

Tradition and Innovation in Japanese Family SME

Katsuyuki KAMEI

Professor, Kansai University, Faculty of Informatics, Takatsuki Campus

2-1-1 Ryozenji, Takatsuki, 569-1052, Osaka, Japan

E-mail : kamei@res.kutc.kansai-u.ac.jp GFG04104@nifty.com

Tel. 00 81 (0)726-90-2407 Fax. 00 81 (0)726-90-2493

1. SME in Japan from a viewpoint of Family Business : Definition of Family Business and Particularity of Japanese Family Business
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3. Territorial Legitimacy of SME, “Kyoto way of Entrepreneurship”
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Abstract

This study analyses the actual situation of Japanese Family SME. In Japan there exist many traditional family firms that are more than 100 years old. In spite of their existence, the academic research on family firms has just begun in Japan. Through our study based on the rare Japanese research and work in this field like Kurashina (2003) and Nomura(2007), we try to bring some new aspects in SME research. Thus we contribute to the following points: 1)analysis of stats-quo of family SME in Japan, 2)analysis of Japanese traditional enterprises, 3) territorial legitimacy and 4)classification of the problem of succession of Japanese family SME.

Keywords: family SME, longevity, Japan, succession, territorial legitimacy

Introduction

It is possible to recognize the existence of two oldest enterprises of the world in Japan. The first one is Kongo Gumi founded in 578 and the second oldest Houshi in 717. The second is the oldest member of Hénokiens association(association of enterprises which has more than two hundred years).

According to Japanese Academic Association of Management Practice (Nihon Jissen Keiei Gakkai) in Japan there exist more than three thousand enterprises more than two hundred years and 15 thousand enterprises more than hundred years. Most of them are family enterprises which has their own characteristics.

In spite of the existence of such enterprises of long tradition which went across the centuries, the research on family enterprises has just begun. For example, the transmission of enterprises is the subject rarely treated by the academic people in Japan compared with the situation in European countries.

The multitude of family firms more than hundred years in Japan could bring elements of reflexion in the field of family enterprise. In the same time, the research carried out in Western countries could enrich the data and reflexions in the countries where the research in this field is still at the stage of manuscripts like Japan. This part presents the rare examples such as Nomura(2007), Kurashina (2003), Goto (2007) and Saito (2007).

In this study, firstly we demonstrate the present situation of family enterprises in Japan. Secondly, we analyse the context of very old Japanese family SMEs, which are called “Shinise”. We present how these traditional SMEs survive by evolving their original core business with innovation. Thirdly we focus on the territorial legitimacy of family SME by presenting “Kyoto way of entrepreneurship”. Fourthly we analyse the biggest problem that family SMEs confront in Japan : succession and transmission problem.

1. SME in Japan from a viewpoint of Family Business : Definition and Particularity

1.1. What is family enterprise?

As Amann et Allouche (2000) underlined, there exists the difficulty of the definition in the field of family enterprise research. Family enterprises are defined by management and capital control as follows.

Definition of Stockholm School of Economics (SSE) : Family enterprise is a firm controlled by a family with at minimum one of the following three characteristics.

- 1) at least three members of the family are active in the enterprise,
- 2) the enterprise is under the family control since at least two generations,
- 3) the members of the family who control the enterprise have an intention to transmit the control to the next generation.

Definition of Bocconi University: Family enterprise meet at least one of the two following conditions:

- 1) Managerial criteria : the majority of directors of the board are from the family
- 2) Patrimonial criteria : one family possesses the majority of stocks with voting right of the enterprise.

1.2. Reconsideration of the definition of family enterprise : Japanese definition

In Japan, family enterprises have one particularity compared to their western homologues : la minority of the participation in the capital. This inferiority of participation rate by the family of course mainly in larger scale enterprise can be explained with two traditional reasons : (1) existence of the high rate of succession tax, the highest in the world (the highest zone was 70% before the reform in 2002 which went down to 50%) and also (2) cross participation system around major financial institutions which constituted le *keiretsu* (group). Especially taxation over the succession is much higher than western countries. Therefore after several generations, detention rate in capital by founding family decreased considerably in Japanese family enterprises. If the family doesn't possess enough asset to pay succession tax, they are obliged to sell some of their assets. This particularity of family enterprise urged some Japanese authors to define rather differently with multi-criteria.

