

Interview with Masanori Fukata, Director of Game Changer Catapult in Panasonic Corporation

# A Major Japanese Company Leading Entrepreneurship – the Case of Panasonic

By Japan SPOTLIGHT

How can we promote entrepreneurship? Many nations, in particular OECD nations, are seriously searching for the answer. OECD nations with mature economies are facing the limits of growth and their means of enhancing growth are also limited due to fiscal constraints and exhausted monetary policies. To overcome these limits and stimulate growth, they will need innovation and entrepreneurship. Entrepreneurs occasionally play a key role in innovation, so promoting entrepreneurship is vital for them. But entrepreneurs have to take risks, and pay the costs associated with them, which are often too big for an individual to pay. So they will need support to reduce these costs. In Silicon Valley, for example, Stanford University provides the seeds of innovation with their academics, and entrepreneurs well educated in science and engineering turn them into businesses with the help of consultants and lawyers. Many venture capital firms finance their entrepreneurial projects.

Japan, which is often referred to as a nation where entrepreneurship cannot be raised due to its conservative business culture and an education system discouraging young people from taking risks, is facing the urgent need for entrepreneurship against the background of its stagnant economy. Can it find a unique way to achieve it? In this interview, Masanori Fukata, director of Game Changer Catapult, in Panasonic Corporation, a Japanese electronics giant, explains how entrepreneurship can be raised in Japan. (Interviewed on July 31, 2019)

## Self-Introduction

**JS:** First, could you please briefly introduce yourself?

**Fukata:** I joined Panasonic in 1989. After having been a trainee in the United States and Canada, I came back to Japan and worked on sales and marketing of audio/video, televisions, digital cameras, etc. for overseas markets in AVC Corporation, an in-house company of Panasonic. I was also working as leader in the sports marketing office in Panasonic's head office for the Olympic Games, from Athens 2004 until Beijing 2008. I was transferred to Canada in 2010 and worked there until 2014 as a director in the consumer sales division. After coming back to Japan in 2014, I have been in charge of new business development in Panasonic's Appliances Company since 2015. I started Game Changer Catapult, an in-house group in Panasonic engaged in stimulating innovation at the company, in 2016. We call ourselves an innovation accelerator. We also founded a new business support company in 2018 called BeeEdge Co., Ltd. as a joint venture between Panasonic and Scrum Ventures, a San Francisco-based venture capital firm. I am also one of the board members of this



Masanori Fukata

company.

## Game Changer Catapult

**JS:** Could you tell us about the beginning of Game Changer Catapult in 2016?

**Fukata:** When I was in charge of new business development, my colleagues and I sensed a big wave of changes in our production process, both with products and the consumers themselves. The digital revolution totally changed our world. Anybody could be a producer by using IT, or other new technology such as a 3D printer, and direct sales and delivery of the goods from producers to consumers was also made

possible by the expanded use of the Internet. In addition to improved convenience, consumers' interests started to change from ownership of hardware to software, such as empirical data brought about by the Internet. Consumers became less satisfied with mass produced goods and increasingly participated in production processes through crowdfunding. There were even cases where consumers would provide other consumers with their services. Thus, the simple producer-consumer relations were not dominant any more. Such a

drastic change in business circumstances and the expected rapid changes ahead obliged us to think about how to deal with things in the future.

While we were thinking about future strategies, I had a chance to talk with Dr. John Seely Brown, a CEO of the Deloitte Center for the Edge and a member of an advisory board for innumerable companies. He highlighted three major points concerning possible new business strategies. The first is that business firms in the 21st century will need the capability to learn about completely new phenomena, while those in the 20th century could expand their business by improving efficiency based on empirical facts in the past. For example, Amazon was started as a bookstore but now provides voice-based assistant and cloud server services. Google was started as an Internet search engine, but is now developing auto driving technology. Contemporary giant companies are quickly changing their business operations in flexibly responding to the changing needs of consumers and society as well as rapidly changing economic situations. At Panasonic, without having had significant changes so far in our business operations, we will need to think about new strategies under these situations – otherwise we may not survive as a large company. That’s my interpretation.

The second point he mentioned was that crucial changes will happen in the “edge” areas connecting a company to the rest of the world, and not in its core. Thus we will need to reform the peripheral parts of an organization first, such as business divisions rather than the headquarters. His third point was that we should unlearn our preoccupations and old ideas learned from successful experiences in the past and start learning about the new phenomena surrounding us.

So after that discussion I began to think that we will have to unlearn the old ways of thinking and think more flexibly about new phenomena such as open innovation, new working styles, in-house entrepreneurship, and so on, and this eventually led us to founding Game Changer Catapult.

**JS: Do you aim to be an in-house game changer?**

**Fukata:** When we see a drastic change in business rules and environment, we must be players who can change the game and not be followers of the old game. So first, we organized an in-house discussion among our Panasonic colleagues in their thirties and forties about Panasonic’s ideal business in 2025, and how we would solve consumers’ problems and what kind of home and commercial appliances business we should conduct in the future. In order to realize the plans we discussed, four of the core members of the discussion group started Game Changer Catapult. A catapult is a piece of equipment used to send an aircraft into the air from a warship and thus we wanted to fire off many in-house entrepreneurial ideas and people outside the company.

