

# **Pursuit of Opportunity and Business Incubation – A Case Study on Entrepreneurs at Kyoto Research Park**

**Katsuyuki Kamei**

Kansai University, Faculty of Safety Science, Osaka, Japan

## **Summary**

How can an accompanying structure support the pursuit of opportunity by entrepreneurs? Based on the research by Messeghem and Sammut (2007), we try to clarify the relationship between the entrepreneurial process and the role of the accompanying structure. To do so, we conducted an empirical study at the Kyoto Research Park (KRP), founded in 1989 as the first private incubation facility in Japan. The propositions formulated by Messeghem and Sammut are tested. The results show that KRP plays an important role in the creation of a network for entrepreneurs. At KRP, it is possible to observe a particular ‘Kyoto way’ of entrepreneurship.

**Keywords:** Entrepreneurial process, Opportunity, Legitimacy, Network, Accompanying structure, Incubation, Kyoto way, Kyoto Research Park (KRP)

## **Introduction**

Entrepreneurs are affected by the nation in which they operate and also by the region in which they are situated. How do originators mobilize a structure such as an incubation centre within their entrepreneurial project? How effective is this?

The objective of this research is to understand the relationship between the entrepreneurial process and its accompanying structure. Based on the research by Messeghem and Sammut (2007), we focus on the following points: (1) the relationship between entrepreneurial opportunity-seeking and the role of the accompanying structure; and (2) the relationship between entrepreneurial legitimacy-seeking and the role of the structure.

In 1989, Kyoto Research Park (KRP) was established within the Kyoto High Tech Valley as the first private incubation facility in Japan. Since then, KRP has played an important role in providing start-up entrepreneurs with opportunity and basis in areas such as IT, e-commerce, consulting, university-related R&D and other high technology. The present empirical study is supported by an historical survey of entrepreneurs in Japan (Dana, 2007).

Our empirical study investigates entrepreneurship at KRP in Japan. The city of Kyoto is internationally known for its history and culture. This ancient capital is also a centre of entrepreneurial and

technological prowess. ‘Kyoto way’ entrepreneurship has given birth to world-class ventures such as Horiba, Omron, Kyocera and Nintendo.

## **1. Pursuit of Opportunity at the Accompanying Structure: Legitimacy and Isolation**

The entrepreneurial process can be defined as the discovery, evaluation and exploitation of opportunity. How then can the accompanying structure support the pursuit of opportunity by entrepreneurs? On this point, the study by Messeghem and Sammut (2007) describes the role played by the accompanying structure on behalf of the entrepreneurs. In particular, their study clarifies many dysfunctions observed through the interviews. Their critical study has a particularity, which is difficult to find among previous studies.

Here, we summarise the study by Messeghem and Sammut (2007). First, they reviewed the literature and considered opportunity-seeking to be a matter of networking. Thus, they formulated the following propositions:

**Proposition 1:** The accompanying structure influences the research and development of opportunity by the originator.

**Proposition 2:** Project bearers who enter the accompanying structure have already been integrated within reticular logic; the accompanying processes reinforce this network approach.

Next, they reviewed the concept of legitimacy and its typology to formulate another proposition.

**Proposition 3:** Originators (by developing their activities within the accompanying structures) seek to improve the credibility of their project.

Third, they tested their propositions by interviewing six entrepreneurs within an accompanying structure located in the south of France. They formulated a typology for the entrepreneurs they interviewed using the concepts of ‘competitive legitimacy’ and ‘professional legitimacy’.

As a result of this study, they concluded by mentioning the risk of isolation: an incubator does not influence the research and development of opportunity by the originator. Project bearers who enter the accompanying structure have already been integrated within reticular logic but they are particularly alone when constructing and reinforcing this network. An incubator does not reinforce this already-woven network.

Finally, they modified their initial propositions to accommodate the reality of the accompanying structure that did not fulfil the expected role.

**Proposition 1’:** The accompanying structure does not influence the R&D of opportunity by the originator if it develops a weak relationship with the originator.

**Proposition 2’:** Project bearers who enter the accompanying structure have already been integrated within reticular logic; accompanying processes do not reinforce this network approach if the structure develops a weak relationship with the originator.

