



Capitalizing On Innovation: The Case of Japan

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Japan's industrial landscape is characterized by hierarchical forms of industry organization that are increasingly inadequate in modern sectors, where innovation relies on platforms and horizontal ecosystems of firms producing complementary products. Using three case studies—software, animation and mobile telephony—two key sources of inefficiencies that this mismatch can create will be illustrated.

First, hierarchical industry organizations can “lock out” certain types of innovation indefinitely by perpetuating established business practices. Second, even when the vertical hierarchies produce highly innovative sectors in the domestic market, the exclusively domestic orientation of the “hierarchical industry leaders” can entail large missed opportunities for other members of the ecosystem, who are unable to fully exploit their potential in global markets.

Hagiu will argue that Japan has to adopt several key measures in order to address these inefficiencies and capitalize on its innovation: strengthening antitrust and intellectual property rights enforcement; improving the legal infrastructure (e.g. producing more business law attorneys); lowering barriers to entry for foreign investment and facilitating the development of the venture capital sector.

This event is being presented in conjunction with the Japan Society of Northern California.

Andrei Hagiu is an Assistant Professor in the Strategy group at Harvard Business School. His research focuses on multi-sided markets, which feature platforms serving two or more distinct groups of customers, who value each other's participation. He is studying the business strategies used by such platforms and the structure of the industries in which they operate: payment systems, advertising supported media, personal computers, videogames, mobile devices, shopping malls, etc. Hagiu is using the insights derived from this research to advise a wide range of companies in all of these industries.

In addition, he is also involved in competition and industrial policy research and advisory projects in Japan, China and in the United States. He graduated from the Ecole Polytechnique and the Ecole Nationale de la Statistique et Administration Economique in France with an MS in economics and statistics, before obtaining a PhD in economics from Princeton University in 2004. Prior to joining HBS, he spent 18 months in Tokyo as a fellow at the Research Institute of Economy Trade and Industry.

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