Globalisation of SMEs in Japan
-- Academic views and business practices in the era of inevitable
  globalisation

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1. Forward

Globalisation is clear, present and incontestable. Not only technological development in information, communication and transportation made it real, but also all the human and social activities and productive forces are associated, connected and unseparatable in an unprecedented scale and depth on the globe. Though it does not guarantee pre established harmony, but incurs many gaps, conflicts and troubles, no way exists to escape from the ongoing reality. Then, what will happen to SMEs and those who are involved in their nitty-gritty or daily practices? And what should academic researchers do?

I would like to discuss these challenging but uncontrollable issues only from the viewpoint of the historical development of SMEs, studies on them and policies for them. The reason is they can typically illustrate a drastic change of views and thinking in 6 decades under the progress of globalisation. They also suggest business alliances and academic cooperation in the global community are inevitable and necessary.

Here 3 meanings of globalisation will be used to interpret the ongoing changes and developments.

One is global thinking and sharing common ideas in the globalised context; which mainly involves academic theories and philosophies, policy developments and business practices.

Next is about global development of business activities and conducts, and accompanying problems as well, which is inevitable but reveal constraints and barriers.

The third is about the formation of global community, focusing on academic cooperation and socio-economic commons for all the global citizens and economic activities, and regional integration and unification will be its decisive step.
2. Changing SME studies in the 21st Century
-- from an academic review project "SME studies in 2000-2009" sponsored by the JSBRI

In 1980, when the JASBS was officially inaugurated, prominent academics such as late Professor Tokutaro Yamanaka, the 1st JASBS President, late Professor Kikutaro Takizawa and some others recommended the JSBPC (at that time) to support and organise a large-scale academic review article project about SME studies, and JSBPC entrusted that project to its newly established research institute branch attached to its college. The project was completed in 1984, and its huge report was published next year, which was titled "SME Studies in Japan" with 3 volumes; Review Article, Annotated Bibliographies and Reading List. They covered the history of SME studies in Japan for more than 4 decades, and were compiled and written by many researchers.

In 1992, the 2nd version of "SME studies in Japan 1980-89" was published in the same form, which covered the 1980s. The 3rd version for the 1990s was published in 2003, with the Reading List in CD-ROM.

The 4th version was in a rather difficult situation, because the Government had launched a series of restructuring and reduction scheme on its budget and subsidised public bodies, and the SBRJ (or SME Support, Japan) which is the successor of the JSBPC, was obliged to streamline, including the JSBRI which was established in 1994 as the successor of JSBPC's research institute. As the JSBRI fully sponsored "SME Studies in Japan" 3rd version, the fate of the 4th version seemed rather unclear. Nevertheless, the JSBRI finally decided to launch the 4th version project as its last work by investing its remaining fund, and the project started in late 2010.

The 4th "SME Studies in Japan 2000-09" project is headed by Mitsui, and 12 academics constitute the editorial board. Professor Emeritus Eiji Ogawa, who had been playing key roles in these 3 projects is this time the editorial adviser. The report is to be published in February 2013.

The 4th version classifies SME study subjects in the 2000s as following. This clearly illustrates how and what the recent academic or practical researches and discussions have been focused on. Though the classification of research subjects is based on the former 3 projects and their classifications, some modifications are made, which also reflects the changing trend of research interests, theoretical framework and methodology.