The definition of Kurashina (2003) is based on 4 category of enterprises as mentioned below. According to Kurashina, the family enterprises are the type B, C and D.

Type A : In non family enterprise, institutional investors are main stock holders and the manager possesses only limited number of the stock.

Type B : Family members stay major stock holders and they keep the position of direction (president, vice president and general manager

Type C : Founding family stay major stock holder but no one from the family occupy the high level of direction. Family member occupy only the position of simple member of the board.

Type D : Founding family in not major stock holder. But they participate in the direction as a top management.

Goto (2007) presents the definition as follows :

Family enterprises are the enterprises where members of founding family engage not only in management but also in the ownership up to the level to occupy the position of president and major owner or simple owner of the capital.

Saito (2007) presents more clear and precise definition :

Family enterprise are the enterprise which meet the two following conditions :

(1) Detention rate in capital by the family is superior to 5 %.

(2) One family member occupies : whether the position of president or chairman of the board.

1.3. Family enterprise research in Japan

1.3.1. Why academic research on family enterprises is so late in Japan ?

The research from the viewpoint of family enterprise is almost inexistent in Japan. In spite of the superiority in number of ancient enterprises, family enterprises was not treated as a academic subject until the research of Kurashina(2003). They tend to be considered as anachronic organisations. In addition, the series of scandals committed by family enterprises affected a lot the image of this type of firms in Japan. There can be the lessons to take from the actual situation in Japan where family enterprises are not looked up to in general.

1.3.2. Why do Japanese people take more and more interest in family business recently ?

The research of Kurashina (2003) showed the general particularity and the financial performance of family enterprises in Japan. Kurashina (2003) confirmed the results of western research in the context of Japan. The main result is superiority of financial performance of family controlled enterprises compared with non family enterprises. The research by Kurashina (2003) is well confirmed by western academia like Allouche, Amann, Jaussard and Kurashina (presented in Japan as an article in the journal, *Nikkei Venture*, April 2007). It is the research conducted by Kurashina in collaboration with French researchers on the structure of family enterprises in France and in Japan. (“Do Ownership and Family Control influence Financial Characteristics and Performances?”)

Another pioneer in family business research is Goto. An article by Goto (2007) on the longevity of Japanese family enterprises is published as one chapter in *Handbook of Research on Family Business* in 2007.

Recently, with the efforts by pioneers, the public and the academia in Japan begins to take interest in the enterprises whose capital and management are under the control of founder's family. The journal, *Nikkei Venture* published the special issue on Family Business in April 2007. The Family Business Conference took place in Okinawa in 2007. A book on family business will be published in September 2008 under the direction of Kurashina. We can observe this tendency of interest in this field.

This recent interest in family enterprise in Japan can be explained by the change of the society according to Sakaiya (2007).

The industrial society up to 1980s put emphasis on the material richness. In such society which focused on mass production, the big enterprises directed by professional managers were appreciated. On the other hand, the society of the 21st century respects the spiritual richness which emphasizes the quality of satisfaction rather than the material richness in number. This can mean the time of the personality of the managers. In such an epoch, family enterprises whose decision making is agile, are at the advantage as shown in Table 1 according to Sakaiya(2007).

Table 1: Change of Society Value

Society of Knowledge Value (after 1980s)	Society of Industrialisation (up to 1980s)
Happiness in "quality of satisfaction"	Happiness in "quantity of material possession"
Subjective Social Flexible	Objective Scientific Generalisation
Impasse of nation's dirigisme Advantage to family business Return of the religion	Nation's dirigisme Advantage to big business Decline of the religion

Source : Sakaiya (2007), pp.28-29.

2. Longevity of Japanese Firms : Survival Strategy of "Shinise", tradition and innovation

2.1. Multitude of ancient enterprises more than hundred years in Japan

Japan is marked by the existence of very ancient enterprises. This country surpasses the other countries in the world by the longevity of its enterprises. It is possible to recognize the existence of two oldest enterprises of the world in Japan. The first one is Kongo Gumi founded in 578 and the second oldest Houshi in 717. The second is the oldest member of Hénokiens association (association of enterprises which has more than two hundred years).

