

Business strategies of companies with a longevity of 300 years or longer in Japan: A concept model

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Abstract

This study was conducted to explore and evaluate the key factors supporting the business sustainability and longevity of firms that have survived for 300 years and more in Japan. The business owners of 10 such companies in *Nihonbashi*, Tokyo, Japan, were invited to interviews. The interview data was analysed with a text mining approach to develop the key themes advocating these companies' business sustainability. From the research, a conceptual framework was developed, suggesting four key factors perceived by the owners: 'customers and products', 'owner and employees', 'management and business credo' and 'change and risk management'. It was also found that non-economic values and the perception as a member of the community ('*Sanpo-Yoshi*') are embedded in their mindsets, which have been driving forces for these firms' business behaviour.

Keywords: *Shinise* (long-established firm), business strategy, *sanpo-yoshi* (good in three directions): suppliers, customers and community, business model, business credo, sustainability, Japan, a concept model

1. Introduction

1.1 Background of the Study

In Japan, it is not difficult to find companies with a history of over 100 years, and Teikoku Databank (2019) has provided a list of 33,259 such companies. The proportion is 2.27% of all registered companies. According to Tokyo Shoko Research (2016), one of the definitions of the term *Shinise* is that it is a company that has been in business for more than 100 years since its establishment. Companies that have been in business for more than 1000 years are commonly referred to as ‘1000-year companies’. Tokyo Shoko Research (2016) listed seven companies with more than 1000 years of business history as of 2017, and there are two other well-known companies – *Nakamura Shaji*, which was founded in 970, and *Ichimonjiya Wasuke*, which was founded in 1000 – resulting in a total of nine such companies.

In most of cases, a *Shinise* is a privately-owned small or medium-sized enterprise, the business of which is inherited by family. Each *Shinise* has its own tradition and organisational credo to sustain the business over the centuries. Teikoku Databank (2009) analysed the

criticality of the innovativeness of a company that lasts for 100 years and emphasised the significant aspect of not being afraid of change.

1.2 Rationale of the Study

Regarding the research on long-surviving companies, most of the existing discussions are concentrated around only those with a 100-year survival period (Enari, 2018). Thus, research on long-established companies with a longevity of 300 years or more is rare. Japan is well known for having the biggest ratio of ultra-long-established companies (Yamaoka, 2019); it can be expected that business strategies supporting *Shinise* can act as guides for the current businesses to enable business sustainability in the competitive market environment. This study, therefore, was aimed at exploring the perspectives of the business owners of companies with a history of 300 years or more, which survived the period of the Edo era (1603–1868), Meiji era (1868–1912: during the Meiji Restoration), Taisho era (1912–1926: recovery from Great Kanto Earthquake), Showa era (1926–1989: during and after the WWII), Heisei era (1989–2019) and the present Reiwa era (2019–present). The 1970s was a period of high economic growth, which was followed by the bubble economy and its collapse in the 1990s, a period of challenges for business entities. Until now, ultra-long-established companies have been coping with challenges related to the disruptive economy and market dynamism. This study was aimed at analysing the statements of the owners of those businesses to reveal their business philosophies

and management styles to develop a framework with the key dimensions that have supported the long-established companies, which will be a useful guideline for other firms that aim to sustain their business in this competitive age.

2. Academic Discussion

2.1 Business Philosophy of Japanese Business Entities

Of all Japanese enterprises, 99.5% are small- and medium-sized enterprises (SMEs), whose labour accounts for 75.5% of the whole working population, suggesting that SMEs are a significant driving force of the Japanese economy (Small & Medium Enterprise Agency, 2020).

Under the current disruptive environment with the COVID-19 pandemic, businesses have been seeking guidelines on sustaining their businesses, and from this perspective, lessons from those companies with long-established could provide actionable implications for the newer firms (Bailey & Breslin, 2021).

