

## **SCIENTIFIC REVIEW**

# **Resilience and Entrepreneurship in Japan**

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## **ABSTRACT**

*This cultural resilience is reflected in the business world, where companies prioritize long-term stability and continuity, even during times of crisis. The concept of "kaizen," or continuous improvement, is deeply ingrained in Japanese business culture. Companies regularly review and refine their processes, systems, and products to enhance efficiency, quality, and resilience.. This includes investments in automation, robotics, artificial intelligence, and digitalization to improve efficiency, agility, and adaptability. They often collaborate with industry peers, research institutions, and government agencies to share best practices, insights, and resources for building resilience. In the analysis of entrepreneurship in Japan, rich literature was used as well as the most important indicators of entrepreneurial development. Author pointed out the obstacles of the business environment in the country and the influence of cultural, social and economic factors that distinguish this country from others are recognized. Finally, it is concluded that this collective approach helps companies learn from each other's experiences and strengthen their resilience collectively.*

**Keywords:** companies, resilience, kaizen, entrepreneurial development

*JEL classification: L29, H12*

## INTRODUCTION

Population is important in determining the size of a given country. However, for further analysis that includes the most important indicators of economic growth and inclusion in global flows, size is not the only important issue. Namely, the structure of the population is also an important factor. Japan is the country with the fastest aging population in the world. As of 2023, more than 1 in 10 people in Japan are now aged 80 or older, and almost a third of its population is over 65 – an estimated 36.23 milion [20]. This aging population is having a profound impact on Japan's economy, workforce, and society. In line with this, the aging of the population has recently been the main subject of experts' attention, as has the decline in fertility [5]. The decline in fertility can be explained by the fact that women in Japan are not ready to give birth and raise children alone due to the traditional model of upbringing. In addition, girls do not marry as quickly as their mothers' generations, so they give birth to children later. In addition, women's careers and business success have become increasingly important. Slowing down marriages also means retardation of childbirth.

Based on a survey conducted in 2022, about 6.1 percent of respondents between the ages of 18 and 34 in Japan said they were in the process of starting their own business [16]. This is an extremely small percentage and creates fear among experts for the future of entrepreneurship development in this country. Namely, there is concern that an aging population could lead to a loss of entrepreneurial spirit [13]. However, it is important to note that this is not entirely true, given that many older individuals can contribute significantly to entrepreneurial activities. In fact, seniors make up a third of all entrepreneurs in Japan [15].

## ENTREPRENEURIAL ENVIRONMENT

The business environment of any organization includes competitive, cultural, demographic, economic, natural, political, regulatory, and technological factors (called environmental factors) that effect the operations, and growth of an organization.

According to some recent research, the number of entrepreneurship universities in Japan that are ranked high in the world is increasing. For instance, the University of Tokyo is ranked 41st in Asia and 510th in the world for entrepreneurship [3]. At the same time , the number of entrepreneurs is decreasing. Thus, according to the list published by Approved Index, Japan is ranked as the 4th country with the least entrepreneurship in the world [2]. Therefore, many scientists who deal with this field rightly wonder where the entrepreneurs have disappeared and why the interest in performing entrepreneurial activities has decreased. Many experts look for the reason for such a situation in the fact that the status of entrepreneurs in Japan is not high and that society's perception of entrepreneurs is neutral. Therefore, "the typical Japanese parent often does not support his or her child's aspiration to become an entrepreneur." Instead, they choose an elite public university for their children, in order to get a job in a big company like Mitsubishi or Mitsui after they graduate. A well-known public company, such as Toyota or Hitachi, is also sufficient. Because of historical patterns of lifelong employment (shushin koyo), the vast majority of parents still believe that these paths represent the most stable careers, the highest cumulative pay, and the most prestige. In the last ten years, Japan faces several challenges that impact its entrepreneurial climate. These include not only an aging population, but a strong yen, and a relatively inhospitable climate

for start-ups. In this context, a report done by the Ministry of Economy, Trade and Industry showed that the number of new businesses in Japan increased by 4.5% in 2020, with a significant portion of these being digital startups [1]. The report also highlights the importance of digital transformation for small and medium-sized enterprises (SMEs) in Japan, which can help them to improve their competitiveness and resilience. This concept of continuous improvement, known as "kaizen," is deeply ingrained in Japanese business culture [21]. This philosophy encourages incremental changes and problem-solving at all levels of the organization, leading to enhanced resilience and adaptability (Figure 1).



Figure 1. Kaizen method in an effective company

Source: What is Kaizen? 6 Steps to apply Kaizen method in an effective company ([vnmanpower.com](http://vnmanpower.com))

The Global Entrepreneurship Monitor (2022) provides a detailed view of the entrepreneurial landscape in Japan, including data on entrepreneurial behavior and attitudes, activity, motivations, impact, and societal values [17]. This data can provide insights into the growth and challenges of entrepreneurship in Japan. It's important to note that while the growth is promising, the startup culture in Japan is still developing and there are various factors

influencing its progress.