**JS: What have you been doing specifically?**

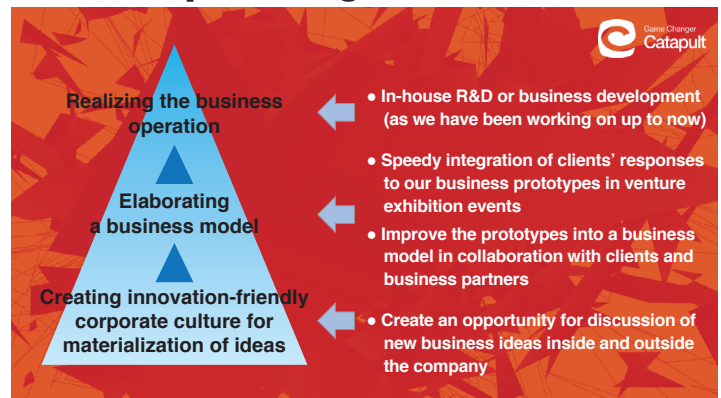
**Fukata:** We aim at creating new values and business and accelerating innovation, and thus for a small in-house organization providing a significant impact on our company and in the end society itself. Our mission is to shape the future of home electric appliances, including not only the products but also their related services and contents. In more detail, we categorize a variety of home and commercial appliances businesses into five domains based upon their value – “living space and housework”, “caring after children and education”, “media and entertainment”, “food solutions”, and “health and esthetic solutions”. We try to create business in each category by providing the optimal services for an individual customer by utilizing artificial intelligence (AI) or the Internet of Things (IoT). We hope this will lead to solving social issues affecting each individual and thus eventually enhancing the “well-being” of every person.

Our activities can be understood by a three-layered pyramid (Chart). The base line of the pyramid is to create innovative ideas and a friendly corporate culture to materialize them. The second layer is to elaborate a new business model based on those new ideas, and the top layer is to realize the business in accordance with the model. To make the ideas more specific, we create corporate culture for discussions with not only in-house people but also outsiders. The prototypes (the basic business models) based on the new ideas are provided at venture exhibition events, such as South by Southwest (SXSW) in Austin, Texas, every March, or at Slush Tokyo. We brush up those prototypes after seeing the response of society, and then we select the ones with positive feedback and work on creating a business framework.

Meanwhile, there are mainly two methods for acquiring new ideas. One is a business contest among all the ideas provided by employees with entrepreneurial passion. We select the great ideas

CHART

**Overview of Game Changer Catapult’s activities producing new values**



Source: Chart presented by Masanori Fukata at interview

from among the ones provided and try a lean start with a small budget allocation. The other is that members of Game Changer Catapult start up a new business in an area considered strategically important by ourselves. The themes adopted have to lead to game change in the future and be what the applicants truly want to realize. During the three years so far, more than 120 new ideas have been created, and among those two or three new practical businesses were born.

### **Relationship Between Game Changer Catapult & Panasonic Mothership**

**JS:** While that the members of Game Changer Catapult inside Panasonic often transform your ideas into business operations in collaboration with other companies rather than Panasonic, could your group, a part of Panasonic, expect collaboration from your colleagues in Panasonic?

**Fukata:** Our group belongs to Panasonic's Appliances Company, which has R&D, business divisions and sales & marketing divisions. But in some cases we find it difficult to ask our Panasonic colleagues for cooperation in starting up new business operations, since they are fully occupied with their own existing business operations. But it is true that we can take advantage of the benefits of being a member of a large enterprise, such as consulting with Intellectual Property Rights (IPRs) experts in our own company. However, due to the different business assignments of our group's and our own colleagues' inside our company, in promoting our business in practice, our small team of core members is like a venture company doing what it can as promptly as possible. Thus, there could be a conflict of business interests between the two, but this can be coordinated ultimately by consultation inside the company.

**JS:** Let me clarify how many people are working in your group.

**Fukata:** At this moment, 12 members are working on administration and specific projects in progress. In addition, 40-50 people every year join our activities, selected from among applicants to participate in their innovation projects, while they simultaneously work at their own jobs.

**JS:** The people working on your project and their original job in Panasonic simultaneously may find it difficult to devote themselves to both.

**Fukata:** It is certainly necessary for them to work as efficiently as possible. At their work for Game Changer Catapult, we allow them to

allocate up to 25% of their working time to our projects. If they succeed in turning that model into a practical business and get a positive response from the client or customers and decide to continue the project, we then have the option to create a working environment for those people to be transferred to Game Changer Catapult from their own working section and engage in full-time work in our group.