**Proposition 3’:** Originators (by developing their activities within the accompanying structures) do not succeed in promoting the credibility of their project when the structure develops a weak relationship with the originator.

## 2. The 'Kyoto Way' of Entrepreneurship and KRP

### 2.1. Entrepreneurs in Japan

Japan is reported to have an entrepreneurship 'problem'. It is near the bottom of Global Entrepreneurship Monitor surveys. A White Paper on SMEs in 2005 pointed out, *"the decline in risk-takers not only creates the risk that risks may not be taken at the enterprise level, but also creates the risk for society as a whole that the maintenance of growth potential and improvement of the industrial structure may be imperiled by the decline in self-employment and decrease in the entry rate."* In order to resolve this entrepreneurship problem, Japanese policy-makers have introduced a series of reforms. One example is the drastic change in commercial law with the creation of the new Corporation Law in 2006 aimed at facilitating the founding of an enterprise.

Based on Dana (2007), Japanese entrepreneurs can be described as follows

*Japan is a country in which a big size is desirable. An old proverb teaches, "When seeking a shelter, look for a big tree" (Yoraba Taizyu no Kage). Rather than compete with large firms, entrepreneurs in Japan co-operate with them, serving as suppliers and assemblers, in an intricate relationship revolving around cultural beliefs. Japan has an ancient and intricate cultural tradition, founded on legends, myths and rituals. Central to the Japanese belief system are the concepts of mutual obligation, indebtedness, hard work, self-sacrifice and loyalty, all of which reinforce the very important notion of harmony for the common good. Additionally, in Japan, the individual is always conscious of belonging to a group. Therefore, enterprises also tend to form associations. The concepts of obligation, indebtedness and loyalty contribute to the unity and success within each partnership, and to the harmony among groups.*

*Although entrepreneurship in Japan may have acquired Western knowledge, it has retained Japanese spirit, including cultural and traditional values such as the sense of obligation, indebtedness and loyalty within business alliances. Public policies help perpetuate this pattern, and across industries, small businesses in Japan are usually linked to a network of one kind or another.*

*Since World War II, a few small-scale engineering firms in Japan grew into multinationals. These include Honda and Sony. However, these very large firms were exceptions. The majority of Japanese enterprises specialised in niche activities. For many, the niche was to serve as subcontractor for major enterprises. This complementarity between small and large firms, coupled with a cultural system of harmony, enhanced the efficiency of the Japanese economy. Small-scale entrepreneurs helped large corporations to prosper, while the latter gave entrepreneurs a raison-d'être as well as a livelihood. Cultural values helped propagate the inter-firm linkages. These include: the keiretsu (a diversified enterprise group) and the shita-uke gyosha (subcontractors). (Dana, 2007)*

### 2.2. 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 and Kyocera.

The first generation of Kyoto enterprises is Shimazu(founded in 1875) or Omron(1933). The second generation is Murata(1944), Horiba(1945), Wacool(1946), Rohm(1954), or Kyocera(1959). The third generation is Nidec(1973) or Samco(1979). The enterprises at KRP(Kyoto Research Park) on which we will explain at the next part are expected to be the fourth generation. According to the *Kyoto Shimbun* (local newspaper in Kyoto), high world share of the parts utilized in a cellular phone is occupied by enterprises of Kyoto. (Table1)

**Table 1: World Market Share of Cellular Phone Components occupied by Enterprises in Kyoto**

Component in Cellular Phone	Enterprise in Kyoto	World Share	World Ranking
Crystal liquid back light	Omron	20%	1
Small gauge coaxial connector	Daiichi Seiko	60%	1
Heat transfer foil	Nissha	85%	1
Multilayer ceramic capacitor	Murata	35%	1
	Kyocera	10%	2

Source : Kyoto Shimbun, December 3, 2009

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. (Ohnishi, 2005)

**1. 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.

**2. 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. 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.

**4. 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*).

**5. 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.

**6. 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 Masao Horiba, who founded the enterprise named after him in 1945.

