

Kyoto Association of Corporate Executives  
70th Anniversary Commemorative Proposal

*A Vision for Kyoto as a Global City*

April 25th, 2018

70th Anniversary Special Committee  
Commemorative Proposal Working Group

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# | Summary

During its long history, Kyoto has utilized the various industrial, academic and cultural assets it has accumulated to achieve development in its own unique style.

However, Kyoto is currently faced with several internal challenges, including its declining population, the limits for urban development and stagnation in the economic metabolism of its industry. On the other hand, when we look outside of Kyoto, globalization and technological innovation are accelerating and there is an ongoing shift from a mass-production type economy to a creative economy.

In this environment, if Kyoto is to continue to be a city that is vibrant and sustainable, then it will be necessary for Kyoto to be reborn as a “global city.” In specific terms, for the existing industries, various measures must be promoted from a global viewpoint, including the clarification of core competencies and the extension of those competencies to new markets, the improvement of productivity through the use of technology and a reorganization of supply chains. Also, in parallel to these efforts, Kyoto must clarify the sectors where it can exhibit strengths compared with other cities and must create new industrial clusters.

With regards to the question of who will play a leading role in this change, there are great expectations for human resources who have a wide variety of skills and values, such as young people and foreigners. Another issue for Kyoto is to nurture an environment which tolerates novelty and diversity, in order to encourage the utilization of those diverse human resources.

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# 1. Introduction

This year, the Kyoto Association of Corporate Executives will reach the 70th anniversary of its foundation. We must take this as an opportunity to consider and look forward to the future of Kyoto.

Kyoto has utilized the industrial, academic and cultural assets it has accumulated during its long history to achieve development in its own unique style. Many companies have been created that exhibit a sense of presence in the global market based on their unique technology and management. These companies are attracting attention from the stock market and the field of business administration studies as “Kyoto companies.” The growth and development of Kyoto has also been supported by the universities as intellectual bases and by the human resources and results they have produced. There were certainly some things lost during the processes of high economic growth and urban development, but good old traditions and culture still remain strong in Kyoto and charm the numerous tourists from around the world.

However, could it be that the continued existence of those good and old aspects means that we have a tendency to only focus on their maintenance and preservation? When we consider the future of Kyoto, we believe that maybe we should act in a way that will encourage the creation of new economic and social value from our assets through a rich variety of external stimuli and inputs (human resources, information and funds).

Surely this way of thinking is extremely similar to the way that corporate executives must utilize and reinforce the economic assets of their own companies to maximize the corporate value (profit) with a future oriented approach. As the Kyoto Association of Corporate Executives is essentially an economic organization where corporate executives meet for discussions, we want to stress this basic stance before we move forward.

This proposal is based on the awareness of problems as above. It describes our vision for the “Global City Kyoto,” which looks forward ten years into the future to the 80th anniversary of the Association and also beyond. It also summarizes the action to be taken to realize that vision. The “Kyoto” described here refers to the Kyoto urban area (greater Kyoto) that is centered on Kyoto City. It is not strictly the Kyoto City defined by administrative divisions.

The proposal is mostly written for the corporate executives in Kyoto. This is because those company managers are the people who must discuss the vision for the future of the economy of Kyoto and act proactively for the realization of that vision. Some parts of the vision include our requests to the

administrative authorities. There are also viewpoints to be read by the citizens in general. As corporate executives, we must take a central role to implement the growth and development of the Kyoto economy. We hope that as we work to encourage understanding and action among the various stakeholders such as the authorities, citizens and local community, we will be able to create a huge shift towards the realization of the “Global City Kyoto.”

Kyoto Association of Corporate Executives

Chairman Junya Suzuki (Chairman of 70th Anniversary Special Committee)

Director Masao Hosoo (Vice-Chairman of 70th Anniversary Special Committee  
and leader of Commemorative Proposal Working Group)