Oe and Yamaoka (2020) discussed the Japanese SMEs' business philosophy and ethos based on the interviews with 24 SMEs owners in Japan, covering different sectors of the industries. In their research, they presented two unique entrepreneurial dimensions: value co-creation and community contribution. They focused on the five entrepreneurial orientations (autonomy, innovativeness, risk-taking, proactiveness and competitive advantage) as proposed by Lumpkin & Dess (1996), and they successfully revealed and developed unique

entrepreneurial values through their study.

Their research targets were not limited to the long-established firms; of the 24 interviewees, three were long-surviving companies founded in the 1800s. The authors stated that the older firms perceived a greater responsibility to contribute to the society beyond the economic outcome (Oe and Yamaoka, 2020).

2.2 Japanese Business Ethos: ‘*Sanpo-Yoshi*’

As discussed above, business values do not stem from the economic outcome alone. As García-Villaverde et al. (2018) presented, the moderating role of social capital within organisations and relational actors should be explored further in the context of the business ethos that underlies the business performance. To understand the key principles of business owners and how to communicate with customers, both B2C and B2B relationships may be useful. Eweje and Sakaki (2015) discussed the managers’ perceptions of Corporate Social Responsibility (CSR) and revealed that it is integral to their business continuity strategies, and a CSR-based orientation within the organisations contributes to both the society and businesses. Goto and Sueyoshi (2020) focused on environmental protection as an emerging agenda for all business sectors in the age of the UN Sustainable Development Goals (SDGs) as an inevitable business action plan in demonstrating their corporate citizenship in the society.

‘*Sanpo-yoshi*’ (meaning good in three directions: suppliers, customers and community)

is another theme for this study in exploring Japanese veteran companies. Economic value can be measured and has been applied to the study of business in the contemporary context. However, in the current requirement for sustainability, non-economic values such as social values underpinning the businesses constitute one of the business responsibilities (Spieth et al., 2019). ‘*Sanpo-yoshi*’, an original concept from Japanese old merchants’ credo, has been discussed by some scholars as a unique Japanese business ethic that has supported Japanese business sustainability (see, e.g., Fiorini, 2019; Park & Hong, 2019; Oe & Yamaoka, 2020). They contemplated this ethical notion as the driving force and supportive factor for Japanese businesses: Mizuo (2016) suggested Japanese business morals focusing on ‘*Sanpo-Yoshi*’ as the management philosophy that has enabled Japanese firms’ long-established. The key term ‘*Sanpo-Yoshi*’ can be explained from the Confucian values as well, which are rooted in a Japanese socio-economical paradigm (Bouterfas, 2019). Oe and Yamaoka (2020) suggested that further investigation into the Japanese long-established companies’ behaviour and value perceptions could be a pragmatic basis for further discussions with the theme harmonisation of relational actors in the communities. Kuroda and Ishida (2017) also emphasised that the philosophy of ‘*Sanpo-Yoshi*’ should be applied to the relationships of supply chain management, which is a key driving force for business sustainability.

2.3 Business as a Community Network Actor

In the study of Eastern Asian businesses, Confucian values with the Asian collectivism in business performance can be a useful discussion theme to deepen our business understanding (Sison & Redín, 2019). The authors discussed the impact of Confucian perspectives on SMEs' performance, indicating its positive spurt in creating value. Oe and Yamaoka (2020) discussed this aspect of value co-creation as one of the unique Japanese dimensions to support the business performance.

