

An Analysis on Long Standing Companies in Japan: Why They Can be Sustainable?

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ABSTRACT: Of late, a considerable number of companies closed their business, had to close or even resulted in bankruptcy for many reasons. On the other hand, some 400 companies have sustained their business for more than 300 years in Japan despite high waves occurred over the years such as revolution, world wars, depression, disasters and so forth. Those companies are called as “Shinise” i.e., companies/shops of long standing.

Why Shinise companies were able to become Shinise? What would be the secrets of this long standing? These are our key interests. The question is very simple, but it is easy to imagine the answer should not be simple and easy. The author and his study group conducted a questionnaire survey with these 400 companies/shops distributing throughout Japan. 30 questions with 5-point scale and some open-ended questions were employed. Although redemption rate was small, i.e., 74 companies/shops or 20%, 7 key factors were identified with Factor Analysis. The study group also carried out qualitative survey i.e., interviews with representative companies/shops in individual factors. This qualitative survey is still going on.

Interesting findings came out of the analysis: 1) sum of the contribution ratio of the top 7 factors was 54.4% only, and 2) the sizes of individual factors in terms of %contribution were close each other ranging from 9.3% to 6.6%, which meant that the reasons for long standing were not single and simple, and those Shinise companies were standing with their own specific basis, background and/or philosophy. Other interesting findings were there found several questions with small standard deviations and ones with large standard deviations, which indicated that the former ones could be considered as “must” conditions for long standing while the latter ones as “multiplicity” for individual companies/shops.

Learning from this kind of research may contribute, although further studies are required, to companies/shops who wish to sustain their business as long as possible and new companies who aim to stand long.

KEYWORDS: SHINISE (long standing) companies/shops, Sustainability

1. INTRODUCTION

There are 45,000 manufacturers with more than 100-year company history in Japan. When

companies/shops in service industries are included, the number is going to be some 100,000. The number of companies/shops with more than 300-year company history is some 400. Surprisingly, 7

companies/shops are proud of their very long company history i.e., more than 1,000 years. On the other hand, however, many companies/shops closed, had to close or even resulted in bankruptcy over the years for many reasons. The number of companies that resulted in bankruptcy is approximately 15,000 every year, and the number is increasing these days. “Sustainability” is then one of the core concepts in business. Nobody wishes to close their business in a short period of time, but the above-mentioned facts indicate that sustainability in business is very difficult nevertheless so important. Companies/shops with such long company history are called as “Shinise” in Japan. Its straightforward translation is “old shops”. The meaning in English is “companies of long standing”. Learning from Shinise companies/shops of their secrets for long standing then may contribute sustainable growth of companies/shops.

The author and his colleagues formed a study group, which was named as “Shinise Gaku” Research Group in 2005.

1.1 Objectives

This study aims to explore factors which seem to be the basis of secrets underlying long standing companies/shops, and provide keys/tips to companies/shops for sustainable growth.

2. METHODOLOGY

A quantitative survey with structured questionnaire containing several open-ended questions to some 400 companies/shops throughout Japan, and qualitative survey i.e., interviews to Shinise companies representing individual industries.

Quantitative data were used for the factor analysis, and qualitative information was used for interpretations of main factors.

2.1 Definition of Shinise

Companies/shops with more than 300-year history despite social/economic waves occurred over the years to-date, such as Meiji Revolution, Kanto Big Earthquake, World War II and so forth.