**Individual subjects of "SME studies in the 2000s" (forthcoming)**

A. Pantographic studies

1. theoretical and essential studies
2. policy studies
3. management studies
4. historical studies
5. international comparative studies

B. Studies on environmental or market changes and SMEs

6. SMEs and production and technology
7. SMEs and market and distribution
8. SMEs and employment, work and personnel management
9. SMEs and finance
10. SMEs and business administration
11. SMEs and information society
12. SMEs and social responsibility
13. SMEs and local economy
14. SMEs and town renovation
15. SMEs and globalisation
16. SMEs' life cycle
17. SMEs' organisation and collaboration
18. SMEs and innovation

C. Sectoral or categorical studies on SMEs

19. manufacturing
20. commerce
21. services
22. construction, transportation and others
23. subcontracting and affiliated businesses
24. small (micro) businesses
25. business venturing firms

This classification is not only reflecting the present trend of research interests in the Japanese academic community, but also indicating the progress of world universalisation of philosophical thinking, perspective, theoretical framework and objectives of studies on SMEs. Typically, the 1st and 2nd versions did not pick up 'SMEs and globalisation' issue, instead 'SMEs and internationalisation' was a subject. Though the difference seems rather small, 'internationalisation' mainly means a national activity or institution expanding across borders and existing or being carried on between several nations, and therefore multi-nationality, cross-border expansion or alliance strongly matter. In contrast, 'globalisation' focuses on integrated, comprehensive world, and more emphasis will be given on unified, homogeneous substances commonly shared, than the national differences or growing procedure. In other words, internationalisation is based on individuality and differences, and globalisation on universality or totality and commonness. Therefore, the shift of academic debates and research subjects means more globally conscious way of thinking, commonly adopted philosophy and methodology, and business activities regardless borders and national differences as well.

Still all 4 versions also settle SME's "international comparative studies," and they still focus on the national differences of SMEs' states and conditions, business conducts and national policies for them. In that sense, the difference yet matters, but the latest academic works show less in the differences and more in common. For instance, most governments and policy makers regardless of nations pay attention to SMEs' employment generation roles and efficient industrial developments, and are also concerned about problems caused by their rather disadvantageous position in market economies such as access to finances or economic fluctuations. Another global trend is to distinguish medium-sized enterprises from very small or micro ones, the latter of which are mainly based on families and working mainly for earning livelihood. However, they constitute majority of local communities and their employment and earning opportunities, and their working life may be interpreted as an alternative one even in the modern society. Therefore, 'international comparison' mainly means finding common characteristics and trends, or policy agenda, than before, or otherwise very in-depth empirical studies on real individual businesses, regions or industries at first hand. Then, the national boarder does not matter so much, nor deter committed and challenging studies.

Not only the growing trend of issues and subjects concerning the globalisation and SMEs, most important development is overcoming of a sort of 'essentialist' tendency which was originated by Professor Yamanaka and his colleagues. As will be mentioned later, SME studies in Japan had been strongly coloured by the concern on SMEs' difficulties and determents which were understood very peculiar to the Japan's economic development, and the modernisation policy was
essential as a structural intervention. Later, the rediscovery of SMEs and SME problems in modern advanced economies became very influential, but still 'essentialist' tendency dominated, including "SME studies in Japan" review project. Under Professors Yamanaka and Takizawa's initiative, its 1 to 3rd versions kept a top subject "Essential studies," which meant that SME studies must be based on the question "why SMEs must be distinctively taken up out of enterprises in general," and then their "essentiality" must be theoretically interpreted, based on the historical deployment of SME studies in Japan.

Though Professor Takizawa's original stressing point was to attach a high value to the basic question "why SMEs must be distinctively taken up?", this does not actually mean "essentiality" of SMEs, but an essential stance or assumption of thinking for researchers. Nevertheless, if the expression 'SME's essence' is arbitrarily used and widespread, a sort of deductive method will be perversive and may hinder original and empirical studies and debates because fundamental 'essence' has been already given. This is not only an ossified attitude in the world of very reality, but also rather undesirable for Japanese researchers to promote dialogues and discussions with the counterparts in the global academic community, who have been originally motivated, inspired and equipped with different theory and methodology in own socio-economic or academic contexts since the 1980s. Furthermore, Professors Yamanaka and Takizawa's 'SME's essence' was strongly coloured with their belief in 'only Japan' thinking and assumption.
3. The historical lessons for SME studies and policies in Japan