Notably, Oe and Yamaoka (2020) found that the dimension of commitment to communities and value co-creation was mainly perceived by the older firms as compared to other younger firms. They suggested that the owners of relatively older firms (those who were established between the 1850s and 1960s) perceived this point: Their business activities have enabled them to resonate with customers and acquire their empathy. Oe and Yamaoka (2020) detailed the case of an old firm which emphasised that their resources were mostly collected from the local areas and that they considered their long history as precious for the company. This firm originated in the Edo Era (1603–1868) and was the leading company in the feudal clan of Satsuma (current Kagoshima Prefecture), undertaking the responsibility to support local people through its business ventures. As discussed, Japanese business bodies value their positions as community network actors, and they respect mutual interactions with other stakeholders

2.4 Key Takeaways of the Literature Review: Analytical Framework

Based on the discussions in the previous sections, an analytical framework with key take-aways is demonstrated in Figure 1. The model comprises three dimensions discussed in Literature Review, and this model provides five entrepreneurial orientation topics and two more elements of Japanese business ethos ('value co-creation' and 'contribution to the community'). Moreover, as discussed, as driving force for business sustainability, a concept of '*Sanpo-Yoshi*' has a key role in supporting business performance (Oe and Yamaoka, 2020).

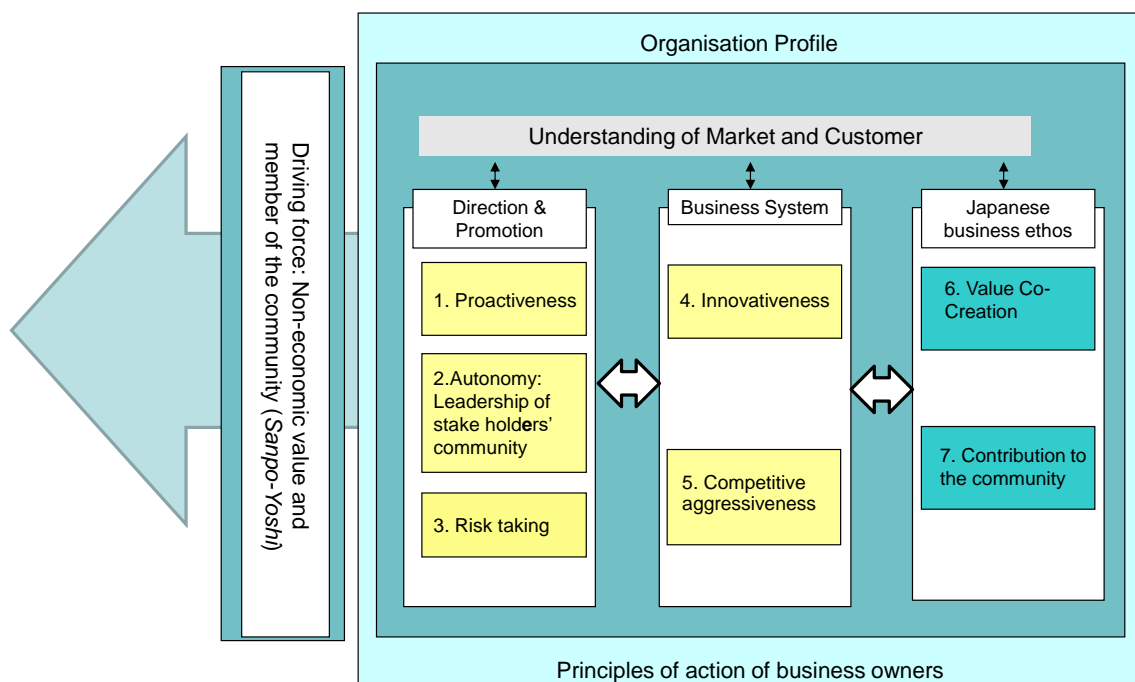


Figure 1 Analytical framework (Developed and rearranged from Oe and Yamaoka, 2020)

3. Research Method

3.1 Approach: Interviews

A qualitative approach was applied to the study. 10 ultra-long-established companies in the *Nihonbashi* area (central area of Edo city in the Edo era) were chosen by the Tokyo Chamber of Commerce and Industry, and interviews were conducted with the business owners to obtain primary data. *Nihonbashi*, which became the starting point of the Five Routes during the Edo era, was bustling with the development of water transportation and tradesman streets, and many long-established stores that continue to this day were founded.

