

A Study of Entrepreneurial Strategies for Local Industrial Regeneration

[Takao Nomakuchi]

Abstract— Regional industries of Japan are stalled with no way out, since their direction and position to take have not been clarified. However, the regeneration of regional industries should be proposed to dispel the sense of stagnation that exists throughout Japan. Regional regeneration strategies have been discussed based on a wide variety of approaches including sociology, urban design theory, and the community theory. Yet only a few attempts have been made so far at local industrial regeneration strategies taken by entrepreneurs. Therefore, this article attempts to present a strategy to compare and consider the case where there have been a local industrial regeneration entrepreneur. With respect to local industrial regeneration strategies, this article considers that it is necessary to overcome Innovator's Dilemmas that exist between the local industrial regeneration and regional industry individuals, to narrow down the regeneration range, to have external entrepreneurs not known to the region strangers, and to redefine regional industries.

Keywords— Industrial cluster, Innovator's Dilemma, Management of Technology, Entrepreneurship, Marketing, Branding

I. Introduction

According to the small and medium-sized enterprises White Paper Japan (2014) [1], changes in the economic and social structure of the region have emerged due to changes in the population and regional industrial structure. In 1986 when most of the municipalities of the country, except for those in Hokkaido, the central industry that was responsible for the employment of a region was the manufacturing industry. However, around 2012, the number of employees in the manufacturing industry decreased, and other industries (retail, service industry, health care and welfare) increased. Due to these changes related to different social structures in each region, diversification of industry to support the employment of the region should progress.

On the other hand, decreases in the regional area population, especially in several municipalities in mountainous areas, the population significantly decreased. In order for small and medium-sized enterprises of the region that faced economic and social structure changes to develop sustainably, there is a need for new business development through the use of regional industry-specific production factors (regional management resources). Additionally, a

variety of initiatives for regional activation of regional residents have been required to support the demand of the region to insure vitality in living. In recent years, the number of businesses closed and continues to increase. In 2003, 16,255 companies were closed, which increased to 28,943 in 2013. The reasons for closures include the following: Aging and health problems of the management (48%), uncertainty of the business(12%), major trader or customer goes bankrupt including the case of transfer (7.8%), family problems within the management (nursing care, aging, education, etc.)(4.9%), avoidance of further deterioration of business management (4.4%), and a lack of successors (4.2%). In addition, the number of entrepreneurs, which was 292,000 in 2002, has declined to 223,000 people in 2012. The following reasons are included for the low rates entrepreneurs:

1. Low level of entrepreneurial-oriented: "Insufficient education system," "consciousness seeking stable employment," and "lack of recognition of entrepreneurship as a profession."
2. Instability of life and income after entrepreneurship: "Life anxiety may become unstable," "lack of a safety net," and "difficulty with re-employment."
3. Procedures and costs for entrepreneurs: "entrepreneurial business development cost," "complicated entrepreneurial procedures"

According to the IMD World Competitiveness Yearbook (2014) [2], Japan was in 1st place of all 59 survey subjects countries until 1993. However, since then there has been a gradual decline with Japan being in 21st place as of 2014. This result shows that for some time now Japan has not been considered a competitive international country. This survey indicated a lack of entrepreneurship (55th place as of 2014) as one of the factors for the declining international competitiveness of Japan. The world evaluates Japan as lacking entrepreneurship. Porter (1990) indicated the entrepreneurship of Japanese companies as follows: A new generation of corporate managers is now taking the lead in the industrial world of Japan. In many cases, they are replaced with the former corporate founders and entrepreneurs that established their companies after World War II. In this process there exist risks that foresight and a good atmosphere for business establishment could be lost and that bureaucratism and conservatism could emerge. He also indicated the following issues for Japan. (1) Absence of corporate managers with entrepreneurship; (2) Organizational design where talented individuals are not utilized; (3) Rigid organizations; (4) Fragile system architecture; and (5) Inconsistency in the

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total business strategy.

