Is Japan Creating an Entrepreneurial Economy?

SPRIE Seminars

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Yoko Ishikura
Professor, ICS, Hitotsubashi University
I Two separate and completely different views of Japan

Past View

Status of Japan
“Strong” Economy & People

Readiness
Good Old Days

Value added
“Manufacturing”

Future View

Soon to be surpassed; New skills?

Not ready for the 21st century

Concepts and Systems

=> Makes it difficult to face the realities and to take a step forward to resolving the issues
Reasons behind two different views

**Institutional**
- Ministerial/sectoral views
- Rigid regulations and markets
- Risk averse society
- Understanding of technology

**People**
- Decreasing value of knowledge
- Little training of logical thinking
- Absence of top down, broad-based perspective
- Few people with diverse experience
Innovation 25

- “First” broad-based approach to tackle social system as a whole.
- Still stage of “discussion”, with few specific policies for implementation
- Strong political leadership absent
- Scale, speed, thoroughness needed
- Little recognition of the recent surge of innovation in Asian countries
Cluster initiatives

Advantages
- Departure from government-directed Industrial policy

Needs
- Comprehensive, top-down approach with political leadership
- Continuity
- Absence of a global perspective
- Base from local assets
- Lessons from actual experiences and case studies
- Different and a variety of policies for different clusters
=> No big picture, no details
II. Current status of entrepreneurial activities in Japan

Some progress in the past decade
Education/training for entrepreneurship
Legal reforms
Stock Markets for ventures etc.
Still quite a gap, compared with other high income countries (start up, TEA as % of GDP)

Note: Japan-Average 2004-2006, Other countries - 2004
Source: SME White Paper 2008 (JAPAN)
SME White Paper 2007 (Other countries)
(Global Entrepreneur Monitor 2007)
Concerns

Ventures

- University ventures: 1590 (cum. 2006)
  - Difficulty in hiring competent people
  - Funds
  - Sales channels

- Ventures in general
  - Not aggressive in overseas expansion
  - Inadequate funding

Source: METI About creation / the growth of the venture company  2007
Concerns

- Large corporations
  Emphasis on actual track record
  Not active in seeking venture
  Technology buried within

Source: Research Industry Association Report 2006

What happened to the R & D not Commercialized?
- License: 61.4%
- Continue R & D: 25.7%
- Discontinued: 7.3%
- Disclose R & D output: 6.6%

Little support to outside ventures (85%)
- Do not support: 15%

Source: Japan Techno-Economics Society Report 2006

Little incentive for spin-off (90%)
- No system: 90%

Source: Research Industry Association Report 2006
Funding

Outstanding value of VC funds
very small vs. other countries

% of GDP (GEM)
Very small

Source: Venture Enterprise Center Investment trend report 2007
NVCA Year book 2007
More concerns for the future

Trend among the graduates for their attitude to job/career

University students - preferred work style

Source: Recruit MP Job for college graduates (2008)

Entrepreneurial skill level

Source: Dr. Rebecca Harding [GEM UK2006]
More concerns for the Future

Those who ln to stay with the same Company

Those who want to start a business rather than seek promotion at a company

Source: Recruit MP Job for college graduates (2008)
III. HOPE?

-Unconventional way to reach/support young generation?

- Some companies with global niche, user-generated contents, start-ups with high aspiration and social impact

  Global niche : Horiba, NIDEC

  UGC : Muji and Cuusoo

  Social impact : THine, Watami
THine Electronics

Fab-less company based upon open system
Focus on own brand LSI
Extensive alliance and collaboration
Capitalize on the local advantage of Asia
Quite vocal in public policy areas
Watami Co., Ltd
Financial Highlights

Kyoto as home of early entrepreneurs going global?

- Healthy competition among firms — appreciation of being different and truly unique
- Old Capital with appreciation of real Value
- Long history of business-univ. collaboration
- Respect for local arts & crafts
- Intense network among firms

=> Other examples of city/area to go to the Asia World directly?
R&D-driven, de facto standard in auto emission measuring equipment, evolved along with the increasing attention given to emissions

=> Global outlook from the beginning

=> Significant acquisitions overseas
Horiba, Ltd.

Sales by Region

Source: http://www.jp.horiba.com/ir_e/regional.htm
Focus on global niche market (small precision brushless motor)
Enter first and expand uses
Mass production covering many segments
Aggressive M&A around technologies
Unique approach to post-merger integration

=> Open and integration

=> Almost ridiculous global target
NIDEC Corporation

Net Income and Operating Income  Total Shareholder’s equity and Total Assets

Source: http://www.nidec.co.jp/english/ir/highlight/index.html#graph
Network among firms in Kyoto

Source: Cluster Study group, University of Tokyo
All four elements of the Diamond model in place with significant role played by the government in the early stage.

Challenge now is how to sustain competitive advantage in the rapidly growing world market.

=> Global Open System?
Japan turned out to be an appropriate nation for the car navigation industry to settle down in and develop. The concentration of competitors, consumers and producers leads to efficiency and specialization, and, even more important, to improvement and innovation.
Open platform as Intelligent Transport System

Separate navigation from the auto control
Propose open platform for more extensive applications
Remote diagnostics
Information search on the spot
Safe drive and assured security
Fuel economy based upon optimal speed drive
Energy saving and environment-friendly