

# Japan Europe Entrepreneurs Forum

## “Entrepreneurship in Japan: Three Case Studies”

16th April 2004

*Miles Dodd*



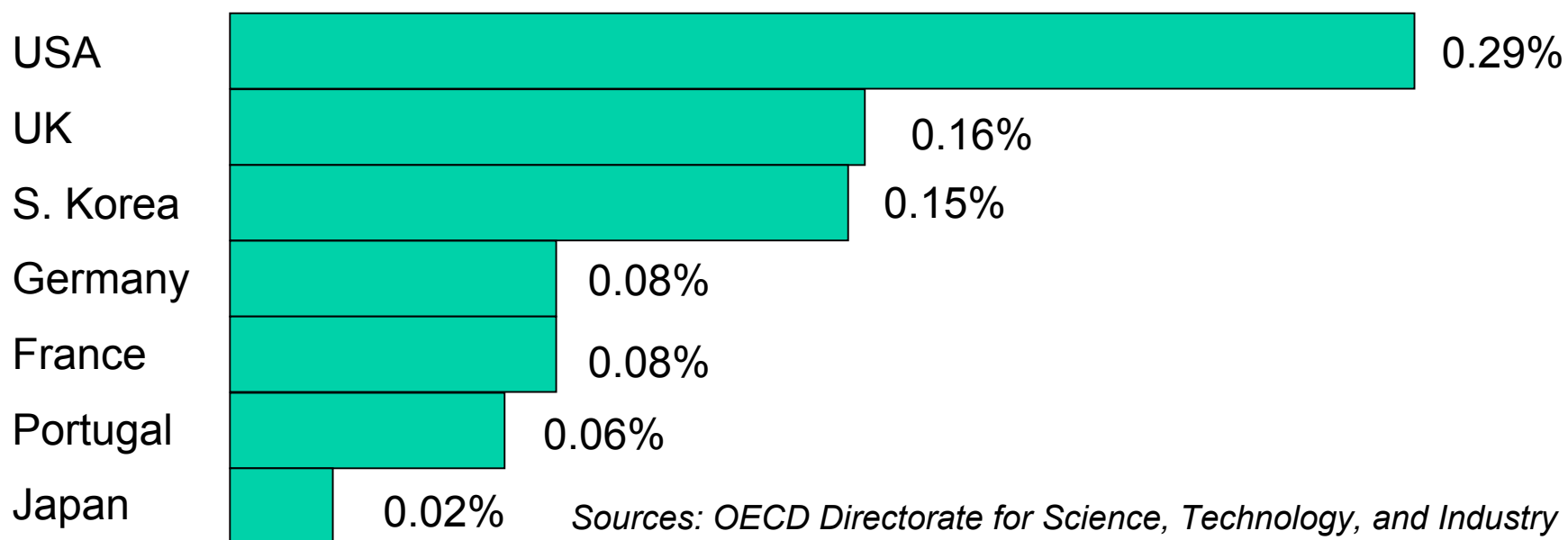
"The cutting of unneeded rules and regulations will allow Japan's entrepreneurs and workers to shift from old and inefficient industries to new and more promising ones"

"Unfortunately.....the Japanese government lacks confidence in its own citizenry. Instead of pouring money into public works and private banks, .....the LDP should implement the proper deregulation and tax incentives to fuel an entrepreneurial revolution in Japan."

"The first steps will be painful but.....*it is clear that Japan's highly educated and diligent work force make it a certainty that private sector energies will quickly build a new and more efficient Japanese economy.*"

*Jesper Koll : AWSJ Weekly 12/18 April 1999*

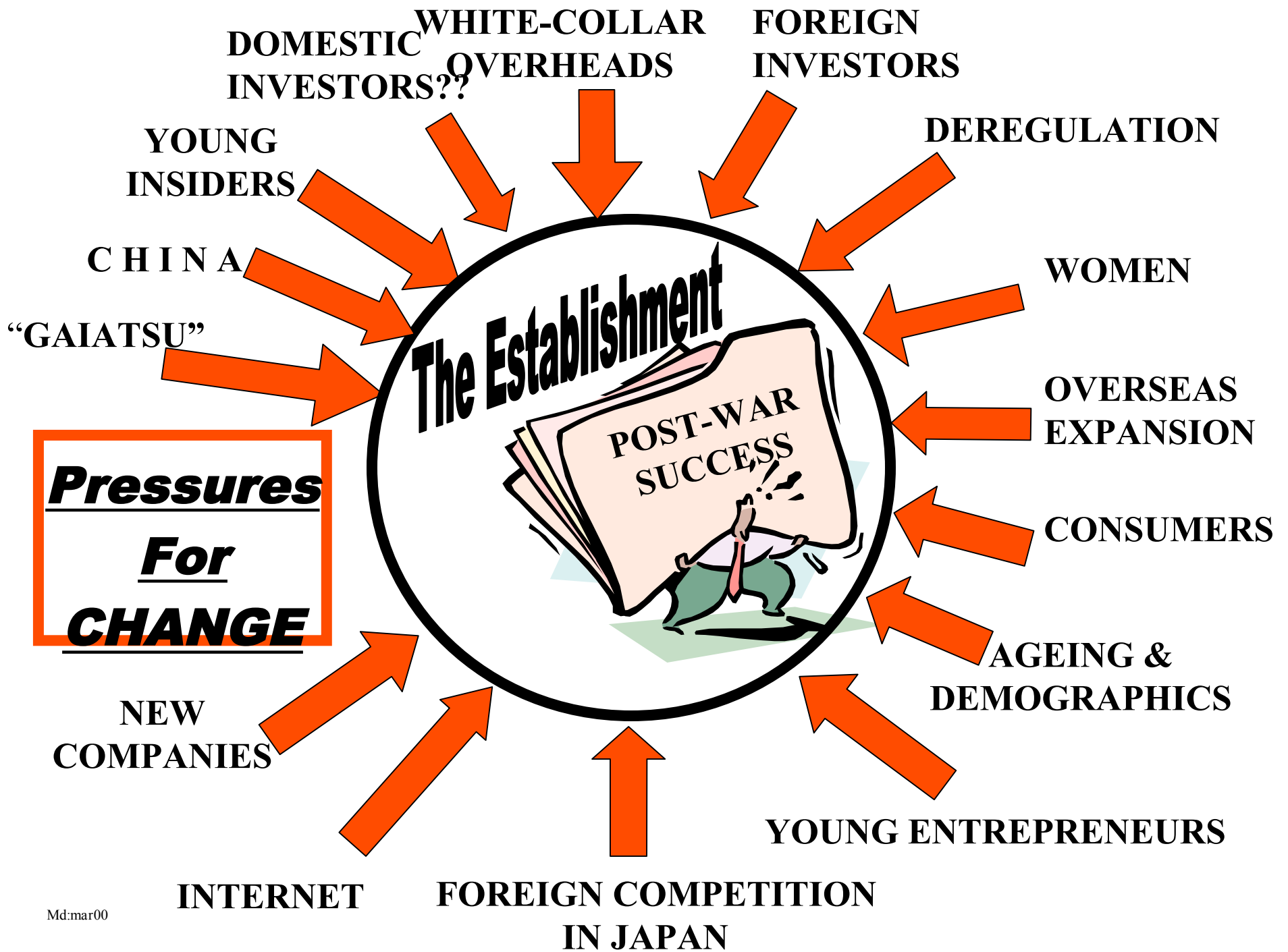
### Venture Capital Investment as a % of GDP



