

# Successful Strategies of Small and Medium-Sized Enterprises in Japan

By Hashimoto Hisayoshi

Fourteen years ago I decided to visit a few factories every Thursday, and since then I have toured 2,403 of them, talking with managers and technicians each time.

You might think I would be bored after visiting so many, but that is not the case, because in every factory I can see the results of hard work. When I go to a factory with 1,000 workers and see the extensive use of advanced technology, I think, "Size has its advantages." When I visit a smaller factory, maybe with only 100 workers, I find a sophisticated technology built up by all of these workers' skills and know-hows. But for me the most impressive of all are the really small factories – they may have only 30 workers, or just five, but they have opened my eyes to the miracles people can perform through attention to detail.

Thus, almost all factories in Japan, large and small, have a tremendous asset – workers who pay attention to detail. In small factories, everyone, from the company president at the top to the part-timer at the bottom, is working as hard as he or she can to keep the company from falling behind in the race for technical innovation. This is the atmosphere that greets me every time. Small and medium-sized factories in Japan never fail to move visitors with their dedication to excellence.

This dedication to detail is a matter of course if we ponder it. Japanese workers earn ten to 50 times more than those in developing countries, and energy costs are about four times higher in Japan. Everything is expensive in Japan, but Japan has managed to compete with developing countries by producing better quality goods at competitive prices. They would have failed by now if they had tried only to be as good as the average.

## A World of Opportunity Awaits Small and Medium-Sized Enterprises (SMEs)

Many SMEs in Japan are in dire straits, but it is completely wrong to assume that there is no hope for them.

Today's market trends offer SMEs more and more opportunities. They can, for example, use the Internet to market their products directly to companies worldwide and procure materials more cheaply. In today's matured market, where consumers already have a wide range of excellent products to choose from, they tend to look for something unique, something different from what other people have. Consequently, the market will become increasingly subdivided and specialized, creating opportunities for SMEs, because they are more agile and adaptable in finding new ways to satisfy the latest consumer demands than large companies. Today's market will offer many business opportunities to SMEs in Japan which are creative, innovative and willing to take risks.

They can also take advantage of Japan's high unemployment rate. Unemployment has created a pool of highly skilled people who either lost or quit their jobs at large companies and highly ambitious young people, and they are willing to work for SMEs. Some companies employ technicians who have gained work experience in a section of a large corporation, and make use of their experience to develop new fields. Thus, we can say that one of the most important strategies for SMEs is to make the most use of opportunities.

## Qualities Needed To Manage an SME Effectively

From my experience of visiting many enterprises, I found that all company

presidents, who have carried out excellent management and compete well in the global market, share a number of superior qualities. I will list eight of them below.

### *A loud voice*

When a company president goes around speaking in undertones, the employees are uneasy and cannot concentrate on their work. This is true even when they are fairly sure he is not talking about them. Uncertainty will rule the workplace, and employees will wonder if the company is on a slippery slope downhill. But when the president speaks loudly, his employees know right away what is on his mind, and this creates a feeling of unity. In this open atmosphere, they are eager to work together to achieve the company's goals. A president who speaks loudly promotes transparency within the company – "transparency" has only recently become a corporate virtue, but presidents who speak loudly have been promoting it for decades.

As a somewhat flippant example, the president's loud voice will make clear to everyone which clients he was drinking with last night, which bar they went to, what they sang, and how the evening might lead to a new contract. When his employees are aware of the facts, they will even be willing to be concerned about his hangover.

One company president with a very loud voice is Suzuki Teruo of Gorin Packing Corp. in Iruma, Saitama Prefecture. He lost his father when he was a boy and was forced to help support the family by delivering milk and newspapers. He says this experience naturally gave him a loud voice. When he graduated from high school he aspired to establish a company with four of his friends. The five of them banded together, and this is the origin of the company name, *Gorin* (Five

Wheels). Suzuki, as a leader, keeps his voice hoarse as he spurs his employees on to greater efforts.

Suzuki specialized in a niche for his company in the unique sector of precision packing for electronic devices. His company stays well ahead of its competitors, and is receiving an increasing number of orders as manufacturers produce more and more computers and mobile phones. He expanded his businesses by opening factories in the Philippines, Malaysia and China, and is encouraging the local employees to work at their full potential. He aims to make his company the world's best manufacturer of packing material.

#### *Ambition*

Especially great ambition with clear goals. Successful presidents of SMEs need to be ambitious as well as energetic to achieve their goals. If a company president has no future vision and does business aimlessly, the employees will also exhibit no ambition or zeal. Talented youths will not be attracted by such dull companies.

There is a well-known story about Son Masayoshi, the president of Softbank Inc. When he launched the company, he stood up on a wooden apple box and addressed his two employees: "We are going to make this company grow so big that in 30 years it will have annual sales of ¥1 trillion!" The two employees were so taken aback by this that they quit within a week, but Son has almost achieved his ambition.

#### *A positive attitude*

Even when they fail, they fall forward. After all, when they are on the ground they gain a different perspective and can find another opportunity to rise again quickly.

