Disruptive Innovation vs. Activity Trap

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Innovation, open innovation, disruptive innovation. Regardless of whether it is the private sector or the public sector, innovation is in vogue in the world. Why is innovation critical? This is neither the place to debate it nor the place to doubt it. For a large company that has achieved a certain level of success, whether it can realize disruptive innovation for its next move by participating in it itself is extremely important. Even in Japan, strategies related to innovations have been long debated, and many major companies are engaged in pursuing disruptive innovation in their own ways. Unfortunately, at present there are exceedingly few successful cases of disruptive innovation realized by large companies.

Why is that? Why are large companies quite unable to bring about disruptive innovation? It may be because they fall into the well-known "Innovator's Dilemma." Even if a company can sustain transformations by extending its current business, for a variety of reasons it is extremely difficult for the company to achieve disruptive innovation that creates new value and brings about major changes to society. For a big picture of the Innovator's Dilemma, I defer to the presentation made in *The Innovator's Dilemma* [1] by Professor Clayton Christensen of Harvard Business School. I have recently come to consider "means as an activity trap" as an example of this phenomenon. I would like to introduce this idea here.

The more a large company tries to take measures to advance disruptive innovation, the greater its tendency to fall into an activity trap in which individual policies and systems themselves are implemented and operated. What are some examples of means falling into activity traps? Corporate Venture Capital (CVC)*1 has been growing in number in step with the rising popularity of the term "open innovation." From its purpose, CVC can be broadly divided into two types. Here, we assume the type of CVC whose primary purpose is to contribute to or create synergy with its parent company and/or affiliated companies in the short, medium, and long-term by investing in a venture to realize strategic return. Because of the large scale of the organization, funding, and other types of arrangements, there are cases where the existence of the CVC and the fund itself has become an activity trap. Synergy is not created, nor is strategic return produced. In actuality, there are several CVC in existence today that makes you wonder, "Wait a minute. What was the original purpose of this company/fund?" They are unfortunate examples of CVC that, without realizing it, have come to hold as the greatest purpose of their existence the sustenance of their organizations and systems instead of switching to a different direction based on new strategic theories from both the parent company and the CVC. What can be achieved by this? Business synergy is not produced, to say nothing of disruptive innovation. Only organizations, arrangements, and systems whose purposes have been lost are maintained.

For NTT DOCOMO and the NTT Group to continue to provide services that customers will keep choosing in the next 10 and 20 years, we must create disruptive innovation and new value. NTT DOCOMO Ventures, a CVC of NTT DOCOMO and the NTT Group, is a means for achieving this goal, along with several funds and programs. We are constantly reminding ourselves that we must contribute to creating disruptive innovation in the NTT Group so as to avoid falling into the activity trap I described above.

Reference

[1] C. M. Christensen: "*The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*," Harvard Business School Press, 1997.

*1 **Corporate Venture Capital:** An undertaking that connects a venture company and a business company to become hopeful partners in the creation of innovation. When the business company invests in the venture company, for example through a fund, the CVC serves as the business company's subsidiary or related company to carry out a series of tasks, such as operating the fund and advancing cooperative work between the business company and the venture company. CVC can be broadly classified as one of two types from its purposes: (1) CVC that seeks primarily to achieve strategic return from the creation of synergy with the parent or group company, and (2) CVC that primarily seeks to produce capital gains without regard for business cooperation with the parent company or the group company. Note that for the first type of CVC, capital gains are also important.