

Special dialogue

Toward creating innovation

Asking Sony Group Senior Advisor Kazuo Hirai

We invited Kazuo Hirai, a senior advisor who led innovation management at Sony Group, which leads the world in innovation, to talk with President Hasegawa about the key points for creating innovation and the behind-the-scenes work in organizational reforms to restore business performance.



President and Representative Director
Kazuaki Hasegawa

Senior Advisor
Sony Group Corporation
Kazuo Hirai

How to unleash your employees' passion

Hasegawa: Since the beginning of the pandemic, the situation has continued to be difficult for us. As a company that supports social infrastructure, I want to re-examine the significance of our existence from the connection with customers, communities, and society, and move forward. In addition, we must actively take on innovation, cultivate new businesses, and work to restore the value lost due to the pandemic. In April 2023, we launched the Innovation Creation Program (a program for the entire JR-West Group aimed at creating innovation in new and existing businesses and developing human resources who can create innovation. For details, see page 38). I believe it's important to generate innovation not only in specific departments and personnel but also in each group business.

Hirai: I see. We also had various difficulties when introducing the Sony Startup Acceleration Program (a program that provides anyone who wants to create a new business with the experience and know-how of the Sony Group, and supports the launch, sales, and expansion of

new businesses). There's always a negative impact on new initiatives; this could be called the innovation dilemma.

Hasegawa: In your various turnarounds (management reforms), there must have been difficult situations and hardships. What has been the most difficult for you?

Hirai: The thing I cared about the most was my employees. For example, when a business is withdrawn or sold, the impact on employees is considerable. The question is how to minimize it. I was really concerned during the discussions with the other party, such as how far they would guarantee the treatment of employees.

About turnaround (business revitalization, management reform)

Hirai: The importance of innovation seems to be recognized in all industries. Whether they can or cannot take steps towards innovation depends on exactly how far top management and managers go and whether they can commit.

Hasegawa: How have you made your decisions?

Hirai: I always tell my employees that it's 100 times better



to make the wrong decision than not to make any decision at all. If you delay making a decision forever, the organization will not move forward, but if you make a decision, you can find out if it's wrong, so you can correct the path you're taking. I also tell them that leaders need to have the courage and confidence to say they've made a mistake. If you do nothing, your credibility as a leader will deteriorate. Employees would be glad if they were honestly asked to change course together. They would be more motivated, wouldn't they? In fact, people who understand the day-to-day operations have a better instinct about the correctness of a decision. If you make a wrong decision, you can correct your course. I made many decisions with that stance.

Hasegawa: Top management also needs to have integrity.

Hirai: That's right. Otherwise, the problems will get bigger and bigger later.

What purpose brings: About *kando*

Hasegawa: You used the Japanese word *kando* ("emotional experience") as a keyword in the reform process. What inspired you to choose this word?

Hirai: We have a variety of business areas, and at first, we used the slogan "One Sony" to bring all the departments together. But this is not a mission, a vision, or a purpose, but only a statement of what should be. There was considerable discussion among management about what words to use to express the mission and vision in concrete terms. Someone came up with the keyword *kando* ("emotion, excitement"). There's "excitement and emotion" in entertainment, and electronics products can also be "exciting." And Sony Life Insurance's sales reps were highly regarded by customers for how they sold life insurance, and we recognized that this was also an "emotional experience." It was great to see that "emotion" also fit in the financial field.

Hasegawa: You need a symbolic word to bring together diverse business fields and employees.

Hirai: That's right. Sony had highly charismatic founders (Akio Morita and Masaru Ibuka), so such words were not necessary, but the charisma of the founders disappears with the times. So, when I became CEO, we decided to once again clarify our mission, vision, and values so that

employees could be aligned in the same direction.

Hasegawa: Likewise, at a time when we are expanding our business, we realize we must connect more with people, communities, and lives by thinking fundamentally about what value railways can provide to customers. We've reaffirmed the meaning of the significance of our group—our purpose.

The future of the JR-West Group

Hirai: JR-West has a range of businesses. I think JR-West is no longer simply a mobility business, but rather a "human business."

Hasegawa: Going forward, it will be important to connect the railway business with local communities. For example, depending on the region, there are issues such as how to maintain social infrastructure. Small municipalities in rural areas find it difficult to even make plans for road repairs, and they sometimes come to us. We have a system that can provide maintenance 24 hours a day, 365 days a year, which we have cultivated in the railway business. We can use this know-how to help local communities.

Hirai: As you say, I think this can be one kind of business.

Hasegawa: We've already carried out events in cooperation with local agriculture and fisheries on promoting local production for local consumption. We need to take further measures to connect more comprehensively in the future. Although our work is real world-based, I believe a detailed approach that integrates digital and real-world networks is important. One example is Virtual Osaka Station on the metaverse, which our young employees are working on. While there are many other metaverse platforms, many young people are participating in the Osaka Station metaverse. I think the reason is that they are attracted by the fusion of the real-world Osaka Station and the digital-space Osaka Station. The integration of the real world and virtual space cannot be achieved without experiencing the real world. That's the value of the metaverse we're developing, and we see many possibilities. We've always worked in the real world in railways, shopping centers, hotels, and regional development. I want to connect each business with digital technology and provide new services that will benefit people's lives. We are currently working on this concept.