

**Muneaki Masuda**

**(Culture Convenience Club President and Representative Director)**

**The Way an Entrepreneur Lives - Full of Stimuli After the Noon of Life**

Muneaki Masuda

1951: Born in Hirakata City, Osaka

1973: Graduated from Department of Economics, Doshisha University

Same year: Joined Suzuya Co. Ltd., Developed Karuizawa Bell Commons in Development Activities Division. Appointed to the Manager and Director of Sales Assistant.

1983: Resigned the above mentioned company. Founded “TSUTAYA SHOTEN”

1985: Founded Culture Convenience Club Co., Ltd.

1995: Founded DirecTV Japan, Inc.. Appointed to Representative Director. The Chairperson of Messe Committee of The New Business Conference, Member of Ministry of International Trade and Industry Industrial Structure Council.

When cars came out and just started to assert themselves at the turn of the century, they might look bizarre. They are cars through our current perspectives. When I find a car with a horse-head shaped display on the radiator grill in a picture book, it makes me give a wry grin. It was always difficult and creative to see the real characteristics of the new business.

And everyone knows that it is the information industry that is the driving force for passing through the new big turning point. It is just like the post-Industrial Revolution society where everyone knew these machines were going to be the new power of the era, even though they did not know what cars were or were going to be at the dawn of the automobile.

What would be the “cars” in this information revolution? For example, the first thing would be writings. The writings go back to the time of Gutenberg. This is the origin of a high volume information carrier. Today we have varieties of information carriers. It has been a while since movies and TV became a part of our life. But how are they going to be like “cars”? The Internet is greatly being recognized as the fruit of this era. But still what is the information industry? The expression of Vice President Gore, “information highway”, is indeed a car-orientated American metaphor. However, as highway means an infrastructure for cars, it is true that the information industry needs its infrastructure. And for these companies that contribute to it, their names will go down in history.

Thinking about it, if you walk around in a city or drive literally on a highway, you can see the sign of TSUTAYA. Our daily recognition of it is a “video rental shop”. Culture Convenience Club (CCC) is the head part of TSUTAYA, and in other words controls planning and information. Even if people know the name or logo of TSUTAYA, there may be many people who do not know the name of CCC. The founder of CCC is the person whom we interviewed in this Top Interview, Mr. Masuda.

Because he became more of a “man in the news” after his foundation of DirecTV, his name is everywhere such as in interviews, feature articles, and general articles, as we talk a bit later about them in the editors’ note. Therefore, we interviewed him focusing on different view points from the previous interviews. We decided to ask him more deeply than normal business magazines about the image of the “middle aged entrepreneur” who devotes himself to a new business in his mid-40s (without becoming just an old man) and about the assignments he has because of his generation and age. We decided to listen to Mr. Muneaki Masuda who is full of stimuli in the afternoon of life.

In addition, DirecTV is a digital satellite broadcasting company that has been providing service since November, 1994 in USA. It is under the umbrella of Hughes Communications, the Media Division of Hughes Electronics. CCC founded DirecTV Japan in cooperation with Hughes in order to provide digital multi-channel satellite broadcasting service with more than 100 channels in Japan. Its business strategies from now are very interesting, but in this interview we focused on asking about his assignments in terms of his business concept, his view of his generation and age from his viewpoint as an entrepreneur.

### **Big Decision in the mid-40s – The Creation from Tough Negotiation**

**Editor:** I would like to start in an abrupt manner. How do you see the fact that you are 45 years old now?

It is a really abrupt question, so please let me explain why I asked you such question. Individuals and corporations develop themselves. Corporations divide the new businesses in the process of their development and at the same time integrate the business activities together as a whole. Individuals as well start a new thing and integrate it with what they have done and what they have accomplished. It is hard to see in a big corporation but in a venture company isn’t it possible to closely relate the development of the company and that of individuals?

Those who store their experiences and look for stimuli develop themselves. It does not matter how old they are. Mr. Masuda, you are now 45 years old, aren’t you? I wonder what the age of noon is for humans. Jung says 39 years old is an inflection point and 40 years old is the noon. In many studies in life-time development, the age of 40-45 is considered to be the transition to the middle-age. You started up a business at the age of 34, in the morning of life, and decided to develop a new business right before the transition. Moreover, the age of 45 is a point where people can not only look back to

what they have done but also naturally think about what they can do for the rest of their lives. That is also means asking oneself deeply what the lifework is. It is the age when people can see how many big works they can accomplish for the rest of their lives, I think.

I would like to go back to the original question. Please let us start this interview with the question, what you think about the fact that you are in the mid-40s now.

**Mr. Masuda:** In fact, this question is close to what I have been thinking recently. That is because I had spent time thinking whether or not I should do the new business, DirecTV. I can live without founding DirecTV Japan.

It may sound boring but I went to buy a BVLGARI watch. I do not spend a lot on clothes. Then why I went to buy a BVLGARI watch was because I had a very tough negotiation with Hughes corporation in a desperate state that day. It was the day important business was decided. I make a concession but never make a compromise. So I wanted to buy something as a commemoration for the tough day of negotiation, even if the negotiation would not end in a good result.

On the morning of the day, about 20 people came from Hughes. Every one of them would throw many questions at me. I thought while putting away my futon in the very morning that, "By the time I come home today, I may have a good deal with Hughes or may not. When I come home today, the DirecTV business may be gone or I may take a step forward with the business."

During the negotiation, I was thinking, "what would have happened in a few hours when I go home?". Many things that I had done by them popped in my head and I thought, "If I have this much risk, it would have been ok if I did not do this negotiation". Now I can afford BVLGARI. I have planted many seeds of businesses and now it is time for me to harvest them. If I wanted to, I could go to an island in the south, and purchase a car that I want. I had enough money that I could not use it up for the rest of my life since I do not buy expensive clothes. If I really wanted to, I could have a luxurious life. Then a thought came into my mind, "So why am I doing this, since there is a possibility that I will lose everything I have?"

