

an old Japanese saying to express the idea that unusual people will be forced to conform. But in the future the Japanese government is hoping to see a society where, as Iwahashi puts it, "the nails that stick out are actively encouraged to stick out even more."

IGNITING THE CREATIVE SPIRIT

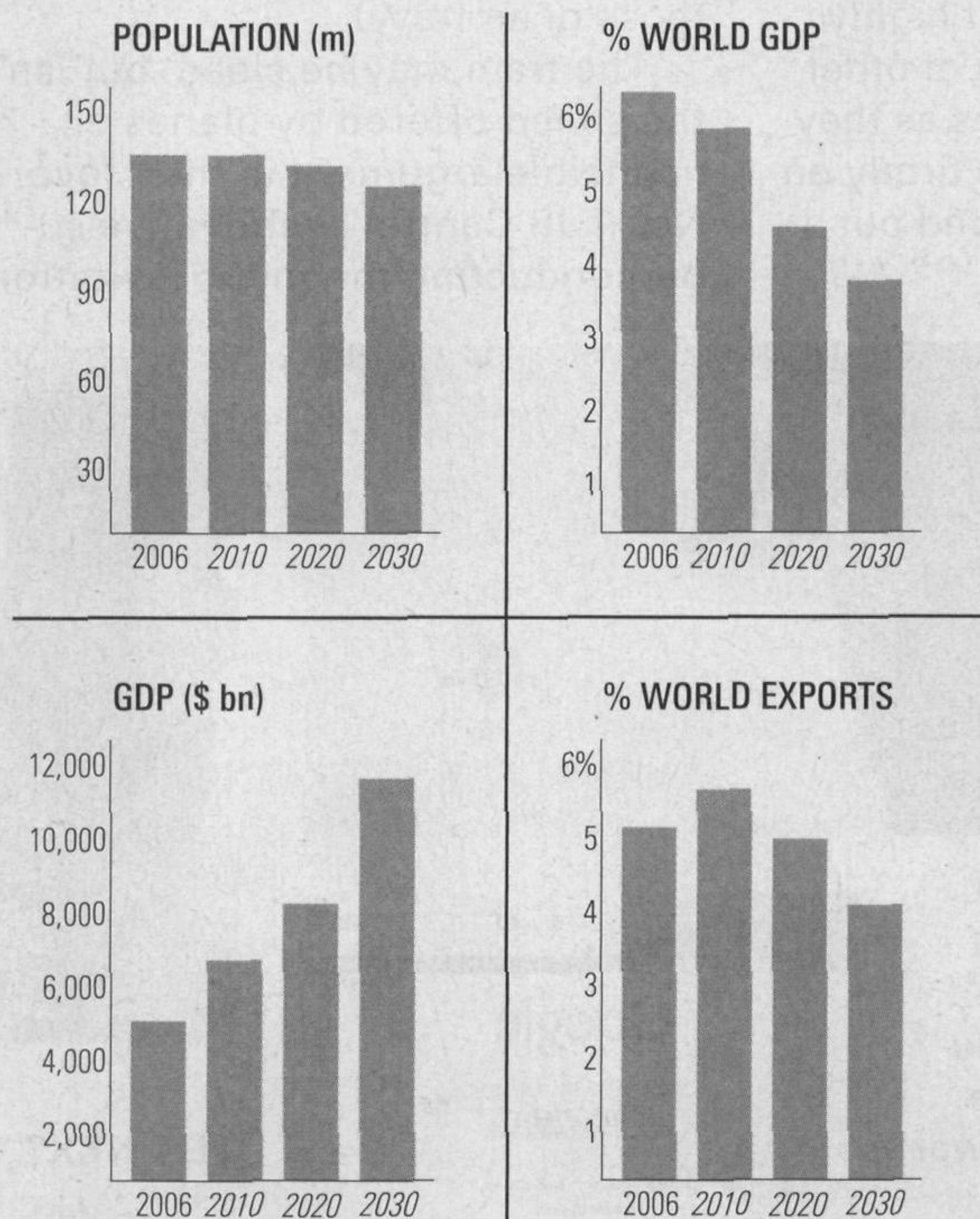
The change of consciousness proposed by Innovation 25 is nothing short of a seismic shift. Iwahashi sums it up like this: switching the focus from the organization to the fostering of individual talent, from internal to global competition and cooperation, and from condemning entrepreneurial failure to celebrating it as the first step on the road to success. But can Japan—traditionally seen as group-oriented, introverted, and risk-averse—really reinvent itself quite so radically?

Signs are that change is already underway. Take Tokyo-based Takram, an 18-month-old fledgling design-engineering firm. The company's two founders are classic entrepreneurs; both studied abroad (one at the Royal College of Art in the U.K., the other at Stanford in the U.S.) and upon graduation nixed the notion of working at large Japanese companies. They feared that they'd be pigeonholed as engineers, which would stifle their creativity. The two have just returned from promoting their services to potential clients in the San Francisco Bay Area on a tour sponsored by Japan's Ministry of Economy, Trade, and Industry (METI)—a case of the mandarins working side by side with the mavericks.

International, nonconformist, and passionate about what they do, Takram's Kinya Tagawa and Motohide Hatanaka believe that innovation is an amorphous process that cannot be neatly segmented into distinct engineering and design stages. For them, innovation is about a richer user experience, something more likely to be achieved by good design and sensitivity to feedback than by technology alone. This was the kind of

WHAT LIES AHEAD

A snapshot of how Japan's economic standing is predicted to change.



Source: Economist Intelligence Unit, May 23, 2007

down-to-earth thinking that inspired Afterglow, their recently launched software package designed to enliven PowerPoint presentations by letting audience members interact with the speaker by writing comments onto projected slides with an ordinary laser pointer. Having created the product through the three stages of concept-making, prototyping, and gathering user feedback, Takram handed over production and distribution to a third party, leaving itself free to focus on what it does best: incubate ideas.

Another young entrepreneur to have gotten a helping hand from government is Hidekazu Kondo, the 29-year-old president of the software company Lunascape. After a year of working at the consumer electronics giant Sony, Kondo dropped out to take one of the U.S. \$87,000 (¥10 million) research

scholarships that METI provides to 30 promising young scientists every year. Lunascape, which bills itself as "the world's most advanced browser," was the upshot of Kondo's research project at Tokyo's prestigious Waseda University. Launched in 2001, Lunascape incorporated a host of then-revolutionary features, including multi-tab browsing and the ability to build your favorite search engine into the browser bar. In a market dominated by Microsoft's Internet Explorer, creative marketing has been essential. Kondo has promoted Lunascape by doing everything from teaming up with Toyota to create a branded browser for a new sedan to devising colored "skins" that let users customize the browser's look, a feature that appeals to the design-conscious Japanese consumer. Kondo earns money by discreet ads that are fed to the browser by RSS, but his firm also develops and markets other software packages, including Takram's Afterglow. "Japan is strong in hardware and middleware, but weak in software, especially PC applications," says Kondo. "I want Lunascape to become the software equivalent to Sony in terms of style and innovation."

THE CORPORATE AGENDA

"There are many paths to innovation," says Takram's Tagawa, who sees the process as inherently vague and defying regimentation. It's a point of view that big business