## 2. Current Status and Issues of Kyoto

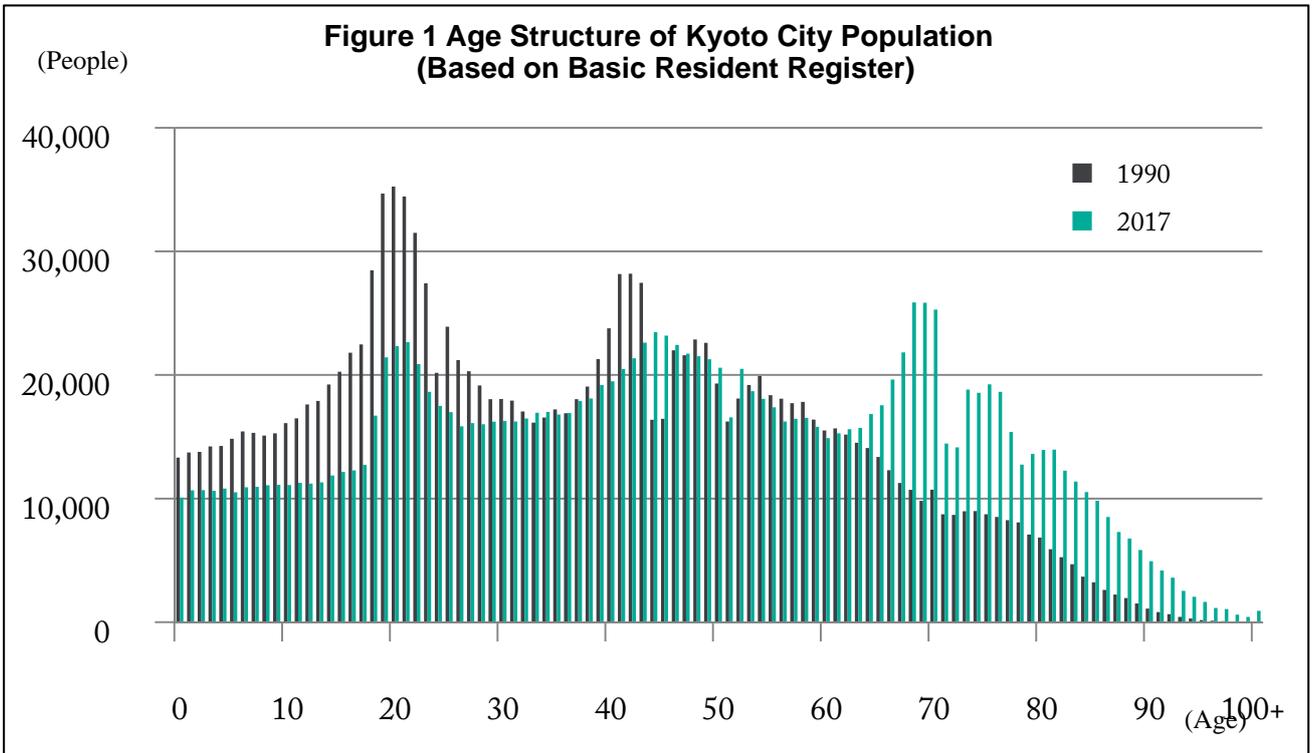
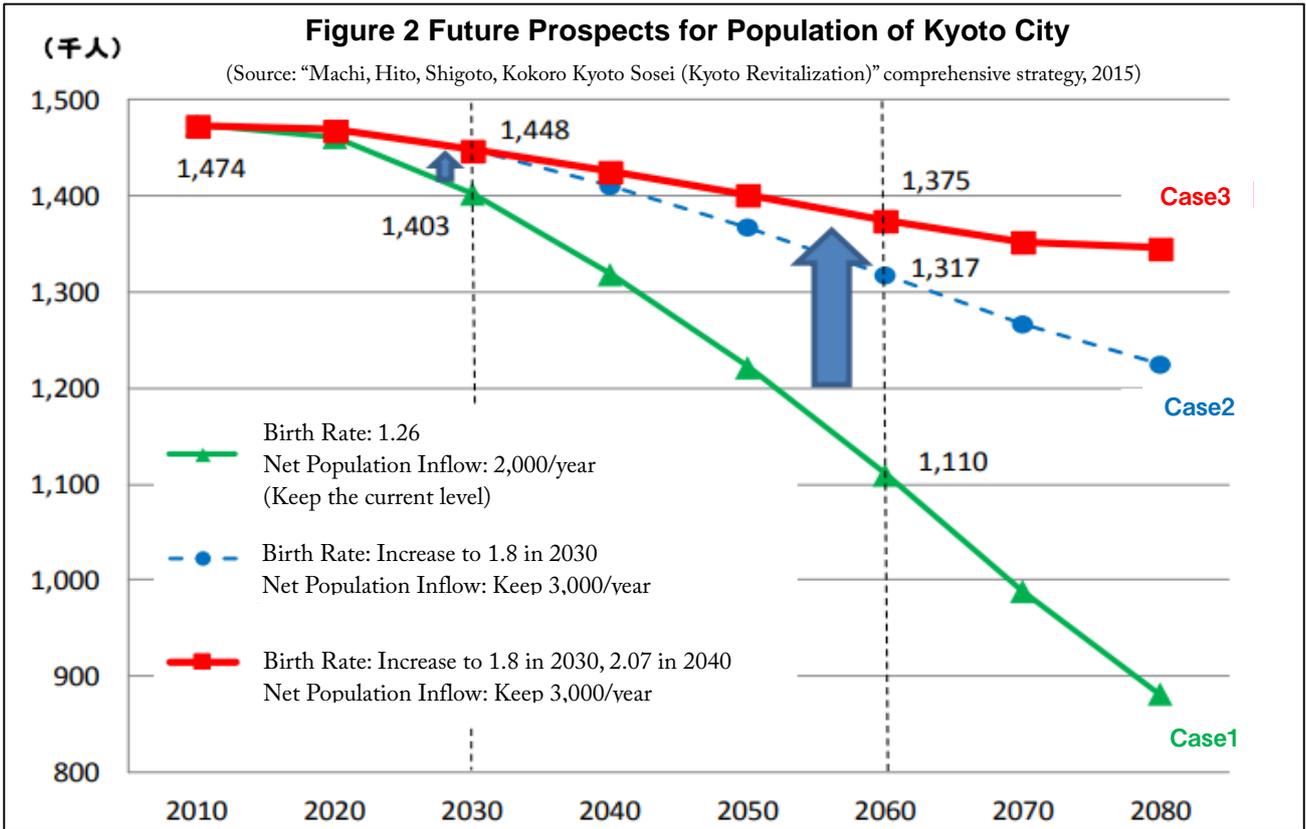
This chapter reviews the current status of the population and industry of Kyoto and also considers the effects that the changes in the external environment will have on Kyoto.