All the interviews were recorded and transcribed for the analysis. Thematic analysis was conducted with the text data, and the text mining software NVivo ver.12 was used to complement the manual analysis. Through this approach, the hidden values and perceptions of the ultra-long-established companies' owners were explored to reveal the key themes and dimensions for sustainable business performance.

3.2 Data Collection and Interview Guide Development

Originally, the Tokyo Chamber of Commerce and Industry selected 10 business entities with the founding year 1800 or earlier, which are located in Chuo-ward, Tokyo. Semi-structural interviews were designed based on an analytical framework developed from literature review (Figure 1), and the interview outline included (1) Organisational profile (company history and

business profile), (2) Direction and promotion (e.g. business continuity, proactiveness, autonomy/leadership, risk-taking) (3) Business system (e.g. innovativeness, competitive aggressiveness, business change/transformation, (4) Japanese business ethos (e.g. value co-creation, communities), and (5) Driving force (e.g. relationships with the community, ‘*Sanpo-Yoshi*’, non-economic value, building sustainable relationships).

Table 1 demonstrates the interviewees of the study. The oldest company was founded in 1590 and the newest company in 1792. The average founding year of these 10 companies is 1701, and all of the interviewed companies are over 300 years old.

Ibasen	Uo-ju
CEO: YOSHIDA, Masao (14th generation)	CEO: TAKEUCHI, Kimiko (13th generation)
Established: 1590	Established: 1700
Capital: \$90K	Capital: \$27K
Sales amount: \$2.7M	Sales amount: \$470K
Payroll: 10	Payroll: 2
Business category: Paper fan, paper crafts	Business category: Culinary restaurant
Echigoya	Edoya
CEO: NAGAI, Jinemon (8th generation)	CEO: HAMADA, Katsutoshi (12th generation)
Established: 1755	Established: 1718
Capital: \$900K	Capital: \$90K
Sales amount: \$5.4M	Sales amount: \$1.5M
Payroll: 20	Payroll: 6
Business category: Draper's shop	Business category: General goods dealer
Meganeho-Murata Chobei Shoten	Oonoya Sohonten
CEO: MURATA, Chobei (14th generation)	CEO: FUKUSHIMA, Yasuo (6th generation)
Established: 1615	Established: 1780
Capital: Unreleased	Capital: \$45K
Sales amount: Unreleased	Sales amount: Unreleased
Payroll: Unreleased	Payroll: 10
Business category: Eye glasses retail	Business category: Japanese socks (Tabi) manufacture
Tambaya	Kokubu Co., Ltd.
CEO: KANAI, Gorobei (14th generation)	CEO: KOKUBU, Knabei (12th generation)
Established: 1690	Established: 1712
Capital: \$90K	Capital: \$32M
Sales amount: \$19M	Sales amount: \$1.3T
Payroll: 60	Payroll: 4544
Business category: General goods dealer	Business category: Licquor and food manufacture
Matsumoto-Kosho	Yasuda Shoukei-Dou
CEO: MATSUMOTO, Ihei (13th generation)	CEO: YASUDA, Shoukei (7th generation)
Established: 1663	Established: 1792
Capital: \$270K	Capital: Unreleased
Sales amount: \$72M	Sales amount: \$11M
Payroll: 51	Payroll: 80
Business category: Cosmetics, medical ingredient	Business category: Buddhist altar, Ritual article manufacture

Table 1 List of Interviewed Companies

4. Findings and Analysis

4.1 Extraction of Key Words

For the first task of the analysis, we entered 18,580 words from the interviews conducted with 10 business owners of companies with a long-established of over 300 years into the text mining software NVivo 12 and developed a word cloud. The result is shown in Figure 2. Characters with large fonts are those that appear frequently. This word cloud provides an overall image regarding the words that were frequently mentioned by the interviewees. 'Customer' is the most central word, and the words 'Edo', 'foundation', and 'products' are located adjacent to 'customers' at the second level. Following these, the words 'owner', 'change' and 'management' can be observed.

capital, number of employees, sales, and industry of the 10 companies vary, we anticipated a common structure in these four keys themes; a detailed analysis is provided next.