### Japanese Start-up and Closure ratios as % of existing firms

1969-72	7.0	3.8
1972-75	6.1	4.1
1975-78	6.2	3.4
1978-81	6.1	3.8
1986-89	4.2	3.6
1989-91	4.1	4.7
1991-94	4.6	4.7
1994-96	3.7	3.8
1996-99	4.1	5.9

Source: Ministry of Public Management, Home affairs, Posts and Telecom



# Japan's Ages of Entrepreneurship

50s  
(&60s?)



**Money, Experience, Connections**

40s



**Children, parents**

30s



**Children**

20s



**“The Best and the Brightest”  
Reluctant and scarce??**

"The 'HP way' had become an excuse for all sorts of bad habits,  
particularly slowness and risk aversion.

Like layers of sediment these practices clogged up the company  
and needed to be scraped away.

*We must preserve the best and reinvent the rest ."*

*Carly Fiorina , CEO Hewlett -Packard*

*From "The Economist" July 15th 2000*

# A FAMILY RESCUE



*THREE*  
*INTRAPRENEURS*  
KIUCHI      TOMIZAWA

WATANABE



## RESTRUCTURING AT SEIYU

*Mid 1997: New Young Chairman - New Younger Smaller Board*

"Those who had created the mess were completely eliminated so there would be no egos to step on, no pet projects to be protected, and no sacred cows standing in the way of a successful restructuring"

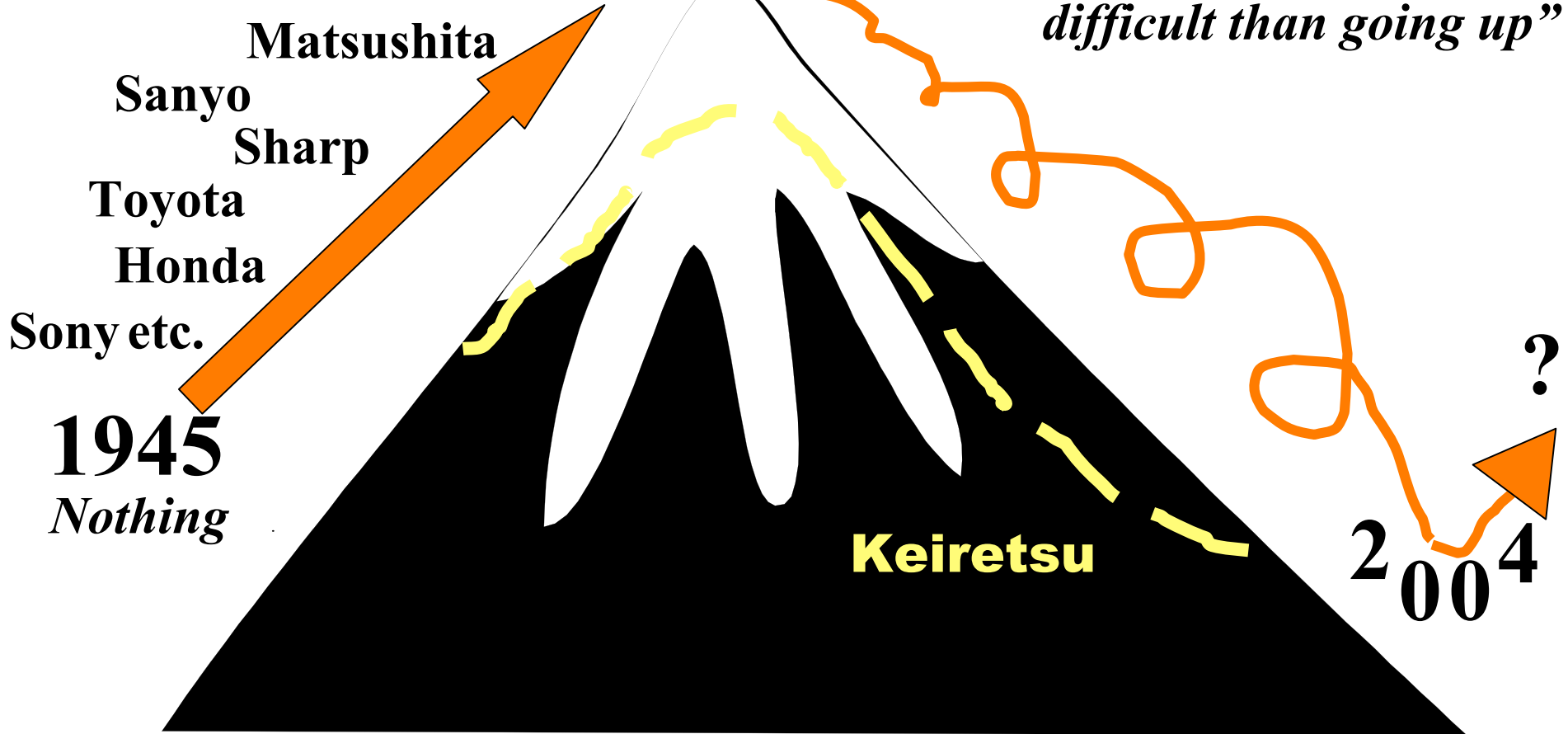
*"Several long-serving employees tell us they feel more motivated than at any other time in their careers"*

"The new slimmed down management structure allows store managers to bring problems 'straight to the top' and to get swift and effective responses. 'This has never happened before' says one 30 year veteran."