### <Kyoto Examined from Population Movement>

It is said that the population of Kyoto fell by a third after the Meiji Restoration. However, it then returned to expansion and the population of Kyoto City reached 1 million in 1932. It continued a trend of growth for around 30 years after the Second World War and has stayed somewhere between 1.45 million and 1.5 million since 1975. From now on, Kyoto will move into the phase of population decline. If no improvement is seen in the birth rate or rate of population inflow, then it is estimated that the population will fall to around 1.4 million in 2030 and around 1.1 million in 2060 (Figure 1).

There are around 40 universities and junior colleges gathered in Kyoto and it is said that the number of students learning in Kyoto is equivalent to one tenth of its population. For this reason, there is a large population aged between 18 and 25 years, but many of these are thought to be moving out of the city after graduation. In the same way as in the trend for the whole of Japan, the total population of Kyoto is roughly remaining steady, but the number of younger people is decreasing and the proportion of elderly people is increasing (Figure 2). According to the Basic Resident Register, the proportion of foreigners in the population of Kyoto City is 3.0%, which is higher than the national average (1.8%). However, when we examine the breakdown per residence status, two thirds of the foreigners are either a “Special Permanent Resident” or a “Student.” It is therefore not necessarily the case that there are many foreigners staying in Kyoto for the purpose of work.

In comparison with the Kyoto urban area, the decline in the population and the shortage of labor that accompanies it is even more severe in the northern part of Kyoto Prefecture. The “Northern Kyoto committee” established in this Association is proceeding with discussions on the research theme of the securing and nurturing of human resources to support the regional economy in the northern area of Kyoto Prefecture.



## <Kyoto Industry and Land Use>

When we consider Kyoto as an industrial city, we can see that Kyoto has average results among the government ordinance designated cities around Japan for indices such as the total production in the area and the income per person. However, the contents of those results are quite characteristic. One example of this is the number of old companies. The number of companies founded before the Meiji Restoration is the highest in Japan and also the proportion of companies that were established more than 100 years ago is at the top level in Japan. The proportion of small-scale companies that have less than five employees is also the highest in Japan and their profitability is high. Many of those companies are thought to be involved in traditional industries where labor division has proceeded, such as handicrafts and textiles. However, changes in lifestyles have resulted in a continuing contraction of the market size for traditional industries. As a result of the rise in land prices in recent years, it is thought that there are many companies that are now dependent on the income produced by the real estate that they hold.

In addition to the traditional industries, the other characteristic of Kyoto is that there are a lot of global manufacturers whose business is based on sophisticated processing techniques. For example, this includes electronic components, precision machinery and materials. Many of these companies still have their headquarters in Kyoto. However, as the land available for use is limited, it is not necessarily the case that their manufacturing bases are also in Kyoto.

From the viewpoint of the economic metabolism of industry, the business start-up rate in Kyoto is lower among all the government ordinance designated cities around Japan and the business closure rate has exceeded the start-up rate in recent years. In the 1960s, there were many companies achieving a listing on the stock exchange, but the rate of listing has been lower than the national trend since the 1990s.

The location related restrictions in Kyoto have a great effect on the form of industrial development in Kyoto. Kyoto has no port, so there has been little development of large-scale, heavy industries, but there has been development of industries that have small product sizes with high added value, such as traditional crafts and electronic components. On the other hand, the city is bounded on three sides by mountains and has a limited city area, so it has not been possible to secure sufficient land for industrial use and as the global manufacturers have grown, many of them have sought new locations for factories outside of Kyoto and overseas.

However, it would be difficult to claim that Kyoto is currently utilizing its limited city area efficiently. The strict restrictions on building height are proving to be a barrier to the concentration of urban functions and industry. Despite the compact city format, the preparation of public transport is insufficient and losses due to traffic congestion are at the worst level among the government ordinance designated cities around Japan. The

rapid increase in tourists in recent years has accelerated these trends. The limited land available is being diverted to hotels and commercial facilities and a lack of office space is starting to become a problem.

How can we work within the limited city area to advance as an industrial city whilst preserving the good old traditions and culture? It is the destiny of Kyoto to have to find a solution to this duality and it is a big issue to solve.

### **<Changes in the External Environment>**

When we look outside of Kyoto, the globalization of the economy and culture is proceeding at a speed we have never seen before. These advances create new market opportunities for Kyoto companies, but also mean that the companies are faced with the risk of being eliminated by the global competition.

In conjunction with these advances in globalization, there has also been an acceleration of the innovation in technology and the spread of technology. This is leading to gaps occurring between those changes and the legal systems and society, which require more time to change. Here in Kyoto, we have seen the emergence of the sharing economy with business styles such as vacation rental. This has merits such as the effective utilization of assets and improved convenience for users, but it has also created conflict with local residents.

A long time has passed since the first calls for a paradigm shift from a 20th century style mass production economy to a creative economy. In a creative economy, the source for value creation is not the capital and equipment that make mass production possible. Instead, it is the knowledge, information and ideas of diverse human resources. As Kyoto is starting out in a position where it has location related restrictions, the shift could prove to be a strong tailwind if we use it effectively. The situation in Japan is that the declining birth rate and aging population are leading to a decline in the labor force. Around the world, there is repeated competition ongoing between cities as they attempt to secure talented human resources and company establishment. It is therefore no exaggeration to say that the future of the economy of Kyoto will depend on whether or not the diverse human resources necessary to support a creative economy will flow into Kyoto from the rest of Japan and from overseas and become settled here.