図1 — 45歳の意味

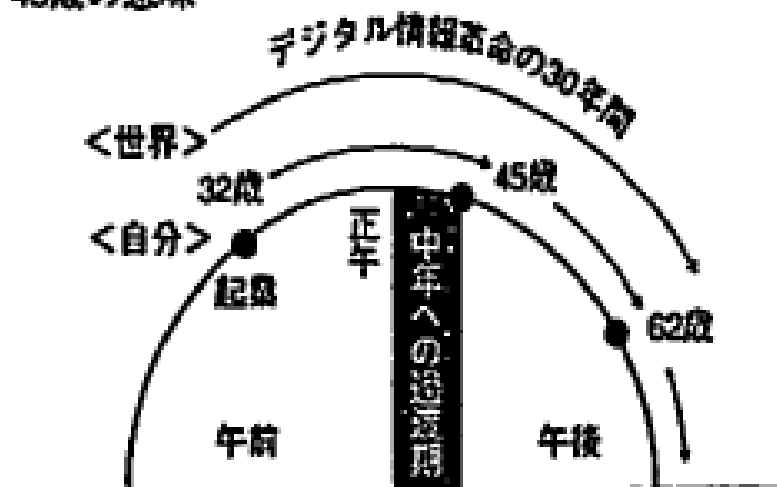


図1 — 45歳の意味 Figure 1 – The Meanings of 45 Years Old

デジタル情報革命の30年間 30 years of Digital Information Revolution

<世界> <World>

<自分> <Oneself>

32歳 32 years old

45歳 45 years old

62歳 62 years old

起業 Start-up of the Business

正午 Noon

中年への過渡期 Transition Period to the Middle Aged Person

午前 Morning

午後 Afternoon

■1

Jung (Carl Gustav Jung, 1875-1961) was born in Switzerland. Between 1907 and 1913, with Freud he promoted psychoanalysis and became the first chairperson of International Psychoanalytical Association. However, later he broke away from Freud, and established his own theory of analytic psychology emphasizing collective unconsciousness. He widely left an intellectual mark on not only psychology and psychotherapy but also religion, folklore, and anthropology. Life-span Development Psychology originates in a study Jung started and one of the concepts, the noon of life, is well-known. In this theory, after the noon of life, the assignments that were in the shadow in the morning are integrated, so the real individuation starts after 40 years old.

■2

Please refer to preface of the interview.

### **Business as the Proof of My Life and its Risk**

**Editor:** Many people devote themselves into their lives in the morning of life. If we have enough experiences and were successful in the morning of life, we probably would try to protect the success or to relax a bit in the noon of life. Don't you think?

**Mr. Masuda:** However, to live, for me, is not to spend a relaxing time in an island in the south but to do this work, even though I might lose everything. This is my proof of existence. If I do not do it because I am afraid of its risk, I do not have a life that I can talk to my children about. That story is beautiful like the samurai prepares himself for a battle. I live a long way from my family now, but I thought about such things. The business of DirecTV to me was a kind of a mission so it was like, "Ok then, I will do it." Even if I failed, I would not have any debt after selling everything I had. And going back to the starting point was also life, I thought.

**Editor:** I am sure that you had risk when you opened the first TSUTAYA, including the risk of quitting the company (Suzuya) where you had been doing well. On the other hand, you have your own theory that venture management should be risk management. The theory is that you think about "what if we do not have sales at all," and it is important that your company should be a "company that you can quit the business anytime if it does not create profit." You have an aspect of thinking very carefully as well as taking risks. One of the factors that differentiate entrepreneurs and non-entrepreneurs is a tendency of risk taking. However, according to studies so far, we know that the risks that entrepreneurs take are not reckless but moderate or calculated. It is similar to your approach.

If you compare the decisions that you made in your early 30's and this time, how much of the decision making processes were done by your passion and how much were done by

your calculation? Are there any difference between this time and the first TSUTAYA and the second TSUTAYA? ■3

**Mr. Masuda:** It is the same. They both impacted my life. If I had failed the first TSUTAYA, I would have put everyone out on the street. So in that sense, it is the same. It is not the matter of the size of the business. It is the impact on my family, so there is no difference. In terms of that, I still have the spirit that I had at the beginning of my entrepreneur life. My employees might get worried, but I think that is the venture spirit.

**Editor:** Unlike the 30s, we think more about lifework as an assignment after the noon of life, since it is easy to calculate our life backward from the end of our life. You often express the business of Culture Convenience Club as a “rental video shop” because it is easy to be grasped, but it is deeper than that. You have a dream to create an information paradise, don’t you? ■4

**Mr. Masuda:** Yes. It is like my lifework. It is the proof of my existence, and I think “because no one does it, I will do it”.

### Different Mission Depending on Year of Your Birth and Generation

**Editor:** It is not quite a domain definition (a brief explanation that expresses the area of company’s activities), but you have expressed your business in various words. For example, TSUTAYA is beyond a rental video shop and is literally a culture convenience store, as the company name suggests. It is also multi-package store or life information center. I would like you to tell us why you are doing the business, without using the words you have used in the past.

**Mr. Masuda:** That is because I am 45 years old and live in that generation.

**Editor:** Isn’t it because we asked you such question?

**Mr. Masuda:** Please think about the generation born in 1955. Many leaders in the computer industry were born in 1955. It is because the mission of people is decided by when they were born. There is a relation between their mission and the year when they were born. Bill Gates and Steven Jobs were born in 1955 ■6. Jobs founded Apple at the age of 21. Gates founded the forerunner of Microsoft as soon as he entered Harvard. Back then, the computer called Altair 8800 ■7 came out. That was like a toy from a current point of view. And when they were around 20 years old playing with the computer, they thought “Ha! We might be able to do this” and started seeing a vision of information society.

**Editor:** Depending on when you were born, what you encountered at what age differs from person to person, right? ■9

**Mr. Masuda:** As a result of that they started working toward the vision at the age they were, personal computers were created in their garage. Jobs created Apple and Gates created Microsoft.

Those who were born before 1955 did not have such things when they were at university. When Altair came out, they were already done with their student life, so they did not see such vision. So those who were born before 1955 went for Mainframers such as IBM. In fact, my friend joined a firm or Mainframers.

And those who were born after the year joined Apple or Microsoft. So the generations who really started the computer industry are those who were born in 1955, 1956 and 1957. Bill Gates and Steven Jobs are from the generation, and in Japan we have Mr. Son and Mr. Nishi ■10 in the generation.

**Editor:** What about your own generation? There is only 4 years difference from 1955. Does it make a big difference? You have mentioned in your book that the 30 years of the digital revolution and the prime of your life overlapped, haven't you?

**Mr. Masuda:** I am 45 years old born in 1951. When I was at university, Yamaha started selling an acoustic guitar called YG180. I was playing the guitar in a band, so I was getting into the world of sensibility such as music. My generation went for YG180, but younger generations went for electric guitars. My starting point of entertainment is YG180. The generation that has common experiences like that is my generation. From there, it goes to the current rental records, rental videos, book, music, CD, and DirecTV, I think.