In Japan, academic and practical researches and discussions on SMEs have recorded a long history of nearly 100 years. Its origin could be traced back to 1917, when an academic society 'Nihon Shakai Seisaku Gakkai (Japanese Academic Society of Social Policies)' organised its Annual Conference titled 'small industry problem.' This was characterised by the debates that small businesses were facing serious decline in the ongoing industrialisation and economic change, and policies had to be deployed to rescue them and to materialise their advantageous roles in the economic development including exporting. On the other hand, some academics, such as Teijiro Ueda, insisted that small businesses in Japan were rather adopting themselves to the changing economic conditions and exercising their rational efficiencies. These opinions can be understood representing the core debates for many decades concerning SMEs and policies for them in Japan.

In the 1920s SMEs faced very difficult situation, i.e. economic slump and bad sales, excessive competitions, poor technology and management, and rather miserable working conditions. Above all, successive economic crises ignited a large number of business failures and mass unemployment, as well as many tragedies among SME owners’ families, not only among very small businesses such as artisans or petty traders, but among medium-sized factories or business firms with modern technology and equipments, and rescuing policy measures were strongly demanded to save small and medium-sized enterprises. Then, SMEs became a very popular concept in the society.

In the 1930s and '40s, rescuing policies were continuously demanded, but at the same time the Government and military force concentrated their effort how to expand the wartime production and munitions supply, by controlling economic activities and resource supplies and mobilising SMEs to collaborate with big businesses and state-owned military factories. Though this 'Wartime productivity policy' did not work well and rather triggered the collapse of the Japan Imperial's war machine, it involved planned measures to upgrade many SMEs' technological and management competence under big businesses' and bureaucrat's deliberate support and control.

After the Imperial Japan was defeated and American occupation started in 1945, SMEs still faced very fluctuating conditions and rise and falls. Therefore, academic debates were concentrated on why SMEs in Japan were so problematic and vulnerable, despite of very quick new births and deaths among them, by inheriting the pre-war researches, discussions and policy ideas. Many tried to locate the cause of 'SME problems' in the backwardness and distortion of Japan's economic development since the Meiji era and industrial revolution from above. Typically, Professor Yamanaka who was very prominent and influential in between the 1930s and the 1960s offered a fundamental basis and frameworks for academic arguments. He gave emphasis on the necessary comprehension of SMEs' existence within the holistic framework of a national economy, and defined it as a 'problem in the business structure of a national economy.' And Japan's very quick but distorted economic development involved a sort of polarisation of business structure, between the state-protected big business sector and over-populating weaker mass of SMEs, and the latter were imposed difficulties or determents in their rational development and also their servile status, as well as their difficult survival and development, he insisted.

Not only Professor Yamanaka, but many academic researchers, bureaucrats and policy makers at that time believed that SMEs' weakness, vulnerability and bad working conditions should be eliminated by the strong policy intervention, for the purpose of social stability and balanced economic development. Another prominent figure was Professor Hiromi Arisawa, who had been very influential on the Government's economic recovery plan, and he proposed an idea of 'dual structure' theory. The theory insisted that vast majority of pre-modern and mediocre SMEs could not vanish big differentials and disparity against big businesses as an imperfect employment pool, and vicious spiral of their excessive competition and weak capital accumulation could not be
overcome. Then, the necessity was a strong structural policy intervention, which was formulated as the Government's modernisation policy in the 1950s and '60s.

SME modernisation policy dominated during the high economic growth era, and in 1963 the Basic Law of SMEs and the Law of SME Modernisation were enacted. Modernisation policy was mainly to eliminate economic differentials, including wage and productivity ones, and improving entrepreneurs and workers' socio-economic positions, by promoting economic growth and business development, adjusting SMEs' disadvantages, and improving their productivity and business transaction positions (Upgrading SME structure in Japan). The policy measures were based on individual manufacturing industries, the Government formulated industrial modernisation plans and SMEs could enjoy subsidised credits and tax concessions to improve their productivity and management.