### 3. A Vision for Kyoto as a Global City

On consideration of the current situation and issues described in the previous chapter, what must we do to ensure that Kyoto continues to be a sustainable and vibrant city? It is clear that there are limits to what will be possible with just the values and economic activities found inside Kyoto and it is necessary for Kyoto to be reborn as a “global city.” This chapter describes the vision that this Association has for “Global City Kyoto.”

#### <General Definition of a Global City>

In general, a global city is described as a city that integrates economics, politics and culture at a high level and has a global influence and importance. Megacities such as London, New York and Tokyo are representative examples of the global cities. These cities are often the capital of their country or have a role as an international financial center. Global cities fulfil a hub function for information and transport networks, so global companies place bases in them and a large number of human resources gather there from inside and outside the country. When indices are used to evaluate global cities, they not only consider the business environment, but also often place importance on the living environment and cultural aspects (Figure 3).

**Figure 3 Main evaluation indices and components for global cities**

A.T. Kearney		Mori Memorial Foundation	JLL Cities Research Center
Global Cities Index	Global Cities Outlook	Global Power City Index	Decoding City Performance
Business activity	Personal well-being	Economy	Globalization
Human capital	Economics	R&D	Competitive economy
Information exchange	Innovation	Cultural Interaction	Concentration of
Cultural experience	Governance	Livability	companies, capital and
Political engagement		Environment	competent personnel
		Accessibility	

## **<The Global City that Kyoto should Aim for>**

The “Global City Kyoto” that this Association imagines is not a megacity or an international finance center. We believe that the form that Kyoto should be aiming for is the following kind of city image.

1. A city with a concentration of companies that fuse the traditional and the advanced to gain presence in the global market
2. A city that attracts diverse human resources and funding and has a presence in the creative economy that is unique globally
3. A city that values the good old traditions and culture whilst also remaining open and actively and flexibly taking in global methods and ways of thinking

From the viewpoints above, cities that could be given as benchmarks for Kyoto include Boston, Vienna, Milan, Florence and Munich.

## **<The Scope of this Proposal>**

To obtain the city characteristics listed above, it is necessary to consider not only the industry and human resources to support them, but also the ideal form of the various elements that influence the form of a city. For example, Kyoto positions the cityscape as an important problem for the status of the city. From the viewpoint of this cityscape, the issues to consider will probably be not only how to protect the good old cityscape, but also the issue of the balance between this protection and the growth and development of industry and the issue of the creation and formation of new cityscape. From the viewpoint of tourism, rather than unilaterally pushing the culture and customs of Kyoto, it is necessary to view the travelers from both Japan and overseas as the beneficiaries of the tourist services, so that various services are designed and offered from a marketing viewpoint. In the field of transportation, there are requirements for a transport system that makes it possible for the local residents and tourists to move around the compact city efficiently, and also for that system to be realized in a form that has a low impact on the environment.

This Association has established individual study committees for these problems and is proceeding with specific discussions at those committees. From the next chapter onwards, this proposal will focus on industry and the human resources that support it and will leave the proposal of policy for individual problems to the study committees. (The plan is to announce policy proposals from those committees at around the end of fiscal 2018.)

## 4. Direction for the Development of Existing Industries

When we think about the development of industry, it is essential to have growth in local companies in addition to that at major global companies. This chapter mainly examines traditional industries and small and medium enterprises, of which there are many in Kyoto. We would like to indicate the direction to be aimed for and the measures that will be necessary for that.

### <The Redefinition of Core Competence and Extension to New Markets>

Of the Kyoto companies that have currently gained a presence on the global market, there are many companies that have achieved great growth through “second start-ups.” In other words, they have taken the technology that they developed in traditional industries and either applied it to advanced materials or developed it for extension to markets overseas. For companies that are troubled by the contraction of existing markets due to changes in lifestyles and the declining Japanese population, this “winning pattern” of Kyoto companies should be a very useful reference.

To follow in this winning pattern, individual companies must clarify their own core competence, in other words, the core strength of their business. They must also identify the markets where that core competence can be utilized and work to open up business there. To make this possible, the executives of the company must recognize that it will be difficult for the company to continue to exist and develop if it just continues its conventional business. It is essential that the management have a sense of crisis and work to achieve reform inside the company and to reform the awareness of the employees. However, when venturing into new fields, there are limits to what can be achieved with just the human resources within the company. The key to second start-ups could well be measures for open innovation, where companies actively utilize the abilities of human resources outside of the company. For example, this may involve the formation of networks with other companies or the employment of personnel with detailed knowledge of new sales methods and overseas markets.

Also, the subjects taught at graduate school of management (business school) are a “common language” in global business. This includes the teaching regarding theoretical frameworks such as strategic management, human resource management, marketing, finance and accounting and also the analysis and study of best practices. This common language is essential when working on open innovation and when working to expand a business overseas or to purchase a company overseas. Corporate executives must recognize the usefulness of

this and position the completion of a Master of Business Administration (MBA) course as an important career step. They must also actively utilize personnel who have an MBA and implement measures to raise the overall level of literacy in the company.