■3

While helping his sister open her cafeteria in front of Hirakata railway station, he opened a rental record shop called LOFT (1982). After that, on the other side of the station, he opened a shop with books, videos and records. The shop was about 116 m<sup>2</sup> big. This is the prototype of TSUTAYA and the first TSUTAYA as well.

■4

The concept of the information paradise is revealed in his book, "Information Paradise Company - The Foundation of TSUTAKA and Starting up DirecTV", written by Muneaki Mr. Masuda, published by Tokuma Shoten

■5

As you can get food or anything you need when you go to a convenience store, you can easily get cultures that are related to people's life styles such as books, CDs, and videos about fashions, philosophy, music and how to work if you go to TSUTAYA. That is the concept of Culture Convenience Club and it can be called a "life style suggestion business".

■6

Bill Gates was born in Seattle on the 28<sup>th</sup> of October, 1955. Steven Jobs was born in San Francisco on the 24<sup>th</sup> of February, 1955. There are many books about Bill Gates and Microsoft, but the following book has detailed explanation, “The Birth of Emperor – The Track of Microsoft CEO,” written by S. Manes and P. Andrews, translated by Chikara Suzuki, Published by Mita Shuppan Kai, 1995. In terms of Jobs, please refer to “Steven Jobs – The Man who Created the Personal Computer”, written by J. S. Young, Translated by Masamichi Higurashi, Published by JCC Shuppan Kyoku, 1989.

■7

Altair was on the cover page of “Popular Electronics”, January 1973. At the time of the publication, these two were 19 years old. Please refer to the books about these two in terms of the excitement at the time of the Altair invention. Bill Gates mentions the situation around that time as follows: “Altair 8800 did not have a keyboard or screen. In stead, there were 16 address switches and the same number of light bulbs. You could turn on the small lights on the front panel. But that was pretty much all it could do. The ●● (p.81) was that there was no software for Altair 8800. On the other hand, it had an Intel ●0●0 (p.81) microprocessor. When the two (Bill Gates and Paul Allen added by the quoter) noticed it, they panicked. “It is happening without us. People are going to write programs for this chip.” I was sure that it was going to happen in the near future and if possible I wanted to be a part of it from the beginning. There was only once to be a part of the PC (personal computer) revolution in my life time, I thought. Then I seized the chance. I was so worried that other people had the same vision we had back then.” (p. 38, “Bill Gates Talks About the Future”, Written by Bill Gates, Published by ASCII Shuppan Kyoku, Translated by Kazuhiko Nishi, 1995)

■9

In sociology, it is generally called the “cohort effect,” and it draws attention in life course sociology. For example, people born in 1945 and people born in 1955 systematically grow differently throughout their life, infancy, childhood, adolescence, university life, the beginning of work, their 30s and 40s, because of the different historical and social backgrounds. Cohort effect, different from effect of aging, is necessary to prove the differences between generations.

■10

Two people who created the era of personal computer in Japan are Kazuhiko Nishi (born in 1956) and Masayoshi Son (1957). Please refer to the following book in terms of their life history. “Study of New Mankind in the Computer Era”, Written by Masaaki Noda, Published by Bungei Shunju, 1994, 5<sup>th</sup> chapter

■11

“There is an idea called ‘The 30 years of digital information revolution.’ It is a hypothesis that it only takes 30 years from the beginning to the end of the information



revolution by digital technology. When we look back in the history of humankind, agricultural revolution was finished in 3000 years and the Industrial Revolution was finished in 300 years including its origin. Considering that, the next revolution would be finished in 30 years. That is the hypothesis. The reason why I found it interesting is because I feel like I am in the revolution. I quit being a salaried man at the age of 32 and started the current job. Besides the time when the digital information revolution started, if it lasts 30 years, I will be around 62 years old when it is done. This period completely will be same time with the prime of my life. This is very interesting.” p. 53-54 in the previously mentioned book, “The Information Paradise Company”.

### **Never Get Tired in the Afternoon of Life**

**Editor:** It was very interesting. At the noon of life, we tend to keep going with the momentum that we gathered up to the noon of life. But if we think about life in the long term, it is not only sprinting, but also endurance is important. Additionally, lifelong dreams are important for endurance.

**Mr. Masuda:** Yes. So I do not get tired at the noon of life.

Many egoists such as companies and individuals came to me. When one has become famous and everyone knows who he is, there are many people out there who want to use the fame. I see that situation very well, so I have come to see things in the long term. When I think about what I should do, because I see the situation clearly, I can go forward calmly even when I am very tired.

**Editor:** Is it a different type of tiredness from the morning of life?

**Mr. Masuda:** In the morning of life, I had to sweat and got tired. So I needed to sleep. But after the noon, it is just like the early afternoon, so I stare blankly outside from a porch without thinking anything. Even though I may look busy, that’s how I feel. The amount of information is from three- to five-fold different between the morning and afternoon of life.

**Editor:** There are two foundations of the study about career life through life. One is from life span developmental psychology and takes a standing point of “the human development does not end at adolescence. After thinking about many things, there are developmental assignments for 30s, 40s 50s and 60s.” However, this does not consider the difference of generations between the current 40s and the 40s 10 years ago. Another one is from life course sociology. It emphasizes the year people were born or generation groups (cohort)■12. As in the examples mentioned earlier, such as Altair and YG180 for Mr. Masuda, what people experience at each age is different from generation to generation.

Therefore, while I was listening to you, I thought if I tell my students the story I heard from you just now, they will give me such reaction as “Is it that different between those who were born in 1951 and in 1955?”. But the digital information world makes a big

difference in four years, doesn't it?

■12

Refer to ■9 about the “concept of cohort”. About life span developmental psychology, refer to such books as “What is Life Span Developmental Psychology – Theory and Practice” (Takashi Muto et al., Published by Kaneko Shobo, 1995), and as a book for life course sociology beginners, it is recommended “Life Course and Generation” (Kiyomi Morioka, Kazuo Aoi, Published by Kakiuchi Shuppan, 1993).

### **Start Up a Business in the Morning of Life**

**Editor:** you started your business when you were 32 years old. I remember that you gave us the advice you got before, “after this age, it is hard to start up a business.” Can you tell us about it in more detail?

