

# Decline of entrepreneurship blamed for Japan woes

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In this photo taken Friday, June 29, 2012, InTecur founder and CEO William Saito speaks in front of his library at his office in Tokyo. Saito runs InTecur, a consultancy, identifies upcoming innovators, teaches at several universities and sits on Japanese government panels. Saito, a son of Japanese immigrants to California, believes Japan Inc. has simply lost its entrepreneurial spirit. His assessment underlines a growing view among experts here. (AP Photo/Koji Sasahara)

(AP) — Worn out and resigned to its dwindling status, Japan Inc. is said to be quietly shuffling off the world stage. But don't tell that to Kenji Hasegawa, who is ready to conquer the global auto market with his nifty innovation, a bolt that doesn't need a nut. Or Chiaki Hayashi, who makes millions teaching big-name companies to be creative again.

As different as they seem — Hasegawa runs auto-parts supplier Lock'n

Bolt Corp. and Hayashi is a rare woman to help found a Tokyo startup — both highlight the potential of innovation and [entrepreneurship](#) in a nation that is often typecast as facing an unrelenting decline.

Of the decline, there is plenty of evidence.

Long in the doldrums after its 1980s bubble economy burst, Japan has been eclipsed by China as the world's second-biggest economy. Many of its consumer technology companies have been overtaken by South Korean competitors and are racking up huge losses. The number of young Japanese choosing to study abroad has dropped. And while Facebook lured hundreds of millions of members worldwide, management at Japanese social network Mixi never looked to grow overseas.

The naysayers claim Japan is stagnating, only looking inward and squandering advantages such as its well-educated workforce, low crime rate and a rich history of technological prowess. But even while acknowledging big challenges that include its swollen national debt and rapidly greying population, Japan Inc.'s boosters say it can still rekindle the sparks of ingenuity that in the past delivered network-connecting mobile phones years before the arrival of smartphones, and made "instant noodles" part of the global diet for the last four decades.

First though, Japan must recognize that what ails it is at least partly in the mind.

"In order to have innovation, you must accept a certain amount of failure. To the Japanese, this has become taboo," said William Saito, a prolific technology inventor who now runs a company that identifies up-and-coming innovators and tries to match them with investors.

Saito says conformist Japan frowns upon failures, and doesn't allow for

second chances. Worse, Japan appears to be wallowing, when what it needs is action, Saito and others say. Even the rising yen, long cited as the death knell for an exporting economy such as Japan, should be reframed as an advantage, delivering bigger purchasing power for Japanese companies abroad.

For some, Japan's revival can come from re-inventing what it has long known best — manufacturing, but with innovative ideas.

As tiny as a nut-less bolt is, it has the potential to make Hasegawa, the supplier, rich. Much of machinery, including cars, ships and factory equipment, use bolts — untold numbers of them. And so a bolt that doesn't require a nut is a big timesaver.



In this photo taken Friday, June 29, 2012, InTecur founder and CEO William Saito smiles in his office in Tokyo. Saito runs InTecur, a consultancy, identifies upcoming innovators, teaches at several universities and sits on Japanese government panels. Saito, a son of Japanese immigrants to California, believes Japan Inc. has simply lost its entrepreneurial spirit. His assessment underlines a growing view among experts here. (AP Photo/Koji Sasahara)

A nut-less bolt, based on the idea of a smaller bolt within a bolt, a

patented secret, is also significantly lighter than a regular bolt, delivering cost-savings in fuel and raw materials and other perks like better mileage in a car.

Hasegawa is talking with a long list of interested companies, including Panasonic Corp. and Toyota Motor Corp. He is looking into production outside Japan, perhaps Vietnam, he said.

Hasegawa says the key to Japan's revival lies in breakthroughs such as his that developed because of a legacy in "monozukuri," which translates as "making things," but is more akin to craftsmanship.

Hayashi's young business, Loftwork Inc., earned 900 million yen (\$11 million) in annual sales taking a different but equally Japanese route as Hasegawa's.

She offers a service that stems from her diagnosis of the sickness at major companies — the loss of the innovative spirit. She hopes to start a kernel of creativity going at companies that "starts small but snowballs."

Top Japanese companies have a load of talented hardworking people, but they have become so obsessed with rigidity like quality control in mass production that their thinking has grown static, and they can't figure out where to start or how to change, she said.

"The companies need our help because they've grown to be a giant Gundam robot that isn't able to handle delicate innovations, which are like ants at its feet, and may instead squash them," Hayashi said, referring to a Transformer-like robot.

Saito, a son of Japanese immigrants to California, believes Japan Inc. has simply lost its entrepreneurial spirit. His assessment underlines a growing view among experts here.

Saito's own career took off when he was just a teenager, partly because management of major Japanese companies like Sony Corp. and NEC Corp. weren't afraid to take risks in the past, even on a child prodigy like Saito, when he came up with fingerprint-recognition encryption for security.

Microsoft Corp. licensed Saito's core technology in 2000, and bought his company nine years ago, allowing him to technically retire.

"But I've never been busier, doing a ton of different things, to really give back to society, and to reinvigorate the creative spirit and become a more entrepreneurial society again because it used to be here," said Saito. "It's just bringing it back. All the parts exist. It's just a matter of how to execute that."

Saito, the computer whiz, has opened "Creative Lounge Mov," in a fashionable shopping mall in Tokyo's Shibuya, known as this nation's Silicon Valley, complete with locker rooms, offices and sofas, to provide a place where venture types can exchange ideas and hook up with investors.

He and others believe such ventures will nurture entrepreneurs, and in the longer term get Japan back in front.

Despite being ahead in key technologies like the mobile Internet and electronic money, Japan saw its lead eroded by latecomers with more imagination, according to Gerhard Fasol, a consultant who works with Japanese companies.

"[Japan](#) hasn't woken up," said Fasol.

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