### **New Thoughts & Business**

**JS:** We need to think about what kind of civilization will emerge from the Fourth Industrial Revolution, as it will affect many aspects of our social economy. Do you work on promoting understanding of the global implications of new technology both inside and outside Panasonic?

**Fukata:** We believe it is important to focus on how new business and technology could solve the challenges of everyday life. Most manufacturing companies are preoccupied with how to use their new technology after they develop it. But Game Changer Catapult focuses on how it can contribute to solving social issues. In line with this basic philosophy of Panasonic, we are building up a system of collaboration with a variety of people inside and outside the company to create new business from a wider perspective, assuming that discussions among only engineers would lead to a limited outcome.

We would also like to have people among our members who want to think about their own career paths, as well as members who have expertise in more than one area, such as IPR and new business, or engineering and networking, etc. This comes from "ambidexterity" in innovation theory, in which an innovation-friendly organization is presumed to pursue a well-balanced and well-considered approach to new areas and exploitation of existing areas. For example, someone in charge of refrigerators would tend to think only about their evolution, but we think it is important for them to discuss a wide range of issues from a wider perspective, such as what would happen in our daily life without refrigerators, or how consumers and producers of food can be linked on the issue of food security. This corresponds exactly to "the exploration of knowledge" under "ambidexterity", and I think this will lead to new ideas for the future, different from the existing R&D process for home appliances. I hope we can coach such people with ambidexterity and create a network among them, and thus eventually create a corporate culture that facilitates human resources development of game changers and innovation.

New business development divisions like ours are responsible for leading changes in the social economy. Their activities can be characterized as a combination of creativity and business logic. Game Changer Catapult is managing, as an established group, a

venue where our team members are engaged in practicing creative innovation based on design and art thinking, while on the other hand they are working on logical thinking and process management.

Among our guidelines, there are two important concepts. One is “unlearn” and the other is “hack”. The first means to learn about the new while abandoning old thinking and knowledge, and the second means to create new rules rather than breaking the old ones to achieve what we believe in as quickly as possible.

**JS: I guess the key to enhancing entrepreneurship will be how individualism prevails in Japanese society. Corporate-based thinking seems to be prioritized in Japan rather than individual values. Would there be serious friction emerging between organizations and individuals as activities like yours to stimulate individual creativity continue?**

**Fukata:** I believe that in our new working style now, there will be much less rigid enclosure of human resources by large companies in Japan. Employees will have more freedom in a large company as individuals and in connecting with people outside the company. In addition, it will be difficult for a single company to create a new industry, so it will be necessary to create a new ecosystem through collaboration among companies, universities and the public sector. In this situation, what will be important as a driving force for business, in our view, is the brand value of a company as a platform for realizing what an individual wants to achieve. How much you can raise your corporate value will be dependent upon how many employees in your company can collaborate with people outside it and how much they are ready to accept such openness. I believe this open process is necessary to promote innovation. Or rather it is even useful, since if our innovative ideas are criticized by anyone from outside the company, we can cope with it easily by taking advantage of our experience of internal functions inside our company.

I also believe that the role of innovation leaders in a large company is changing. We are now aiming at developing human resources who could reform our society and lead the global economy, rather than just getting a good promotion inside the company.

**JS: Japanese organizations tend to exclude disrupters. This seems to be the reason why we have less innovation. You are intentionally trying to create disrupters inside Panasonic. Do you have any conflict with those who do not like disrupters inside the company?**

**Fukata:** Yes. People with outstanding skills or characteristics might often be marginalized in large organizations for defending their existing values. But I believe disrupters are necessary. Disrupters

should not be eliminated but should coexist even though there could be some conflict, which can be positive thing.

**JS: Silicon Valley is rich in its variety of entrepreneurs. They enjoy creating business by taking certain risks. In Japan, there are not so many. Might one reason be that Japanese education discourages young people from taking risks?**

**Fukata:** I think one of the unique aspects of Silicon Valley is that it has so many first-generation immigrants. They chase opportunities to win big financial success and do not hesitate to take another risk even if their first attempt fails. Many people in Japan tend to be afraid of being accused of failure in a society where the social pressure is relatively high. They are thus reluctant to take risks. But I do not think entrepreneurs in Silicon Valley are a unique case in the world. There are a lot of good entrepreneurs with a Japanese way as well. We are now building a scheme that enables a large company's employees to share an entrepreneur's mindset and experience of starting up business without having to leave the company and start up a venture on their own. If this scheme is successful in changing the corporate culture of large companies in Japan, their business opportunities would expand. We are thinking about how to encourage people who can trigger innovation regardless of whether they are a large company's employee. With such innovative people, I believe we can see a different society and a promising future in Japan.

## Future Plans

**JS: Do you have any particular plans for the future?**

**Fukata:** We aim to accelerate starting up more new businesses through our open innovation process. As well as the acceleration of business development, we would like to expand our activities even more to create a whole new ecosystem to start new industries, not only hardware or devices but services to enhance human lives and to solve social issues around the globe. **JS**

Written with the cooperation of Naoko Sakai who is a freelance writer.