4.2 Exploration into Word-to-Word Relationships

The third task of the analysis was to create a word relationship diagram. The visualisation was performed using a function that illustrated what kind of words were connected before and after the target word. Figure 3 demonstrates the word relationship diagram developed using the two key terms 'customers' and 'products'. It was observed that some perceptions such as 'trust first', 'lifestyle changes', 'excellent products', and 'implication of turning point', which indicate that the business owners who perceive customers' reactions to the markets and their changes in preference can build sustainable relationships with the customers. It was also observed that the business owners do not solely pursue profits; rather, they perpetuate sustainable relationships by improving the quality of goods and services provided to attract loyal customers.

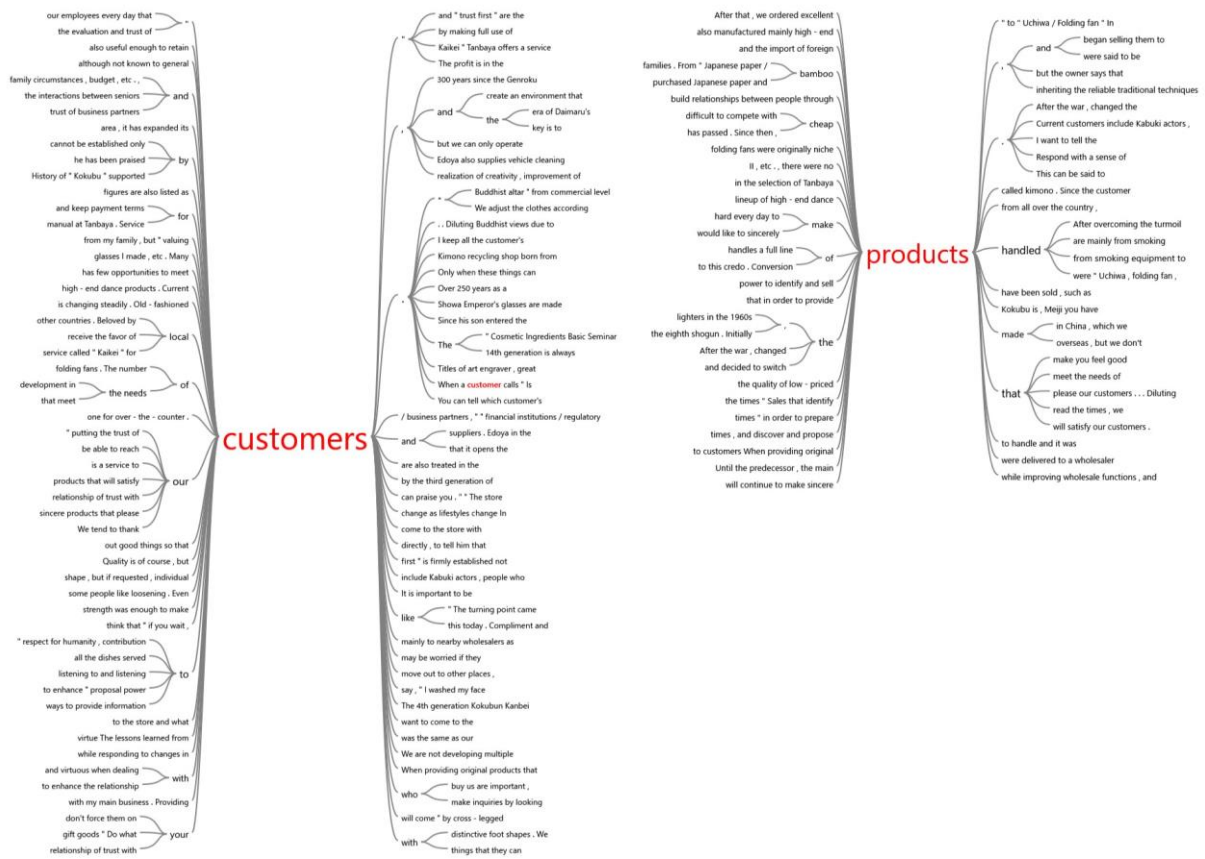


Figure 3 Word relationship diagram for 'customers' and 'products'

