Today, people are beginning to reconsider the state of modern capitalism, and attention is focusing on the future of corporate management and governance. To obtain a different perspective on these issues, we invited Professor Takahiro Nakajima of Institute for Advanced Studies on Asia, the University of Tokyo, a globally recognized expert in philosophy who is well-versed in capitalist theory, to have a conversation with Chairman Shunichi Miyanaga.

The State of Modern Capitalism and the Transformation of Corporate Management

Miyanaga: Thank you for taking time out of your busy schedule to be here today. I have read quite a few of your books, and I believe your profound insights can be applied to corporate management in many ways. Today, I would like to share opinions and hear your suggestions on how to approach management in our changing world.

Nakajima: Thank you for inviting me. I have very much been looking forward to our conversation as well. To begin, in your position as the head of an enterprise active in every part of that world and with your abundant experience in corporate management on a global scale, I would like to ask how you view the changes taking place in the global economy and in corporate management.

Miyanaga: For many years, I worked in our Metals Machinery business, and I did business with people in the steel industry including metals machinery manufacturers in many countries, such as Germany, the UK, the U.S. and South Korea. During this time I experienced first-hand a period of significant changes: technology partnerships mainly with German companies, international expansion, structural changes in the U.S. steel industry to name a few. I believe these experiences were
very beneficial to me. One thing I can say is that until the 1980s, management methods actually varied more than today, due to historical or cultural differences between countries or even between companies. Companies in those days evolved in unique ways within their respective fields and territories; then, in the course of interacting with people from other countries or companies, the companies experienced new development, each in their own unique way. However, starting in the 1990s, globalization brought with it a rapid homogenization in manufacturing, procurement, sales, and consumption.

One could say the changes that occurred at that time in the ways companies do business as well as management philosophies and social systems produced modern global capitalism.

Yes, I believe so. That process was supported especially by developments in transportation, logistics, and IT. This, I believe, is how our contemporary corporate management model, where competition and the reallocation of capital are conducted on various unified platforms, developed. However, in light of the diverse global issues facing us today, there is growing concern that if the current course of events remains unchanged, we may no longer be able to maintain healthy business cycles. I believe that today we have reached a phase in which, in order to keep improving society and the ecosystems that support it, we need to reconsider our approach both to corporate management and to the business world as a whole.

We must avoid converging on a standard considered the one and only way of doing things at any given time, as trying to maintain a single pattern of success will cause the platform itself to ossify. There can be no true progress in an environment like that. To achieve continuous improvement, we need to be open to discarding certain parts of the business at any time, and to welcome the emergence of people who have the potential to exceed us. All companies, and the business world in general, need to embrace high ethical standards and, while reevaluating established rules and frameworks, to strive at all times not to stifle the aspirations of the next generation who seek to challenge us.
A Conversation with the Chairman of the Board

Nakajima  I agree that giving space to the next generation to create new businesses and technologies is necessary for progress in society. This is an extremely important point of view. I also agree with your point that high ethical standards are needed to achieve healthy business cycles. This doesn't mean simply adhering to rules and regulations. I see corporate ethics as something that enables people to be human, and standards for that are needed.

Against this backdrop, I think companies are again being called on to address the issue of value. For example, in Germany today, new initiatives are underway in which corporate management are joining with experts in philosophy to launch new organizations with the goal of engaging head-on with the debate on value.

Miyanaga  I think value is an important consideration in corporate management. The society we live in is extremely complex, and everyone has their own sense of what is valuable. Value also changes with time and cannot be discussed in simple mathematical terms. The value of something also cannot be calculated simply by adding individual elements of value that comprise it.

I think where a company’s true value exists is in appropriately combining each of its business activities based on its corporate philosophy and the passion that philosophy inspires. A company needs to run its business by continuously combining its activities in a way that will be of optimal benefit to its various stakeholders.

Nakajima  This may change the topic slightly, but I am deeply concerned about modern society’s tendency to treat people not as individuals but as groups. Much is said about “personalization,” but in our digital society, people receive scores even in their personal lives, causing them to exercise self-control on social media, which makes me think they are losing their raison d’être. If the world continues in this way, we will eventually arrive at a kind of totalitarianism where needs and preferences are calculated and everything is designed for comfort. But will people be happy in such a world?

Miyanaga  I have wondered the same thing. We need to act now so that every individual can feel truly happy in the future. Instead of doing away with what has become old or eliminating a certain subset of people from the conversation, we need to transform society in an inclusive way and strive for harmony. Through repeated conflict, new value can emerge, making progress toward achieving the optimal condition. I think we’ve entered an era in which people should envision what they themselves want to become in order to create a world that is healthy and equitable.

Professor Nakajima, you have warned us about modern society’s move toward totalitarianism and proposed the concept of “human capitalism,” which is the next point I would like to consider.

Nakajima  Gladly. Up until now, society has undergone a transition from a capitalism centered on tangible things, which placed value on ownership of objects and viewed humans as simply a source of labor, to a capitalism centered on intangible things, such as events and information. Capitalism centered on intangibles
Miyanaga

If we assume that, to achieve a better society, capitalism will see a shift in investment focus from tangible things to the intangible and then to people, I think that eventually we will return to the idea that importance should be placed once more on tangible things. The important concept here isn’t simply ownership of tangible things as before, but rather creating things that will assist in the realization of a world in which all human beings can live fulfilling lives. To solve the various issues affecting mankind—for example, environmental destruction, regional issues, and wealth disparity—I believe it will be important to work with diverse companies, organizations, and communities to develop things that provide value to the people who use them. We need to advance the creation of things as a whole—not just conventional tangible things but also improvements in how things are used and services to enable these new uses. Seen in this light, I think MHI Group is capable of creating this kind of value.

