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The Responsibility of Corporate Executives as Innovators and Implementors

Formulate National Strategy Based on Companies' Ambitions and Practical Wisdom

Chairman's Remarks at the Fiscal 2021 Annual Meeting

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1. Introduction

Last year started with upheaval caused by the novel coronavirus pandemic and ended with the uncertainty of an unpredictable future. During that time, many people lived in ways they had never previously envisaged and experienced numerous changes. From this series of experiences and difficulties new signs of change are now starting to emerge. I believe that it is our role as corporate executives living through these times to exploit such signs of change to forge a new era. As chairman of Keizai Doyukai (Japan Association of Corporate Executives; hereafter, Doyukai), I take that responsibility seriously and feel a strong sense of motivation as I embark on my second term of duties.

Today, as head of Doyukai, I would like to share with you what I want this organization to aim for and work on together with our members and other stakeholders throughout society.

2. The Coronavirus Crisis as an Opportunity to Pursue Societal Change

The upheaval caused by the novel coronavirus pandemic has made Japan's current situation and the issues it faces clearer than ever. This country, which ought to be playing a leading role globally in finding solutions to issues, has experienced a succession of barely believable setbacks. Incidents such as delays in paying subsidies during the states of emergency have underlined the overwhelming disparities between

Japan and other major industrial powers in use of data and digital technologies. Meanwhile, Japan has made a poor showing in the competition to develop a vaccine—the trump card in the fight against the pandemic—and with only 0.9 percent of all eligible citizens vaccinated so far, its progress in administering the vaccine lags behind even some developing nations.

Confused decision-making, combined with mismatches between the central government's various policies and the capacity of entities such as local governments to enforce these policies, are impeding the ability to take effective action on the ground, upon which Japan usually prides itself. Furthermore, in fiscal 2020 alone, around 73 trillion yen of the national budget was invested in coronavirus countermeasures—a very large proportion, even considering that the purpose was to overcome an unprecedented crisis. Yet, there is no way of knowing when the government might explain this budget allocation or present measures for mitigating the burden imposed on future generations.

Thus, in various ways the coronavirus crisis has made us keenly aware of unforeseen vulnerabilities in Japanese society and of the serious consequences resulting from problems we have left unaddressed.

On the other hand, this crisis has triggered changes that could inspire a new form of society for Japan. During this period of restricted social contact, use of a variety of online tools and services has spread dramatically. New ways of working, epitomized by remote working, and next-generation forms of communication and consumption, are spreading throughout society. This has opened up many new possibilities for people to pursue lifestyles and opportunities in line with their own values, free from the constraints of location or distance. Such changes can be expected to accelerate further under the Japanese government's policy of setting up an agency in charge of digital transformation in order to advance digitalization throughout society.

In addition, I am hopeful regarding the proposed establishment of an agency to centralize the handling of policies relating to children and parenting. This move demonstrates that the government is actively steering the country toward finally overcoming the challenges of its declining birthrate and graying society, as well as involving a wide cross-section of ministries in pursuing the relevant policies.

What is required of us now is the determination to take such changes even further. I believe that, if we regard the coronavirus crisis as a rare chance in a sense, and pursue societal change, it will provide a major opportunity for Japan to recover lost ground.

3. A Vision and National Strategy for Making Japan Not Only Valuable, but Indispensable, to the Common Good of the World

(1) Envisaging the country we want to become in a time of uncertainty

Even before the coronavirus crisis, the international community was faced with the issue of how to overcome societal fragmentation and other negative effects of global capitalism and disruptive technological innovation. I feel that this issue has become more crucial and urgent than ever during the current coronavirus crisis. It is clear that the existing forms of capitalism and democracy alone are incapable of dealing with such crises or solving the long-term challenges faced by human society. Moreover, even during the current crisis affecting the entire world, the international tension stemming from the confrontation between the United States and China remains unresolved. Indeed, the added complication of competition in various arenas including national security, the economy, advanced technologies, and capacity to solve worldwide issues, has served only to exacerbate this tension.