*"The new leadership has laid down very clear and specific directives about what it wants done and when it is to be done."*

*Japan as No. 1 ??*  
**1990**

*“Descending from  
a mountain is more  
difficult than going up”*



## DECLINE OF A HEALTHY COMPANY



**From Entrepreneur to Corporation**  
***A difficult Path***

- ❖ **"Stewards ascend to senior management positions in place of entrepreneurs and company builders.**
- ❖ **Belief in competition falls.**
- ❖ **The compulsion to innovate diminishes as the willingness to violate norms and violate disapproval falls."**

*"The Comparative Advantage of Nations"*  
*Michael Porter: 1990*

## *Gyokai*

### Industry Associations

**The effectiveness of these associations and their operations reflect a strong sense of their 'industry' as a community.**

**It is a function of the group consciousness manifest in so many other spheres of Japanese life, demonstrating the willingness to accept the constraints and comforts of group membership.**

**Partly it is a consequence of the almost direct organizational continuity between feudal guilds and modern industrial associations.**

*Ronald Dore: "Flexible Rigidities" 1988*



**The Toyoko Inn Group**

*<http://www.toyoko-inn.com>*

**The Funeral: *I will be president***

**The Challenge: *“Accepted”***

**Staffing: *Women***

**Ownership: *Leasing***

**Concept: *Comfortable essentials only***

**Organisation: *Develop, operate, maintain, market***

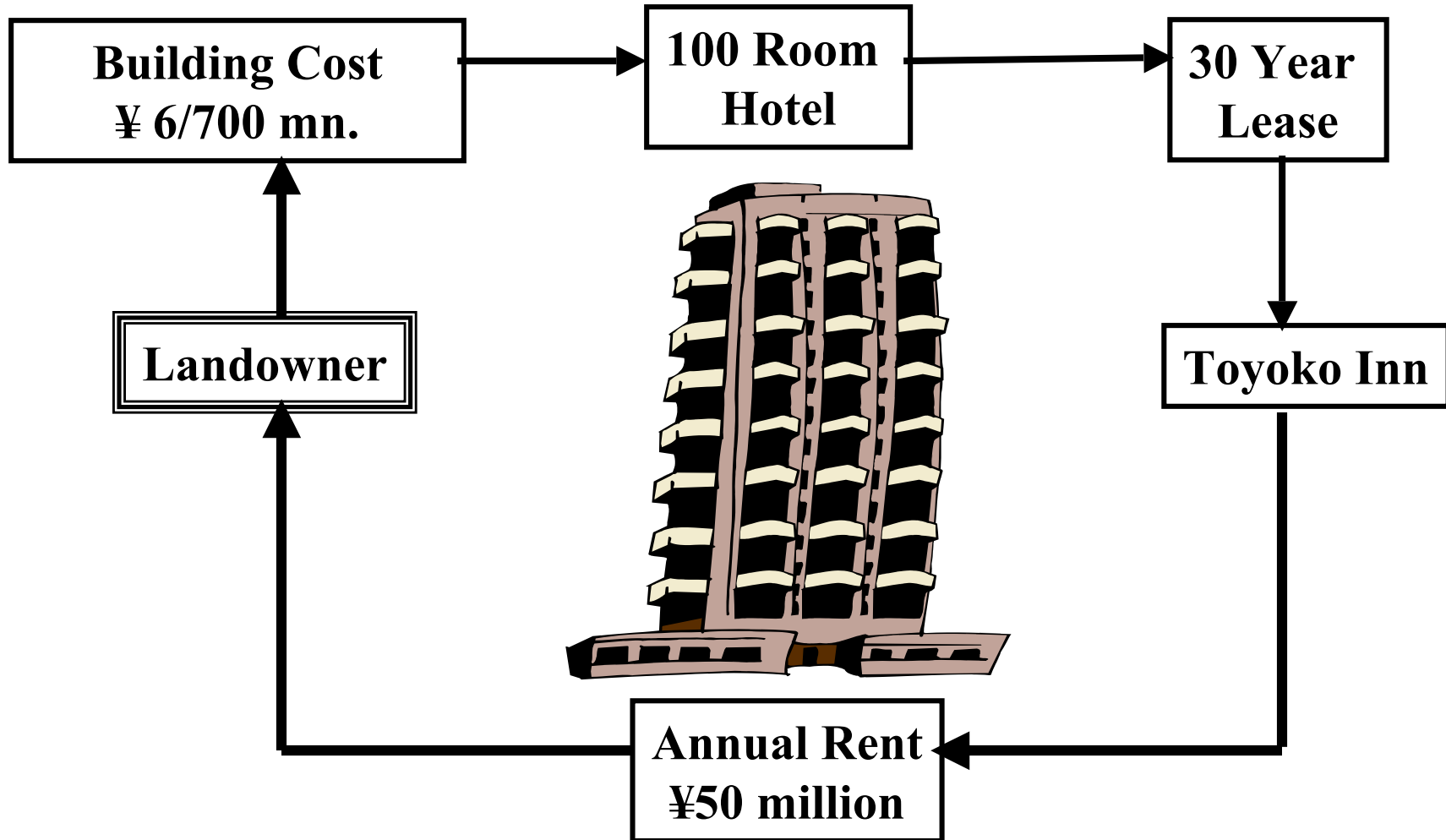
**Bonuses: *Made to measure:-***

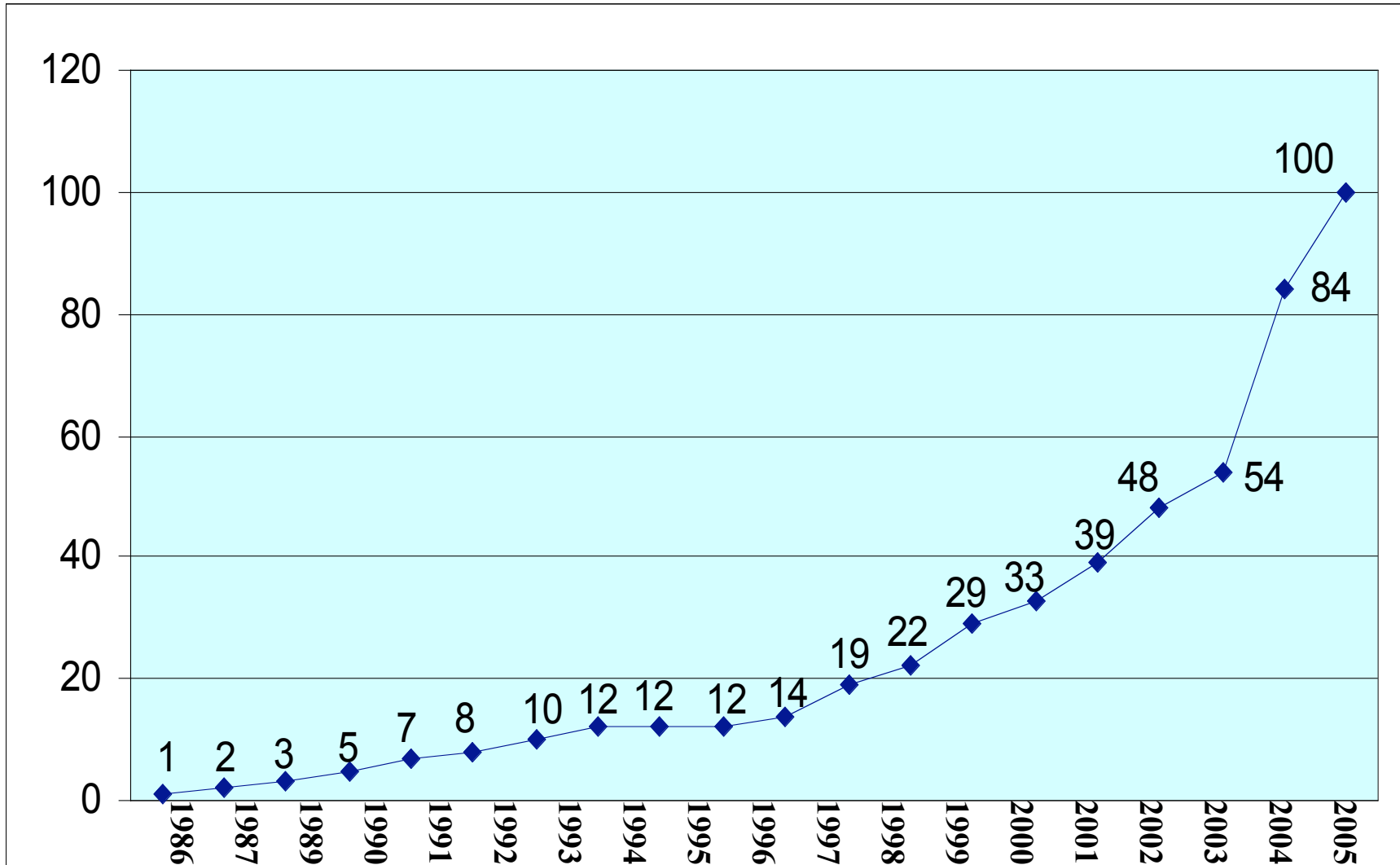
*Back room: automatic*

*Hotel and development staff: results based*