Figure 4 is a word relationship diagram of 'owner' and 'employees'. From the diagrams, it can be observed that the interviewees acknowledged the importance of maintaining the corporate mission and transmitting the business values within the organisation (e.g. 'business succession', 'common goal for everyone', 'praise and nurture', and 'establish consciousness'). From Figure 4, mutual recognition, understanding and sharing values, long-established consciousness, action guidelines, and human resource training are basis for the sustainable business performance. Business continuity and the relevant business strategies are mentioned as well, suggesting that the business owner is not necessarily in a position that has been passed

down from generation to generation. The owners understand that the employees are the basis for long-established businesses and within the relationships in the organisation, empathy and sympathetic attitudes are critical values for them.



Figure 4 Word relationship diagram for 'owner' and 'employees'

Figure 5 shows the word relationship diagram of 'management' and 'credos'. The extracted words include 'management philosophy', 'proper and sincere management', 'goodwill', 'innovation', and 'vision and awareness'. It can be discussed that ultra-long-established companies perceive that they need to implement sincere management style and their management policy should be underpinned by their shared business credos; rather, they transform their management framework flexibly and they are proactively handing down their philosophy to their business successors as their next generations. Notably, it was found that

their management philosophy was not only reflected in the business motto, but knowledge and values are shared within the organisations which also contribute to business sustainability.

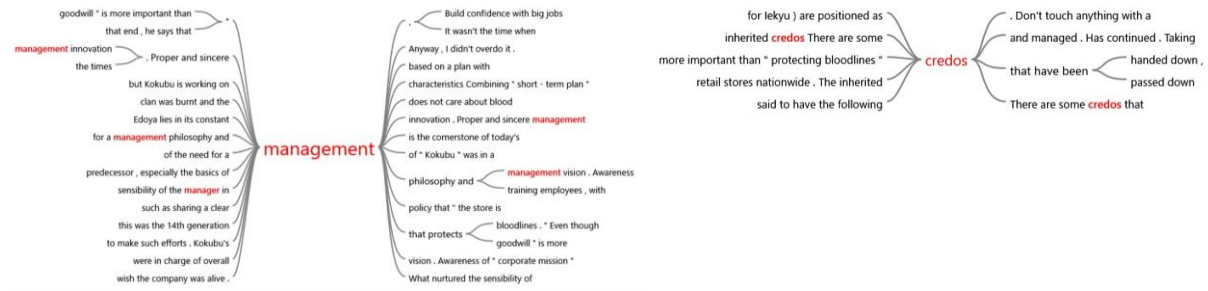


Figure 5 Word relationship diagram for 'management' and 'credos'

Figure 6 shows the word relationship diagram for 'change' and 'crisis'. The key words are extracted such as 'young generation will take big changes', 'information antenna', and 'adhering to the philosophy'. It can be observed that the management is always on the lookout for changes in the business environment and it is critical for the businesses to be prepared for the potential crisis in the future.