**Mr. Masuda:** If I say it briefly, there are two things. One is a story of Mr. Fujimura ■13 from GAGA who used to be in a venture capital firm. One of the conditions to invest as a venture capitalist was “the founder’s age must be no more than 35.” That is one. Another one is what my ex-boss at Suzuya told me when I was working there. He said, “After 35 years old, you will become physically weak, so if you want to quit your company do so before the age of 35.” Until the age of 35, the more you force yourself to train, the more muscles or power you can develop. But after 35, if you force yourselves to train, you will be fatigued. So we should train until the age of 35. It is ok to train after the age of 35, but it will affect us the next day. In my case, if I drink a lot until late two days in a row, I cannot move on the third day.

■13

Tetsuya Fujimura is the founder and Representative Director and President of GAGA Communications, Inc. GAGA Communications, Inc. distributes and produces movies centered on visual software licenses. Making use out of the information collection editing ability that CCC has, it works with CCC in order to reduce the risk of importing copyrights. He is two years younger than M. Mr. Masuda and in the same generation.

### **Value Making – Creation of Value**

**Editor:** Desire from inside the person such as “we want to do such and such”, chances lying outside the person, and ideas all have two aspects: one is that we have to create them on our own, and another is to use information from others. People cannot live alone. So by starting up your own business, you must have a moment to realize that you have to interact with a lot of people, and you as well as others rely on each other. Can you tell us something about it?

**Mr. Masuda:** I have a moment to feel happiness. For example, it is the moment that I know I can have a good time with my employees at a bar. Recently, we were stuck in a development process of a program for DirecTV. I also joined the team and helped them to make presentation materials all night long in order to persuade the people who were in charge of the content. As a result we could accomplish the task. Like this example, when I feel happiness, I really enjoy drinking. I work together with others having the same goals in what we all love; it does not matter how we work together because we are the team mates. It is my happiness that I can drink together with such team mates.

On the other hand, if someone comes and sees me to tell me that he is going to buy our company for a few tens of billions of yen, it makes me think, “Wow, 20 or 30 billion yen? It would be good to go to an island in the south and build houses and restaurants with the money.” When I went to Yoron Island in the past, I got to talk to those young people who were making shell crafts, asking, “Where are you from?” and “where are you staying?” and so on. Then we went to our *minshuku*, or Japanese style bed and breakfast, and talked until late drinking. I was dreaming about a primitive bohemian life without restrictions.

I can do such a thing if I sell my company. But this is a different happiness. This is more like ego than happiness, so it would create nothing. Basically I would like to increase my own value. I think I could die sincerely if I have a life that creates value rather than just values purchased. If we could live forever, it would be ok for one to expand his ego, but the life will end sometime. So we have to face to ourselves.

**Editor:** There is a metaphor, “career anchor”. It compares an anchor of ship with a foundation of a person’s career life. What interests me is that the anchor for an entrepreneur is not “independence” but actually “creativity”. What is it to create new businesses one after another but not to sell your company?

**Mr. Masuda:** You mean “value making”? I will totally change the subject, but I would like to tell you about the word, value making. I wanted to name my company Value Making, instead of Culture Convenience Club back then. I am sorry that I only talk about the inside stories.

## The Real Information Business and Pay Per View

**Editor:** What is value making in more detail?

**Mr. Masuda:** In the case of DirecTV, because it is a joint venture we have to negotiate with Hughes, such as, “I would like to take this”, “I would like Hughes to provide us the technologies and we will do this and that”, and “Then please give us this much royalties”. I do not think, “I will definitely get this royalty here.”

I think about what is necessary for DirecTV to be successful by looking at it as a whole. By doing so we both can bring what we have together and evaluate them in a right manner. Then the company or person who brought a value to the business gets money.

Therefore, negotiation to me is not to say “please give me this percentage of royalties” but to increase the value of the current CCC. In other words, before telling others to give us money, we should increase the value of ourselves first.

For example, we can increase the number of stores, the brand image of TSUTAYA, the number of members and so on. Doing these things will get us royalties. So my idea is not to sell what we have but to create things with value all the time. This is value making.

There is a business called information business. In this business, its product must be information. Recently it is said, “The era of things has changed to the era of information.” So as its business structure, we have to sell information not things. Then is the Internet an information business? The answer is not in a sense of selling information. How about TV? Are TV programs information businesses? TV programs do not sell information. The terrestrial TV sells media. The business of TV programs with the ground wave is to gain fees from sponsors such as advertisement. Since it is run by the sponsor fee, what they sell is not information but media. It is an advertisement business but not information business.

Then what is the information business? It is DirecTV. The income of DirecTV is payment to what our customers watch by pay per view.■14. Therefore, what we sell is information, such as a heavy weight champion title match. In the information business, you have to sell “information” not “things”.

**Editor:** Pay per transaction■15 was not created as a business system for CCC or TSUTAYA, but it has deep meanings to how the information business was created.

**Mr. Masuda:** Yes. But it does not mean anything to people, and it is hard to understand. But those who understand it understand. It is the same as the interface we talked about previously.

**Editor:** For example, it is easier for people to understand the word, rental video, right?

**Mr. Masuda:** Information is three dimensional, so people can see it differently depending on how they look at it. So what we pay for when we use the Internet is a connection fee for a medium of access to the Internet. Since Internet does not have a payment system, it has not yet become an information business. So to exchange information with money is the business in the era of information.

I will give you an example. There was news that a boxer at a heavy weight title match received 3 or 4 billion yen as his share of pay per view. In general it is seen that his share is too much. But that is wrong. Only America has the system of pay per view so the boxer could get “only” 3 billion yen. This is the right understanding of this news. If we had the title match through pay per view in Japan, wouldn’t Japanese watch the match for 1,000 yen? I think a heavy weight title match is worth more than 1,000 yen so Japanese people would watch the match. However we do not have the payment system for pay per view. If there are viewers who are willing to pay 1,000 yen, and we have the payment system, we may be able to pay 1.5 billion or 2 billion yen since Japanese

population is about a half of the USA.

■14

It is a system that charges viewers of a program only when they watch. It is said that the strongest features of DirecTV are not only the number of channels and the quality of the picture but also accomplishment of the payment system.

■15

It is often called PPT. Using a computer based information system, it links rental shops and their main office or planning company by POS network and charges customers per rental. It is a method promoted by an American company, Rentrak, that CCC also invests in.