### **2.3. KRP, Kyoto Research Park**

KRP was established by Osaka Gas Corporation in 1989 as the first private incubation facility in Japan. KRP is located in the middle of Kyoto's High Tech Valley, not far from the Kyoto station, international technology firms and major universities. This close proximity gives tenant companies quick access to markets, next-generation research and people in various fields. With the motto, *Shyu Kou Sou* (Gather Network Create), KRP plays a role in promoting exchange among academia, industry and government agencies. Besides a convenient office location, KRP offers state-of-the-art facilities such as communication infrastructure, an Internet data centre, a conference room and hall, wet labs, dry labs, rental offices and booths. The number of tenants at KRP was about 240, with around 100 tenants (45% of the total) being start-ups in 2007. In February 2010, the number of resident companies and organizations is 250 (35% of them are in ITC sector) and the population working at KRP is 2,600. The occupation rate for rented offices and booths is greater than 90%. As a corporation employing 93 persons (fulltime 66 and part time 27), KRP's line of business is venture incubation, rental of office and laboratory space, business matching (technology transfer and joint ventures), data center management and management of conference facilities.

In Japan, in the mid-1980s, the word and the concept 'incubator' were imported from Western countries. The Technopolis Act of 1983 and the Private Participation Promotion Law of 1986 urged the establishment of incubation facilities throughout Japan. The first of these were the System House Centre Kobe (1982) and My Com Techno House Kyoto (1983). In 1986, Kanagawa Science Park (KSP) was inaugurated as the first large-scale incubation facility under the Private Participation Promotion Law. Usually, incubation facilities are constructed in the local area with the aim of territorial development. The inauguration of KRP in 1989 at the centre of such a big city as Kyoto was exceptional.

Then, following the Law for Facilitating the Creation of New Business in 1999, Japan saw the establishment of incubators increase apace. A survey by the Japan Association of New Business-incubation Organizations (JANBO) in 2004 counted 177 incubators in Japan. Among these, KSP and

KRP are the leading examples in Japan and are rare incubation facilities that saw the expected development.

Onishi (2005) points out the unique business model of KRP as being one of the few private incubators in Japan. Most of the incubation facilities are operated by the public sector based on the national and local government policy. In contrast, at KRP, it is the private sector that directs, academia that instructs and finally the public sector that supports. This cycle is specific to KRP with the key factors of its success shown in Table 2:

**Table 2: Key Factors of Success at KRP**

<p><b>Facilities open 24h (1989):</b> Unlike other public incubators, privately owned KRP offers facilities that are available and open 24h.</p> <p><b>UCSC model (1989):</b> At its inception in 1989, KRP used the research park at the University of California Santa Cruz as a model.</p> <p><b>Internet infrastructure (1995):</b> High-level Internet infrastructure was provided at the dawn of IT technology in 1995.</p> <p><b>Industry-academia liaison</b> through the establishment of Kansai TLO (1998): Kansai Technology Licensing Organization Co., Ltd. (Kansai TLO), originally established in 1998 as a joint venture between KRP and the universities in Kyoto, promotes industry-academia liaison and supports university-related ventures.</p> <p><b>Recognition as a supporting institute by the public sector (1999):</b> Kyoto Prefecture and Kyoto City assembled, at KRP, a foundation for industrial promotion and supporting organizations for the benefit of tenants in KRP and Kyoto-area businesses. Examples are the Kyoto Prefectural Comprehensive Centre for Small and Medium-sized Enterprises, Kyoto Industrial Support Organization 21, the Kyoto Municipal Institute for Industrial Research, the Advanced Software Technology and Mechatronics Research Institute (ASTEM), Kyoto Software Application (KYSA), the Japan Institute for Invention and Innovation, and the Kyoto Comparative Law Centre.</p> <p><b>Collaboration Desk (2002):</b> The collaboration desk was created to promote interaction among KRP tenants, and to act as a bridge for them to work with universities and the established business community.</p>
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### 3. Entrepreneurs and Accompanying Structure

In Section 1, we overviewed the theoretical framework of the entrepreneurial process as a pursuit of opportunity and legitimacy within the accompanying structure. To do this, we referred to the study by Messeghem and Sammut (2007) and adopted their propositions. In Section 2, we described the field of our empirical study; that is, the Kyoto method of entrepreneurship and KRP in the city of Kyoto in Japan. In this section, we present our empirical study. We effectuated an empirical study of entrepreneurs at KRP in order to test the following propositions advanced by Messeghem and Sammut (2007) using the methodology described below.