**And the future.....*Managing growth***

# TOYOKO INN – OWNERSHIP MODEL





## **TOYOKO INN – GROWTH 1986-2005**

### **Number of Hotels**



## QB House – “10 minutes – Just Cut”

*qbhouse.co.jp*

**Owner:** *persistent, thorough, courageous*

**Concept:** *simple, quick, cheap, good quality,*

**Money:** *“shibuchin ginko”*

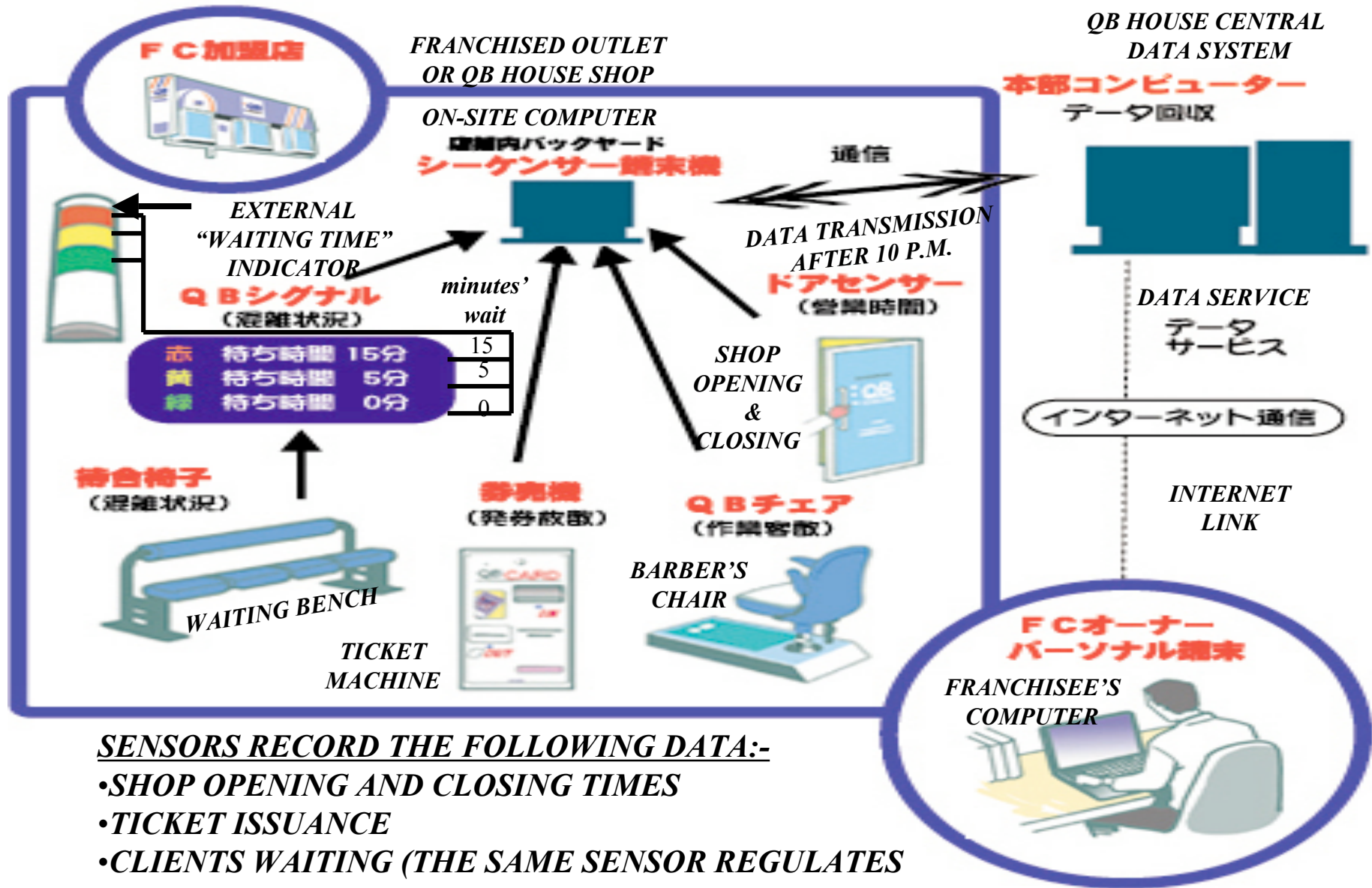
**Procurement:** *practical solutions*

**System:** *staffing, franchising, IT, ergonomics*

**Customers:** *anyone*

**Gyokai:** *obstruction*

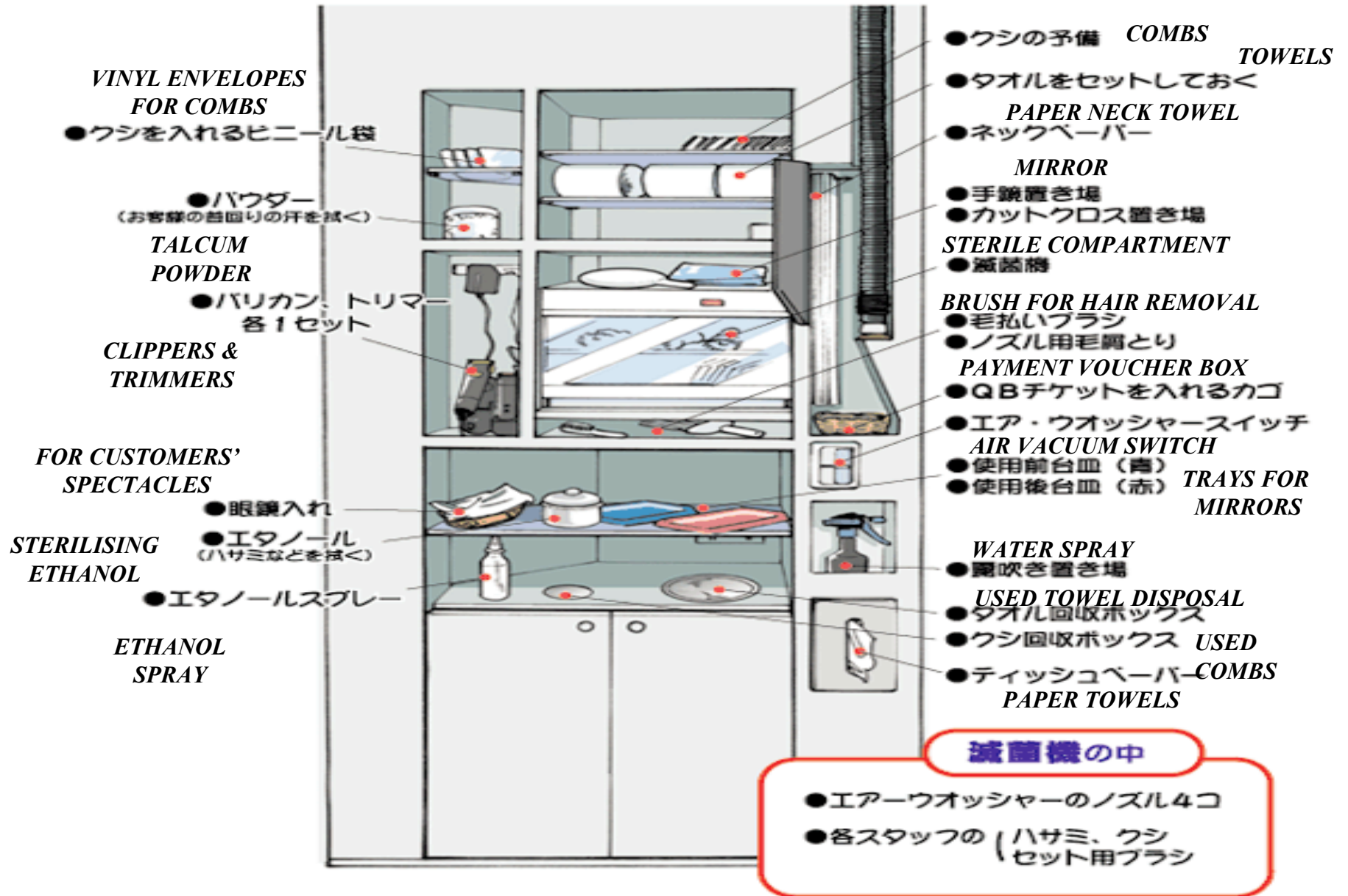
**The Future:** *managing growth*



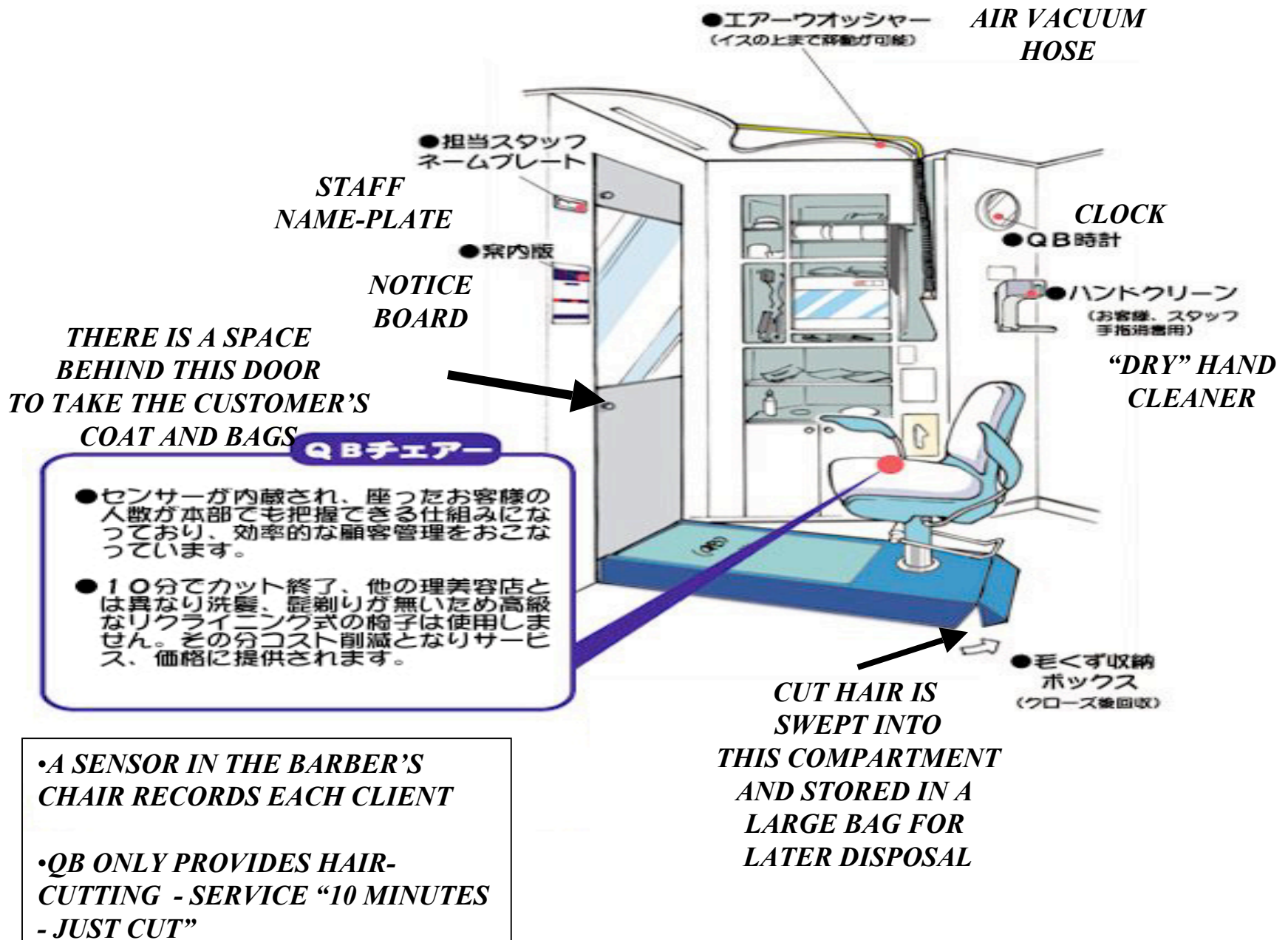
**SENSORS RECORD THE FOLLOWING DATA:-**

- SHOP OPENING AND CLOSING TIMES
- TICKET ISSUANCE
- CLIENTS WAITING (THE SAME SENSOR REGULATES THE EXTERIOR WAITING TIME INDICATOR)
- BARBER'S CHAIR OCCUPANCY

