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# ***Family business in Japan***

~strength and importance in the  
Japanese economy~

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## ***Quiz on FB***

- When the world oldest family business went bust, how old was that company?  
a. 356 y      b. 515 y      c. 849 y      d. 1428 y
- Where was the oldest family business's head office?  
a. China      b. Japan      c. Italy      d. Egypt
- Where is the oldest family business now?  
a. China      b. Japan      c. Italy      d. Egypt
- How many FBs in Japan have business history of more than 100 years?  
a. 500      b. 800      c. 6,000      d. 30,000



# ***Strength of FB: Is the perception that FB is an outmoded way of running business true?***

'4Cs' : Continuity, Connection, Community, Command  
(by Danny Miller, Professor of HEC Montreal)

## 1. Continuity

- The ultimate goal of the company is a long-term success, like passing tasuki (button) to the next generation like Eki-den race. Short-term growth and profit is not their objective.
- This leads to the behavior aiming at lower leverage and high internal reserve to minimize default risk.
- Recession where resources and assets are cheap is a good time for FB to invest (built-in stabilizer effect for the whole economy)



# ***Strength of FB***



## 2. Connection with business partners, clients and society

- Trust based on long-term relationship is the most important asset for FB to inherit from generation to generation.
  - Key factors for longevity (Old FB survey conducted by TDB)

1. Maintaining trust	65.8%
2. Innovation	45.5%
3. Quality improvement	43.0%
4. Regional connection	38.6%
5. Maintaining tradition	34.6%
6. Succeeding technology	34.5%
7. Succeeding customers	27.9%
- “Company credo of Sanpo-yoshi (Good for three sides)” by Omi merchants in Edo era
  - Good for seller, buyer and society: Don’t put too much emphasis on your own profit, think about making the public happy!

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### 3. Community-like organization

- Organization which shares common values and where teamwork generate power
- Employee satisfaction leads to client satisfaction
- The role of 'Banto' (non-family CFO) in merchants of Edo era : business management and advising CEO in a disciplinary way

### 4. Command: strong leadership and innovation

- Quick decision and action
- Innovation to survive and preserve 'family's own money' (cf other people's money)
- 'Open innovation' not in Linux but in Karashi-mentaiko 60 years ago



**Mentaiko: open innovation**

## ***Challenges for FB***

- **Business succession: biggest risk for FB**
  - **Lack of successor: well-designed educational program for kids is KSF**
  - **Inheritance tax burden: the government role**
  - **Personal guarantee on bank loans: cash flow based lending**
  - **Lack of succession planning: succession is not an event but a process**
- **Business planning and management**
  - **Lack of HR: effective use of outside advisors (eg Family Business Institute <http://fabis.jp/> as your family office)**
  - **Going to other markets to preserve its presence and values in home regions**
  - **M&A is going to prevail but effective post-merger integration is a key.**



## ***Role of FB in revitalizing regional economies: as a major stakeholder***

- Revitalized regional economy is a necessary condition for prosperous FBs.

- Establish value chain in the region
- Human resource development in cooperation with local universities and other educational bodies



- Collaboration within the region to create value

Okage street in Ise by Akafuku

- Local intangible assets reinforce corporate value and brand strength

- Use of unique culture and history to avoid excessive price competition
- Incentive to preserve and regenerate intangible assets



Shojin cuisine (vegetarian menu) for monks in Kyoto

- METI has started to explore a new policy to enhance FB-led regional revitalization



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