The modernisation policy itself contributed to economic growth and industrial development, no matter how SMEs' problem was completely solved or not. The policy idea was taken over by 'SME upgrading policy' and some others. However, the fundamental problem exists not only how SMEs' vast existence and their difficult conditions can be theoretically explained and also request the way of improvement, but also whether their existence and problem should be understood very peculiar to the Japanese economy and society. On the other hand, these academic arguments and policy ideas were liable to ignore any possibilities of SMEs' own growth and developments, which had been found in many cases in the high economic growth era and after.

Turning point came in the late 1990s and the 2000s, when academic, practical and policy ideas and way of thinking faced new waves in the flowing tide of globalisation in many senses.
4. Japanese academic communities and business practitioners in the global community
— new policy ideas and academic debates

As mentioned above, academic communities in Japan on SME studies had been keeping rather 'independent' position in the world for many years, which was partly because many believed that SMEs in Japan had very unique existence and intrinsic problems. No matter how they were also inspired by the Western schools such as business growth theory of Alfred Marshall or Edith Penrose, optimum size theory of E.A.G. Robinson, or imperfect competition theory of Joseph Steindl, SME studies were recording rather 'isolated' position, by simply considering Japan's economy and business structure as a backward and imbalanced one if compared with 'advanced matured and stable' Western economies.

Things started changing as early as the late 1960s and the '70s, when the high economic growth achieved very 'modernised' economic society and most of SMEs' conditions and status had been clearly improved and their contributions to industrial developments were very visible. At the same time, a number of Japanese academics and economists were given opportunities of visiting many countries and learning from prominent overseas academics, directly exchanging opinions, and above all studying about 'advanced' economies and their SMEs at first hand. Therefore, they started thinking that SMEs' existence, their vital roles and many problems and constraints as well were nearly very common across the world, even in the 'typical advanced economy' like the UK. Typical case was Taikichi Ito, who insisted that SME's presence and problems were not a symbol of 'mediocre' backward economy, but a universal phase of advanced economy as the monopolistic capitalism development. Even Professor Yamanaka admitted in his paper of 1959 that SMEs were working within the advanced monopolistic system as its important part. Yoshio Sato applied the industrial organisation theory of the neo-classic micro economics to the SME's existence and twisted relationship with the dominating oligopolistic firms in his book of 1976, which occasionally accelerates SMEs' viable survival and also imposes difficulties and strains.

Not only these mainstream schools, but another prominent one kept its long history of 'SME's rational development' theory, which started from the 1917 academic debate. Teijiro Ueda, Genroku Suematsu and Kisou Tasugi advocated it. They were rather affected by the 'optimum size' theory, which insisted that big businesses cannot overcome their inefficiency and small size does not necessarily mean lower productivity and higher unit cost. Therefore, technological, managerial, financial and marketing optimum size exists and SME can enjoy its size constraints as its competitiveness in a certain industrial structure. Japanese academics tried to adopt that theory, which was once supported by the Government to enhance the wartime regulation and productivity. After the war, 'rational development theory' school insisted that Professor Yamanaka's school rather depreciated any chance of SMEs' development and growth, as well as studies and practical recommendations concerning their business administration issues.

Surprisingly, Professor Takizawa was strongly affected by that school and 'optimum size' theory, but he also tried to combine Professor Yamanaka's 'SMEs as a problem of national economy' belief with 'rational development' debate as the difference of the theoretical frameworks and levels of abstraction and the objectives of applicable or practical implications. Eiji Ogawa was also connecting both and mainly concentrated on SME's management science and strategic planning as his main interests.