According to Japanese Academic Association of Management Practice (Nihon Jissen Keiei Gakkai) in Japan there exist more than three thousand enterprises more than two hundred years and 15 thousand enterprises more than hundred years. Most of them are family enterprises which has their own characteristics. This superiority in number of ancient enterprises in Japan is illustrated in the tables in annex of this paper.

Most of these ancient enterprises are familial and keep their own characteristics. In Japanese language, these ancient enterprises are called “Shinise”, which means old house. And some of these “Shinise” remain SME and non listed company.

2.2. Why do such a many centenary enterprises exist in Japan?

Then why do such a many centenary enterprises exist in Japan? Goto (2007) shows three reasons for this longevity of Japanese firms.

- 1) Economic development during Edo period (Tokugawa period) (1603- 1867) which made possible for entrepreneurs to create their enterprise.
- 2) Management skills of the family who founded their enterprise during Edo period. Their skills reached the level of perfection before the 18th century. They are skills concerning business organization, separation of ownership and management, personal management, accounting system and risk management.
- 3) Education and philosophical background mainly with the education of “Shingaku” at the school for the children of merchants, which made possible for people to respect the concepts like family unity, sense of engagement, willingness to contribute in the work, obligation for the society, etc. The most influential philosopher of “Shingaku” was Baigan ISHIDA (1685-1754) who emphasized the importance of persistence and advised merchants to contribute to the society.

As for Nomura (2007), he noted the following points on the longevity of “Shinise” in Japan.

- 1) Most of “shinise” are family enterprises non listed in the stock market.
- 2) Three reasons for the longevity of “Shinise” can be mentioned as follows:
 - (a) The main territory of Japan has never been invaded by the foreign countries in the history. This country has never experienced the civil war which could destroy the whole territory.
 - (b) There exists the sense of respect which gives much importance to the continuity of enterprise rather than the parental linkage. Therefore in Japanese family enterprises, there exists the time where someone outside the family is designated as president so as to do the linkage with the successor from the family. There is also the case where president from the family pass the presidency of the husband of his or her own daughter, which can be observed often in the family enterprises in the Osaka region.
 - (c) There exists the culture and the tradition which respect the manufacturing.
- 3) Common characteristics of centenary “Shinise” are as follows :
 - (a) The ability to adapt to environmental change.
 - (b) The ability to understand the environmental change.
 - (c) The ability to respect and maintain their core competence.

2.3. Survival Strategy of “Shinise”, tradition and innovation

The study on long-lived family firms by Nomura(2007) shows how manufacturing “Shinise” survived not only by keeping their traditional value but also by developing the innovation based on their technological core competence since the foundation.

Nomura(2007) emphasizes respect for “manufacturing” and “persistency” as a main common value at Japanese long-lived family SMEs. Considering the reality of SME, of course it was not at all easy for them to survive. Many of family SMEs have experienced several risk and crisis. In terms of strategic risk management or survival strategy, family SME manufacturers invented and innovated new technology based on their core business.

The examples of family SMEs innovating as a survival strategy are (1)Hayashibara, which innovated to be a research and development type company to manufacture biochemical product based on their core competence of the origine, syrup and jelly fabrication, (2)traditional sake manufacturer, Yushin shuzo, which innovated to make health care products using there competence to treat rice and (3) Fukuda metal at Kyoto, a specialist of golden powder who innovated to manufacture indispensable metallic parts in cellular phone in the world like microwave proof shield.

The following part is the illustration of the history of these three companies as examples of Long-Lived Japanese Family SMEs in Japan (LLJFSME) succeeded in innovating with their respect for “manufacturing” and “persistency”.

2.3.1. History of Hayashibara Company

1883 Hayashibara's Beginning as a Starch Syrup Factory

1933 The third generation President; Ichiro Hayashibara introduced the processing technology with a new millet jelly by the acid saccharification method.