Currently, Japan is not out of the era that it was said to have lost 20 years. It cannot find any direction as to advance or a clear standing position, but is covered in the sense of stagnation. The causes are serious job insecurity, the expansion of personal income disparity, an urban and rural income gap, and an increase of Neat. Neat is the designation of the young people that make their living by a daily or hourly wage which is the main source of income after graduating from university. Many also do not work as regular employees.

The location of these problems are concentrated is a "region". Therefore, it is considered to be a measure of regional industries regeneration to eliminate the sense of stagnation. Therefore, in this paper, a Strategies for implementing the regeneration of the regional industry by the entrepreneur is proposed. In this study, using a review of the previous research, a generalized Strategies is developed for the local industrial regeneration. The Strategies is evaluated by entrepreneurs of cases where there has been successful local industrial regeneration. As a result there is the proposed Strategies for the local industrial regeneration. Developing a Strategies for regional industries regeneration is considered to be an assistant in order to perform local industrial regeneration in Japan.

II. Previous Research

This chapter reviews the previous research on local industrial regeneration and entrepreneurs. Based on this, chapter 3 discusses Strategies of regional industry reproduction.

According to the Organization for Small & Medium Enterprises and Regional Innovation JAPAN (later abbreviated as SMESJ) (2014) [4], regional industries have been faced with changes their situation where the traditional business base is lost. Therefore, it has been forced to adapt to a new situation. This transformation is a process of innovation, including the development of new markets. For many, it has become a subject of a variety of intermediate organizations, including the cooperation between the companies to promote innovation. It should be recognized as an intermediate organization. Intermediate organizations take a variety of forms in accordance with the respective regional characteristics. As a result, intermediate organizations play a function of reorganizing management resources of the region in accordance with the change in the situation. Functions of intermediate organizations in accordance with the respective regional characteristics are intended to address the challenges facing the industry integration, with the goal of achieving transformation. On the other hand, intermediate organizations are faced with the need to resolve the dilemma problem. Interest coordination between members and build cooperative relations must be performed by an intermediate organization. Based on four cases of local industrial regeneration, successful conditions of intermediate organizations that promote innovation and to overcome these problems has been extracted as follows: "1. Resolving the dilemma between the creation

and proprietary value", "2. Openness of the network", "3. Management of the intermediate organization", and "4. Innovation is not completed in the internal area." They have to focus on the function and role of intermediate organization as a factor of local industrial regeneration. Figure 1 below is a conceptual diagram of the intermediate organization for adjusting to the dilemma.

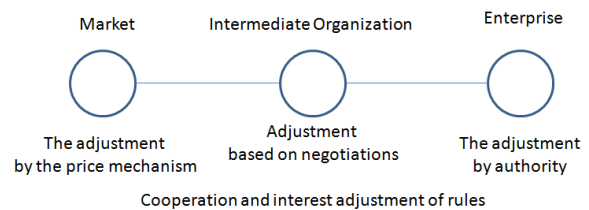


Figure 1. Intermediate Organization by SMESJ (2014) [4] (There is a revision by the author)

Additionally, according to SMESJ (2013) [5], qualifications of the leader as an intermediate organizational management is as follows: 1. Organization management strategy (leadership), 2. Community development, brand strategy, 3. Presentation, 4. Marketing, 5. Consensus and cooperation in system making, and 6. Network construction. Then, according to the actual leader case analysis, the problem faced by regional leaders is as follows. 1. An insufficient grasp of marketability by taking advantage of regional resources, 2. Lack of marketing knowledge (human resources), 3. Lack of steady income for the activities as a regional leader, 4. Regional leader burnout, 5. Lack of coordination of elements, 6. Lack of networking of regional leaders, and 7. Shortage of the next generation of regional leaders.