**The Ability to Plan is the Core Competence of CCC – The Origin of Value Making**

**Editor:** This field will change a lot in 10 years, doesn't it? It is called network management or virtual corporation when you have a partnership with other companies that are specialized in something you are not. When a company does this, what the company is specialized in will be a question. I think it is related to value making. Because there is something that only CCC can do, you can have a partnership with others, right? In that point of view, what is the strongest core competence of CCC? Let us define the core competence as something that is left inside, unlike an onion that leaves nothing after peeling it all

**Mr. Masuda:** It would be the ability to plan. In other words, it would be "heart". The cause of value making is also the ability to plan. This story is very important.

I would like to talk about a story called Theory C that I often use. In business, there are concepts A and B that are contrary to each other. I think the ability to plan is to create a situation in which both A and B can have benefit. Because we make sure that our partner can definitely have benefit, they cannot break off the partnership with us. Therefore, various people are willing to take care of us. That is the root of our identity.

However, because "we definitely will not let our partners lose their money", we are not doing everything to make our partners just feel good. We have concept A and B that are contrary to each other. For example, we want to make our customers happy (A) and we want to increase our sales (B). Or management-wise, we want to decrease salaries (B) but as employees we want to increase our salaries (B). I thought there must have been some way I could satisfy the contrary concepts and then came up with the concept of Theory C.

For example, if concept A is to decrease salaries and concept B is to increase salaries of employees, what makes it possible is productivity per person. It is important to create

this C, but usually there is no such theory, so these two contrary concepts result in a crash. For example, on one hand, I would like to enjoy music (A), but on the other hand, I would like to make money (B). The answer is to rent records.

### **Three Steps of Revolution of Information Production - Information Share as the First Step** ■16

**Editor:** Planning has, after all, an aspect that individuals are the origin of ideas. It is necessary to see the individuals to know if their ideas are good or not. How would you train those people when CCC wants to be “the No.1 planning company of the world”? If the origin of ideas is individuals, it is important to bring the level of the individuals up; also, even if these individuals have good ideas they have to tell others about their ideas. What do you think about these things?

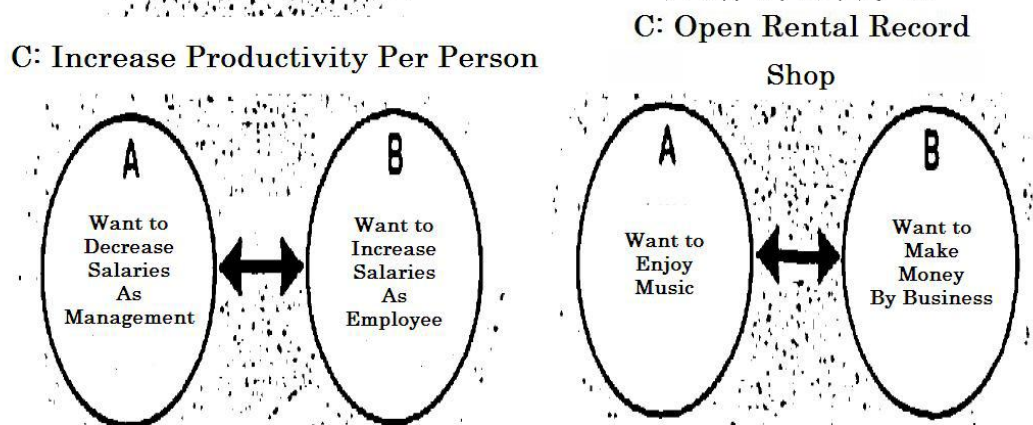
**Mr. Masuda:** There is a phrase, “Revolution of Information Production”. Information production means a plan, and the plan has value. In an intelligent production process of planning, there is information and an individual output the information. If we want to make a revolution in the information era, things are different from the things era. Those people who created things in the era of things are specialists. Investors made factories and started the Industrial Revolution. As a result, even amateurs came to create things. It is the same in planning. There are good plans that planners make, but the purpose of the information revolution is to make it possible for amateurs to make good plans.

There are three steps to do so, and the first step is information share. If sharing information can activate the planning process, we create a network and share information. For example, we have intellectual workers such as buyers, development people and designers at our company, and we have an environment in which we can access information that each worker from different divisions need. One of our information sharing systems is a system to place an order. Therefore, in our company, computers were set up quickly. In our company we can access 150,000 items from all the stores in the country by computer. In this way, anyone, any amateur, can tell what kind of items they should prepare. The second example of the information sharing is that we can tell where the next shop should be located by accessing through a computer. We call it Area Marketing System. Please get someone to give you a presentation on Area Marketing System.

■16

We recommend you to refer to p. 81 onward in Chapter 5, and Chapter 8 in the previously mentioned book, “Information Paradise Company”.

Figure 2



### Sharing Know-How as the Second Step

**Mr. Masuda:** Some may think that if information is shared we all can do it. But it is necessary to share know-how to identify information. That is the second step. We have created CD-ROM in terms of know-how. We put all the know-how into a CD-ROM. Anyone can access to it. For instance, if Mr. A, Mr. B, Mr. C and Mr. D have their own know-how, they all have know-how of everyone by putting them into a CD-ROM. If the era of things was the era of “money holders”, the era of information is the era of “know-how holders”. To increase the number of the know-how holders is intellectual productivity. That is to share know-how by CD-ROM. They have to become a professional instantly, so we cannot educate them little by little. At the moment we are creating a system that allows us to search know-how we want and tells us where they can find it and which MO it is located in ■17.

**Editor:** The first level, information sharing is not so uncommon among those companies like Kao that are advanced in information handling. However, they tend to hide know-how even inside their own companies.

