

Innovation — the key to wealth creation

To create wealth, companies must be innovative. Innovation refers to the creation of new technologies and products. However, it goes further than this. A corporation must also be innovative regarding its production technologies; marketing, merchandising and sales; as well as in its management and organization.

These types of innovation conform to the ideas expressed by the economist J. A. Schumpeter at the beginning of this century.

One often hears corporations being criticized because they place efficiency above all else — but I think such critics are mistaken. Companies must focus all efforts on achieving the previously mentioned types of innovation in order to create wealth as efficiently as possible.

I believe that a corporation that aims to be innovative should act independently, avoiding alliances with political parties and government.

Up till now, Japanese corporations have been deficient in this respect and have been criticized accordingly. This deficiency can be partially attributed to the fact that, since the ~~Meiji~~ late 1800's, the Japanese government has placed priority on the economic development of the country. Corporate growth has served as the means ~~that~~ Japan has "caught up" with the industrial standards in Western countries.

There is no doubt that competition is extremely important for promoting and motivating innovation. However, it must always be fair and legal competition. A corporation that competes by being

innovative, highly efficient, or by offering original technologies, products or services is engaging in fair competition. ~~However,~~ *But* companies can also achieve a competitive advantage through malicious and illegal means.

by Smith Kyosei and fair competition

While competition is vital to drive innovation, in my opinion, either too little or too much competition between legitimate businesses can have negative social consequences. I call these two extremes "under competition" and "over competition."

I refer to "over competition" as the imitation of a product immediately after it is discovered or invented by another party. This shows a lack of respect for another company's intellectual property and a lack of ability to innovate. A company's social contribution, as well as its competitive advantage, will increase if it develops original products and services, or improves significantly on those already on offer.

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What I mean by "under competition" is business engaging in activities such as bid-rigging and cartels. The elimination of unfair competition requires rigorous examination by corporations. The government must promote the transition to a system in which the general rules of fair competition will be strictly observed.

A final question that arises is, assuming that a corporation is engaging in fair competition, how does a corporation achieve *kyosei* with its competitors.

Even if a competitor falls into difficulties, I do not approve of taking a "survival of the fittest" approach to destroy another party until it is liquidated. Competition involves being innovative during the process of creating original products or services; it is not a kill-or-be-killed struggle in which one is either the predator or the prey.

A corporation that is seriously committed to innovation, and holds the potential to develop its own original technologies, products, and services, should be capable of addressing a segment of the complex and diverse needs of society. Liquidating such a corporation will not benefit the society as a whole.

The survival of the fittest is said to be the prevailing rule of the natural world. However, a close observation of animals in their natural habitat reveals more subtle relationships between species. When lions attack zebras, they never kill more zebras than they need to eat for survival. Wisdom thus operates to protect the zebra species. In my view it is a mistake to believe that competition means a fight until the other party is destroyed and all competition eliminated.

Of course, the weeding out of dishonest corporations, which act illegally to make money, will be beneficial to society. *Kyosei* does not contradict the concept of true and fair competition. It also differs completely from the view that every corporation deserves protection from ruin. It promotes respect among innovative rivals who compete fairly.

Cooperation to advance innovation

Innovative corporations with specialties in different areas can also work together in the spirit of *kyosei* to produce outstanding products. In this way a synergy is created and products can be produced that either company alone could not develop.

An example of such a *kyosei* relationship is Canon's partnership with Eastman-Kodak, which has resulted in the launch of a digital camera that is among the world's best. Digital cameras are used to input images into computers or to send images down a telephone line. The new digital cameras are the result of the best of Canon's lens and camera technology with the expertise Kodak has in the field of digital-image storage.