2.2 Universe

369 companies/shops throughout Japan: Total of 393 companies/shops taken from The Teikoku Databank in addition to 26 from own survey that the database did not cover. Religious organizations such as temples and shrines, and educational organizations were deleted, which number was 50. The characteristics of the universe were as follows:

Table 1 Regional Distribution: Top 5 Prefectures

Prefecture	No. of Shinise
Kyoto	55
Tokyo	34
Aichi	19
Osaka	17
Hyogo	15

Table 2 Ratio by Business Type

Retailers	14.2%
Wholesalers	19.0%
Manufacturers	46.2%
Service	16.4%
Fisheries	0.3%
Construction	4.0%

Table 3 No. of Individual Business type

Sake/Liquor manufacturing	57
Inn	31
Confectionery(manufacturing)	16
Real estate	9
Confectionery(manufacturing/retailing)	9
Construction/Civil engineering	9

Pharmaceutical wholesaling	8
Sake/Liquor wholesaling	7
Pharmaceutical retailing	6
Restaurants/Food service	6

2.3 Field Dates and Method Employed

The field dates were from January 25 to end of March, 2006 following to the so-called pre-testing conducted to 5 companies during November –December of 2005. Some amendments were made after the pre-testing.

The method employed was mail survey with telephone call follow-up.

Qualitative research i.e., interviews have been conducted. 6 interviews were made by the study group members from November, 2007 to-date.

2.4 Redemption

74 questionnaires or 20% of 369 were redeemed.

2.5 The Questionnaire

The questionnaire for the quantitative survey contains the following questions:

Q1 When was your business kicked off?

Q2 When your business was kicked off, what kinds of goods/services were provided?

Q3 When your company was kicked off, who would be the main customers/consumers?

Q4 Please tick the most appropriate number on the following statements with 5-point scale bellow.

- 1) We think that continuation of business is much more important than expansion.
- 2) We treasure our founder's instructions.
- 3) We think that our founder's instructions helped a lot when the company was in difficult times.
- 4) We think that the fortune was one of the big reasons why our company was able to continue business.

- 5) We try to be sensitive to social and economic changes.
- 6) It is our tacit agreement to elect the top management from the founder's family.
- 7) We always go forward the separation between ownership and real business operation.
- 8) We are pro-active to adopt the advanced technology and/or services.
- 9) We try our customers' voice to reach our top management.
- 10) We are eager to succeed and brush-up our own technology/services.
- 11) We do not think that going public is not only the way for openness of business.
- 12) We think that the cooperation and partnership with vendors/subcontractors are very important.
- 13) We try to minimize the management function of the headquarters.
- 14) We tried not to change the location of the head office from the one the business was started.
- 15) We try to strengthen the relationships with partners in distribution channel by fixing it as much as possible.
- 16) We treasure our resources such as location, materials, invention, discovery etc. from the time the business was started.
- 17) We own our original system in employee education and treatment in order to succeed our traditional techniques and know-how.
- 18) We are corresponding to changes in diversification by not sticking to our original domain when it was established.
- 19) We think that the dividend is the most important.
- 20) We refrain from asset investment other than our main operation area(s).
- 21) We treasure our specialty and originality in our own business operation systems and products/services.
- 22) We treasure our brand imagery and reliability

featured in the brand.

- 23) We think that “rewarding good conduct and punishing evil doing” is very important to be applied from the top management to average staff members.
- 24) We believe that prompt actions when complaints come are crucial to maintain the business.
- 25) We are always trying to find new customers as well as new channels.
- 26) We think that it is very important to have closer contact with the local society and continue advertising.
- 27) We treasure the company logo of its color, design as well as brand of its letters and design.
- 28) We have our own systems that can make advice to the top management.
- 29) We think it is important to have assembly meeting in the morning, and announcement of the company strategy/plans to all the company employees.
- 30) We try to record our company history and to keep products and tools used in the past.

Q5 Which ones would be the most important among the above 30 statements from the standpoint of business continuation?

Q6 What kind of messages would be the advice to new venture companies?

Q7 What were the most difficult ones during the course of your business to-date?

Q8 How did your company overcome the above-mentioned difficulties? Please tell us the person(s) who reacted pro-actively as well as his(her) manner on that occasion.

Q9 What would the special consideration for continuing the business you have made? If you have any other than you stated, please describe.

3.1 Mean Scores and Standard Deviation

The scores given to the 30 statements in Q4 with 5-point scale can be divided into 3 groups in terms of standard deviation scores (SD) i.e., High, Medium and Low.

