

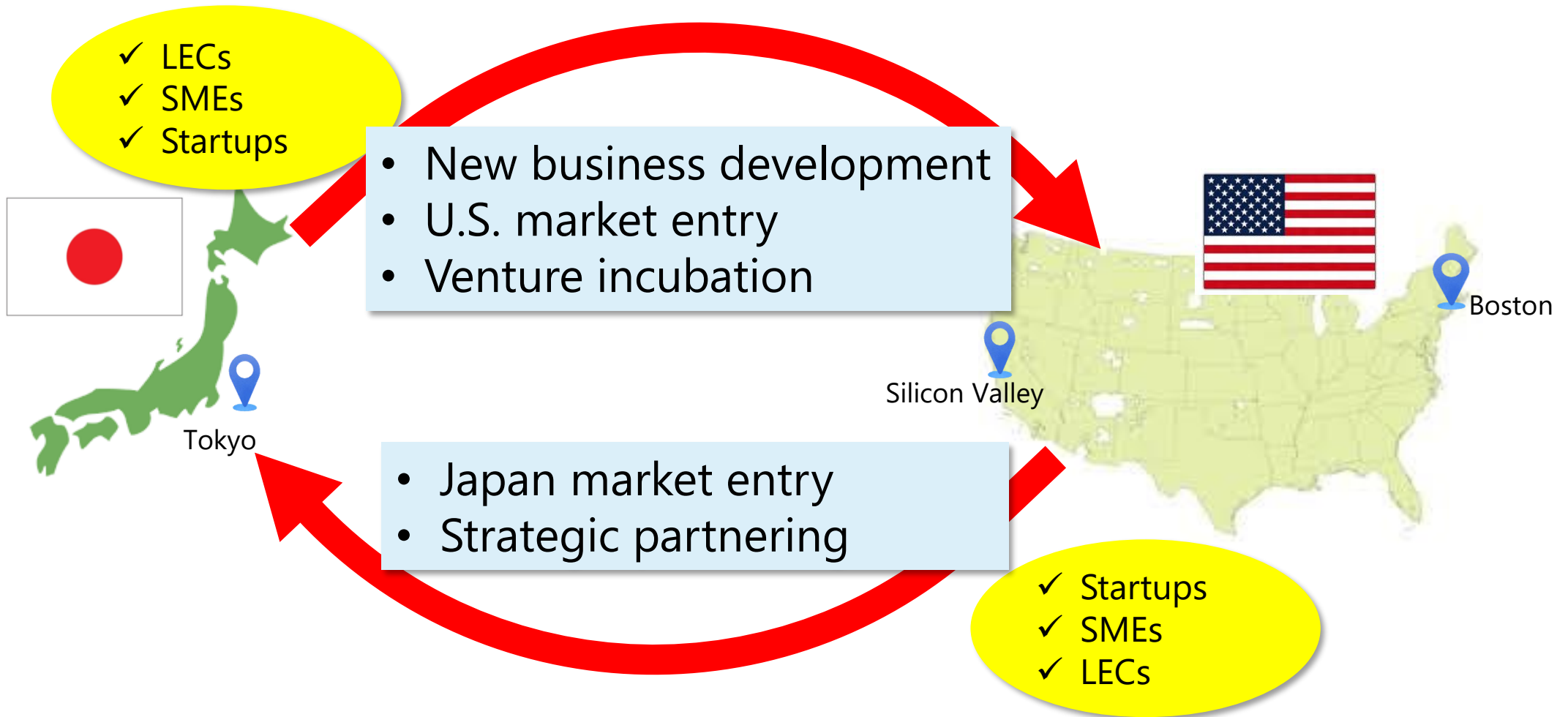


Best Practice for Open Innovation in Silicon Valley

Palo Alto
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Worst Practice for Open Innovation

(Case of Japanese companies)

1. Lack of Understanding of SV Innovation Ecosystem
2. Strong Not-invented-here Syndrome
3. Attitude towards Risk
4. Positioning of Money to be Spent
5. Decision Making Process and Timing
6. Mismatch of Corporate Cultures and Expectations
7. Lack of Strategy after M&A
8. Cannot Appreciate Local Management
9. Try to Apply Japanese Personnel System
10. Lack of Top Management Commitment

Key to Success (or less Failure)

- Champion – strong initiative, not by order
- Attain and retain support from the top management early on
 - Perhaps start small, think and grow big
 - Don't lose too much money
- Ask business units for due diligence, not R&D group
- Capitalize on the local talent

Strong Top Management Leadership

- Continued commitment to capitalize on SV ecosystem
- Top-down decision making
- Resource allocation - decisions only Top Management can make:
 - New organization
 - Human resource
 - Investment in Future