According to McClelland & David (1961) [6], entrepreneurs are defined as "those who organized the company or business unit, enhancing its productivity." Brockhaus & Horwitz (1986) concludes that "there is no comprehensive definition to Entrepreneur" [8], which is common at present time. According to Matsuda (1998) [9], the important experiences for successful training of entrepreneurs are as follows: 1. Experience in the community and in the home (the importance of understanding the society as a human) experience in education (the need for entrepreneurial education), 2. Workplace experience (a provision for the opportunity to gain experience through entrepreneurial practice) and, 3. Incubator experience. According to Tanaka (2006) [10], what is required in the era of change in terms of the Japanese companies and the Japanese economy is the realization of economic growth through innovation and entrepreneurship. For that purpose, it is necessary to increase the individual's ability, and it is required to increase the "new player" with entrepreneurship. Under such a background, and mechanisms that generate the entrepreneurs of the local industrial regeneration, is considered as the image of the entrepreneurs in the community during a period of change. Entrepreneurship is one choice when it comes to a job career. However, compared to other careers, there is considerable

risk. Certainly, entrepreneurship puts one's entire life at risk, while an event that pulls the trigger is required. In addition, the road to entrepreneurship depends significantly on the personal qualities and the environment. Environments where entrepreneurs grow include space you are living in on a daily basis, for example a home, school, or a workplace. It is the arena of interaction with a variety of people, such as parents, relatives, and friends. Many of the parents of entrepreneurs are business owners, self-employed, specialists, and administrative executives. Therefore, entrepreneur consciousness can easily be fostered naturally within a family circle. In addition, they have the employee experience of small and medium-sized enterprises. The following factors are considered. 1. Because of a concern over the future of the company, they aim to enhance their own capabilities while considering their career progression, 2. They have a lot of direct opportunities to come into contact with company owners (existence of close role models), 3. They can receive experience with a wide variety of occupations that might not be provided by large companies. According to Tada (2012) [11], for local industrial regeneration, there are two forces "Transfer output" and "Circulation force" are significantly important. "Transfer output" is marketing ability. This is a force that exports products and services to other regions. This force tries to sell products in large cities in order to attempt to obtain revenues from outside the region. "Circulation force" is an industry cluster. This force circulates revenues earned from outside the area in the region. It is important to circulate money earned from outside the region in the internal region. With respect to disruptive innovation ability that is required for entrepreneurs, Christensen et al. (2011) indicated the importance of the following five skills: "Associating skill," "Questioning skill (to ask questions about objections to the actual conditions while being passionate to explore objects)," "Observing skill (to observe the surrounding world carefully in order to get insight or ideas that bring about new Strategies)," "Networking skill (to find out or attempt new ideas through a broad range of networks with others having diverse backgrounds and thoughts)," and "Experimenting skill (to challenge a new experience and attempt new ideas)." They referred to as the five skills "Innovator DNA" in order for entrepreneurs to produce innovative ideas.

According to Shibayama and Tange (2010) [13] entrepreneurs from the outside (referred to as "Stranger") needs to be noted. They bring new ideas into the regional industry. By accepting the regional outsiders or entrepreneurs from different industries and different fields, there are many cases where activation of regional industry and success in new product development has been achieved. According to these, the idea of entrepreneurs did not directly produce the innovation. A new perspective that strangers bring is urged to reconsider the stereotype and to change consciousness of people responsible for regional industry. As a result, a variety of experiences that have been cultivated in the regional industry are released within a new context, in order to open the possibility of regional industry revitalization. In addition, as to the conditions of strangers in this role, it has been found that

the following three conditions work: 1. Provision of authority for strangers, 2. The presence of a "mediator" to control the dilemma, 3. The presence of a place to encourage the vigorous communication. Essence of the innovation process that was triggered by the Stranger point of view is the transformation of the consciousness of the people responsible for the regional economy. Dilemmas occur in the consciousness transformation. Therefore, elimination of the dilemma is a condition for proceeding with a smooth transformation.

iii. Local industrial regeneration Strategies

This chapter considers standardized processes as a regional industrial revitalization strategies from previous studies. The processes are as follows: "1. Strangers Networking", "2. Analysis of regional management resources", "3. Change analysis and new business base search of business foundation", "4. Narrowing down concept and reproduction targets", "5. Regional Industrial Revitalization dilemma analysis", "6. Marketing and branding", "7. Human resource development", "8. New business start-up", "9. Stabilization of the new business". The following section describes each of these processes.

