

The Key to Strength is in Accepting Differences and Continuing to Change

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The spread of the COVID-19 pandemic gave rise to an economic crisis and revealed many issues in Japanese society, shedding light on Japan's waning presence in the international community. With the rise of digital transformation (DX), artificial intelligence (AI), and other new technologies, companies must transform to survive. How can Japanese companies overcome this obstacle? CEO Nakamura spoke with Yasumasa Yamamoto, who works around the world as a venture capitalist and technology advisor.



The pandemic revealed the weakness of individuals


Nakamura I am currently alarmed that Japan's position in the international community is worsening due to COVID-19. I wonder how many people have



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noticed this.

Vaccines are clearly the only way to curb the pandemic, and I worked rapidly to help build a smooth system for vaccinations. However, unscientific rumors are circulating in society, claiming that mRNA vaccines* rewrite our DNA and other falsehoods.



Yamamoto If you have even a moderate amount of scientific knowledge, it is clear that mRNA vaccines have few adverse effects, but nevertheless this incorrect information has caught on. Falsehoods spread easier than the truth because people pay attention to media that features sensational stories; falsehoods are said to travel eight times faster than the truth. Today, regular people can spread information via social

media. With so much information moving around, we need to think for ourselves more and select which information to follow.

Nakamura I am skeptical of the Japanese media as well. It is vital to raise the alarm about the global crisis amidst a once-in-a-century pandemic, but the media scares people in the name of freedom of the press. They bring about unease, but they do not report on the solutions. Citizens have grown numb to the continued shocking stories, and their awareness regarding COVID-19 has consequently dulled. The issue here is rooted in the debasement of the media. Of course, it is ideal for the people who receive information to think for themselves. I was shocked to think that Japanese people's information literacy has fallen so low.

Yamamoto It may be hard to do that without experience. I first met you in New York, and I could sense while I was there that Japan's presence had declined. The Wall Street Journal hardly covers

Japanese companies. I was deeply alarmed to realize that nobody was interested in Japan.

Nakamura Right. It is important to know what is covered in the news abroad, and how Japan is perceived. Going forward, gathering information will be an essential skill. It is vital to learn about domestic and global affairs.

COVID-19 and digital technologies

Nakamura What do you think about DX in Japan during the digital age?

Yamamoto Companies must rapidly transform to face the threat of COVID-19. As a result of such efforts, it is said that worldwide technological progress moved two years forward in the first two months. At the same time, companies that rely on external contracts with no in-house engineers fell behind by two years. In this manner, many companies were left in the dust, revealing Japan's weaknesses. However, this also serves as an opportunity for Japan. It has sparked efforts to review old business processes, such as abolishing Japan's seal culture.

Nakamura Without the COVID-19 pandemic, Japan's business customs would probably have continued forever. Japan is late in shifting to digital, so this may be its last chance. Why is Japan so sluggish despite the acceleration of DX abroad?

Yamamoto One huge difference is that 70% of engineers overseas

belong to business-oriented firms like Google. They continue to creatively make and develop new things. Meanwhile, 70% of engineers in Japan work at vendors with low wages, and they generally perform age-old system maintenance or design to match specifications.

Nakamura In projects, this creates a mindset of simply following orders, so they do not think creatively about how to achieve added value.

Yamamoto Exactly. They do not take risks or tackle challenges, which slows down the shift to digital.

Nakamura I think many people misunderstand AI as well.

Yamamoto Yes, you're right. In Japan, many people assume that AI is just a computer, so they can leave things up to IT companies. While IT companies can program, they have no experience in extracting insights from data. You need to understand programming and statistics to use AI. Also, AI is just a means to an end, so you must clarify what you want to achieve with it. Currently, AI is able to analyze general text data as well as images, audio, and natural language. If people properly understood what AI can and cannot do, there would be no misunderstandings about AI



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stealing everyone's jobs.

Nakamura Unless people understand that algorithms only increase in accuracy with a lot of data, they tend to assume that any kind of AI can solve their issues. I spoke with a data scientist the other day who, in reality, was just doing office work. I wouldn't call the person an actual data scientist. There is an issue with bridging this gap between concepts and reality, but how can we achieve this?

* mRNA vaccine: A type of vaccine that uses a synthetic replica of a natural chemical substance called messenger RNA to cause an immune reaction.