In any cases, these prominent academics together strongly promoted the necessity of international collaboration and exchanges concerning SME studies and policy or practical developments. In 1972, Professor Takizawa met academic researchers on the Pan-pacific rim to arrange an international meeting and in 1974 the 1st Pan-Pacific Congress of Small Business was held in Honolulu. The Congress was developed to a global size, International Small Business Congress, which has been strongly supported by governmental bodies, business organisations and academic societies. Japan hosted 3 times of its international conferences, in Tokyo and in Nagoya, and its
international office was at the SMRJ (SME Support, Japan) between 1996 to 2011.

Obviously, ISBC and other international bodies, as well as many large-scale or very personal opportunities of studying, discussing or exchanging brought in numerous and very valuable information, mutual stimulation and common thinking and practices so far. Not only these opportunities, no less important is the fact that since the 1980s many academics and policy makers in the world realised the importance of SMEs and started to deploy policies for SMEs, regardless of regions and advanced or developing economies (Quite exceptional were Japan and the USA, which recorded long history of small business policies).

The reasons why most governments, economists and researchers were suddenly interested in the existence and roles of their own SMEs are rather complex. However, most common background is either the urgent and serious issue of unemployment problem (European countries), or the necessity of balanced and smooth industrial development (Asian economies). In any cases, 'the rediscovery of SMEs' or 'the renaissance of SME studies' in the world is very unmistakable, which ignited a number of new theoretical debates how to understand SME's existence in a universal and comprehensive context.

New theoretical debates can be classified into several prominent ones. One is 'post Fordism' theory, which gives emphasis on the end of Fordism mass-production, mass consumption and regulation mechanism and focuses on the revival of crafts and decentralized small production units, beyond the law of concentration and gigantism. Typically industrial districts in the third Italy was seen as one of the futuristic prototypes which involves new craft artisans and professional small firms, i.e. 'flexible specialisation,' which was illustrated in Michael Piore and Charles Sabel's best selling book of 1984.

Another one is s sort of the revival of 'entrepreneurism,' which may be traced back to Adam Smith's market economy or Joseph Schumpeter's Unternehmer (entrepreneurs') role and innovation. Later Austrian school of neo-liberal also emphasised entrepreneurs' decisive roles to work market mechanism and to stimulate dynamic competition. Typically Israel Kirzner's 'entrepreneurial discovery' indicates how desperately modern economies demand entrepreneurs' challenges as visionary. Peter Drucker applies these viewpoints and emphasises entrepreneurs' innovating roles as risk takers and opportunity finders as well.

New industrial organisations and transaction cost theories are also very popular, one of which was proposed by Oliver Williamson and neo institutionalists, and they pay attention to the actual and variety of relationships and organisational structures which involve SMEs as dispensable pieces. Ironically, these debates were considerably affected by the studies about Japanese industrial organisations and relationship between big manufacturers and SME suppliers.

Neo institutionalists and some other schools offered the basis of the argument how successful and efficient most of inter-company relationship and supplier system in Japan were in the 1980s. SMEs must be understood their vital parts, and economists, practitioners and policy makers were encouraged to learn from the Japanese experiences. Obviously this was an important turning point for Japanese researchers to reassess their views on SMEs in general, but ironically the 1980s was another turning point that the number of SMEs in Japan started declining. After the collapse of the bubble economy at the end of 1980s, the economic turmoil and depression also accelerated SMEs' difficulties and disappearance, and new thinking of SME policies and practices was strongly demanded.

In the 1990s, another school dominated the policy making debates, which was established more than 3 decades ago, out of the mainstream one. Hideichiro Nakamura realised that a number of growing businesses took advantage of the economic growth in the 1960s and '70s, and consolidated their differentiated position against big businesses despite of their size constraints. He called them "middle-standing enterprises," and concentrated on their studies. Later Tadao Kiyonari
found the growing number of new start-ups were not necessarily conventional, livelihood earning and least growing small ones, or self-employed workers, but very promised, and quickly growing professional or high-tech businesses, and he called them 'venture business,' which was inspired by the American growing small businesses and venture capitals supporting them. Nakamura and Kiyonari's ideas and concepts became very popular, and were supported by the mainstream of journalism and media in the 1970s and '80s.

