustainability**. Seeking to make societies sustainable is a universal human desire, and companies are duty-bound to contribute to this aim as members of these societies. I attended this year's Annual Meeting of the World Economic Forum in Davos and participated in discussions with leaders from all over the world. A keenly debated topic was how to achieve carbon neutrality, and in particular, how to deal with so-called Scope 3 emissions, which are of increasing relevance to almost all industries. In this regard, we too need to analyze international trends and discuss a

course of action that would be both effective and realistic. The keys to addressing this issue successfully are energy and technology. I want us to create forums for learning so that corporate executives can advance the debate on nuclear power, and at the same time gain an understanding of cutting-edge technological developments such as renewable energy, hydrogen, and nuclear fusion, and put this understanding to use in management decision-making.

■ **Becoming an Organization That Can Act Effectively: Establishment of Committees as “Control Towers”**

If I complete two terms as chairman, that will be four years. It seems like a long time, but it will go by in a flash. I have just under 1,500 days in office, and I cannot afford to waste even a single day. So, to realize the vision of society I described earlier, how should we go about prioritizing and tackling these key challenges? Starting from today, I intend to spend 100 days discussing Keizai Doyukai’s prospective road map and action plan in great detail with our vice chairmen, at the same time listening to the opinions of our members; then we will make our road map and action plan public.

We have already started creating the organizational structure necessary to do this. First, we will establish new committees to address the four key challenges of energizing human resources, promoting DEI, boosting start-ups, and pursuing corporate reform. In addition, we will set up the **Policy Coordination Committee**, which will act as an overall “control tower” to lead the individual committees’ deliberations around policy. The Integrated Policy Committee will play a powerful role in terms of communication, maintaining close dialogue with Japan’s ruling party, the opposing parties, government agencies, and the world of academia. Through this powerful initiative, we will ensure that Keizai Doyukai presents effective policy proposals that get to the heart of the challenges they address and provide realistic solutions.

However, the most important task of all is that we corporate executives must change ourselves. Keizai Doyukai has around 1,500 members. And there are around 16,000 members of other regional associations of corporate executives throughout Japan. These members are all executives that lead companies. Together, they can engage in uninhibited debate and mutual learning, and take the lead in taking action; then they can change their own companies. And as a result, the Japanese economy can be transformed. I want us to draw on Keizai Doyukai’s innate strengths as an organization and return to the spirit of

our founding mission statement to transform Keizai Doyukai into a community of individuals who are determined to personally take on the challenge of changing Japan. We will set up a new **Structural Reform Committee** as the “control tower” to oversee this transformation of Keizai Doyukai itself.

The Structural Reform Committee and the Integrated Policy Committee I mentioned earlier will serve as two wheels working in tandem to drive Keizai Doyukai forward.

■ Keizai Doyukai’s Three Principles for Action

I want us to debate issues boldly and take action without any no-go areas; I have decided on three principles we will stand by when doing this. These principles are: **Connect**, **Open**, and **Act**.

Let’s start with **Connect**. Keizai Doyukai comprises a great many outstanding executives. However, tremendous wisdom exists in the world outside Keizai Doyukai too. I want us to connect with many people outside our organization to acquire the kinds of diverse ideas and wisdom that would not emerge from our own set of values, and to widen our network of like-minded associates outside Keizai Doyukai who could join us in taking action. We should aim to connect not only with fellow corporate executives, but also with representatives of civil society, social entrepreneurs, and leaders of start-ups trying to launch new businesses. We should make connections not only within Japan, but also overseas, with governments and organizations of all kinds, as well as with academia and the labor circle.

Furthermore, to prepare for reforms to Japan’s socioeconomic system, our Political and Administrative Reform Committee will collaborate with Reiwa Rincho (a central government council launched to resolve Japan’s structural issues) to effectively tackle political reform, including reform of Japan’s Diet. In addition, we will accelerate both the discussion and implementation of measures to establish collaborative capitalism. To that end, we will work with organizations such as the Japan Association of New Public and the Impact Startup Association, and draw on the wisdom of other regional associations of corporate executives, pooling our resources, learning from each other, and spurring each other on. And we also need to learn more from the world outside Japan. I intend to help make Keizai Doyukai more global by personally acting as an intermediary and liaising frequently with several organizations overseas that I am already closely involved with,

such as the Trilateral Commission, which meets in Asia, North America, and Europe to discuss geopolitics; the Council on Foreign Relations; and the World Economic Forum, which organizes the annual Davos meeting.