**Proposition 1:** Accompanying structure influence on the research and development of opportunity of the creator.

**Proposition 2:** Project bearers who enter the accompanying structure have already been integrated in the reticular logic; accompanying processes enforce this network approach.

**Proposition 3:** Creators (by developing their activities within the accompanying structures) seek to improve the credibility of their project.

**Methodology:** We adopted a case-study methodology (Yin, 1994) that can assure the comprehension of entrepreneurship as a social phenomenon. Thus, we adopted the case study realized by Ohnishi(2005), who interviewed three directors of KRP and 10 entrepreneurs who launched an enterprise within KRP. The interviews in Ohnishi(2005) covered the following themes: the reasons for creation, the corporate philosophy, the role of the structure and the nature of the network and legitimacy. In 2007, we carried out additional interviews.(Kamei et al., 2007) And also, we interviewed two directors of KRP in 2010. As a guide to the interviews, we used the questionnaire developed by Messeghem and Sammut (2007) (see Annex) by adopting some of the questions. During the interviews, we discussed personal background, recognition of the business opportunity, the entrepreneurial process, personal and business objectives, the network, personnel philosophy and the significance of the Kyoto context. Finally we selected five entrepreneurs to be examined in this study.

### **3.1. A case study on entrepreneurs at Kyoto Research Park**

#### **3.1.1. Hatena**

J.K. was born in Mie Prefecture in 1975. He graduated from the Faculty of Physics at Kyoto University in 1998. He was a member of the cycling club at Kyoto University (in Japan, sports are practised within schools and universities). He travelled a lot by bicycle. When he was in the third year at university, he travelled across the United States of America by bicycle in 45 days. During this tour, he met many people from various walks of life. This experience influenced him greatly and evoked his sense of entrepreneurship.

He attended Graduate School at Kyoto University in 1999. He worked as a part-time photographer at a publishing company (in Japan, most students have a part-time job, even during the semester). At the same time, he was looking for a chance to start a company.

He saw his parents struggle to find anything on the Internet using either a robot engine such as Google or a directory-type engine such as Yahoo. One day, he hit upon an idea to offer a service for information search on the Internet using manpower. He discussed this with a consultant from KRP at the Kyoto University Incubation Centre. He explained his plan enthusiastically. Finally, KRP encouraged him to set up a company.

In July 2001, the ‘Hatena manpowered search engine’ was established as a limited liability company. Hatena is one of the IT start-ups within KRP. J.K. made full use of the Internet infrastructure offered by KRP. He met and engaged with K.W., founder of Mag Mag, one of the biggest mail magazine providers in Japan. They both are IT start-ups created within KRP.

The manpower search engine works as follows. When a person wants to know something, he or she asks a question by writing ‘I would like to know about A’, and then, the others gather the information and answer the question online. This is available for members of the service. This service is called ‘Hatena’, which means ‘question mark’ in Japanese. In place of money, Hatena members use Hatena points, a kind of virtual means of exchange.

In 2003, Hatena started a blog service called the ‘Hatena diary’, which was very successful. This has grown to be one of the five biggest blog services in Japan. In 2004, Hatena became a joint-stock corporation and moved to Shibuya district in Tokyo. The number of Hatena members has risen to 180,000 and the users of the Hatena diary number 100,000. The philosophy of J.K. is ‘never do as others do (do what others do not do)’. (Ohnishi, 2005)

### **3.1.2. Kocha Senmonten ‘Select Shop’**

M.N. was born in Shimonoseki City in Yamaguchi Prefecture in 1976. When he was an undergraduate at Ritsumeikan University in Kyoto, he made a one-month trip to Nepal and India. He very much liked these countries. He wanted to come again. During this trip, he hit upon an idea: ‘if I buy something cheap and sell it in Japan, it will make enough money for the next trip’.

So he bought hand-crafted pen cases. He decided to sell these together with a pack of tea. He came back to Japan and launched a website to sell these via the Internet. It took him one month to create this website, but there were few orders. One day, he received an e-mail asking him to sell only the tea. He found that the tea he had bought was of a good quality. At that time, he had no knowledge of tea. He sold all the tea he had bought in just one and a half months. He made 50,000 yen, which was enough for another trip to Nepal.