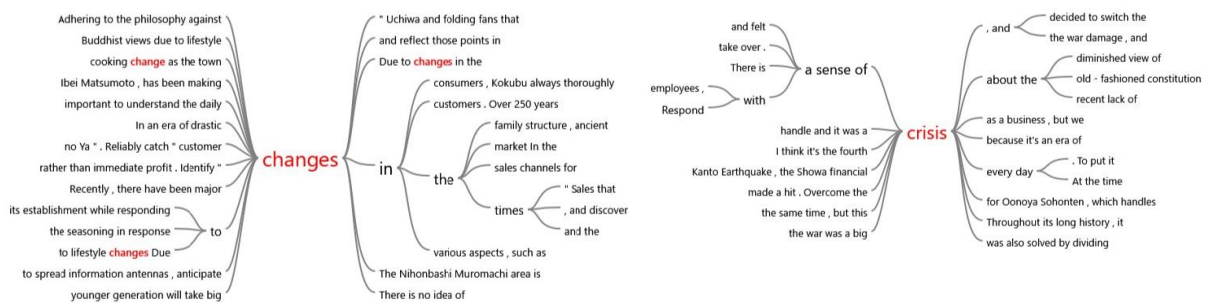


Figure 6 Word relationship diagram for 'changes' and 'crisis'

4.3 Discussion

From the outcome of the text mining analyses, it was seen that the 10 long-established companies with ultra-long-established have established robust relationships internally as well as with external stakeholders based on win–win perspectives. It was also observed that the business owners acknowledge the ‘good will’ of employees to support their evolution as a key phase of human resource management. Therefore, each employee takes pride and responsibility for the company. On the other hand, owners have a longer perspective in the context of business continuity; the biggest challenges for them is determining how to hand over the business to the next generation.

The following four key topics emerged from the text mining as the key agenda for longevity of business performance:

- (1) Customers and products: To establish relationships with customers and build trust with them; it is necessary to continue making good products that cannot be imitated by other companies.
- (2) Owner and employees: The owners attempt to build respectful mutual relationships within the organisations with employees. Employees are the main actors to support business sustainability and it is critical for the businesses to share common goal within the organisations.

- (3) Management and credos: Management philosophy and credos which have been handed down in the history are the basis for the business performance. In so doing, goodwill of employees and innovative attitudes are critical factors to support the businesses.
- (4) Changes and crisis: This involves always being alert to the changes in the market. Based on communication with customers in markets, business owners are conscious about the dynamism of the markets and become ready for the risk management in the context of business continuity.

Based on the analytical outcome, the following revised framework is proposed for further discussions (Figure 7).