### **<Technology Utilization for Productivity Improvement>**

The improvement of productivity is a problem for the whole of Japan, not just Kyoto. There are many traditional customs and methods of working that still remain in Kyoto and it is impossible to deny that these may be having an impact on the productivity of Kyoto companies. Of course, not all of the customs that have been around for a long time should be viewed negatively. However, there are still many areas where even just utilizing ICT (Information and communications technology) at the level that is normal today would improve productivity and ease the risks of labor shortage.

There are expectations that in the near future, AI (artificial intelligence) and robots will fulfil a role that either replaces or complements humans in various areas, from unskilled labor to more artisan work and sophisticated judgments. In company management from now on, it will probably be necessary to identify the work that should be performed by humans and the work that can be left to AI and robots, and also to use the strengths of technology to improve the productivity of the work that should be performed by humans. When we look at various case examples from local companies overseas, we feel that the initiatives for this in Japan are a long way behind.

The utilization of technology not only leads to labor-saving and higher efficiency, it can also contribute to the expansion of sales. If we take the example of the tourism sector, the collection of information and making of reservations online have now become widespread. Facilities and businesses that do not publish their information on platforms that are used commonly and widely around the world are effectively non-existent to the inbound tourists. If it is not possible to use payment methods that are normal in other countries, such as credit cards and electronic money, then the facility or business concerned will lose opportunities because of this. The differences between other countries and Japan, or the differences between other cities and Kyoto, should not be used as an excuse. It is demanded that we optimize services from the viewpoint of the customer.

### **<Economic Metabolism of Companies>**

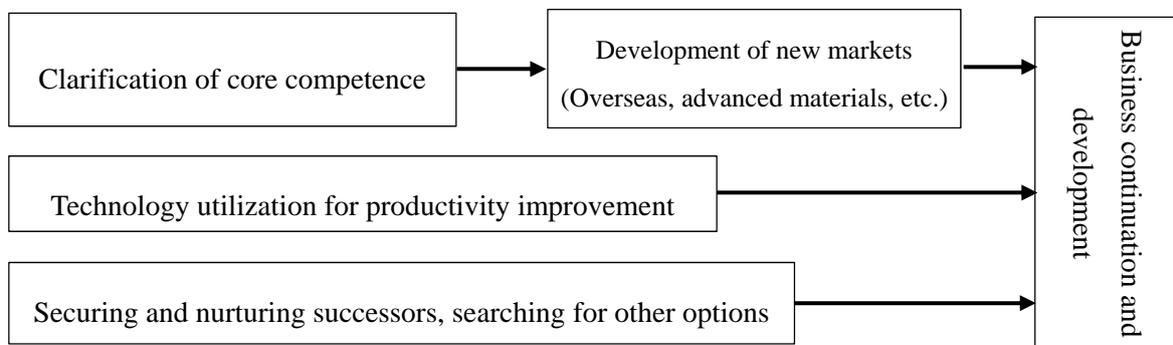
The business succession is an issue for small and medium sized enterprises throughout Japan. However, it is a particularly large problem in Kyoto, because the city has a large number of old companies and small-scale

business sites. It has been pointed out that this is particularly relevant in the sector of traditional industry, where the supply chains are finely sub-divided. If difficulties finding a successor mean that a business that undertakes a certain process must close, then, in the worst case scenario, it may become impossible to produce the end product. In areas other than traditional industry too, there are no doubt many companies that could have their business affected by the closure of a specific small-scale supplier.

Of course, it goes without saying that individual businesses should begin efforts to secure and nurture successors. However, there are limits to what can be done in this environment of increasingly diverse styles of working, falling birth rates and aging population. In these cases, various options should be examined and accepted, including the possibility of the vertical integration of supply chains or the selling or transferring of companies or business to parties outside the owner family.

In Japan, M&A (mergers and acquisitions) are sometimes expressed using the phrase for “selling oneself into slavery” and they are often discussed with a negative image. However, M&A are an effective method to ensure the continuation and development of a business and it is not necessary to always view them negatively. Also, there is a tendency in Kyoto to dislike capital that comes from outside of Kyoto and to describe it as “foreign capital” even if it is from a Japanese company. This way of thinking must be eliminated as we should actually welcome the fact that somebody has seen possibilities for the future of Kyoto and invested in us.

**Figure 4 Action to be taken by individual companies**



### **<Expectations for Kyoto City>**

What has been described so far in this chapter has been action that should primarily be taken at individual companies through the discipline and leadership of the corporate executives. We acknowledge that Kyoto City is already implementing various support measures for traditional industries and for small and medium sized enterprises, such as the establishment of various subsidies and contact points for consultation. However, we would also like to ask the City to provide even greater support. In specific terms, we hope that there will be an acceleration of the shift from strongly protectionist policies to policies that promote productivity improvements and stronger international competitiveness, in the same way as happened in agricultural policy in Japan. Also, what is most important for support measures from the authorities is that they are well known and effective. We would therefore like the authorities to utilize the knowledge of private sector experts in Japan and overseas to aim to improve that recognition and effectiveness.

## 5. Creation of New Industrial Clusters

In addition to the reforms at existing companies as described in the preceding chapter, if Kyoto is to become a global city that is sustainable and vibrant, then it will also be necessary to form new industry that can support the future of Kyoto. This chapter discusses new industrial clusters in Kyoto.

### <Importance of Industrial Cluster Formation>

In general, an industrial cluster is described as the situation where companies, education and research institutions related to a specific industrial field are concentrated geographically, in a state where they are organically connected to each other, complement each other and sometimes compete with each other. Industrial clusters become a source of productivity and competitive strength in the industrial field concerned. In addition, they are also attracting attention from the viewpoint of the revitalization of regional economies, as they can also lead to an increase in the population and an expansion of tax revenue.