There are 6 statements with high SD scores. Their mean scores are ranging from 1.7 to 3.5, and SD scores are 1.2-1.4.

Table 4 Statements with High SD Scores

Statement number	Mean	SD
# 18	3.2	1.4
# 7	3.5	1.3
# 4	3.0	1.2
# 6	1.9	1.2
# 11	1.7	1.2
# 20	2.2	1.2

There are 14 statements with medium SD scores. Their mean scores are ranging from 1.5 to 3.6, and SD scores are 0.9-1.1.

Table 5 Statements with Medium SD Scores

Statement number	Mean	SD
# 8	2.4	1.1
# 17	2.7	1.1
# 19	3.6	1.1
# 27	2.1	1.1
# 29	2.5	1.1
# 3	2.4	1.0
# 28	2.5	1.0
# 30	2.3	1.0
# 2	2.3	0.9
# 12	1.7	0.9
# 13	1.8	0.9
# 14	1.5	0.9
# 15	2.2	0.9
# 23	2.5	0.9
# 26	2.1	0.9

3 MAIN FINDINGS

The rest of the statements are in the low SD score group.

Table 6 Statements with Low SD Scores

Statement number	Mean	SD
# 5	2.0	0.8
# 10	1.7	0.8
# 16	2.0	0.8
# 21	1.8	0.8
# 25	2.1	0.8
# 1	1.8	0.7
# 22	1.4	0.7
# 9	2.4	0.6
# 24	1.4	0.5

This simple analysis with SD score rank grouping indicate that there are kinds of common views and various views in identifying conditions for long standing. The statements in the low SD score group can be “must” conditions for long standing. On the other hand, statements with high SD score group can then be various views among Shinise companies/shops in identifying the conditions for long standing, which is also verified with the factor analysis to be discussed later.

3.2 Factor Analysis

The factor analysis was employed in order to identify factors for long standing underlying Shinise companies/shops.

With the varimax rotation, however, the sum of top 7 factors in terms of contribution ratios was 54.4% only, ranging from 9.3% to 6.6% from the biggest one to the smallest one among the 7. There found no major factors. Quite often, the sum of the top 3-4 factors with the factor analysis give us 30-40% or sometimes 50% in terms of the contribution ratio, and the biggest factor would be 20-30%. Our case means that there are several but not so strong factors in identifying the conditions for Shinise

companies/shops, which are also shown in the SD score grouping analysis as mentioned above.

The following is the factors with % contribution:

- 1) Networking and supply-chain oriented: 9.3%
- 2) Modernization oriented: 8.4%
- 3) Enhancing own core competence oriented: 7.7%
- 4) Keeping own tradition oriented: 7.6%
- 5) Thorough customer respect oriented: 7.6%
- 6) The founder’s instruction oriented: 7.2%
- 7) Keeping the original area oriented: 6.6%

The statements supporting the No.1 factor are:

- #12 We think that the cooperation and partnership with vendors/subcontractors are very important.
- #13 We try to minimize the management function of the headquarters.
- #15 We try to strengthen the relationships with partners in distribution channel by fixing it as much as possible.

The statements for the No.2 factor are:

- #5 We try to be sensitive to social and economic changes.
- #25 We are always trying to find new customers as well as new channels.
- #26 We think that it is very important to have closer contact with the local society and continue advertising.

The statements for the No.3 factor are:

- #10 We own our original system in employee education and treatment in order to succeed our traditional techniques and know-how.
- #17 We own our original system in employee education and treatment in order to succeed our traditional techniques and know-how.
- #21 We treasure our specialty and originality in our own business operation systems and products/services.

#4 We think that the fortune was one of the big reasons why our company was able to continue business. (negative correlation)

The statements for the No.4 factor are:

#27 We treasure the company logo of its color, design as well as brand of its letters and design.

#29 We think it is important to have assembly meeting in the morning, and announcement of the company strategy/plans to all the company employees.

The statements for the No.5 factor are:

#9 We try our customers' voice to reach our top management.