In "1. Stranger Networking" process, entrepreneurs are networking to make new ideas from outside the region and different industries or different fields. According to Shibayama and Tange (2010) [13], entrepreneurs from the outside bring new ideas into the regional industry. By accepting the regional outsiders or entrepreneurs from different industries and different fields, there are many cases where the activation of regional industry and success in new product development has been achieved. Additionally, according to Tanaka (2012) [10], entrepreneurs are required for the regional industries generation.

In "2. Analysis of regional management resources" process, the regional management resources are analyzed and evaluated. It is necessary to evaluate and analyze the current value properly. According to JMESJ (2013) [5], a lot of regional industry regeneration leaders say that the marketability of regional resources that are to be utilized are insufficiently understood.

In "3. Business change analysis and new business base search for the foundation" process, the recognition of this business base is objected too, and new business foundations are explored. According to Christensen et al. (2011) [12], the ability of questioning is required (by asking questions in order to raise an objection to the current condition with a passion to explore new things).

In "4. Narrowing down concepts and reproduction targets" process, a new concept is created and re-defined in the regional industry. In this case, the targets of regional industrial regeneration are narrowed down. According to JMESJ (2014) [4], regional industries are regenerated by creating a new business concept in response to changes in the business base, while narrowing down to one structure that suits the regional industry in the concept.

In "5. Regional industry regeneration of dilemma analysis" process, dilemmas are looked at directly while having an understanding that these dilemmas of conflict of interest can be caused by the regeneration of all regional industries. Additionally, ideas for eliminating dilemmas in order to regenerate regional industries are considered. According to Shibayama and Tange (2010) [13] to eliminate such dilemmas, it is necessary to establish a place where there is exchange and mutual values are understood by all parties.

In the "6. Marketing and branding" process, market targets of new businesses are established, branding is carried out in order to be recognized by the market. This is directed toward the consumers, with led force marketing. According to Tada (2012) [11], "Transfer output" is important. "Transfer output" is the marketing ability force to export products and services to other regions.

In "7. Human resource development" process, human resources that are familiar with the execution of these processes are nurtured.

Actually, "8. New business start-up" and "9. Stabilization of new business" is carried out. These processes are the regional industrial regeneration Strategies proposed in this paper.

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IV. Verification of the local industrial regeneration strategies

This chapter verifies the regional industrial regeneration Strategies proposed in Chapter 3 by adopting the actual regional industry regeneration. To adopt the Strategies, a regeneration of Okonomiyaki restaurant, Company A is considered. This company is an Okonomiyaki restaurant that opened three stores in the area. Okonomiyaki restaurant is one of the business categories of the restaurant industry. As for the external environment, food service chains have been steadily increasing. According to fiscal 2013 statistical survey of the Japan Franchise Association [14], restaurant chains have increased to 12 chains, the number of stores increased by 5.4 % (2,696 stores increase), and sales increased by 3.1% (an increase of 1,228 million yen). In contrast, according to the town page database of NTT [15], Okonomiyaki restaurants decreased from 17,672 in 2004 to 12,258 stores in 2013. Therefore, this restaurant market of Okonomiyaki has been a declining industry. Okonomiyaki is a well-known cultural food in Hiroshima, Hyogo, and Tokushima, which are typical of declining regional industry. In situations where the opening of a variety of food service chain has increased, only the decline of the region due to population decline is not a reason for the decline in the Okonomiyaki restaurant industry. Company A decreased its sales year by year, while incurring a deficit. Company A failed to improve their business even though the eldest son of the president was appointed as the successor for their business recovery. The main target of Okonomiyaki is older people, and there was no strategy but to lower the price. Therefore, the average spending per customer