However, what is required in such a time of increasing complexity and uncertainty is not adaptation to the given environment and the changes imposed upon us. I believe that, first and foremost, we should envisage in detail the direction we want to proceed in, and what we want to become, and devise a strategy for making that happen.

For some time now, I myself have been calling on Japan to seek to be regarded by other nations as not only valuable, but indispensable, to the common good of the world. This is because I am convinced that Japan has the ability to negotiate the shared international challenge of the “Great Reset” and envisage the new forms of capitalism and socioeconomic system that lie beyond.

Our country commands a variety of assets that could become sources of growth from now on, such as technical capabilities honed over many years, soft power that captivates the world, and high-quality real-world data. What is more, both people and organizations are deeply imbued with the mentality of avoiding devotion to self-interest and instead valuing overall accord and the public good (in other words, public spirit), as typified by the philosophy of *sanpo yoshi*.¹

In the current international environment, I think it will be more important than ever for

¹ The traditional Japanese *sanpo yoshi* ideal defines a successful business as one that not only provides satisfaction to the buyer and the seller, but also contributes to society at large.

a country such as Japan, which upholds the universal values of freedom, democracy, human rights, and the rule of law, to maintain and bolster its economic vitality and international influence. Japan can make its own unique contribution to the world by unleashing its potential, offering solutions, and acting as a role model for dealing with global challenges, thereby becoming essential from an international perspective. That is the course I think we should follow from now on.

(2) Formulating a national strategy to establish a “Corporate Japan”

In order to pass on to the next generation a Japan that is not only valuable, but indispensable, to the common good of the world, we, the leaders of Japanese society, need to make choices for the future now. I believe it is imperative for us to think about how we can increase Japan’s value as a country in a sustainable way and, in so doing, ensure the safety, prosperity, and happiness of the Japanese people. Then we must formulate a national strategy to make that happen.

From a global perspective, the environment in which we find ourselves is extremely complex, and is becoming ever more challenging. As the recent Japan-US summit revealed, factors of all kinds result in conflict among countries and regions, ranging from the economy, technologies, and national security, to the development of emerging and industrializing nations. Within this arena, the powerful players of the United States known as GAFA (Google, Apple, Facebook, and Amazon) are driving the creation of new markets and new standards, despite causing occasional friction with the government. China, meanwhile, is extending its influence into ever-more countries and regions under a mighty state-led regime, sometimes leveraging the power of mega-ventures and plentiful financial resources.

It is obvious that, for Japan, faced with such global power, the strength of the government or companies alone is not enough to get by. We need to target establishment of a “Corporate Japan,” where the government and companies share common objectives and fulfill their separate roles to work for Japan’s survival and increase its value as a nation. However, the “Corporate Japan” I have in mind would differ entirely from the “Japan Inc.” of this country’s rapid economic growth years, when companies simply followed the state’s overall policy and leadership. Indeed, the relationship between the government and companies would be quite the opposite: the government would grasp in detail what companies want to achieve through the power of business and the impact they want to make on society, and would then determine a broad course for the nation based on practical wisdom derived from the actual sites where implementation takes place, and the reality on the ground.

In the past, a great many detailed growth strategies have been drawn up, but unfortunately they do not appear to have produced any visible results. This could be because the process of drafting national strategies has always lacked sufficient input from the private sector, which is responsible for actually implementing the strategies.

(3) Self-disruption by companies as strategy implementors

There are two reasons why I believe that the practical wisdom of the private sector, and of companies in particular, should be utilized for formulating and implementing national strategy from now on. One reason is that, in times when no certain future or clear course is visible, I believe the path a country takes should be guided by the aspirations of a diverse range of people seeking a better society and a better life.

And grasping what such a diverse range of stakeholders want, then providing solutions for their requirements, is exactly what companies are designed to do. This is why calls for a transition to stakeholder capitalism are increasing in the United States as well, and why a key challenge for companies now is to address the SDGs by pursuing a balance between society's sustainability and their own sustainability.