In Kyoto, an industrial cluster for traditional industries has developed based on the system of labor division and sophisticated processing techniques. For the future development of Kyoto, it will be essential that new industrial clusters are created in Kyoto in parallel with the reforms of traditional industries described in the preceding chapter.

### <Industries that may become Cluster Candidates>

Kyoto City has designated (1) Green industries (environment and energy), (2) Life innovation (next-generation medical care, health, nursing care, etc.) and (3) Contents industries (manga, anime, games, etc.) as priority industries. It is promoting the creation of these new industries through business development and sales channel expansion. In addition to this, other candidates given for new industrial clusters include the robotics industry, by utilizing the accumulation of electronic components, and “design,” which has been expanded as a concept and is attracting attention in a wide range of business areas.

Kyoto cannot realistically expect to become a global leader in all of these industries. We believe that the industry, government and academia of Kyoto should discuss and coordinate on the question of which sectors of industry Kyoto should put particular effort into, to find the direction that should be taken. This proposal will not go as far as to narrow the question down to specific industries. However, when we consider the strengths that Kyoto has, the characteristics of its location and the competitiveness of Kyoto compared with other cities in Japan and overseas, it is thought that promising sectors include the “design” approach and

high-tech industries based on a foundation of manufacturing. Both of these are creative industries where business development is possible based on a foundation of the technologies of Kyoto companies and the knowledge and ideas of personnel working in Kyoto.

### **<Possibilities of “Design” in Kyoto>**

For a long time, the word design was used to refer to the designing of things like patterns, functions and structures to suit the purpose of use, particularly in the fields of industrial products, architecture and graphics. However, in recent years, the concept of design has been greatly expanded. It no longer only applies to physical products, as “design” is now used in various different sectors such as for services and experiences, organizations and communities and the solution of social problems. What is common to all of these is “to create a feasible solution to achieve a purpose within the various constraints” and this could be given as the broad meaning of the word design.

In the field of “design” in the conventional sense, the Kyoto materials and processing technology that have been nurtured in traditional crafts are attracting attention from industrial designers in Japan and overseas, who are considering their application to different products. Kyoto will probably also be able to exhibit strength in the field of prototype production, which is an essential part of the process of creating products from a design. Furthermore, for the sectors of architecture and graphics, Kyoto has a good range of universities with strengths in these areas, so it could be said that Kyoto has a big advantage in terms of human resources. On the other hand, in the sector of design in the broader sense, it is possible that Kyoto may be able to exhibit strength as a base for the study and implementation of “service design,” for the improvement of the quality and productivity of service industries.

### **<High-Tech Industries and an Ecosystem>**

In this era of accelerating globalization and technological innovation, the structure that high-tech industries will take will probably not be a pyramid structure topped with large companies and it will probably not have the division of labor that is seen in the supply chains of traditional industries. Instead, the structure will probably be an open ecosystem where a variety of players gather. Therefore, the success or failure of the creation of high-tech industry clusters in Kyoto will be determined by whether or not we can attract this variety of players to form an ecosystem.

Happily, Kyoto has a great number of potential entrepreneurs such as students and researchers. The first step in the ecosystem formation will be to prepare an environment that supports the starting of businesses by these people. There have been various business startup support measures (such as seminars, authorization systems, startup loans, etc.) prepared by public and private sector parties in Kyoto. However, there are not enough players providing serious support for the starting up and growth of venture businesses. It is desirable that the ecosystem is enhanced with various players such as incubators to support business startups and accelerators to support growth, in addition to venture capital and angel investors to conduct investment. We hope that there will be action by players originating from Kyoto, but we should also consider the option of attracting players from outside. This could be in the same way as the action of Kobe City to coordinate with the top accelerator “500 Startups” from America.

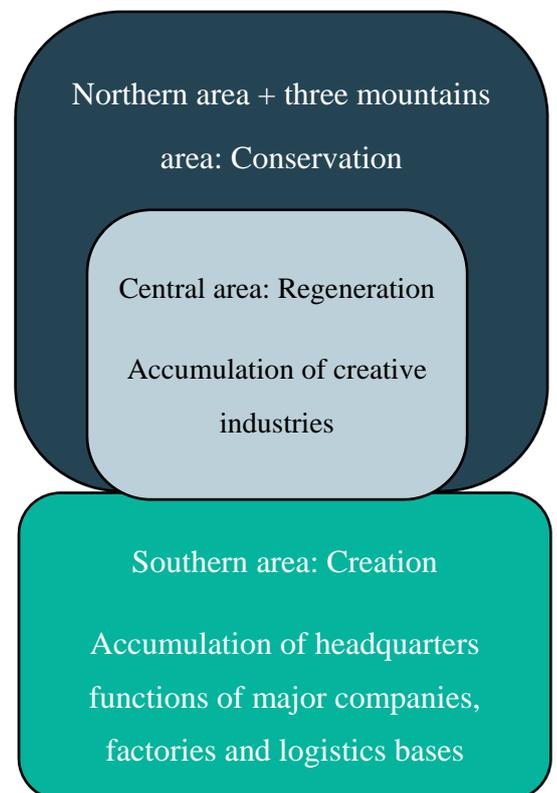
Also, in addition to IPO (initial public offerings), another exit strategy that is becoming widespread for venture companies is the selling off of the business to a major company. It is therefore essential to have a flow where a major company that leads the high-tech industrial cluster purchases the promising venture companies from the local area. To make this possible, the major companies of Kyoto must not be particular about being self-sufficient and must actively incorporate technology and ideas from external parties. It will also be important to attract major companies from both Japan and overseas into Kyoto.