During this second trip, he decided to be much more serious about buying tea. He asked the tea merchant about the know-how required for recognizing good tea. After that began the following cycle: a trip, sales via the Internet, another trip, more sales via the Internet, etc.

When he began selling tea via the Internet, he had a model to emulate. At that time, Eiji Kishimoto operated one of the two websites selling goods via the Internet. His shop, Easy, sold t-shirts via the Internet. M.N. studied the know-how by observing the website. Easy had been a start-up at KRP. Finally, M.N. planned to launch a company at KRP.

In March 1998, during his study at Ritsumeikan University, he created Kocha Senmonten (which means a special shop for English tea in Japanese) ‘Select Shop’. One year later, it became the largest sales site for English tea in Japan. The secret of the service lies in customer satisfaction via a diary page of his trip and a mail magazine service. Now, his office is located next to that of his mentor, E.K. M.N. still learns much from him, a master of selling via the Internet. M.N. loves to travel. He sells tea to finance another trip. This is his philosophy. (Ohnishi, 2005)

### **3.1.3. System Wave**

K.A. was born in Kyoto in 1962. After graduating from Heian Senior High School in Kyoto, he joined Osaka Gas Corporation. In 1985, he joined Omron, where he worked in production management and system design. At the same time, he often participated in meetings or parties with people from other companies or of other professions. He was much influenced by this kind of association.



After having worked as an employee for 14 years, in 1998, he became independent, although he did not have a precise business plan. He worked on this together with about 10 people.

In 1999, he launched a portal site for women in order to conduct market research via the Internet. KRP introduced him to a partner who could provide Internet content design. In December 2001, he created System Wave as a joint-stock corporation. This company provides a virtual department store-type mall and various kinds of services for those who want to do everything via the Internet.

‘I started a virtual mall in order to offer the possibility of creating one’s own brand. When one creates one’s own brand, it is important to meet with others. Networking is precious. We are influenced by others and we try to be better’. This is his philosophy. (Ohnishi, 2005)

#### **3.1.4. Multimedia Research Centre.**

S.S. was born in Kyoto in 1954 in a family in photography and printing business. His father worked for a large local journal, *Kyoto Shinbun*, and later became independent in order to set up Kinki Photography. After having worked as the director of his father’s corporation, S.S. created the Multimedia Research Centre together with his elder brother. This was one of the first enterprises set up in KRP.

Being in the field of photography, he understood the limitations of this business and foresaw the future digital era. In 1994, he participated in a large-scale broadband experiment within the region, which helped him and his elder brother to set up an enterprise. The atmosphere at KRP helped them greatly in developing their business plan.

Now, S.S. is the president of this company, and in addition to this business, he makes an effort to assist younger graphic designers through cooperation with universities of art in and around Kyoto.

#### **3.1.5. Secretariat**

Y.H. was born in Kyoto in 1971. In 1994, she graduated from the Faculty of Literature at Doshisha University in Kyoto. After graduation, she became the secretary to Professor Tamura of Kyoto Institute of Technology. Professor Tamura was a founder of the Human Interface Society, which is an academic association in this field. At his laboratory, she worked as the secretariat for this association. When Professor Tamura retired, the association decided to set up a secretariat office for itself. In the summer of 2000, a convention of the Human Interface Society was held at KRP. The staff, including Y.H., were impressed with the facilities at KRP. They each said, ‘I wish I could work in an atmosphere like this’.

The directors of the Human Interface Society proposed that Y.H. should become independent in order to start and manage a secretariat office. She had to choose either to quit the Society or to create a secretariat as an independent organization. Finally, she accepted the offer to establish a limited liability company called Secretariat.

