

## Expert Insights

# Expectations for Social Innovation from Hitachi



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Graduated with a Master's Degree in inorganic materials engineering at the Tokyo Institute of Technology in 1984, and gained a Doctorate of Engineering from the same institute in 1994. Joined Toto Ltd. in 1984. Appointed visiting professor in information functional materials at the Research Center for Advanced Science and Technology, The University of Tokyo in 1998, and took up his current appointment in 2012. His other appointments include visiting professor, Professional Graduate School, Tokyo University of Science; Director and Chairman, Intellectual Property Association of Japan; Director, Japan Association of Universities for Intellectual Property Education and Research; Director, Cabinet Secretariat Intellectual Property Strategy Verification and Evaluation Planning Committee (responsible for industrial property rights); member of the Research and Assessment Subcommittee of the Industrial Technology Environment Working Group, Industrial Structure Council, Ministry of Economy, Trade and Industry; and expert member of the Council for Science and Technology, Ministry of Education, Culture, Sports, Science and Technology.

When considering business strategy, the approach that involves formulating a strategy that focuses on the superiority of a company's own technologies is generally comprehensible due to its similarity to competition in sport. The basic idea of the approach is that, by fostering production capabilities for supplying high-quality products at low cost, proprietary technologies, and exclusive patents, a company would achieve a dominant position if it is better at these tasks than its competitors. Amid today's global competition, however, many companies have come to realize that success is no longer determined solely by the relative superiority of the resources possessed by the organization.

Accordingly, it is becoming important to have such innovation strategies that leverage technology and other business resources to reach out to inter-company relationships (business ecosystems) that extend across the entire world, and to make changes to them in a planned way. In many cases, such strategies utilize a variety of strategic options in the context of open innovation, among which the "open and closed strategy" that has attracted attention recently is a typical example. Rather than mere competition over your technology portfolio, they are more about taking advantage of technologies to reach out to business ecosystems, where policies to make certain business resources open are pursued, policies such as participation in standardization, intellectual property licensing, and royalty-free alliances. Since the 1990s, it has typically been European and American companies in the information technology and electronics sectors who have succeeded in pursuing this strategy. By utilizing business resources externally, these companies have pursued strategic initiatives such as expanding the market for their core businesses and enabling technology to be procured easily and at low cost. Because these strategies are frequently risky and require organizational change, implementing them is not easy. However, if you look closely at actual cases, you will also find a considerable number of successful examples among Japanese companies. The examples are not only of large companies but also of successful small-and medium-sized companies with limited resources that have incorporated the open use of technology into their business model, going beyond the idea that their own technologies are for their own use. These initiatives represent a welcome new side to Japanese companies.

Innovation strategies adopted by Japanese companies in the past have for the most part concentrated on processes and products with the objectives of producing quality products at a low price, and building products with novel performance and functions. Now, however, we have arrived at a time when, to win out amid competition on the methods of innovation in a globally competitive environment, it is difficult to rely on this approach alone. To begin with, there is a need to consider research and development from the perspectives of customers and business, and to utilize the results of this research and development in combination with new methods of innovation such as the open and closed strategy, design-driven innovation strategy, or the reverse innovation strategy coming out of emerging economies. Most of all, it is important that social innovation at Hitachi adopts an approach that takes maximum advantage of these new strategy options when dealing with complex business ecosystems that comprise customers and a large number of collaborating partners, among others.

In this respect, Hitachi will receive increasing attention for its actions aimed at achieving social innovation through collaborative creation with customers and other business partners around the world. As it seeks to build a better society, I have high expectations for Hitachi's new innovations and the intellectual property strategies that support them.