### **<New Industrial Clusters and Land Use - Regeneration of Central Kyoto>**

In the urban planning for Kyoto City, the established way of thinking is to view the northern and three mountains area as a conservation zone, the central area as a regeneration zone and the southern area as a creation zone. From the viewpoint of industry, when the period of high economic growth meant that the central area began to feel narrow and confined, the southern area began to attract attention as new land for industrial use. As a result of the various initiatives by industry, government and academia, a certain level of production and logistics functions accumulated in that southern area. There are some issues remaining with this, such as the preparation of transportation infrastructure, but the value of the shipments of manufactured products and others from the southern part of Kyoto (Minami Ward and Fushimi Ward) has now reached more than half of the value for Kyoto City overall.

It would be preferable to have the players who would constitute the new industrial clusters gathered in a specific area, not scattered in various locations around Kyoto City. On consideration of the characteristics of the candidate industries, we think it may be most effective to regenerate the central area as the location for the concentration of new industries. No matter what kind of industry Kyoto puts its strength into, it is beyond doubt that the central role will not be played by mass-production type industries, but instead by creative industries such as research and development, design and contents production. What is important for creative industries and the creative human resources who support them is not to have large-scale plots of land for industrial use or massive central laboratories. Instead, it is to have human exchange and cultural stimuli in a city, so that these become a driving force for the birth of new ideas. This is what is required of the central area. The central area regeneration that Kyoto City is aiming for will be extremely important for this point and the requirements will no doubt be achievable if new human resources flow into the area so that it becomes an urban base for new industries. On the other hand, with regards to the southern area, we hope that it will demonstrate even greater presence as an area for the concentration of factories and logistics bases and for the headquarters functions of major companies, which require large areas of land.

**Figure 5**  
**Conceptual image of land use in Kyoto City**



## **<Tolerance of Novelty and Diversity>**

We have so far discussed the ecosystem and players to support it and the use of land. However, the most important factor for the formation of new industrial clusters will be the awareness of the people living in Kyoto. We think that there is still a side of Kyoto that takes a conservative attitude and is reluctant to cooperate when young people and reformers attempt to start something new, or something that has not been done here before. If that kind of thing happens again and again, not only will it prevent good ideas from coming to fruition, it will also nip any potential entrepreneurship in the bud and may well lead to the entrepreneurs leaving to go to other cities.

Since ancient times, Kyoto has continued to introduce culture and systems from foreign countries and to use the stimulus of the information and technology brought by foreign settlers. These have been used as a source that has made it possible for Kyoto to advance and grow as a city in an environmentally adaptive way. It is because Kyoto was filled with that spirit that it still exists today and has avoided becoming ancient ruins. In this present day too, we believe that if we, the citizens of Kyoto, become tolerant of novelty and diversity and warmly support the people taking on the challenge of new things, then success stories will be created. Then, in turn, other people will be stimulated by those stories and appear as new people to take on the challenges. If Kyoto can create a virtuous cycle in this way, then we believe that this will become the driving force for the formation of new industrial clusters.

In this regard, Fukuoka City could be said to be creating a good example. Fukuoka boasts a population growth rate and business start-up rate that are both at the top level among the government ordinance designated cities around Japan. The factors that are often given for this include that it is the central city in Kyushu, that it has good transportation access and that it has a compact city form. However, what Kyoto should probably imitate is the way that the public and private sectors are working to promote the settlement of people from outside the area and the starting up of businesses, based on a cultural climate of tolerance to novelty and diversity.

## **6. Ideal Population Mix to Create Change**

For both the reforming of existing industries and the formation of new industrial clusters that have been discussed in the preceding chapters, the key factor behind the success or failure of each change will be human resources. This chapter discusses the necessity for diverse human resources to create change and also about the inflow and settlement of those human resources.

### **<Innovation by Diverse Human Resources>**

There are various research results regarding the relationship that the diversity of human resources has to innovation and economic growth. When we follow the line of thinking that innovation is the “connection between market insight and the invention of technology to create social and economic value,” we can say that innovation occurs when there is a chemical reaction between various ideas and technologies and the requirements of the market. Furthermore, there is also a line of thinking that a city that is tolerant of diversity can draw in excellent members of the creative class and stimulate economic growth. Today, it is no exaggeration to say that the common understanding globally is that diversity and inclusion have a positive effect at the various levels of companies and cities. In other words, there is a positive effect if we accept human resources who have a diverse range of abilities and values and go beyond their differences to create a sense of coherent unity.

This diversity of human resources is also an essential issue when we consider the future growth and development of Kyoto. In particular, if we are to promote the reform of existing companies and the formation of new industrial clusters, then it will be important to utilize the strengths of young people and foreigners who are not born and bred “Kyotoites.” This proposal will not examine the question of the pros and cons of accepting immigrant workers for unskilled labor. What is discussed below is the settlement and acceptance of creative foreign personnel who could contribute to the reform of Kyoto.