#22 We treasure our brand imagery and reliability featured in the brand.

#24 We believe that prompt actions when complaints come are crucial to maintain the business.

#27 We treasure the company logo of its color, design as well as brand of its letters and design.

The statements for the No.6 factor are:

#2 We treasure our founder's instructions.

#3 We think that our founder's instructions helped a lot when the company was in difficult times.

The statements for the No.7 factors are:

#11 We do not think that going public is not only the way for openness of business.

#14 We tried not to change the location of the head office from the one the business was started.

#18 We are corresponding to changes in diversification by not sticking to our original domain when it was established. (negative correlation)

#23 We think that "rewarding good conduct and punishing evil doing" is very important to be

applied from the top management to average staff members. (negative correlation)

3.3 Qualitative Survey

6 interviews were carried out so far. The Shinise companies/shops as interviewees are as follows:

- 1) Gosho-bou: Japanese Inn with 820 years history (Hyogo Pref.)
- 2) Hanbei-fu: Japanese traditional foodstuff manufacturer with 322 years history (Kyoto Pref.)
- 3) Tawara-ya Ryokan: Japanese Inn with about 300 years history (Kyoto Pref.)
- 4) Myo-chin Hongo: Japanese traditional tongs and wind bell manufacturer with about 1,000 years history (Hyogo Pref.)
- 5) Tsukasa-botan: Sake manufacturer with 407 years history (Kochi Pref.)
- 6) Amida-ike Daikoku: Japanese traditional confectionery with 205 years history (Osaka Pref.)

Gosho-bou, a Japanese inn, seems representing a Shinise with "modernization oriented" company. They always seek their customer needs in using a Japanese inn, and try to adopt new devices where necessary.

Hanbei-fu, a Japanese traditional foodstuff manufacturer, seems representing a Shinise with "Keeping the original area oriented" company. They well understand the core competence that enabled the company for long standing.

Tawara-ya Ryokan, a Japanese inn, seems representing a Shinise with "Networking and supply chain oriented" company. They are proud of the best vendors in Kyoto, which make the best services possible.

Myo-chin Hongo, a Japanese traditional tongs and wind bell manufacturer, seems representing a Shinise

with “Enhancing own core competence oriented” company. Their skills and expertise as smith have been enhanced just in their product areas.

Tsukasa-botan, a sake manufacturer, seems to representing “Keeping own tradition oriented” company. They are proud of long tradition, but always seek what the new type of sake should be for generations.

Amida-ike Daikoku, a Japanese traditional confectionery, seems representing a Shinise with “Modernization oriented” company. They try not to be just old-fashioned in order to meet new generation’s taste.

4. Implications

The secrets of companies of long standing cannot easily be discovered from the standpoint of present days, since they have had several hundred years as history. Even the current CEO may not be able to find out precisely. Some companies/shops keep old letters and documents, old tools, pictures and so on, but some do not, which we had to realize on occasion of visiting Shinise companies/shops for interviews. The responses and views from our questionnaire and comments given at the interviews may be the current CEO’s own views, psychology and philosophy.

The study group, however, consider that there found interesting and therefore key aspects in discussing what the Shinise companies/shops are, and should be.

1) There are 2 aspects in discussing the conditions for long standing. One is the “must” conditions that can be Shinise companies/shops. The statements with low SD scores are necessary to be a Shinise company/shop. The other one is there is “multiplicity” in addition to the above “must” conditions. The statements with high SD scores and the 7 factors from the factor analysis

indicate this multiplicity. One important lesson is that a company/shop cannot become a Shinise without the above-mentioned “must” conditions although there are several ways to be so.

2) The factors found by the factor analysis show alternatives to be Shinise companies/shops, which might owe to a company’s history to-date, standing point, circumstance, competence, strategy, resources and so forth.

The study group has a strong intent to continue this kind of research. A new concept for the research, which was indicated from the current study, is “Shinise cluster”, which combines primarily Shinise conditions, geographical/administrative conditions and historical time factors in a local town/area.

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