Yamamoto Today, a great variety of university lectures are available on YouTube. Some videos have subtitles and translations, and you can fit the learning into your schedule. C-level executives abroad study in executive programs at Harvard, Stanford, and other leading colleges, but shockingly, almost no executives from Japan are enrolled in these programs.

Nakamura It is perilous to think that they have no will to study despite so many opportunities. You cannot do business in the modern age with old knowledge, but executives at Japanese companies are not sufficiently aware of this fact. It is vital to continue learning new things regardless of your age.

Do not fear discussion and accept differences

Nakamura There is a recent trend of avoiding discussions due to a

fear of being called out for power harassment. You cannot simply order people to discuss things, but ideally, leaders should make it easy to speak up and allow people to share their honest opinions regardless of their positions.

Yamamoto You cannot engage in healthy discussions if you are afraid of your evaluation suffering. You cannot expect to get an answer immediately, but you may find one good idea if everyone chips in. You can only find something great by continuing to debate things. It sounds inefficient, but this is a vital process over the long term.

Nakamura Things will obviously not go well if people neglect to build a culture for having discussions, or if companies only grow through acquisitions.

Yamamoto More companies are making corporate venture capital (CVC) for new businesses and then acquiring such new ventures, but the road after acquisition is what

is most important. The company must change itself, or have a structure that can accommodate differences. Companies need a culture of collecting external opinions, holding internal discussions, and accepting what is different.

Nakamura Do you have any ideas about how to do that?

Yamamoto You need multiple field specialists serving as directors. The role of director should not just be “the next rung above executive officer.” For example, almost all people who have the latest knowledge in digital fields are under 50, but few companies select directors in that age bracket.

Nakamura That's true. There are still few companies with a board of directors who can adeptly discuss technology.

Yamamoto It also helps to do more M&As and continue gaining new insights. Eight out of ten acquisitions may fail, but that's not a problem.

You can't have a 1.000 batting average in baseball, either. You need to keep trying to succeed. This is a challenge in the true sense of the word. The most important thing is to have a firm vision of what you want to become, and then put that into a pitch for the other company to join you.

Nakamura I aim to have a shared vision with employees, with everyone thinking hard about what they can do to achieve it.

Take a step forward to expand your horizons

Nakamura What should we do going forward?

Yamamoto When I hold lectures on innovation, people often ask me if I know of any useful case studies for their industry. They are trying to simply memorize the correct answer. I find it unnerving that they try to get the quickest answer rather than developing the thought process to reach a solution. The best option for stability in a rapidly changing society is to keep changing, if not the evolutionary theory. There is no silver bullet, so you have to think independently and continuously consider how you can evolve.

Nakamura I agree. For example, this year at CMIC, we completely changed the flow for training new recruits. Generally, training for new recruits involved getting them ready for the workplace, but this idea of only treating them as worthy once they were “workplace-ready” is odd. Fresh students may have more creative sensibilities, so perhaps we should try to learn from them instead. It is crucial to develop your human spirit and vitality, not just business manners and etiquette, right?

Yamamoto That is a fresh perspective. We are businesspeople, but we are also human beings first and foremost, so vitality is crucial. I feel that successful people excel in this aspect. In truth, I never used to be very social, but my horizons opened

wide up when I went to New York. You don't normally meet dazzling and awe-inspiring people in your daily life, but by taking a new step forward, I came to encounter new networks and values. Having acquaintances with sharp insights is the greatest way to attain success.

Nakamura By listening to the expert knowledge of successful field specialists, you have more opportunities to be exposed to new ideas and perspectives, and your whole world opens up. I feel that we need to send out more information like this. Japan can still make a comeback, but it only has a tiny window of time to do so. I want to inform people about this and get younger people involved to change Japan. Thank you for taking the time to talk with me today.

Profile

Yasumasa Yamamoto

Born in Osaka Prefecture in 1981. Studied biology in Kyoto University and earned a Master's degree at the University of Tokyo. After working at a financial institution in New York, U.S., he earned a MSc from Harvard University. He joined Google, where he promoted digital utilization (DX) at Japanese companies through fintech and AI. He also offers advice to Japanese companies and corporate venture capital. He serves as a Specially Appointed Associate Professor at Kyoto University's Graduate School of Advanced Integrated Studies in Human Survivability (Shishu-Kan).