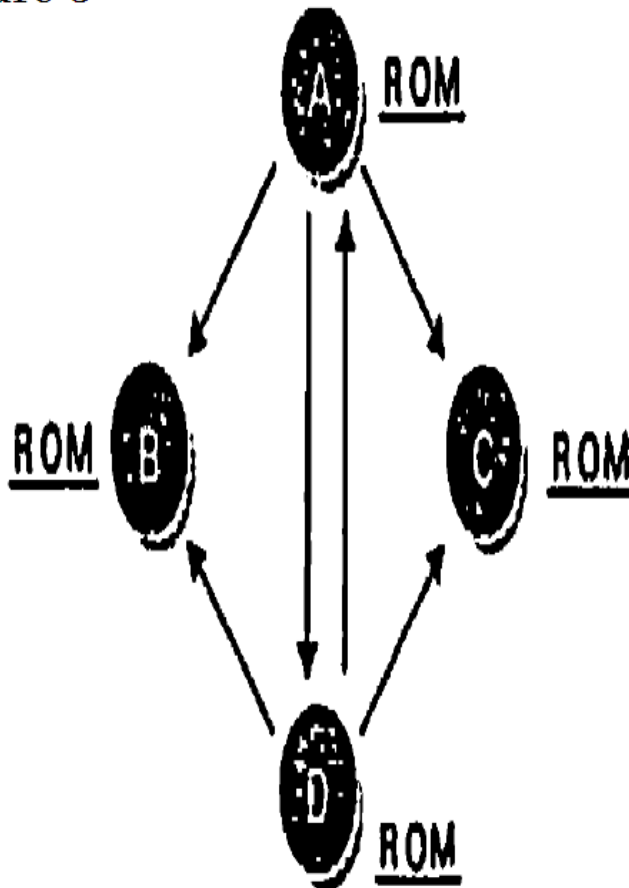
**Mr. Masuda:** Yes. If we hide, we only have A. however, if we share, these things happen. So once we experience the benefit, we know we should share know-how. The process of becoming the No.1 planning company is to create this kind of corporate culture.

■17

MO is a medium with large memory capacity. It stands for Magnetic Optical Disk. Its

size is the same as the normal 3.5 inch floppy disc but it can contain at least 128 to 230 megabytes or even 640 megabytes of information.

Figure 3



### Sharing Motivation as the Third Step

**Mr. Masuda:** The third step is related to evaluation and return. The cost rate is fixed in profit structure in the era of things, but it is not fixed in the era of information. For example, a movie, “Lion King” cost about a few billion yen. Japanese movies cost about 300 million yen, so many think the cost of Lion King is too much for only animation. However, the box-office sales of Lion King was more than 70 billion yen all over the world, while a Japanese movie makes only 500 million yen when it cost a billion yen to produce it. The video of Lion King sold a few tens of millions all over the world. The rate



of sales and cost of Information products are not fixed. That is one of the features of information products.

Therefore, if the planning is good, it is possible to earn a lot of money. The problem here is distribution of the profit. For example, if a person earned 10 billion yen from what I planned, my share was only 10 million yen. Then I would tell the person to give me about a half. This kind of trouble becomes problem when a product becomes information from a thing. It will be really bad if planners start doing less work because their share is too small.

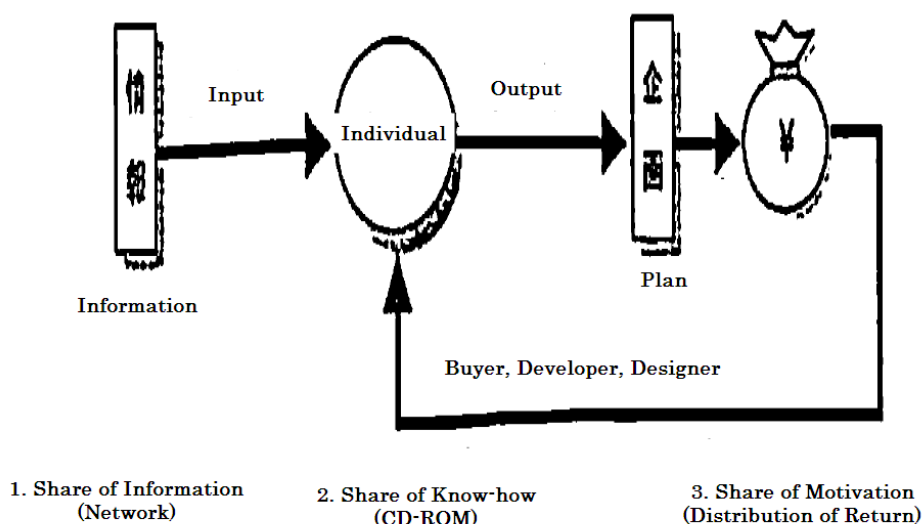
**Editor:** The first step is information sharing, the second step is know-how sharing. And the third step is to share motivation. It is kind of establishment of fairness, isn't it?

**Mr. Masuda:** Yes. It is fairness when the system is changed. Everyone knows about it in such world as game business.

**Editor:** In an incentive system of an established company, when a planner makes a good plan, he cannot help thinking "why I cannot get more for my good job" in terms of payment.

**Mr. Masuda:** Yes. We have to challenge the past system. It is very simple.

Figure 4 - 3 Steps of Information Production Revolution



## **Planning is to Go Beyond Human Understanding**

**Editor:** It is very straight forward. This is a stupid question, but why wasn't it possible until now? Is it because information product is new to us and we have been dealing with things?

**Mr. Masuda:** Its reason is a position of planning. Good plans go beyond human understanding. In this interview, we said that using the word "rental video shop" made it easier for people understand what it is. But it is a kind of trick to interface with our customers.

When we have to express something that goes beyond human understanding, we have to trick on interface. If it does not go beyond understanding, it does not create value. It does not give any benefit to people whom we are talking to, if we talk within their understanding. We talk to these people in a way that they would understand. However, they clearly show rejection saying "your plan is good but isn't it risky because the idea is too early for the customers" or "don't you think there is no market for it?" It should happen because we are talking about ideas beyond their understanding.

In such case, it does not sound nice, but I always try to trick them. I change the subject telling them "it will make you rich" or "you will have more customers" and direct their motivation to something different. And make them experience it. Then, they will understand it saying "Oh, it is intelligent production revolution". So it is necessary to trick them.

## **Have Own Principles from Various Experiences – Meanings to Live Sincerely**

**Editor:** It may be related to tricking, but you often draw pictures on paper or a white board, and often use metaphors as well. For example, you related a parable of a role of a buyer of CCC and a fund manager of a finance business. How can you come up with such ideas? During this interview as well, you are drawing many pictures. It is said that drawing pictures is useful to link the right and left brain. Metaphors as well. When it is not possible to talk people down, metaphors can be used.

CCC's rental video business is similar to money lending business, or its buyer's role is similar to a fund manager's. How can you come with such analogy? Probably I am asking something there is no way you can explain, but if you can, please tell me.

**Mr. Masuda:** How I came up is through my various experiences. If I make it easy to understand, I always have a broader understanding than others. I have experienced many things in my life such as having big problems, having a broken heart, or having disputes. There are many things that inexperienced people never understand.