1950 Thanks to a technological improvement, Hayashibara becomes largest millet jelly manufacturer in Japan

1959 It succeeds in using Dempn that is a worldwide invention, and it succeeds in the industrialization of the technology that manufactures glucose.

1961 The former president Ichiro died. Ken assumes the position of a new president. →Conversion from millet jelly manufacturer to R&D type enterprise.

1970 "Hayashibara Biochemical" is founded aiming at the creation of the Dempn chemical industry.

1988 The natural type interferon α obtains the authorization of the Ministry of Health and Welfare as anti-cancer drug.

1994 The technology that manufactures "Trehalose" from Dempn in large quantities and at a low price is developed. (<http://www.hayashibara.co.jp/english/company/history/main.html>, 27th of June, 2008)

2.3.2. History of Yushin-Brewer Ltd.

- 1854 The brewing started in 1854 at Utazu-cho, Kagawa Prefecture
- 1972 Takashi Tokuyama, the fifth generation, assumes the position of the president.
- 1974 Beginning of R&D on the possibility to invent the other products from rice
- 1987 The bathing liquid of "Rice power extract"→Smash hits with the sales of three million bottles a year
- 1999 Invention of "Rice power extract No.11" with the moisture maintenance ability improvement action of the skin.→The first material in the world with effect of skin moisture maintenance ability improvement.
- 2006 Development of law alcohol Sake.

2.3.3. History of Fukuda Metal Foil & Powder

- 1700 Founder Benseki Fukuda opens Izutsuya, an establishment for the sale of gold and silver leaf/powder in Muromachi, Kyoto.
- 1715 Renseki, the second master of the enterprises, assumes leadership of the family business
- 1775 Renseki writes Ie-no-Nae (Family Seedlings), which becomes a family dictum.
- 1921 Manufacture of copper powder for production of carbon brushes begins
- 1933 Fukuda Ju Tin Aluminum Foil Manufacturing Co., Ltd. founded
- 1935 Fukuda Ju Shoten becomes joint-stock company.
- 1936 First successful prototype electrolytic copper powder in Japan
- 1937 Begins development of electro- deposited copper foil : manufacture of aluminium foil (via beating process) begins.
- 1938 Prototype production of tin powder and nickel powder using electrolytic method succeeds
- 1940 Corporate name changed to Fukuda Metal Foil & Powder Co., Ltd.
- 1956 Production of electro-deposited copper foil for printed circuit boards begins.
- 1983 Copper powder developed for use in anti-EMI electromagnetic shielding. Monthly production reaches 1,000 tons, annual production reaches 10,000 tons
- 1995 Dramatic increase in orders for metal foil and powder used in lithium-ion and other types of high-performance batteries (<http://www.fukuda-kyoto.co.jp/01info-e/01-enk.html>, 27th June in 2008)

3. Territorial legitimacy of ancient enterprises in Japan

3.1. Construction of a Typology for Entrepreneurs Based on Legitimacy

The following typology shown in Table2 was developed by Marchesnay (2003) and is a function of competitive legitimacy and territorial legitimacy. Marchesnay (2003) explains territorial legitimacy as two methods of integrating entrepreneurs’ sense of belonging within their territory. It means the extent to which entrepreneurs are attached to the territory, namely the degree of their affection for the land to which they belong. This includes the length of existence of their enterprise within this territory. The other method is the degree of intensity they feel towards other actors within the territory. Marchesnay (2003) called the resulting four categories as isolated, notable, nomad and enterprising.

Table 2 - Typology of Entrepreneurs Based on Competitive and Territorial Legitimacy

		Competitive Legitimacy	
		Weak	Strong
Territorial Legitimacy	Strong	<i>Notable</i>	<i>Enterprising</i>
	Weak	<i>Isolated</i>	<i>Nomad</i>

Source : Marchesnay(2003)

3.2. Territorial legitimacy of ancient enterprises in Japan : “Kyoto way” of entrepreneurship

One characteristics of Japanese ancient enterprises is their strong territorial legitimacy. This tendency is proved also in family enterprises in general. The rate of family enterprises is high outside the capital. Thus we can observe the existence of family enterprises which are recognized in regional territory. For example, Kyoto city, ancient historical capital of Japan is famous for the birthplace of family enterprises which made a world wide success. The examples are Kyocera, Murata, Horiba, Nihon Densan, Nintendo, Omron, etc. Of course this ancient capital is the center of traditional “Shinises”. Kamei (2007) explained the entrepreneurial atmosphere of Kyoto as shown below.

