

# Invigorating Healthcare

The “Basic Policies for Economic and Fiscal Management and Structural Reform” of 2008 (Basic Policy 2008) focused on health and the healthcare industry. If we consider the creation of new industry in Japanese society with its declining birthrate and growing proportion of elderly people, furthering the healthcare industry is important. We spoke to **Yoko Ishikura**, professor at the Graduate School of International Corporate Strategy at Hitotsubashi University and a member of the Council for Science and Technology Policy, about innovation in the healthcare industry in Japan.

**The Japan Journal: What kind of innovation is needed in order to boost the potential of the healthcare industry in a society with a declining birthrate and an aging population?**

**Yoko Ishikura:** Innovation in the twenty-first century requires a broad perspective and comprehensive approach to transform new scientific knowledge and discovery into social benefit so that the ordinary person is able to see its value in the form of tangible products and services. Strengthening the healthcare industry is an important issue for Japan with its aging population. In order to promote innovation in this field, we need an interdisciplinary approach as many conventional boundaries are quickly disappearing. Convergence of technol-



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ogies in the engineering and bioscience fields is one such example. As a matter of fact, one of the key topics of the sessions at the Annual Meeting of the World Economic Forum in Davos this year was convergence of technology.

A similar transformation is taking place in the healthcare industry. Rapid progress of ICT (Information and Communication Technology) is changing the healthcare industry at an accelerating speed. In this context, the key to innovation in the healthcare industry, I think, is to answer the questions, “how to provide the consumers with a good experience” and “how to change social systems in order to do so.”

**What do you think is needed to bring about such a change?**

The mission of the Council for Science and Technology Policy in the Cabinet Office is to develop comprehensive science and technology policy for Japan from a global perspective. Its activities include preparation of the five-year Science and Technology Basic Plan for Japan. In July 2008, the Council for Promoting Health Research was established within the Cabinet on the premise that “the strong promotion of “Health Research” is critical in

order to improve the lives of the Japanese people and to promote international competitiveness of Japanese industry. The Council will encourage the results of clinical research to be exploited in order to develop new drugs and medical equipment. It will also ensure that the products of innovation are made available quickly in society. Setting up this type of Council with experts within the Cabinet is an ambitious and critical step forward to ensure the broad-based approach needed for innovation. It marks a clear departure from the traditional “ministerial” approach, often with partial optimization as a result. The compartmentalized approach with “silos” thinking is often associated with bureaucrats, but it is not limited to the government. We also find this type of narrow thinking and mentality in corporations and at universities. Today, innovation requires both collaboration and competition. It is “open system innovation” that is becoming more prevalent in the world. Collaborative innovation that includes other corporations, government and academia is gaining momentum, along with various actions in the public and private sector to work together to renew social systems.

**How do you view the potential of the healthcare industry? What do you think should be done to draw out that potential?**

The rapidly aging Japanese society is the “lead market” for the world healthcare industry, and thus Japan has a great potential to play a key role in this field. If we could apply the traditional strengths of the Japanese manufacturing industry such as “attention to detail” and “perfectionism” to the healthcare industry, there is great potential for innovation to emerge from Japan.

In the twenty-first century, people appreciate new concepts and new lifestyles, rather than material goods. It is the “experience” rather than hardware products that people value. These aspects are particularly strong in healthcare. If Japan can incorporate its deep-rooted culture focusing on the “customer first with constant attention to their needs” approach often dis-

played in their superior products to the healthcare industry, Japan can become a world leader.

Because of the rapid progress of IT, it is now possible to see the total picture *and* each individual phenomenon. In other words, both ends of the spectrum are now visible to us. For example, convenience stores in Japan collect and analyze information about the day and time of a purchase, the age range and gender of the customer and the combination of goods purchased. They use the information to develop new products and improve customer services. IT enables them to collect a huge amount of transaction data and to analyze them so that they can track overall trends. We can now view both detailed individual data *and* the big picture, in order to better meet the needs of the customers. If attention to detail at this level is incorporated into the healthcare industry, there is no limit to the development of new products and services.