was reduced year by year. Thus, a daughter who was a housewife in Tokyo was called back to the company. She was born in Kansai but lived in Tokyo more than 20 years; however, her sense of values regarding consumption was just the same as the one held by a consumer of a large city, not regional. It can be said that she is a stranger. This was a process corresponding to "1. Stranger networking". The next process "2. Analysis of regional management resources" was carried out. "Shin of Beef" then attracts attention as a local product. "Shin of Beef" is a foodstuff not usually focused on by Okonomiyaki restaurants. Next, "3. Change analysis and new business base search of business base" is implemented. This process analyzes that Okonomiyaki's future is gradually dwindled with older people whose financial and health conditions are declining. Additionally, tourists and business travel customers were determined to be targeted. "4. Narrowing down concepts and reproduction targets" process was carried out. To target tourists and business travelers, in order to convey this food culture of Japan, all over the world, menu related to the "Shin of Beef" was developed. Next, "5. Regional industry regeneration of dilemma analysis" is carried out. Due to the narrowing of the "Shin of Beef" menu, existing customers who are price-sensitive leave. Then, in order to discard the familiar menu and to prepare a new menu, older employees need to acquire new skills. This is a typical dilemma for them. By working for a new business in a new store, these dilemmas were eliminated once. Furthermore, "6. Marketing and Branding" process was performed. A new layer of targets consisting of tourists and business customers was then determined as a marketing target. Additionally, for branding, the merchandise that can win first place in rank in the net shop is developed. Next, as "7. Human resource development" process, employees who are relatively young housewives are trained. In "8. Start-up new business" process, new store locations for business visitors and tourists were launched. At that time, younger employees who were trained for business were taken on as store staff members. By doing so "9. Stabilization of new business" process is achieved. In these new stores there is always an overflow of tourists and business travel customers. Table 1 below is a summary to verify what is mentioned above.

TABLE I. VERIFICATION OF REGIONAL INDUSTRIAL REGENERATION STRATEGIES OF ENTREPRENERS

Regional industrial regeneration Strategies (hypothesis)	Okonomiyaki restaurant A's case (verification)
1. Stranger Networking	The daughter living in Tokyo for more than 20 years
2. Analysis of regional management resources	Search of Shin of Beef
3. Change analysis and new business base search of business base	Existence of aging customer, and the shift to tourists and business travel customers, creating a new business base
4. Concept and for producing narrowing	In order to place this food culture in Japan, all over the world, narrow down a "Shin of Beef" related menu
5. Regional industry regeneration of dilemma analysis	New business will lose the existing customers, and the new menu is intended to require new skill for the existing employees. These dilemmas

	have been recognized.
6. Marketing and Branding	Marketing by targeting tourists and business trip customers, developed the quotient material that can be win first place in rank in the net shop
7. Human resource development	Employee training of young housewives
8. Start-up new business	Launched a new store for business trip visitors and tourists often come to eat
9. Stabilization of new business	Attract tourists and business trip customer was achieved

v. Conclusion

Through previous research review, this study generalized the regional industrial regeneration strategies, while evaluating regeneration entrepreneurship based on an actual case. Through verification, by the proposed regional industrial regeneration strategies, under certain conditions, it has been shown that it is possible to regenerate a regional industry when the entrepreneur as the stranger appears. As for the regional industry regeneration, overcoming the dilemma that exists between the regional industry regeneration and regional industry people, target narrowing and redefinition of the regional industry, are all necessary. Future issues of the present study are refinement of the proposed regional industrial regeneration strategies. For this purpose, it is necessary to verify this strategies by other regional industries regeneration case and action research.

Acknowledgment (Heading 5)

The present study was conducted with the cooperation of people that have been involved in the regeneration of Okonomiyaki shop as a regional industry. We really appreciate their cooperation. This work was supported by JSPS KAKENHI Grant Number 15K03658.

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