Plus Electric Co. designs and manufactures microcomputer application devices in Hamamatsu, Shizuoka Prefecture. It is now well respected as an industrial robot maker, as it has developed numerous creative industrial robots according to the client's needs.

The company rode the boom of the late 1980s and early 1990s, increasing



*Suzuki Teruo, president of Gorin Packing Corp., gives encouraging words to his employees*

its sales by leaps and bounds each year. The company president, Jotaki Norio, thought that was a good time to build a new company headquarters on prime land in Hamamatsu Technopolis, and made a spacious president's office in the building. But then Japan's economic bubble collapsed, evaporating the company's sales and pushing it to the brink of bankruptcy. Jotaki's response was phenomenal – he quickly sold his beloved new building and moved the company's headquarters back into its old premises (which were being used as a warehouse after the initial move). He followed this up by restructuring the company and taking an entirely new approach to business. His colleagues were appalled by his positive attitude.

Another example is Taguchi Pattern Works Co. in Kawaguchi, Saitama Prefecture. When orders dried up because of the recession, the company president decided that the slack period was an opportunity to develop a new type of contact with his former clients. He sent his maintenance staff to clients who had purchased his company's wooden patterns for casting, which are used around the world, and performed the maintenance without charge. The president thought this was better than having his staff do nothing, and it was a way to pick up ideas from former

clients. Actually, maintenance is the best way to learn about the various techniques developed by users. Many of them were using the wooden patterns in surprising ways.

His faithful attitude created plenty of good will, and the company is now enjoying boom times again.

#### *Curiosity*

They are interested in everything. They want to know everything, from information technology and 3D-CAD (Computer Aided Design) to football, opera, bungee jumping, fractal, insurance murders, human gene analysis, Indian movies, and everything in between. Curiosity leads to knowledge, and then to new ideas that can be translated into business.

Sobukawa Takahito is as curious as the proverbial cat. He is the president of Dasco Corp. in Hamamatsu, Shizuoka Prefecture. He organizes various kinds of get-togethers by himself and listens to every interesting story there. His curiosity has taken him to many places and spurred him on to do all kinds of interesting things. Out of his travels and activities has come the inspiration he needs to develop many different products.

One of these products is a portable water purifier that can change water



Many Japanese newspapers ran features on a novel gear wheel made by Juken Kogyo Co.

from a swimming pool or river into drinking water. The purifier works on either electricity or gasoline, and if these are not available it can be operated manually as well. The purifier can be carried by two adults and set up anywhere. Municipal governments are beginning to realize that Sobukawa's purifiers are must-have items to keep on hand in the event of a natural disaster.

Another is the Water Packer, a product that fills polypropylene bags with drinking water and seals them. The Water Packer is now a big hit. If a natural disaster were to strike, getting sufficient drinking water can be a serious problem. Even if a water truck can get to the victims, it cannot always be an effective way to supply water, and there is a possibility that not all victims have enough water containers. The Water Packer prepares the water in advance, so that it can be stored and delivered after a disaster. Large quantities can be delivered at a time, and there is no need for another container. Sobukawa says he got the idea when he was gazing at Niagara Falls.

#### Humility

Company presidents should be humble enough to realize that good ideas can come from anybody.

Morioka Naoki is the president of Nittaku Sangyo Co. in Kanazawa, Ishikawa Prefecture. His business has been successful since he adopted ideas from a part-time housewife worker. Her ideas were used to develop the company's Japanese-style mini-garden kit for apartment balconies. The kit includes decorative stones, traditional standing lanterns, and plants to make a small hedge. Another popular item produced by the company is a tea room that can be transported by truck. Morioka grins, "You would be surprised to know that some people want to buy such curious products!" Some of his products have not been well received of course, but he keeps taking ideas and translating them into consumer goods. "Almost anything can be used somewhere. The important thing is to try it out on the marketplace."

#### Humor

Company presidents will never convince their employees with an interminable sermon. Employees are busy too, but they will remember the speech if it is short and sprinkled with jokes. This is a quality shared by successful presidents.

Ishikawa Masaki, a leading figure in the metal plating industry, is the president of Ishikawa Metal Finishing Co. in Kita-Kyushu, Fukuoka Prefecture. He is always telling jokes, getting laughs from anybody at any time. When he is thinking about something quietly, you might assume he is dreaming up some new product, but actually he is only thinking of a new joke to tell. When he is laying down the law or instructing his employees in better work habits, he is sure to tell some jokes at the same time, and his workers are just as sure to listen wholeheartedly. Ishikawa is trying his best to lift his company out of the financial difficulties caused by the current recession, but I am sure he will succeed because he has many people on

his side, his employees work as a team and he is always eager to develop new markets.

#### *The ability to make the company stand out*

The most difficult challenge for SMEs is to keep sales up. Many companies have gone under even though they had top-notch technical skills, because the consumers who needed their skills did not know about them. So standing out is very important for SMEs.