Nakajima

I agree. In the context of “human capitalism,” the meaning of “tangible things” is being reconsidered. In that respect, the Energy Transition in which MHI is now investing is an initiative that seeks to enrich people’s lives while assuring sustainability. To put it another way, the Energy Transition seeks to partially do away with the status quo in order to make room for something new, giving rise to changes in a variety of areas which will establish the conditions in which all people can be happy. At least that is how I view it.

On that topic, I would like to ask you about the future of energy. Looking back over the history of the modern industrialized world, I think the energy revolution is one of the most important events in recent history. What are your thoughts regarding energy going forward?

Miyana

In the past, mankind transformed hydropower to energy and subsequently succeeded in creating thermal energy from fossil fuels, which have extremely high energy density. Then by converting thermal energy to electricity, we acquired the extremely convenient lives we enjoy today. Now, at this juncture, the issues of climate change and resource scarcity have come into play. Recently, re-
Renewable energy is garnering attention as a solution to climate change, and yet, all forms of renewable energy—solar, wind, and hydro—have been utilized as energy sources since time immemorial. But while these energy sources themselves date from before the Industrial Revolution, I believe that, through innovations in the technologies used to convert them to electricity and to store the electricity produced, advances are still waiting to be made in all areas, from energy production to utilization. Of course, research and development are underway on hydrogen as a new source of energy, including its manufacture and distribution.

Nakajima: So, even though various issues still need to be overcome, and humanity needs to devote its brightest minds to the task to make important technological breakthroughs, in your view the future of energy is bright?

Miyanaga: Yes, I believe so. For each region, optimal energy production and storage methods exist. Moreover, progress will continue to be made in these technologies. Even judging from the research and engineering achieved at the current stage, it is clear that replacement of certain existing energy sources and technologies will definitely occur. Achieving economic viability is another important issue, and at this point we cannot be certain what will be best for the world of the future, including how this transition should be carried out. In our view, it will be important to offer a variety of options.

Nakajima: I agree. Along with energy, another future risk to society often mentioned is the issue of raw materials. In particular, chemical fertilizer usage in agriculture presents a serious problem in that, unlike organic fertilizers, chemical fertilizers cannot be recycled in the ecosystem. Although this perhaps has little relevance to MHI’s businesses, what do you think about problems such as this?

Miyanaga: It may be necessary to rethink how resources are used from the perspective of recycling of carbon and other substances in the ecosystem. MHI Group is not involved in agriculture per se, but we are working to create infrastructure to support the creation of a society free from want. Specifically, through advances in cold storage technology, realization of the Cold Chain, and breakthroughs in waste decomposition, biomass energy, and environmentally controlled vertical/modular engineered farming, we hope to contribute to resolving food and resource shortages through the Energy Transition.

Corporate Governance in the Years Ahead

Nakajima: When managing a company, it is also important to share your ideas about how to resolve issues like those you just described with your shareholders, the capital markets, and with various other stakeholders.
Miyanaga Absolutely. As corporate managers, we are entrusted with the leadership of the company by society and our shareholders. With the sense of responsibility and joy that comes with that trust, we must constantly consider what our goals are, how we will coexist and prosper together with our many stakeholders, and what we can give back to society—and then work tirelessly to realize them.

This is what I think constitutes true corporate governance. And because each company has its own unique way of doing business, I think there should be greater diversity in how governance is implemented and how it is explained. I believe that if, in the course of explaining our company’s goals, our stakeholders indicate points that they do not understand or those which they believe we have dealt with inadequately, responding in good faith as a manager will also lead to the advancement of the company’s goals.

Nakajima A friend of mine once said that, as human beings, the pursuit of our ambitions is more important than the pursuit of possibilities. What you said about corporate management’s need to consider what our goals are has much in common with this way of thinking.

Miyanaga When pursuing mergers, acquisitions, and business divestitures, while it goes without saying that one should avoid transactions whose sole goal is profit or the acquisition of technologies or business functions, one should focus most on a transaction’s impact on realizing the company’s vision, on the happiness of the company and employees affected, and the transaction’s effect on society, including employment.

It is also important to pass on that way of thinking and determination to subsequent managers and employees. It is by passing these on to the next generation that we forge lasting bonds with society and sustained advancement can be achieved.

Based on this idea, I sometimes use a phrase of my own invention: “forward-looking resignation.” There may be many things I want to do, but, rather than attempting to do them all, first I separate what I can do now from what I cannot. While making sure to value interpersonal relationships, I pour my heart and soul into passing on what I know to those who will succeed me. This is where I find my true value.

Going forward, I hope to continue having serious discussions of important issues and to use my “forward-looking resignation” to help create a society that is healthy and equitable.

Nakajima Mr. Miyanaga, your approach to corporate management resonates deeply with me. I can truly feel your passion, founded in your “forward-looking resignation,” to clarify and resolve the world’s long-term problems. As a normal member of the public, I have high hopes for MHI’s future development.

I think we have had a very meaningful exchange of ideas on a wide variety of topics today. Thank you for giving me the opportunity to speak with you.

Miyanaga Thank you, Professor Nakajima, for taking time out of your busy schedule to be here with me today. I learned a great deal from our conversation.