According to the Global Entrepreneurship Monitor (2024) report, the quality of the overall entrepreneurial environment in Japan declined sharply in 2023. While in 2022, the quality of the overall entrepreneurial environment in Japan was rated 5.0, ranking Japan 21st out of 50 countries, during In 2023, this score dropped to 4.4, placing Japan in 27th position out of 49 countries [18].

Traditional Japanese corporations are increasingly looking to collaborate with startups or establish their own innovation labs to stay competitive in the rapidly evolving tech landscape. Investments into startups can come from various sources and can be facilitated through different methods. Here are some ways people invest in startups (Figure 2):

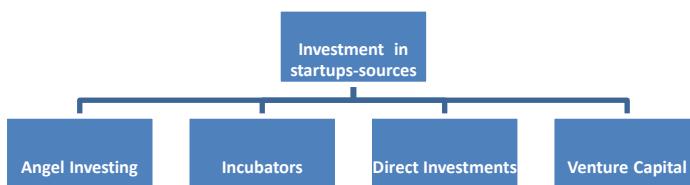


Figure 2. Sources of Investment in Startups

Source: Author

We will briefly explain the listed sources of start-up investment, such as follow:

- ✓ Angel Investing is a form of early-stage investment where affluent individuals provide capital to startups in exchange for equity.
- ✓ Incubators provide startups with mentorship, office space, and sometimes funding.

- ✓ Some investors might choose to directly invest in a startup
- ✓ Venture capitalists invest in startups and early-stage companies that have a potential for high growth.

This trend of investment has led to more partnerships, and acquisition opportunities for startups. Namely, while Japan is known for its adherence to tradition, it also has a history of innovation and adaptation. Entrepreneurs in Japan often blend traditional values with modern technologies and business practices to create innovative products and services. In line with this, can be concluded that despite these challenges, there are encouraging signs.

Given the sophistication of Japan's technological base, the promise of female entrepreneurs, the advent of start-up incubators, and the rise of "intra-preneurship" within established companies, there are opportunities for growth.

„The outbreak of COVID-19 for many companies was a chance to reconsider employee relations and to adapt and change their corporate culture for mutual benefit“ [12]. Some research shows that about 88 percent of Japanese large 6 corporations adopted remote work during 2020 [19]. In Japan, companies such as Fujitsu, Hitachi and Ricoh, the construction materials group Likil, the glass manufacturer AGC and others have accepted remote work as the "new normal", expecting it to continue this way after the pandemic [12].

In conclusion, while tradition and culture can pose challenges to entrepreneurship in Japan, they also shape unique opportunities. Understanding these cultural nuances is crucial for fostering a more entrepreneurial environment.

## **WOMEN ENTREPRENEURSHIP IN JAPAN**

Women entrepreneurship in Japan has been steadily increasing in

recent years, although the country still faces challenges in achieving gender parity in the business world. Historically, Japan has had a predominantly male-dominated business culture, with societal norms often favoring traditional gender roles. However, there has been a growing recognition of the importance of women's participation in the economy, leading to various initiatives and programs aimed at supporting female entrepreneurs. The position of women-owned firms in Japan during and after COVID-19 reflects a mix of challenges, resilience, and opportunities [11]. Despite facing challenges, many women-owned firms demonstrated resilience and innovation by adapting their business models, exploring new revenue streams, and leveraging technology to maintain operations and reach customers.

The Japanese government has implemented policies and programs to promote women's entrepreneurship as part of broader efforts to stimulate economic growth and address demographic challenges, such as the aging population and declining birth rates. These policies include financial incentives, tax breaks, and initiatives to encourage companies to hire and promote women into leadership positions. Despite these efforts, several challenges persist for women entrepreneurs in Japan, such as follow:

1. **Cultural Biases:** Traditional gender roles and societal expectations often place women in caregiving roles, which can hinder their ability to pursue entrepreneurial ventures. Cultural biases may also lead to discrimination and stereotypes that undermine women's credibility and capabilities as business leaders.
2. **Limited Access to Funding:** Women entrepreneurs in Japan often face difficulties accessing funding and venture capital compared to their male counterparts. This can be attributed to various factors, including biases among

investors, risk aversion, and a lack of awareness about investment opportunities in women-led businesses.

3. **Work-Life Balance:** Balancing work and family responsibilities can be particularly challenging for women in Japan, where traditional gender roles often place a significant emphasis on family duties. This can make it difficult for women entrepreneurs to dedicate the time and energy needed to grow their businesses while fulfilling societal expectations regarding caregiving and household duties.
4. **Lack of Networking Opportunities:** Networking plays a crucial role in entrepreneurship, yet women in Japan may face barriers to accessing professional networks and mentorship opportunities, which are often dominated by men. This lack of networking opportunities can limit women's access to valuable resources, support, and guidance needed to succeed in business.
5. **Underrepresentation in Leadership Positions:** Women are underrepresented in leadership positions in Japanese companies, which can indirectly impact their ability to pursue entrepreneurial ventures. The lack of female role models and mentors in business leadership positions may discourage women from taking entrepreneurial risks and pursuing ambitious career paths.
6. **Gender Bias in Business Practices:** Gender bias in business practices, such as hiring and promotion decisions, can create additional challenges for women entrepreneurs. Discriminatory practices may limit women's access to key resources, opportunities for advancement, and support networks within the business community.