Taking advantage of the world growing interest on SMEs and entrepreneurist tendency, Nakamura and Kiyonari school led bureaucrats' view in the 1990s, who had been wondering what should be done after completing the modernisation policy and facing the trend of neo-liberal market fundamentalism and anti-interventionistic opinion. In 1999, MITI competed a comprehensive change of SME policy, including its philosophy, objectives and frameworks, from former ones established in the 1960s with SME Basic Law of 1963. This change was clearly led by Kiyonari and other entrepreneurists, and braced by post-Fordism adherents like Juro Hashimoto and neo-classic schools.

In that sense, the thinking of SME policies had a certain influence from the growing world trends of theoretical and practical frameworks to interpret SMEs' common presence and their roles in the modern economic society. At the same time, it was rather one-sided and too much coloured by the market fundamentalism belief and anti-interventionistic tendency. The policy objectives and targets were set to vitalise Japan's economy, and to give dedicated supports to new start-ups, SME's business innovation and 'creative business activities' (virtually 'venture business' firms). This caused a considerable anxiety among 'ordinary' existing SMEs whether no more policy supports would be given or not. Most serious inconsistent principle was that SMEs were first and last supposed to do independent self-reliant efforts on the one hand, many big businesses in turmoil were directly protected and supported by the public policies and rescue finance measures, simply because they were 'too big to fail' and mass of jobs should be kept on the other hand. Some banks were even nationalised, and construction giants were given repayment immune by private banks, which virtually meant the government gave indirect debt quittance.

Since then, market did not work well, and new challengers like university spin-off ventures did not show good business performances, and the number of business start-ups still recorded rather low level in the 21st Century. At the same time, the number of disappearing SMEs was kept rather high and their macro data suggested most faced rather bad and declining business. Japan for the first time recorded highest unemployment rate after the WW2, and economic growth rate has been rather low for more than 2 decades. Then, what must be done for SMEs in Japan? Not simply depending very conventional and isolated views of more than 5 decades ago, nor simple modernisation idea and objectives which worked in the era of recovery and growth towards an advanced economy and society. The third or fourth view and thinking are now strongly necessary.

There came a new wave, which was a product of slumping economy, declining and decreasing SME sector and their financial turmoil caused by the collapse of bubble economy and 'bad debt clearance' problem. SME entrepreneurs were expressing their sense of crisis, and demanded more committed policy supports. Another crisis was concerning local economies, which faced a complex of problems, including the decline of local industries and weakening bases of stable life. The Government and JSMEA successively launched policy measures to stimulate SMEs and local industries, and also modified the policy framework of financial revitalization program, which was criticised for giving excessive priority to the sound banking principle and ignoring SME customers' constraints. The FSA announced 'relationship banking implementation action program' in 2003, encouraging financial institutions to be more supportable for local SME customers with keeping long-term relationship and evaluating their potential strength. This was also a symbolic change that the simplistic principle of market fundamentalism does not work well, and more commitment for improving SMEs' disadvantageous position and shortage of resources. At the same time, socio-economic issues including local community of life and SME's contribution should be treated more seriously.
The new viewpoints were materialised together after the change of government in late 2009, when the Democrats took the power. In 2010, the Cabinet of the Japanese Government adopted "SME Charter," which had been discussed and worked out under the Head of the JSMEA's initiative (Mitsui was one of the members of Charter study council in JSMEA). This was widely welcomed by the business communities, academic researchers and all the political parties as a symbolic policy development. The Charter itself was strongly requested by the Chudo Kyo (NCASBE), which is an independent SME entrepreneurs' body with more than 40,000 members, being suggested by the EU's Charter for Small Enterprises in 2000. Other SME bodies, such as the NFSBA, the central body of SME cooperatives and associations, also supported and joined the policy demand.