**ALL DATA IS ACCUMULATED LOCALLY AND SENT TO THE QB HOUSE CENTRAL DATA SYSTEM AFTER 10 P.M.**

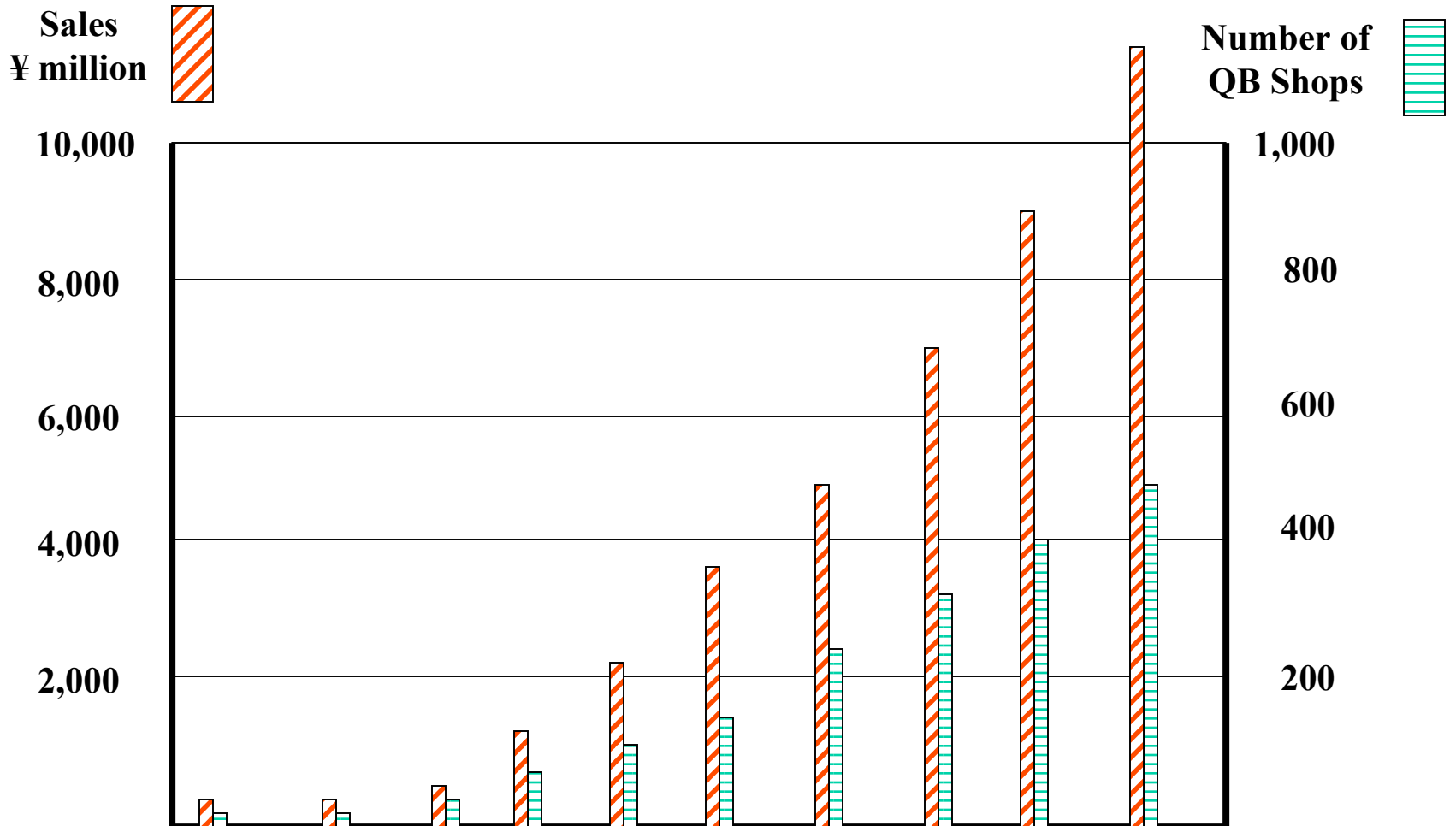


**IN THE STERILE COMPARTMENT**  
 •AIR VACUUM NOZZLES  
 •SCISSORS, COMBS, BRUSHES



*Exhibit 6*

## QB House - Growth



**YEAR**

**97    98    99    00    01    02    03    04\*    05\*    06\***

**Yen Million**

**115    358    865    1,400    2,400    3,600    5,000    7,000    9,000    12,000**

**Number of Shops**

**4    16    37    57    95    150    220    310    400    500**

**\*Estimates**



**QB Shell Cubicles at Changi Airport**



NIPPON CERAMIC

[www.nicera.co.jp](http://www.nicera.co.jp)