Matsuura Motoo acknowledges that his company stands out above the rest. He is the president of Juken Kogyo Co. located in Toyohashi, Aichi Prefecture. The company was in the news recently because of a novel gear wheel it developed – it has 9 teeth, weighs only 1/100,000th of a gram and measures only 0.25 mm in diameter. Technicians in the company assembled these tiny gears with other parts to make a miniature epicyclic gear mechanism, which was a hit in the media. Unfortunately, however, it serves no useful purpose, but Matsuura is still happy with it. He remarks, "You wouldn't go to a park to see a kid on a swing, but you would want to see an acrobat on a swing at a circus. So we offer a circus attraction. We want to be noticed! It is true the gear is not useful. Nobody wants to buy it. But newspapers and magazines have featured it, and this turned out to be a good result for us – companies around the world asked us to make some ultra-miniature component, or to develop some high-precision process."

Juken Kogyo Co. is now trying to achieve three goals to stay famous: (1) to produce a metal mold in just two hours, faster than any other company in the world; (2) to make the world's most precise metal mold for a gear wheel weighing only one-millionth of a gram; and (3) to develop a system that permits the company to deliver a product anywhere in the world within 48 hours after receiving the order.

"If a competitor says they can make a product in four days, you might think three days would be a big improvement on that. But you are not even going

half way. Try to make it in 30 minutes! That is our approach," Matsuura said excitedly.

Matsuura is also known for his frugal nature. He tries to maintain inner reserves to avoid borrowing from a bank. If a stockholder wants a dividend, he finds a way to get rid of him. The executive officers receive no bonuses, and after-tax profit is plowed back into the company. All excess funds are held as inner reserves. He exaggerates with a grin, "If there is a bill to pay, let someone else pay for it. In Japan even local telephone calls cost money, so we wait for people to phone us – especially when the conversation could take a long time. When I eat out with someone, I wait for the right moment and say, 'Thanks for inviting me!'"

Keeping a firm hand on expenses and boosting inner reserves is important. Matsuura had the last laugh when he says, "I know lots of company presidents who wanted to look good with an open wallet. Many of them have gone belly up."

#### *The ability to motivate people*

In other words, the ability to get people to work for you. SMEs do not have many employees, and even if they all work to the best of their ability, there are limits to what they can do. Clever managers will find ways to get people from other companies and various organizations to help them as much as their own employees would. Such people include technicians at the parent company; personnel at a store that sold them equipment; researchers in a local government industrial center; friends in other industries; professors at a local university; and advisors working at a government organization.

This is not to say that they can easily get someone from outside their companies to offer services as if they were working for the companies. If people respect the company managers they will be glad to lend a hand, but if not, it is quite hard to get them to work for the companies. So if managers want to call for help, it is important they have the good will of everyone around them.

This means that the presidents of successful companies are always ready to be of service. They are all optimistic, a ready talker and eager to help others. As an example, they are willing to organize meetings with people active in other industrial sectors. When people are around, they are doing their best for those people. Naturally they can gather information from those surrounding them, and some of this information could be very valuable indeed. As a result, managers with this kind of service-oriented attitude gain benefits.

Of all the managers I have met, the most capable ones are those who can recognize the strong points of others and bring out those strong points fully while motivating them to work for their companies. They can do this even if those outside people are incompatible with them.

There are three ways managers of SMEs can motivate people to work to the utmost of their abilities: he or she can threaten them, entice them and make them happy.

Personnel will work as hard as they can if they are afraid of being fired. Threats are, it must be admitted, an effective way to motivate someone.

Enticing someone can also be an important motivational tool. For instance, managers can tell workers that they might gain something by working hard.

But the best motivational tool is to show them that their work is worthwhile as well as fun in itself. I like watching the all-female musical extravaganzas of the Takarazuka Revue Company because every woman on the stage is doing her best and enjoying herself at the same time. In every show, just before the final curtain, all the performers appear on stage for the finale. Even the young women far from the center of the action dance with all their heart and energy, although nobody might be looking at them. I have heard that they receive only a pittance for performing, but they want to sing and dance – for them, true happiness is being on the stage. They have studied at the Takarazuka Music School and this is their chance to show

what they learned. That is enough for them.

If SMEs can motivate their staff to think like this, they will surely succeed.

Workplaces blessed with this attitude abound in Japan. Working and developing something are all enjoyable in themselves. A salary and benefits are not the main motivating factor. Successful company presidents cultivate this type of work ethic by talking with workers who are doing their best, finding someone to advise them when they need help, and sometimes offering advice and help themselves.

#### **Conclusion**

I am often asked what strategies SMEs should have. I don't believe strategies in themselves do much good. Some analysts will say, with an air of importance, that a certain company succeeded by following such-and-such a strategy, but it is far more likely that the strategy was not important, and that other companies with the same strategy have failed.

As far as I can see, the most important thing for SMEs is hard work – sparing no effort to do the job at hand, working harder than any other company. This includes mobilizing every available people's knowledge, know-how and relationships to succeed. When customers want something done a certain way, they do it that way. There is no shame in bowing to the wishes of the customer.

A company should be ready to fill any order, no matter what it is. This means that SMEs should keep honing their skills so that they can accept any job relevant to their field of expertise, and keep adapting to meet every challenge. Doing this, while maintaining a vision and sense of adventure, is the key to success for SMEs. JTI

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