In order to capitalize on the progress of ICT and other technologies in the healthcare industry, however, the issue of standardization needs to be resolved. Unlike products, standardization in the healthcare industry is not that simple. However, ICT is increasingly enabling much larger variation and more diversity in data than a decade ago. Thus, standardization is becoming feasible even in the healthcare industry. One more note of caution about standardization. In order for Japan to serve as a lead market for the world, the Japan-only standard (that is, not a global standard) would not work, as it would shut out the benefits of worldwide science and technology progress to Japanese society, and would make it impossible for Japanese innovation to prevail in the world. Collaboration between government and private sector will be indispensable in resolving these issues.

As technology such as IT makes progress at such lightening speed, government policies need to be specific rather than general, and quick in action.

**As globalization progresses, we believe that there will be increasing competition with overseas corporations in the healthcare**

**industries within Japan. What strategies should private corporations adopt?**

There is no single “best” strategy for the corporations in the twenty-first century. Business strategy needs to be “unique.” The low cost strategy will bring good returns only to the company that has the lowest cost in the world. On the other hand, there are an infinite number of “unique” strategies based upon differentiation. Rather than one “best” successful strategy, there are a number of differentiation and successful strategies.

In technology, a variety of technologies coexist today, rather than one single best technology, as in the case for business strategy. Several alternative technologies have been developed in parallel, encouraging corporations in Japan and overseas to engage in collaboration. This is an age when both collaboration and competition are advancing.

Let us look at the healthcare industry. The pharmaceutical industry has seen a series of mergers and acquisitions as well as strategic alliances among Japanese and overseas corporations. This level of activity could never have been imagined a decade ago. Globalization is a reality today for corporations. In this age of globalization, Japan cannot remain closed and internally focused if we want to survive.

**Do you believe that human resources are key to both competition and cooperation?**

The absence of labor mobility and the scarcity of people with diverse experiences is a big problem in Japan. For example, excellent engineers tend to stay within the big corporations in Japan, unlike those in Silicon Valley. If they were able to move freely between universities, the public and private sectors, Japan and overseas, they would be liberated and rejuvenated to pursue their passion for innovation. If they are given the opportunity to spin off from the big corporations, for example, there will be many more unique strategies available and the probability of successful innovation would rise.

In the healthcare business, where innovation in the creation of new concepts and the provision of services is indispensable, the key for success is to have an open system of collaborative innovation. Collaboration not only within one’s own company but also with other organizations is critical so that innovation can be transformed into social benefit for the people. Liberating the engineers who are currently kept idle at major corporations would be a step in the direction of turning this into reality.

Japanese society provides relatively few opportunities for its people to come into contact with diversity, mainly due to its physical location, race and language. Not many people have accumulated a diversity of experience through contact with other cultures, career changes, or by living overseas. As unique strategies for a business require both collaboration and competition through interaction with many different organizations, it is vital to recruit and develop people with such diverse experience.

However, if we retrace the history of Japan, we find a tradition of Japanese being receptive to differences and diversity. Rather than making trade-off decisions, Japanese society has a good track record of allowing differences and diversity to co-exist. In short, there is potential for accepting diversity in Japan. It would be good to draw out this DNA.

To be exposed to the wider world while one is young, and to be placed in an environment where new ideas are constantly encouraged and tried is important for nurturing the human capital required in the twenty-first century.

Universities whose mission includes the development of human capital for the future must be more open to society. They must develop a global outlook and become “venues” or “interaction fields” that constantly germinate innovation. Changing the social system and/or developing the people with necessary skills for the future will take time and tremendous effort, but it must be done. In the twenty-first century you either “change” and “innovate” or “die.”

Interview by Hitoshi Chiba, *The Japan Journal*