Owner: *redundancy*

Bedroom: *to garage, to prefab*

Scrap: *for building equipment*

Equipment: *DIY*

Money: *in advance*

First product: *remote controller*

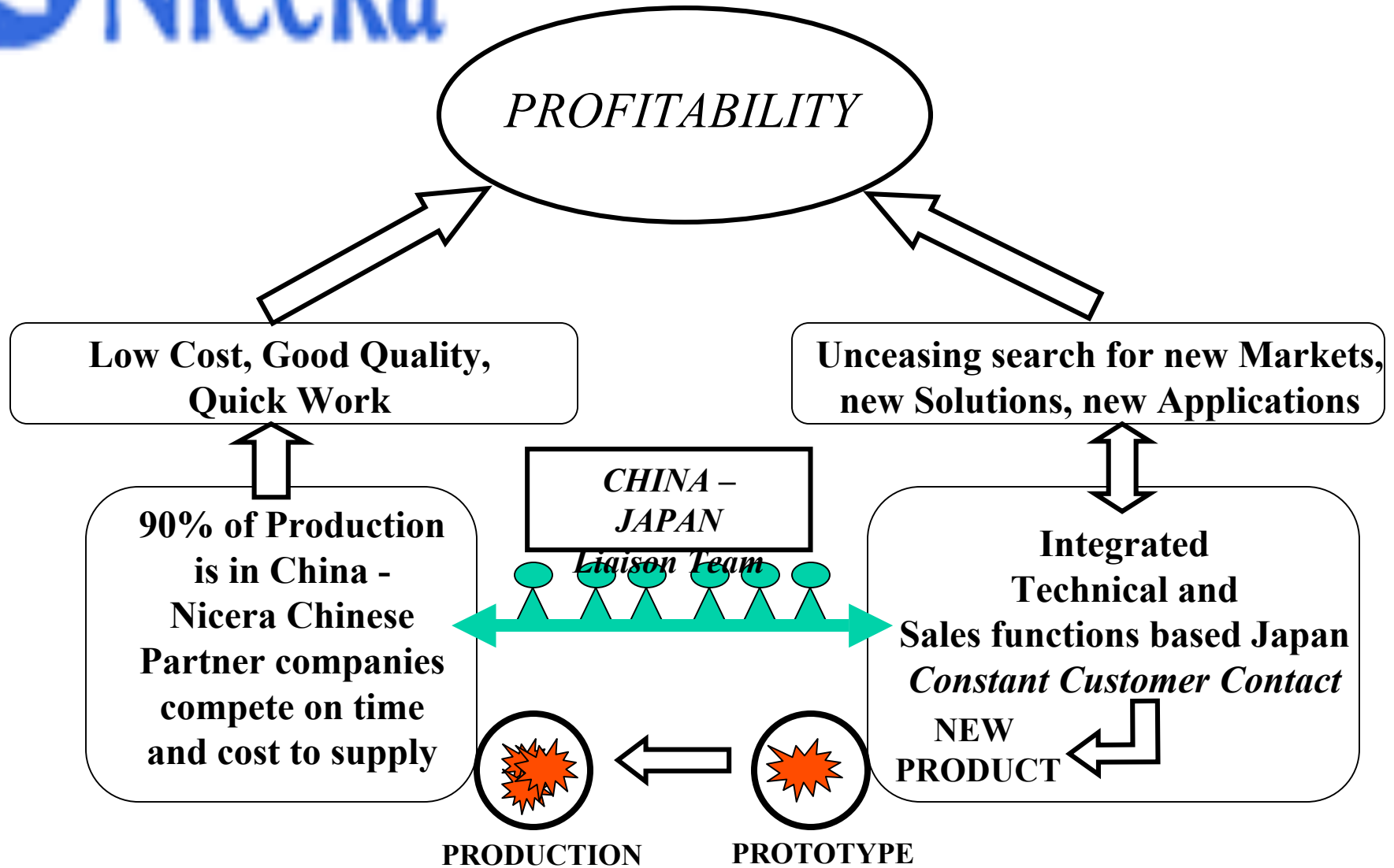
On the road: *AT & T, GE*

China: *before dawn*

Customers: *inspiration*

Success: *a trap*

***“We must still keep running”***



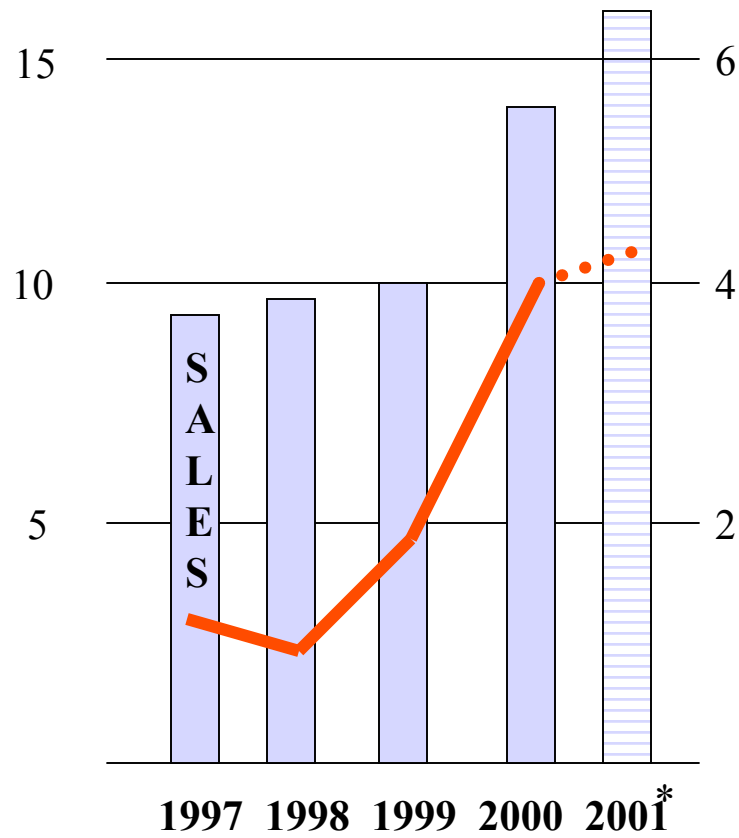