Now, Secretariat works as a secretariat for five academic associations as well as a number of private companies. KRP's support for business and academia networks, its conference facilities service, and the atmosphere of Kyoto City as a centre for academia with many universities have helped greatly in the development of Secretariat. (Ohnishi, 2005)

### 3.2. Construction of a Typology for Entrepreneurs Based on Legitimacy

In order to further study the entrepreneurs at KRP, we adopted a typology based on legitimacy, as in Messeghem and Sammut (2007). This typology is delineated as a function of 'competitive legitimacy' and 'professional legitimacy'. 'Competitive legitimacy' reflects the capacity of an organization to adapt to its competitive environment and to create value to ensure its survival. This corresponds to the socio-political normative legitimacy described by Zimmerman and Zeitz (2002), who defined this as being derived from the norms and values of society or from the level of societal environment relevant to a new venture. 'Professional legitimacy' corresponds to the capacity to be recognized by one's profession. This conformity to the norms and values of professional society depends on the level of professional integration. In the terminology of Zimmerman and Zeitz (2002), this is placed between cognitive legitimacy and socio-political normative legitimacy. They explain the latter using a definition from Scott (1994) as being derived from addressing 'widely held beliefs and taken-for-granted assumptions that provide a framework for everyday routines, as well as the more specialized, explicit and codified knowledge and belief systems promulgated by various professional and scientific bodies'.

The cross-tabulation of these two dimensions of legitimacy makes it possible to identify four types of entrepreneurs, as shown in Table 3.

**Table 3: Typology of Entrepreneurs Based on Competitive and Professional Legitimacy**

		Competitive Legitimacy	
		Weak	Strong
Professional Legitimacy	Strong	<i>Artists</i> System Wave Multimedia Research Centre Secretariat	<i>Receptives</i> Hatena Select Shop
	Weak	<i>Marginals</i>	<i>Surfers</i>

Marginals are those originators who pursue an opportunity in a new domain. They must build competitive and professional legitimacy at the same time. This study does not examine entrepreneurs within this category. Artists are those originators who develop the knowledge that they want to exploit in pursuing an entrepreneurial opportunity. They share a form of shutting-in with marginals. They have a tendency to withdraw to a restricted society and depend essentially on the tied linkages of their network. This shutting-in can be a constraint on the pursuit of new opportunity. Receptives are those originators who succeed in benefiting from strong legitimacy, both competitive and professional. Surfers are those originators who benefit from a strong competitive legitimacy that can be linked to sound managerial and/or entrepreneurial experience. In contrast, their professional legitimacy is relatively

weak, for they just start out within the sector. Their principal challenge is to succeed in developing relationships with their professional society.

Next, we applied another typology to the interviewed entrepreneurs at KRP. This typology 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. One method is 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. Whatever their degree of competitive legitimacy, all the entrepreneurs studied here show a strong territorial legitimacy at Kyoto.

**Table 4: Typology of Entrepreneurs Based on Competitive and Territorial Legitimacy**

		Competitive Legitimacy	
		Weak	Strong
Territorial Legitimacy	Strong	<i>Notable</i> System Wave Multimedia Research Centre Secretariat	<i>Enterprising</i>  Select Shop Hatena
	Weak	<i>Isolated</i>	<i>Nomad</i>

**3.3. Opportunity, Network and Legitimacy at KRP**

How do entrepreneurs at KRP pursue their opportunities, construct their networks and gain their legitimacy? To explore this, we used the English translation of the interview guidelines (see Annex) provided by Messeghem and Sammut (2007) for entrepreneurs at an accompanying structure. The following are the results for some of the important items.

*\*Numbers and items are from the English translation of the interview guidelines by Messeghem and Sammut (2007)*

**1. Accompanying Structure and Opportunity**

**1.1. The project**

1-1-2 : *Did you have your precise idea on the nature of the activity that you wanted to develop before entering KRP ?* All of the five entrepreneurs responded “Yes”.

1-1-4 : *Did KRP participate in the elaboration of your project ?* All of the five entrepreneurs responded “No”.

1-3-4 : *Did the accompanying structure KRP enable you to discover the new opportunity since the launch of the activity ?* All of the five entrepreneurs responded “Yes”.

**1.2. Resources**

1.2.2: *What are the means developed and made available by KRP?*

Hatena (technology and credibility), Select Shop (recruitment by the fact of being a tenant at KRP made it easy to find employees), System Wave (Clientele and partner), M.R.C.(Clientele and partner), Secretariat(clientele and credibility)

### 1.3. Opportunity

1.3.1: *Did the accompanying structure at KRP bring you one or more business opportunities? If so, what kind?*

Hatena (publicity via PR, KRP magazine), Select Shop (publicity via PR, KRP magazine), System Wave (introduction to new clientele), M.R.C.(Introduction to new clientele, Mediation of joint order), Secretariat(introduction to new clientele and to university professors)

### 2. Network

2.1: *Outside KRP, when and with whom did you have an occasion to discuss the idea of the accompanying structure?*

All of five entrepreneurs responded “with supporting institutes or other enterprises” and “at public administrative sponsoring seminars or private seminars”.