There are numerous success stories of women entrepreneurs in Japan who have overcome obstacles and achieved remarkable success in various industries, including technology, fashion, food, and services. The rise of successful female entrepreneurs in Japan has produced many benefits for the country, including economic growth, diversity and inclusion, and providing role models for young girls. Their success not only contributes to the economy but also serves as inspiration for other aspiring female entrepreneurs [6].

Addressing gender disparities, providing targeted support for women entrepreneurs, and fostering an inclusive business environment will be critical for ensuring the long-term success and growth of women-owned businesses in Japan.

## **MANAGEMENT SYSTEM**

Managing global companies has many opportunities and challenges for the managers and the leadership of the company. Important support in facing all these challenges has been provided at cognitive level by management system models and at technological level by information technologies.

Toyota was the first company in Japan to start implementing JIT management. The basic idea of this management method, in contrast to the traditional one (raw materials were bought by procurement departments, and then put into use as needed), consists in procuring raw materials from suppliers and putting them into use promptly without unnecessary stockpiling. In this way, stocks were minimized and constantly kept under control. The success of JIT in Toyota and in other companies in Japan consisted in the establishment of close relations between the manufacturing company and its suppliers. Namely, the basic characteristics of this management method consist of the following [10]:

1. The company prefers to work with only one supplier. In order for a company's supplier to qualify, he must offer raw materials at the lowest prices and of the highest quality.
2. The supplier is ready to carry out daily delivery of raw materials and store them close to the manufacturing company, thereby reducing transportation costs and delivery time.
3. There is a close connection between the management of the company and the supplier, which can take the form of technical and financial cooperation.

This method was introduced not only in Japanese companies, but was also used in many countries around the world (USA, Europe, etc.).

Thus, in 14 months in the 1990s, the mentioned car factory "released" six new car models and participated with 43% in the total sales of cars in Japan [10]. By the end of the 1990s, Toyota had sold more than a million cars in the US. Thus, in a short time, it changed its position on the international car market and rose from ninth to fourth place. This trend continued at the beginning of the new millennium. This Just-in-Time (JIT) system, as a key component of the Toyota Production System, has seen significant transformations in recent years. Namely, in recent years, many scholars have analyzed whether the JIT management system has transformed and how Japanese business organizations would remain globally competitive. Research has shown that a good management system has contributed to many Japanese manufacturing companies such as Toyota, Honda and Canon still remaining competitive in the global market. The prosperity and survival of these companies was achieved thanks to their way management, such as the implementation of a slightly modified (JIT) system and total quality management (TKM). It was as well as of simultaneous engineering and their ability to create a horizontal structure of connectivity in the entire communication network. It made it possible to continue the advantage of Japanese

manufacturers, in addition to their technological advantages ([14]; [9]; [8]). Namely., some of the research has shown that JIT is still a powerful tool for Japanese manufacturers for global competition in 21<sup>st</sup> century [7].

## CONCLUSION

Entrepreneurship in Japan has been a topic of interest due to the country's unique economic and social landscape. First of all, cultural norms play an important role and influence on the entrepreneurial climate. For instance, there's a strong emphasis on job security and lifetime employment in large companies. In line with this, it can discourage entrepreneurial ventures. Also, entrepreneurs can create social change by offering new goods and services, breaking away from tradition, and reducing dependence on obsolete systems and technologies. However, this can be challenging in a society that values tradition and conformity. Namely, Japanese society traditionally respects authority and hierarchy. In the business world, this can manifest in a strong emphasis on leadership and decision-making structures within entrepreneurial ventures.

Secondly, the aging of the population is considered a big obstacle for the development of entrepreneurship in Japan. In response to these challenges, the Japanese government has taken measures such as increasing the mandatory retirement age from 55 to 65 and allowing workers to work after retirement [4]. These changes could potentially create a more diverse entrepreneurial landscape with more older individuals participating.

Third, the Japanese venture capital ecosystem has been growing, with increasing investment flowing into startups. This trend has been driven by both domestic and international investors seeking opportunities in Japan's tech sector. In this context, Japan has been increasingly focusing on tech startups, especially in areas such as

AI, robotics, IoT, and fintech. The government has been supportive of these initiatives, promoting innovation through various programs and funding opportunities.

Fourth, several challenges linked to the women entrepreneurship include cultural biases, limited access to funding and venture capital, difficulties balancing work and family responsibilities due to traditional gender roles, and a lack of female role models in entrepreneurship.

At last, Japanese companies are known for their innovation and adoption of technology to enhance resilience. Namely, the development of contemporary technologies, especially the Internet on one side, and changes in management practice, communication and the organization of work in companies on the other side, have led in the last years to changes in regards to knowledge type and acquiring method [12]. This implies using new knowledge in the application of the best practical experience, as well as the experience of other organizations which are involved with the same or similar services.

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