### **<Settlement of Young People>**

Kyoto is a “student city” where the number of students in learning is equivalent to about one tenth of the population. However, the current situation is that the majority of those students move out from the region when they move into employment. Some students come to universities in Kyoto from rural areas and in

addition to those who move to the capital area after graduation, there are also a certain number who return to their own local areas for work. Therefore, it is not true to say that the outflow for work is all a problem. However, from the point of view of diversity, it is crucial that exchange students and other young people from various backgrounds remain in Kyoto after their graduation, or else return to be active in Kyoto after a period of activity in another region.

One method that is thought effective to make this possible is to prepare points of contact between students and Kyoto companies, such as through internships. However, that alone will not ensure that the students take employment in Kyoto companies. As the total number of young people overall is declining, it is necessary for Kyoto companies and the Kyoto City to be options that will be chosen as places to work and live by the young people who will lead the diversity. Even more so than before, it will be necessary for companies to prepare jobs that are worthwhile doing, places for growth and an environment that is easy to work in. In addition to people finding employment in companies, it will also be important to prepare an environment that supports business startups as described above. We hope that Kyoto City will make an even greater effort than before to improve its attractiveness as a place to live, such as by improving the environment for raising children and by accepting diverse cultures and lifestyles, in addition to working to raise the awareness of those measures. If the attractiveness as a place to work and live improves, then this will become a force attracting not only the university students of Kyoto, but also various other human resources from both Japan and overseas.

With regards to the settlement of students in Kyoto, the “Employment and Training committee” established in this Association will deepen consideration of this topic and the plan is to summarize policy proposals for this separately.

### **<Inflow and Settlement of Foreigners>**

To promote the globalization of Kyoto, it will be essential that a wide variety of foreigners of different races and nationalities flow into Kyoto and settle here. The creative human resources who could play a central role in the reform of existing industries and formation of new industrial clusters are the type of human resources who are in particularly high demand globally, not just in Kyoto, so the mobility of those human resources is high. Fortunately, Kyoto is attractive as a historical city and city of cultural tourism and is also well known internationally. However, simply promoting the appeal of Kyoto will not be sufficient to ensure that creative foreigners move into and settle in Kyoto. It will also be necessary to prepare a living environment that meets

the global standards. This is because the living environment is often quoted as a reason why creative foreigners are reluctant to live in Japan.

For example, whilst we do not deny that some foreigners may want to live in the traditional wooden townhouses of Kyoto, the majority of foreigners would find it is easier to live in housing that enables them to live with their families without inconvenience. It is also essential to prepare living-related and personal services that provide support for different languages and cultures and to prepare stores and shopping malls that handle foodstuffs and daily commodities that are generally difficult to obtain in Japan. One issue in the aspect of the education environment for children is the further preparation of facilities such as international schools. We would like Kyoto City to provide backup for this wherever possible, such as with cooperation in the securing of land.

Of course, no innovation through diversity will be created if there is fragmentation into foreign communities and Japanese communities. Good results will only be produced if the citizens of Kyoto actively interact. In parallel with the preparation of a living environment that is easy for foreigners to live in, it will also be necessary to employ measures to raise the overall level of English language ability among Kyoto citizens and to create a climate that is tolerant of diversity, so that Kyoto can be reborn as a global city that utilizes a wide variety of human resources.

## 7. Conclusion

It has been the destiny of Kyoto to pursue both “the traditional and the advanced” and this is also its identity as a city. The Kyoto of today exists because there has been an accumulation of industry, scholarship and culture and the Kyoto of today exists because the city has continuously tried new things. As we move into the future too, Kyoto will probably continue to be a city that takes on the challenges of new things based on the foundations of its traditions. If it is not that kind of city, then Kyoto will deviate from its path of growth and will just become a famous site of ancient ruins.

However, the initiatives for growth that are required of Kyoto have changed with the different eras. In the Kyoto after the Meiji Restoration, what was required was the “Bangumi Shogakko” elementary schools, the Lake Biwa Canal, hydroelectric power generation and city trams. These were all projects that drove the modernization of the city and industry, which is what Kyoto needed at that time.

Around 150 years have now passed since that time and what is required of Kyoto now is “globalization.” The economies and cultures of today are globalizing rapidly and business development is not possible without taking a global point of view. To achieve this, it is necessary to utilize the abilities of diverse human resources, which includes young people and foreigners. There must also be a culture of tolerance for diversity and novelty, so that this can be the foundation for that human resource utilization. This is the thinking that underlies this proposal.

In the formulation of this proposal, we received guidance from Professor Yoshinori Hara, Dean of the Graduate School of Management, Kyoto University. We were also given opportunities during the process of the proposal formulation to exchange opinions with the Kyoto City Industry and Tourism Bureau and the City Planning Bureau. We were able to receive helpful advice from different standpoints and areas of expertise and we were also able to share many ideas on the issues faced by Kyoto and on the form that Kyoto should take, which left a particular impression on us.

It is often said that our close relationship between industry, government and academia is one of the strengths of Kyoto. Through the formulation of this proposal, we have again been reminded of the importance of cooperation between industry, government and academia and of the necessity to raise the level of that cooperation. As corporate executives and businesspeople, we will set ourselves specific performance targets and work to strengthen our cooperation with the authorities and universities. We will also work to raise the level of our own expertise and insights. In doing so, we hope that we will be able to contribute to the

advancement and growth of the economy and society of Kyoto.