2.3: *Did the accompanying structure at KRP allow you to enter into relationships with other partners? If so, what kind, and at which period of the project?*

Hatena(at the beginning), the others (all the time).

### 3. Legitimacy

3-1 : *Do you think that the fact to be incubated helped you in your access to the resources?*

All of the five entrepreneurs responded “Yes”.

3-4 : *If you hadn't been integrated in the accompanying structure KRP, would you have had the same legitimacy in front of your competitors and/or commercial and financial partners ?*

All of the five entrepreneurs responded “No”.

3-6 : *Are your customers or suppliers sensitive to your existence in the minds of KRP?*

All of the five entrepreneurs responded “Yes”.

Entrepreneurs interviewed at KRP were asked what they considered to be the greatest advantage of being a tenant at KRP; the results are shown in Table 5. Common advantages are listed in Table 6.

**Table 5: Greatest Advantage of being at KRP**

Hatena...Communications and Internet infrastructure such as server room.
Select Shop...Neighbourhood of a model venture for sales via the internet and KRP.
System Wave...Development of new business by meeting partners.
M.R.C....Creative atmosphere t stimulate new ideas.
Secretariat...Development of clientele at KRP as a base for industry-academia liaison and convention facilities.

**Table 6: Common Advantages of being at KRP**

- |   |
|---|
| <ol style="list-style-type: none"><li>1. Information through collaboration and networking among tenants at KRP.</li><li>2. Value of KRP in facilitating recruitment and affording credibility</li><li>3. IT infrastructure (server room, security system)</li><li>4. Existence of public supporting institutions within the territory of KRP</li><li>5. Seminars held at the facilities of KRP (easy to participate in)</li><li>6. Information through seminars or conventions, networking via seminars</li><li>7. Introduction to related business at KRP</li><li>8. Mediation of joint order for IT start-up by KRP</li><li>9. Facilities and offices available 24h</li></ol> |
|---|

The interviewed entrepreneurs were positive about KRP's role in introducing partners and related businesses. According to them, constructing networks within or through KRP helped them pursue their opportunities. Thus, within the examples of the entrepreneurs at KRP, our interviews did not find any risk of isolation at the accompanying structure, which is an argument put forward by Messeghem and Sammut (2007). It must be noted that the five entrepreneurs interviewed developed strong relationships with KRP so that they could be introduced to partners and clientele. Furthermore, we have to recognize that KRP is one of the rare cases of success as an incubation facility in Japan, next to KSP. This might be an exceptional case if we consider the reality of local public incubation facilities.

In any case, it is possible to observe the following three aspects from among the entrepreneurs at KRP:

- (1) Brand and credibility: KRP as a source of cognitive legitimacy;
- (2) Network: KRP as a source of networking;
- (3) Lifestyle-oriented: creation of enterprise as an opportunity for the realization of an expected lifestyle (need for achievement).

## **Conclusion**

Our study confirms that certain propositions formulated by Messeghem and Sammut (2007) are applicable in a completely different region, namely Kyoto, Japan:

- (1) Opportunity-seeking is a matter of networks;
- (2) Opportunity-seeking is a matter of 'legitimacy';
- (3) Risk of entrepreneurs' isolation.

As a theoretical advance to contributions, this study tested propositions advanced by Messeghem and Sammut (2007) using an empirical study of entrepreneurs at KRP. Three initial propositions formulated by Messeghem and Sammut (2007) were considered.

Using their empirical study of six entrepreneurs at an incubation facility in the south of France, Messeghem and Sammut (2007) rejected all three propositions. Moreover, they referred to the risk of isolation of originators within the accompanying structure as a reality.

In contrast, our study showed that, at least in the accompanying environment realized at KRP, Propositions 2 and 3 can be confirmed. That is, the entrepreneurs whom we interviewed appreciate KRP's role in introducing partners, thereby supporting network creation, which is effective in the im-

provement of the credibility of their project. No entrepreneur we interviewed mentioned any risk of isolation.