Let's move on to the second principle: **Open**. Not only must we connect with people outside Keizai Doyukai, we must also incorporate a diverse range of values into this organization. Until now, the companies our members belong to have tended to be concentrated in specific industries, but from now on we will encourage participation from a wide range of industries including the service industry and the sports and entertainment industries. At the same time, we will welcome participation by representatives of start-ups and NPOs. We will further expand our membership by opening our doors wide to all executives who are strongly motivated to improve this society we live in. As we do so, I hope that members with diverse values will mingle and engage in debate, so that both we ourselves, and Keizai Doyukai as an organization, can embrace innovation.

Our final principle is **Act**. It isn't enough to regard ourselves as mere commentators who simply offer proposals, or make requests of the government. Instead, we should practice what we preach, and take action ourselves. By spurring each other on and learning as much as possible, we can change ourselves and the companies we're in charge of. So, just take action, even if it isn't perfect. That's the sort of culture I want to create.

Technological advances are radically transforming the world in unprecedented ways. Geopolitical and geoeconomic dynamics that could overthrow the very principle of free competition are coming into play. It is of course difficult to predict the future, but we must not give up trying to work out what lies ahead. Rather than resorting to terms such as "VUCA" (volatility, uncertainty, complexity, and ambiguity) or "unpredictability," and abandoning any effort to think more deeply, we need to **reach out to the world by redoubling our efforts to study and discuss** what's happening outside Japan. **That's why we will create a structure for our members to learn substantially from each other by establishing the Keizai Doyukai Academy with the aim of returning to Keizai Doyukai's founding spirit and drawing fully on our innate strengths. Through studying and learning, individuals can transform themselves over and over again. And companies can be transformed too, provided there is a will to effect change. I believe that Keizai Doyukai must be a gathering place for people who persevere, take action, and keep on challenging themselves in this way.**

■ Three Tasks to Be Tackled Immediately

Don't be afraid to take action, even if it isn't perfect. I'm going to put that determination into practice right now, on my very first day in this new post, by announcing my intention to take action on three tasks I want to tackle as soon as possible.

One is promoting DEI, which I mentioned earlier. None of the diverse range of values and personalities that individuals exhibit should be discounted because they differ from the majority or the average. As an example, there is so much more that companies can do to address LGBTQ+, which is a matter of human dignity. This is something that I personally feel strongly about. On Sunday I took part in Tokyo Rainbow Pride, the LGBTQ+ parade, and was impressed by young people's burning passion to change our society. I want to start by spearheading efforts to tackle this task in the company I manage, while widening the network of allies within Keizai Doyukai as a precursor to taking concrete action here as well.

The second task is energizing human resources. As I mentioned earlier, this is another one of the crucial keys for generating dynamism in Japan's economy. Our country needs more people who seek to respond to developments in the external environment by changing themselves and taking on new challenges, rather than clinging to the organizational culture they're accustomed to. So, how do we transcend the sectoral boundaries separating companies, governmental organizations, NPOs, and other organizations to help working people open up doors to new opportunities in their lives, and to encourage them to interact with each other? I want Keizai Doyukai to be actively involved in collaboration between the public and private sectors to create platforms for supporting individual career design and reskilling.

The third task is building international links. I believe Keizai Doyukai's mission should be to spread a network of wide-reaching, diverse, enriching relationships all over the world—not just with powerful nations and big corporations, but also with other countries, regions, and industrial sectors. We will start by focusing on start-ups to increase Japan's interaction with countries and regions such as East Asia, ASEAN, India, and Africa. For example, I'm currently keeping my eye on the relationship between Japan and South Korea. This relationship has a complicated history, and many people have already spent a long time working hard to find solutions to the issues between our two nations. Recently, however, the Yoon Suk Yeol administration came to power in South Korea, bringing strong leadership determined to transform the paradigm that had governed bilateral post-

war relations, and dialogue has now started between Japan and South Korea. Amid worldwide instability caused by the confrontation between the United States and China, the prospect of Japan and South Korea coming to understand each other fully is of huge significance. To avoid missing this opportunity and to provide powerful back-up for this rapprochement, I want us to start with South Korea in urgently setting up a framework for entrepreneurs who run start-ups inside and outside Japan to interact with each other.

■ **Joining Forces with My Colleagues in Keizai Doyukai**

I have described the beliefs I hold as chairman that will inform my leadership of Keizai Doyukai. But not a single one of those beliefs will be put into practice by myself alone. Within this organization I'm assisted by fellow executives who are well aware of the issues at stake, most notably my extraordinary vice chairmen. And in addition to them, the members of our secretariat have outstanding capabilities as a think tank that supports our activities. My aim will be to ensure that all Keizai Doyukai members—including those of you here in person today—experience a high degree of engagement with the organization, so that you can feel genuinely pleased to be part of the Keizai Doyukai network. To achieve that, I intend to set off at full speed from this moment on.

Thank you for your kind attention.