# Nippon Ceramic

## Contributions to Profit in Year 2000

Ferrite 37.3% - Modules 14.9% - Infrared sensors 14.6%  
Ultrasonic sensors 6.7% - Others 26.5%

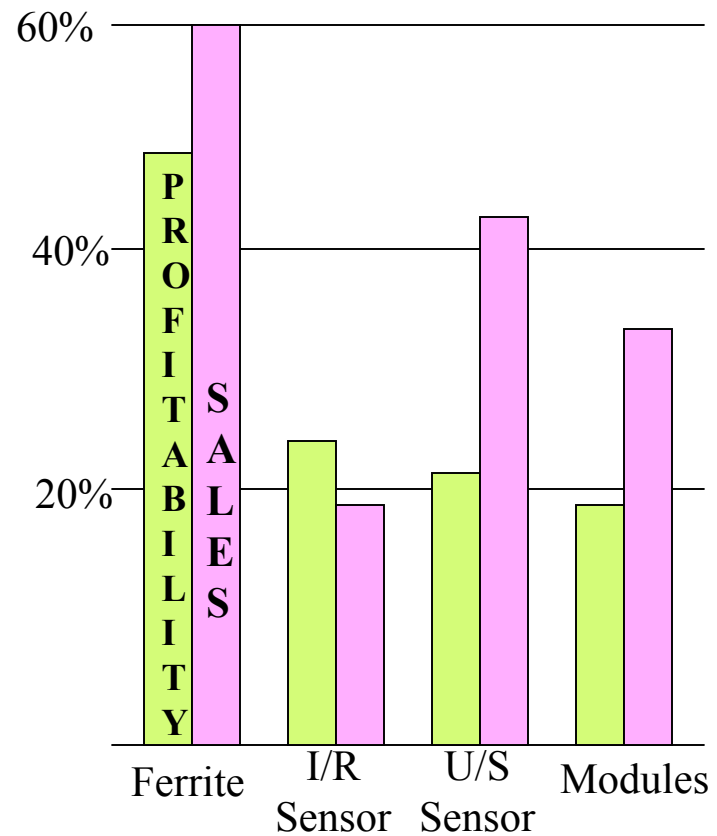
**SALES**  
 ¥ Billion

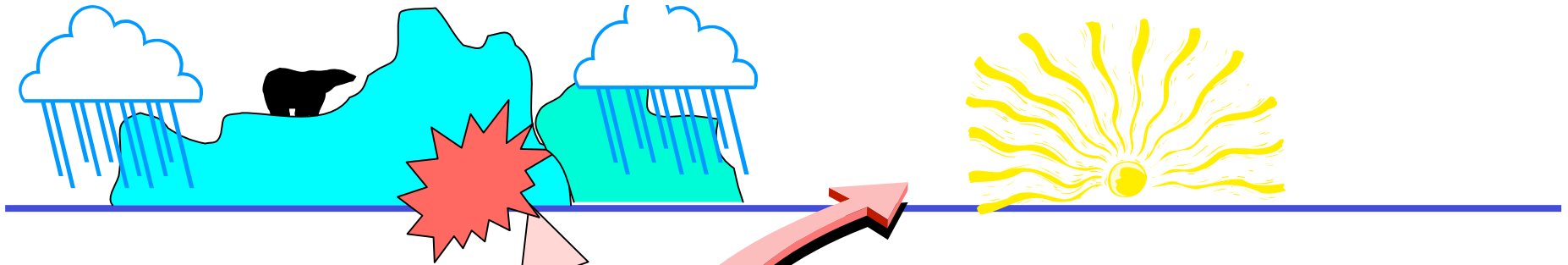
**OPERATING PROFIT** ¥ Billion



\* Estimate

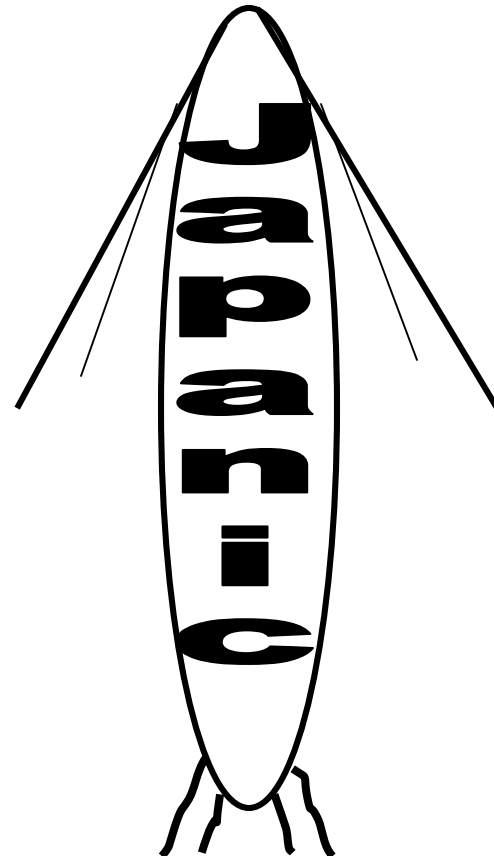
**SALES & PROFITABILITY**  
 Jan/Dec 2000 cf. Jan/Dec 1999





Will it SINK?

Or SURVIVE??



*Leave it to  
The  
Entrepreneurs!*