3.2.1.The Kyoto Way

Kyoto, which was the capital about 1,200 years ago, is the cultural heart of Japan. The beautiful surroundings and the cultural heritage attract people from all over the world. Kyoto is also a centre of entrepreneurial and technological prowess. ‘Kyoto method’ entrepreneurship has given birth to world-class ventures such as Horiba, Omron, Kyocera and Nintendo.

Numerous Japanese books have been written on the ‘Kyoto model’ of entrepreneurship or management. It is true that researchers have discussed whether such a particular Kyoto model exists. From previous studies, we can summarise the following characteristics of Kyoto as an entrepreneurial background as well as those of entrepreneurs.

3.2.2. The Coexistence of Tradition and High-Tech

In addition to most traditional Japanese industries, Kyoto has a higher share of manufacturers than the national average. Within manufacturing, high-tech and electronics-related industries have become prominent. This coexistence of tradition and high-tech is a rare particularity of this city.

3.2.3. Traditional Industries as a Source of High-Tech

The existence of traditional industries in this ancient capital of Japan has given birth to several technological revolutions. The Kimono industry has been the source of numerous evolutions in technology. The traditional pottery and porcelain industry, *Kyo yaki* or *Kiyomizu yaki*, has been the root of ceramic businesses such as Kyocera or Murata. Technology in the production of *sake* has led to innovation in biotechnology.

3.2.4. Respect for *Honmamon* (something with real value)

Manufacturers at Kyoto are said to be *honmamon*-oriented. They esteem the quality of their products. They scorn imitating others in preferring differentiation to low pricing.

3.2.5. The Spirit of *Shinise* (traditional families of merchants and craftsmen)

Within traditional families of merchants and craftsmen—or *Shinise*, which literally means ‘old shop’—we can note the following tendencies: survival rather than profit, quality rather than quantity, respect for relationships with customers, sound business practices, anti-conservatism, a spirit of entrepreneurship, management without debt, cash flow-based management and horizontal networks with other firms. Kyoto does not have any big capitalists. Thus, enterprises in Kyoto are independent of large-scale capitalists (*zaibatsu*), and therefore, are unlikely to become subcontractors (*shita-uke*).

3.2.6. Small Market

Kyoto itself is a small market compared with Tokyo. New enterprises with little legitimacy have difficulty in cultivating the domestic market outside Kyoto. They often look to overseas markets. Thus, Kyoto ventures such as Horiba, Kyocera and Murata went to the US market first and then returned to exploit the domestic market.

3.2.7. An Academic Town much like a *Juku* Embracing the Whole City

The city of Kyoto has the highest percentage of academics per capita in Japan, with more than 40 universities and 50 research organizations. Seven out of 12 Japanese Nobel Prizes have been awarded to researchers from Kyoto University. The cooperative atmosphere between industry and academia in this city can be considered as a big *Juku* (private school) embracing the entire city. Many student entrepreneurs started their enterprises from this academic centre. The first student venture was by Mr. Masao Horiba, who founded the enterprise named after him in 1945.

4. Problem of Family SME

4.1. What are the problems which family SMEs meet?

Just as western scholars, Kurashina (2003) clarifies that there exists three categories of particular problems in family enterprises.

- (a) Business Problem :
 - Corporate Governance.
 - Compliance .
 - Conflict between family director and non familial directors.
 - Transmission of intangible assets..
- (b) Ownership Problem :
 - Transmission of enterprise.
 - Transmission of asset.
- (c) Family Problem :
 - Conflict among the generations.
 - Conflict among the brothers and the sisters.

Among the above mentioned points, Kurashina considers the transmission as a major problem at family enterprises.