Another reason for private-sector input is that the true worth of a strategy is demonstrated only when it is implemented and produces results. However correct a course of action or strategy may be, it is pointless without actual implementation sites where people are committed to achieving the strategy's goals, resources are devoted to it, and ingenuity is employed to produce results. In order to implement a strategy and achieve its goals, the commitment of companies that have both the motivation to do so and actual sites where implementation takes place is essential.

Thus, companies have a major responsibility to take on the job of shaping and implementing Japan's national strategy. The first step in fulfilling this responsibility is for companies to be ready to disrupt their own business models and organizational structures that are optimized for the world of the past and the present. A friend of mine who is an Israeli executive has the slogan "Disrupt or Be Disrupted" hanging up in his room. In my opinion, this sort of readiness to disrupt is precisely the quality required of today's corporate executives.

4. Doyukai Rises to the Challenge of Organizational Evolution

In view of the current situation, I want to make Doyukai's position as a group of innovators and implementors clearer than ever. Doyukai's value lies in the fact that

executives currently in office share their respective views of issues based on their own practical experiences and discuss these issues as interested parties, sometimes clashing in their opinions. In order to further highlight this unique feature of Doyukai, I want to set up a Corporate Management Committee comprising mainly senior executives to hold exhaustive discussions on ways of arousing in companies a willingness to self-disrupt and the dynamism necessary to drive societal change.

Furthermore, I intend to set up two new committees as Chairman's Initiatives to hold discussions from a practical perspective: Committee on the Design of New Economy and Society and Committee on Evaluation and Implementation of Growth Strategy. The former will take Japan's distinctive identity as the starting point to discuss a model for a capitalist society that embraces the interests of a diverse range of stakeholders and is sustained by their support. The latter will discuss issues including new mechanisms necessary to involve companies in the national strategy and establish a "Corporate Japan."

As a gathering of corporate executives that harbors such ambitions, Doyukai itself will also aim to evolve further. In fact, Doyukai has evolved unremittingly to date, developing from a "classroom" in which corporate executives applied themselves to mutual study into a campaigning body that sought to influence society from a business management perspective, and subsequently into an action-oriented policy group that picks up on the changes of the day and calls for reform. And now, as Japan aims to become a role model for the socioeconomic systems of the future, I would like us to consider carefully and at length the form that we ourselves think society should take, as well as the role of business associations in bringing that about, and to redefine our mission in line with present times.

Henceforth, there are two forms of evolution I would like to target in partnership with you, our members. The first is to evolve into a "do tank" that works to realize and implement policies after they are debated by corporate executives. I aspire to go beyond debate among executives alone and involve a diverse range of stakeholders to exercise the sort of power that shakes up society and the policymaking process. The Future Selection Forum launched in September 2020 is an important tool for achieving this. The forum will take up significant issues that have a bearing on Japan's future, such as future-oriented democracy, environmental and energy policy, public finances, and social security, and generate free and open discussion, informing society at large about the key arguments and options.

The second form of evolution I want to target is evolution into an organization that cultivates the next generation of executives, or in other words, a "training tank." We will

design a forum where the leaders of the next generation can interact, transcending the barriers among different organizations, whether large companies or start-ups, and converse directly with executives active on the frontlines of business. In this way we will increase the number of executives who take responsibility for societal change; that is to say, colleagues who share our cause.

If we are to achieve this goal, it will be essential to strengthen Doyukai's organizational capabilities even further. To that end, I want the Committee on Organizational Reform of Doyukai, which was launched last year, to take the lead in comprehensively reviewing our organization, the make-up of our membership, and our secretariat to transform our organization into one appropriate to our mission.

My own mission is to spend the next two years informing society at large about our own path of evolution and change as corporate executives and as a business association. I look forward to pursuing a process of trial and error in partnership with our members and conversing candidly with stakeholders throughout society as we all move forward together.

As we do so, I hope I can continue to rely on your support and involvement.