**Editor:** Do you mean you can give the younger generation various advice because of your various experiences?

**Mr. Masuda:** After all, it is “to live sincerely”. This is an extreme example but when I drink with others, I have a discussion on “what is the origin of the marriage system?” For us, planners, “it is because it is supposed to be” is not a good answer.

**Editor:** In other interviews, you have often said that it was to live sincerely when you were asked to give advice to the younger generation. If we just listen to what you said, depending on how you hear it, some people could understand the implication of the words as in “to live sincerely with patience and without standing out”. But what you mean here is such sincerity as that “if you can widen your experience, you should try to do what you want to do”, don’t you? If people think that the marriage system is wrong, they can sincerely think it is wrong and search for their own ways of living, through various experiences.

**Mr. Masuda:** Yes. It is to do “what you are told not to do”. When you have actually done something, you understand the reasons for telling someone not to do it. Of course, when you actually did it, you could fail. But if you experience it, you can strongly tell others not to do it. If you are doing something because you are told to do it, you cannot tell others not to do it. That is leadership and it is to experience.

I like the words “What moves people is not words but principle based on experiences.” I have various principles such as “Don’t talk bad about others”, “Never tell lies” and so on. That is because I have many bad experiences.

**Editor:** “Be on time” as well, isn’t it?

### People You Think are Good as Entrepreneurs

**Editor:** I have some more questions about connection with other people in a different point of view. When our jobs get bigger and bigger, we realize that we rely on each other. In a way, if we sincerely know that we rely on each other, it is much better than thinking that we are just independent, I think. It is important to interact with many people as various experiences.

What kind of people do you think are great as entrepreneurs?

**Mr. Masuda:** It causes some problems if I tell their names here so I am not going to tell the names. There are some people who make you pleased, who doesn’t stress you out, who can have a good conversation and make your thoughts organized and you feel like you benefited from them. Probably they feel the same way. These kinds of people are good partners to me, even though our interests are different.

For example, when Mr. Chang from Hughes who is Chinese ■18 and I are negotiating,

he makes me feel very comfortable and benefited by him, even though our interests are contrary. It is probably that he is one of those who have Theory C that I previously mentioned.

We both look at Theory C trying to go beyond our own egos. So we are not trying to make “A and B fight”. His way of negotiation is based on looking for such solutions as “we have such a solution”. So it makes me feel really good. I think these kinds of people are good as entrepreneurs.

**Editor:** Apparently, non-Japanese people show better understanding in large-scale business projects than Japanese. Now you told us about a non-Japanese person, but there are more on less Japanese people who you think are good. Am I right?

**Mr. Masuda:** This may be misunderstood, but the way I choose is originality, so in such sense, I have no one that I want to follow. I have many people I pay my respect to in various fields but not in my field.

If there was, I would quit working in the field. For example, I wanted to be a fashion designer. But as soon as I saw a fashion show of Kenzo Takada, I quit pursuing becoming a fashion designer because I thought I would not be able to do what he did. So if I have someone I respect in my field, I quit.

**Editor:** If you have someone you respect in a domain you want to pursue, right?

Leonard Bernstein in his later life said, considering the younger musicians, “you may ask yourselves if you should be a soloist, a member of orchestra or an opera singer because of the competitive nature of the music world, but the answer is no.” I cannot say to the students who ask themselves if they could become a scholar or not, “you cannot be a scholar because you questioned about it”. However, those who start up a business have such aspect. What do you think? If you ask yourself whether you could be an entrepreneur or not, you cannot be one. I think there is such harshness in this entrepreneur world, isn't there?

**Mr. Masuda:** You cannot think about the result. You should devote yourself into it. I was a planning member of New Business Messe Committee of The New Business Conference last year■19. We have another one on the 10<sup>th</sup> of December this year and I agreed to be a chief of the committee. As a big event of The New Business Conference I am planning to invite a world-class businessperson to have an interview. In a normal sense, people would think that I am stupid because I am already in charge of DirecTV and TSUTAYA, and on top of it I am planning to do such event.

**Editor:** It is a volunteer work that takes up a lot of your time.

**Mr. Masuda:** Yes. We have many meetings monthly. I agreed to be the chief because I did not think there would be some new development in my business last year. However, I became busier with DirecTV, so I thought I would resign the chief position. But I thought “If I cannot overcome such a chaotic situation, I cannot succeed in DirecTV,” so I did not quit the position. As a result, if I compare the level of the plan I made when I

was not doing DirecTV and the current plan, the level of the current plan is much higher than the previous plan since my tension is very high and I have more ideas. I am dealing with the planning for the Messe at the same level as when I deal with DirecTV, such as making a big decision and its decision-making process.

When I am asked to give a seminar, even though I am really tired, I feel that ideas are coming out gradually and my brain becomes sharper. I was invited for a French dinner by the head of a government office yesterday, and today I will have dinner with a vice president of a predominant bank. I do not really want to see anyone because I am really tired. But once I go, I can happily talk about planning with various ideas.

**Editor:** That is something not everyone can do. You have always bigger challenges than something that brings you up to the next level. And even though you are tired and it will be another burden for you by accepting the challenge, you do it anyway. You told us that the type of tiredness is at least different from the past, but you are highly motivated.

**Mr. Masuda:** So it is often said in romantic stories, at my individual level, my personal value is coming out, I think.

I think now I am a good father from my child's standpoint too. Value making is the only way, I think. In other words, it is to challenge. If I hesitate, I will become just an ordinary middle-aged man.

■18

Hughes International president, Mr. Gareth CC Chang.

■19

The New Business Conference is an organization of managers that received permission from Ministry of International Trade and Industry and was established in September, 1985 by mainly managers of new businesses and entrepreneurs for the development of Japanese new businesses. The highest award in the entrepreneur division of the second New Business Award was awarded to Mr. Mr. Masuda by the Conference in 1991.

### What is the Real Independence?

**Mr. Masuda:** About the previous topic of independence: everyone thinks that independence means leaving from something, but independence is not to leave something. I think independence is to stand on their own feet. We cannot say leaving something, for example, leaving a company, is to become independent. Independence is something you get after winning a competition. For example, when I quit Suzuya and became independent, there were no competitions because I was not recognized. So I will have the real competitions from now.

Everyone says “Oh, TSUTAYA” then they will come into the competition thinking “Let's break them into pieces” or “Let's challenge them”. Then I can have the real reason why I have to win and when I win the competition, it is my real independence.