4.2. Risk management in the transmission of family SME

Here we describe the succession of family SME from the viewpoint of risk management by the successor. The typology of the risks in the transmission of family SME can be described as below :

(1) Internal risk of the 2nd generation manager

- Risk of personality which is not suitable for the management
- Risk of incompetence (Kamei, 2006a)
- Risk of psychology : jealousy, complexity et rivalry facing with his or her parent predecessor who don't get retired soon
- Risk of conflict with his or her parent predecessor.
- Risk of bad transmission of know-how.

(2) External risk concerning the customers

- Risk of comparison with his or her parent
- Risk of the loss of customer who attached to his or her parent

(3) Internal risk facing with employees

- Risk of comparison with his or her parent
- Risk of the loss of the employees who attached to his or her parent (jealousy and hostility from employees)

(4) Financial risk of the succession of assets:

- Financial risk concerning the succession tax
- Financial risk concerning the succession of the stocks

(5) Risk directly linked to the succession:

- Risk on the succession of ownership (financial risk)
- Risk on the succession of management (relational risk)

(6) Risk of the family conflict after the death of president/predecessor:

- Risk of the conflict concerning the ownership succession
- Risk of the conflict concerning the management succession

(7) Risk in succession process:

- Risk before the succession (education et initiation)
- Risk during the succession (integration et reprise)
- Risk after the succession (manoeuvre of his or her own strategy)

The modality of risk management by the successor of the 2nd generation is described as follows :

- (a) education as a successor (management skill, entrepreneurship and leadership),
- (b) training of decision making and risk taking : promotion of risk sense (c)enlargement of perspective)
- (d) communication (with his or her parent, the other members of the family, the customers, the employees)

In summary, the risks in succession of family SME are complicated in terms of (1) inseparability of financial aspects and human aspects with much possibility of the family conflict and (2) necessity of long years' preparation. The potential risks of human factor are difficult to identify.

As for the risk evaluation, the possibility of predecessor's disappearance is absolute and the financial impact is enormous. The preparation tends to be late avec the secret of family succession : difficulty in formulating, implicit dialogue and discretion. Once a succession parent/child are pursued, it is no longer possible to avoid these risks but take them. In terms of risk reduction or risk transfer, on the financial aspect, there exist institutional and professional aids, but for psychological and human aspect, accompanying professionals like consultants, lawyer and certified accountant hesitate. Finally on the risk communication relating to each process, accompanying the dialog between different generations becomes very important.

4.3. Transmission and succession of enterprises in Japan

4.3.1. Accelerated ageing of managers of SME

In Japan, ageing of the population is a well-known reality and demographical decrease has already begun. The managers of SME are already aged. 18% of them are more than 70 years old in 2002, three times as many as that in 1979 (METI, 2004). SME transmission is thus a major concern in this country as in the European countries.

4.3.2. Necessity of the promotion of enterprise transmission

According to a study on the retirement of SME owner in Japan (METI, 2005), when an entrepreneur leaves an enterprise, 81.9% of the cases are by liquidation and only 18.1% of them are by transmission to another entrepreneur. Some SMEs could have continued their activity, if they had found a successor or a buyer. Having seen the situation where the exit rate surpasses the entry rate and also the necessity to revitalize the economy, it is vital to maintain the enterprises which could

have survived if a successor or a buyer had been found. The government begins to elaborate the modality to resolve this type of problems which SME meet in the actual situation.

4.4. Family Transmission

In Japan, like in Europe, the rate of family transmission of SME is decreasing. At the beginning of the 1980s, the rate of the transmission of the enterprise to the child was near 80%, that to other family member 14% and that to the third party 6%. These rates between 1999 and 2003 changed to 42%, 20% and 38%.(TSR, 2003)

Table 3: Reason not to succeed the enterprise

(multiple responses possible)	Son	Daughter	Mean
Little hope of development	50.3%	42.8%	45.8%
Do not have ability	22.2%	45.3%	36.0%
Comfort at the actual work	23.8%	12.3%	16.9%
Unsatisfactory Life level	21.1%	9.1%	13.9%
Stability to stay salaried worker	9.2%	15.2%	12.8%
Family do not agree	10.3%	6.5%	8.0%
Others	13.5%	15.9%	15.0%

(METI, 2005, p.190)

The reasons why the children of the entrepreneurs do not want to take the relay of family SME are described with the background factors such as (1)bad economic situation since 1990s, (2)open possibility to choose the other profession, (3)decrease of the value of the succession of family asset among the young generation. (See Table3)

4.5. Reform in 2008

After the discussion of different committees on this subject, the tax reform planned in 2009 will put into practice sooner than expected.