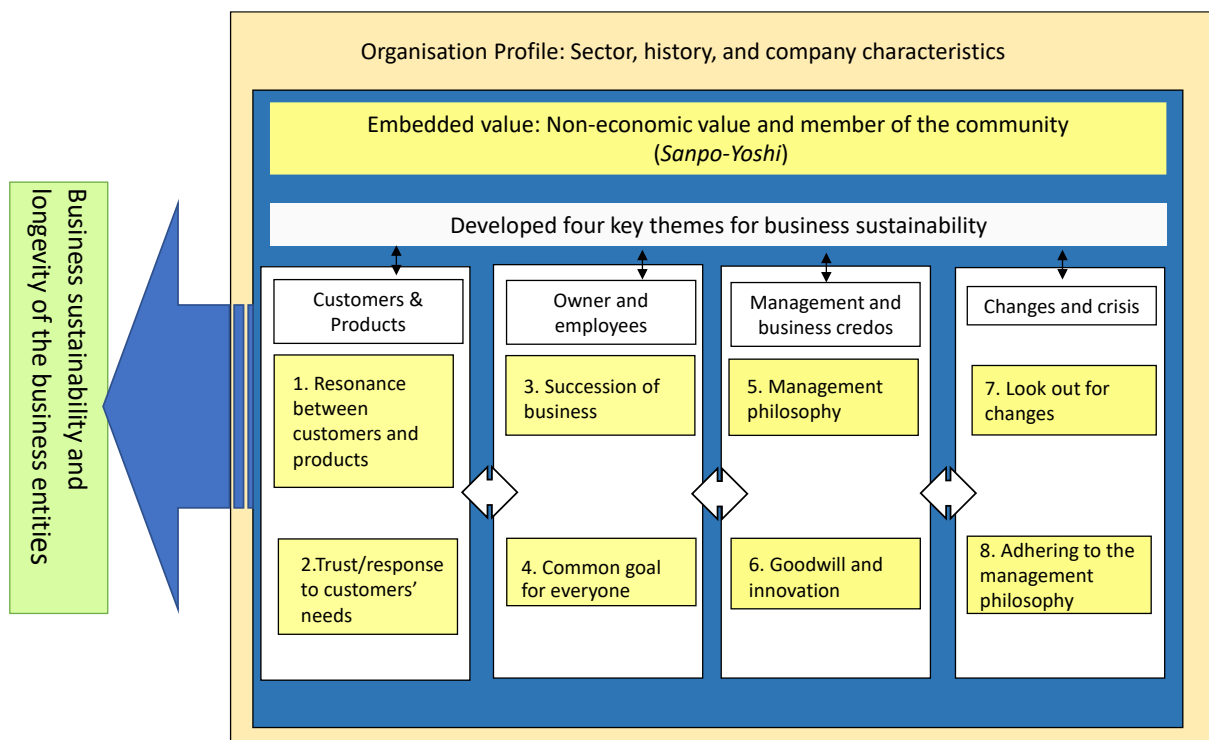


Figure 7 A proposition of a conceptual model for long-established businesses

5. Conclusion

5.1 Overall Contribution

This research analysed the ultra-long-established firms' owners' perceptions towards business behaviour and developed key themes and dimensions to support their business sustainability.

In disruptive and competitive environments, all businesses face challenges in sustaining their business, and it is necessary for them to perform innovatively to attract customers and relevant stakeholders. The analytical outcome presented four core principles of business activities: (1) customers and products, (2) owners and employees, (3) management and business credo and (4) change and risk management. As an *aufheben* concept, the interviewees acknowledged non-economic value and members of the community as contributing to the business stakeholders and communities ('*Sanpo-Yoshi*'). The developed framework will be a guideline for researchers and practitioners to further share the wisdom of long-established firms. This is one of the significant contributions of the study, which will enhance further active discussions in the relevant field.

5.2 Limitations and Further Research Opportunities

This research remains at an exploratory level. Moreover, the developed framework is based on the data of owners' perceptions of ten long-established companies, which should be verified

with some more detailed analyses such as co-occurrence analysis with Jaccard indexes as well as a hierarchical cluster analysis, which will help develop more robust implications for the relevant business stakeholders. Applying a quantitative approach for the survey data can also contribute to the designing of practical measurements with scales (Slager et al., 2020).

We have also acknowledged that the survey consists of corporate subjectivity. The data that can be read from text mining is result-oriented and subjective from a corporate perspective, as they talk about their future, the relationships between the words they see may change or have changed in the process of their business behaviour.

The number of long-established firms in Japan is outstanding when compared with other countries, and the findings of more detailed analyses of the Japanese business ethos and practices of *Shinise* can contribute to enhancing discussions in the field of study. In conclusion, the knowledge and lessons of ultra-long-established companies that have survived the world through periods of drastic changes for over 300 years can contribute critical suggestions for modern business owners in the contemporary business context.

The company's commitment to continuity in the COVID-19 pandemic environment may remind us of its relationship to the risk aversion strategies of well-established companies (Donthu & Gustafsson, 2020). It is not a growth strategy through innovation, but a risk aversion strategy.

At the same time, the study should be enhanced in the context of producing better products that cannot be imitated by other companies with a focus on the intellectual property strategies. As future developments, this research has potential in expanding to link to the developmental continuity of small and medium-sized enterprises by applying Kawasaki model (Ito, 2016), which has been recently discussed in academia, and the outcome of the study can deliver discussion guideposts for the SMEs study both in theory and practices. This paper has revealed strong relationships with internal and external stakeholders to support ultra-longevity companies, whereas, it has been well known the growth dilemma discussed by Grainer (2008), therefore, another research scope could be the one in direction of the company size and business sustainability.

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