### **We can Corporate Because We are Really Independent**

**Editor:** Your strength will be clear so it will be easier and meaningful to rely on each others.

**Mr. Masuda:** Then, it will be easier for the others to understand our value and we can be allies. After reaching this level, we can say that we are independent for the first time. This process is called “risky growth” by such magazines as “Nikkei Venture”. Apparently venture companies become weird when it becomes a 10 billion yen in sales. It is because the companies become recognized by the world. Being recognized means getting into competitions. They can grow until it makes 10 billion yen in sales but they are just like mold in the shade. Once they go beyond that point, they are in the sun.

### **Only Dreams Can Become True!!**

**Editor:** Economic organizations such as The New Business Conference, Ministry of International Trade and Industry or private organizations try to incubate entrepreneurs and new businesses in various forms. What do you think about it?

**Mr. Masuda:** One of my favorite words is “Only dreams can be true”. People say “can dreams come true?” but to me “only dreams can be true.” We imagine our dream and have to go there to see if the dreams can come true or not. Everything that comes true there is dream. What can people with no dreams to make happen?

The most superior ability of humans is creativity, isn't it? For example, we can imagine “what kind of human can I become?”, “how will the world change?”, “what kind of society makes us happier?” and so on. But we do not use such ability at all. You do not want to go there and here saying “what should I do today?” in the morning, but we should think more about such things as “how can I be more attractive?” or “what is it to live?”.

I do not really think “I must do such and such”. I will meet a vice president of a predominant bank tonight but I do not have anything that I think I must do. I do not have anything to ask, even money. I am living to make use out of my creativity. I can quit the New Business Conference anytime because I do not owe them. If I am with the New Business Conference, I create some images and dreams and play a role to make them happen, they come true.

Then, it comes down to a problem of its concept such as “the New Business Conference

should be like this”. By the way, do you know a Japanese word for concept?

**Editor:** Are you going to talk about “You think you know what that means....”?

**Mr. Masuda:** Concept in Japanese is “*gainen*”. Then, we cannot find any more translation than what *gainen* is. If I try hard, it is probably a “way of thinking” but the meaning of concept is, in fact, simple. (As grabbing a cup on the table) here I have a cup as a thing. There is no this cup (as a real thing) and I “want to create this thing”. This is the concept. In other words, something that becomes a thing finally, in this case, it is the concept that is necessary to create a cup. “I want to create such company” or “I want to create such shop”. These are concepts. Nothing can become true if there are no concepts. Things are not created without concepts. However, normal people think “there is a cup” when they see a cup.

People say, culture, culture. They think “culture should be like this,” while looking at the material society. They think culture should be in such form living in the material society. To me, it is a big mistake. It is not culture at all. Culture is something in my head. And to make it happen is to plan.

**Editor:** It is your mission and Culture Convenience Club’s mission to provide culture in various forms in this information society as a convenience store full of products. We had many opportunities to hear many stories in this interview and studied CCC’s information, your recent interviews, your book (“The Information Paradise Company”) for this interview. So we had various new discoveries. Thank you so much for your time and various interesting stories.

### **[From Editors]**

We got off the train at the Ebisu station on very hot summer day. It did not take a moment to get to Yebisu Garden Place where the Headquarters of Culture Convenience Club (CCC) is located, with the support of a moving walk. And we found that familiar logo of TSUTAYA too.

We were amazed by this desk in the reception area. It did not look like something a company had in a reception area, and it looked like it was made of a huge piece of raw wood. A person from the advertisement division that had just been recently created led us to a waiting room. Until Mr. Masuda came out we enjoyed the mysterious atmosphere of the company. It was nothing like a company; instead, it was a company full of freedom. Because of the recent improvement of the company, visitors besides us who came to interview Mr. Masuda looked so serious. However, the company’s atmosphere of freedom took in those serious faces. That was the impression of the “Headquarters”.

As a rumor had told us, Mr. Masuda was not in his own room but was in an open space (partitioned by a Chinese screens). The layout of his room looked like a model of a president’s room whose company motto is to share information and know-how. When we

looked around his desk, he had a household altar. It was very unique space.

In terms of the new business development with Hughes and DirecTV, there has been a lot of speculation. Therefore, we did not try to dig out his business secrets but his personality in this interview. Due to the editing circumstances, we had to modify some words that he actually used in the interview. However, he spoke of various things very honestly. Despite the worries of the person who was in charge of the advertising division, his dirty talk was very natural and good (we cannot introduce it in this magazine). We have seen him several times before as well, but this formal interview was, for some reason, more relaxed than the previous informal meetings. Was it because we were in his home ground or because he had stepped up to the next level after the challenge of DirecTV? However, his appearance without a tie and his smile (that kills young women and even bosses of industries) were the same as what we had known for a long time. After this interview, an executive director of a Japanese represented big company described Mr. Masuda with great affection that he was a very nice and motivated “old men killer” when we talked about Mr. Masuda with him (this manufacturer is now a supporter of CCC).

After the interview, Mr. Masuda showed us the system for placing orders and a CD-ROM with the know-how of the Area Marketing System. The infrastructure of the behind-the-scenes of delivering the information paradise was incredible. And before we left Yebisu Garden Place, we went to see TSUTAYA Yebisu Garden Place shop as a new flagship.

At the end of this editors' note, we would like to recommend you to read the following books, special articles and other interviews as well as this interview.

- “The Information Paradise Company – Creation of TSUTAYA and Start-up of DirecTV”, Muneaki Masuda, Tokuma Shoten 1996

“Special Article, Everything about the President of Culture Convenience Club, Muneaki Masuda”, “Entrepreneur” p.6-48, 1996 July.

“Large Case Study: CCC, Leading Venture that Craves the Era of Multimedia” “Nikkei Venture” p.10-27, 1995 January.

“From ‘Rental Video’ to ‘Digital Satellite Broadcasting’, The Guy Who had an Eye on the ‘Era of Brain Consumption’ Before Anyone”, “Why Did Hughes Choose An Entrepreneur than A Big Company?”, “SAPIO” p.89-90, 1996, May 22<sup>nd</sup>, p.87-89, 1996, June 26<sup>th</sup>.

“I Calculated The Risk’ So I Challenge”, “Nikkei Venture”, p.32-33, 1996 June.

“Distribution Revolution to Convey Dreams and Inspiration”, “PC for 10 Million”, p.5-7, 1996 August.