The law facilitating the transmission of familial SME entered in parliamentary discussion in February 2008 et would be effective as soon as October 2008.

This proposes for the non listed stocks by admitting the delay of payment of these taxes. More concisely, this delay is applied to 80% of stocks with voting right which the successor takes over. No taxable part of these stocks will pass from 10 to 80%.

In Japan, the following conditions of application of this law require the possession of stocks during 5 years after the succession :

- the successor should stay representative of the company,
- the successor should maintain 80% of employees,
- the successor should continue to possess the company.

As long as the successor possesses his or her stocks, he or she is beneficiary of this support on the tax. If the successor dies, these taxes are erased.

Conclusion

As a conclusion, from our study which show a different aspect of Japanese SMEs, we would like to make following propositions :

- 1) Necessity to demand the evolution of family SMEs which have three axes to respect (a) corporate governance, (b) compliance and (c) transparence.
- 2) Consideration of family SMEs which are not listed in the market within the research on family business.
- 3) Lesson from long-lived Japanese Family SMEs (LLJFSME) : tradition and innovation as a survival strategy.
- 4) Consideration of territorial legitimacy of SMEs.
- 5) Distinction and cooperation between SME research and Family Business research for the sake of academic synergy.

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Annex :

Japanese Enterprises mentioned in the list, “the world’s 100 oldest continuously family-owned firms”	
Rank	Firm Profile
1	<p>Kongo Gumi Construction/Osaka, Japan Founded: 578 40th generation www.kongogumi.co.jp Prince Shotoku brought Kongo family members to Japan from Korea more than 1,400 years ago to build the Buddhist Shitennoji Temple, which still stands. Over the centuries, Kongo Gumi has participated in the construction of many famous buildings, including the 16th-century Osaka castle. Today the family continues to build and repair religious temples and manage general contracting from its Osaka headquarters.</p>
2	<p>Hoshi Ryokan (Member of Hénokiens Association) Innkeeping/Komatsu, Japan Founded: 718 46th generation www.ho-shi.co.jp/jiten/Houshi_E/ According to legend, the god of Mount Hakusan visited a Buddhist priest, telling him to uncover an underground hot spring in a nearby village. The hot spring was found, and the priest requested that his disciple, a woodcutter’s son named Garyo Saskiri, build and run a spa on the site. His family, known as Hoshi, have run a hotel in Komatsu ever since; the current structure houses 450 people in 100 rooms.</p>
26.	<p>Toraya Confectioners/Tokyo, Japan Founded: pre-1600 17th generation www.toraya-group.co.jp Japan’s oldest traditional confectionery has been making the sweet delicacy known as wagashi since its founding in Kyoto by Enchu Kurokawa.</p>
33.	<p>Kikkoman (Member of Hénokiens Association) Soy sauce/Noda, Japan Founded: 1630 www.kikkoman.com On the run after her husband’s military defeat and death at the Osaka castle in the 16th century, widow Shige Maki escaped to Noda, Japan, and established a small business making what was to become soy sauce. The family business became a unified company in 1917 when eight branches of the Mogi family merged their companies together. The company has grown into the world’s largest producer of soy sauce products.</p>
37.	<p>Gekkeikan (Member of Hénokiens Association) Sake/Fushimi, Kyoto, Japan Founded: 1637 13th generation www.gekkeikan.co.jp The Gekkeikan brewery was established by Jiemon Okura in the town of Fushimi. The quality of its sake has led to the company’s appointment as the official supplier of the Japanese Imperial household.</p>
	<p>*WE by William O’Hara and Peter Mandel http://www.familybusinessmagazine.com/oldworld.html</p>
	<p>(consulted in February 12, 2008)</p>