KRP might be an exceptional case in Japan, for it is a rare example of a privately managed incubator. Therefore, the future direction of our research will be to conduct an empirical study of the majority of public incubation facilities in Japan such as Kazumi(2008) in order to test the propositions formulated concerning the relationship between the entrepreneurial process and the accompanying structure as seen in the study by Messeghem and Sammut (2007).

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## **Annex : English translation of Interview Guideline by Messeghem and Sammut (2007) on entrepreneurs at an accompanying structure**

(Original version is in French. Name of accompanying structure enters at the place of \*\*\*)

### **1. Accompanying structure and Opportunity**

#### **1.1. The project**

1-1-1: *Could you tell us what brought you to create your enterprise ?*

1-1-2 : *Did you have your precise idea on the nature of the activity that you wanted to develop before entering the accompanying structure \*\*\* ?*

1-1-3 *Were you in relation with the accompanying structure \*\*\* before the montage of the project or only since the creation of the business?*

1-1-4 : *Did the accompanying structure \*\*\* participate in the elaboration of your project ?*

1-1-5 : *If so, in what manner? In what period of the maturation of your project? Did the advice of the accompanying structure \*\*\* transform your project?*

#### **1.2. The resources**

1-2-1 : *What kind of resources or ability did you have to in order to realize your project ?*

1-2-2 : *What is the means developed and made available by \*\*\* ?*

1-2-3 : *Did they become available before or after your request?*

#### **1.3. Opportunity**

1-3-1 : *Did the accompanying structure at \*\*\* bring you one or more business opportunities? If so, what kind?*

1-3-2 : *How do you proceed to discover new business opportunities ? Does the accompanying structure \*\*\* help you in this process of detection ?*

1-3-3 : *In what way, do you proceed to know whether an opportunity is worth developping or not ? Are there tools ? Are they yours or are you helped on this point by the accompanying structure \*\*\* ?*

1-3-4 : *Did the accompanying structure \*\*\* enable you to discover the new opportunity since the launch of the activity ? Did you follow all these ?*

1-3-5 : *Did the accompanying structure \*\*\* sometimes dissuade you in your hope to develop new opportunities? If so, what arguments were advanced ? Would you have preferred that \*\*\* play this role ?*

### **2. Network**

2-1 : *Outside the \*\*\*,when and with whom, did you have an occasion to discuss?*

2-2 : *Did the structures help you to refine your project ?*

2-3 : *Did the accompanying structure at \*\*\* allow you to enter into relationship with the other partners? If so, what kind, and at which period of the project? Did the members of the accompanying structure \*\*\* attend the interviews?*



- 2-4 : *In the midst of \*\*\*, did you develop relations with the other enterprises ?*
- 2-5 : *Do you take business opportunities by yourself or together with several persons?*
- 2-6. *How many people did you meet during the launch of your project (in \*\*\* and outside \*\*\*) ?*

### **3. Legitimacy**

- 3-1 : *Do you think that the fact to be incubated helped you in your access to the resources?*
- 3-2 : *Could you obtain new resources, thanks to the accompanying structure to work your project ?*
- 3-3 : *Did the accompanying structure \*\*\* allow you to gather the resources that you couldn't gather without its aide ? If so, what and in which proportions ?*
- 3-4 : *If you hadn't been integrated in the accompanying structure \*\*\*, would you have had the same legitimacy in front of your competitors and/or commercial and financial partners ?*
- 3-5 : *What made your enterprise look credible for your customers ?*
- 3-6 : *Are your customers or suppliers sensitive to your in the minds of?*

### **4. Performance**

- 4-1 : *Today, do you consider that your enterprise is viable ? What made an enterprise like yours viable ?*
- 4-2 : *What are the perspectives of the development of your enterprise ?*

### **5. Evolution of \*\*\***

- 5-1 : *What kind of service do you want to see develop ?*
- 5-2 : *Do you think that it is important for \*\*\* to be certified ?*
- 5-3 : *Would you like an option to stay at the site of \*\*\* after 23 months ?*
- 5-4 : *How do you like to see \*\*\* develop ?*