The Charter is consisted of "Preface, Basic Philosophy, 5 Fundamental Principles and 8 Action Guidelines." 5 Fundamental Principles are: 1) Supporting SMEs as a source of economic vitality, to make full use of their capabilities; 2) Encouraging SMEs to start up new businesses; 3) Encouraging the challenges of SMEs to advance into and develop new markets with their creativity and ingenuity; 4) Enhancing fairness in markets; 5) Providing the safety net for worry-free business operations of SMEs.

8 Action Guidelines are: 1) Upgrading and making thoroughly the management support corresponding to the SME standpoint; 2) Supporting SMEs’ efforts to develop and secure human resources; 3) Creating an environment for easier start-up and business advance into new fields; 4) Supporting SMEs expanding overseas businesses; 5) Enhancing fairness in markets; 6) Facilitating SME financing; 7) Creating a system to boost SMEs' contributions to communities and society; 8) Implementing SME policies comprehensively taking into consideration their impacts on SMEs, and reflecting their voices in policy evaluation.

Though the relationship between 2010 Charter and the existing policy frameworks including the revised SME Basic Law of 1999 has not been clear, at least this might be a beginning of new thinking of SME and economy and society, and it can be understood an example of enhancing global trend of thinking. The EU's Charter of 2000 and SBA of 2008 stressed the basic principle of "Think small first" and "Listening to small business," and declared "Small enterprises are the backbone of the European economy. They are a key source of jobs and a breeding ground for business ideas. Europe's efforts to usher in the new economy will succeed only if small business is brought to the top of the agenda." Japanese Charter can be its universal version which can be shared by different economies. Neither the belief in market fundamentalism, the reliance on concentrated economic power and monopolistic force nor the denial of market economy and entrepreneurs is the best solution, but socially balanced, stable and innovative economy must be pursued, by harnessing SME's potentiality and vitality.
5. Difficult but inevitable ways of SMEs' global operations

The SME Charter of 2010 illustrates why SMEs' global roles are indispensable, that "It is essential that SMEs make full use of their power and ability, revitalize the declining local economies, and simultaneously open up a new future for Japan by capitalizing on the growth of Asian and other emerging economies." The 4th Guideline of the Charter requests more powerful and practical supports for SMEs' overseas operations, simply not because of their stable global successful developments so far, but of slow progress and many difficulties. At the same time, the SME Charter itself strongly indicates the development of globalisation in the 21st Century, and the prevalence of commonly shared philosophy, academic theories and cogitation, policy ideas and objectives across the world. At the same time, Charter gives emphasis on the inevitable global operational activities among the SME community.

Evidences are very clear. The White paper of SMEs shows that among manufacturing SMEs surveyed only 2.4% are actually carrying out exporting businesses, and that 1.4% are making foreign direct investments (White Paper on SMEs 2011). This does not suggest that most manufacturing SMEs are just supplying to the domestic market alone, but many are actually engaged in selling their products to big manufacturers as parts or components suppliers, or to trading firms to be sold in overseas markets. The ratio of SMEs engaged in foreign direct investments in retailing or service industries is less than 1%, and only the ratio of wholesaling SMEs engaged in FDIs is more than 1%. Obviously the reality is that most SMEs are rather reluctant to explore overseas markets directly by themselves and hardly ever to start overseas business operations.

On the other hand, the slugging domestic economy and the soaring Yen are making SMEs' domestic businesses much more difficult and darker than before, with declining demand and expanding imports. As a result, even among the not exporting SMEs above mentioned more than 1/3 ones think that overseas markets are attractive, so as the 3/4 of already exporting SMEs.

In addition, the 3.11 disaster not only destroyed socio-economic infrastructure in Tohoku region, but caused a nuclear power crisis, and the national electric power supply was considerably reduced after all the nuclear power stations were obliged shut down. According to the Tokyo CCI's latest survey, 21.7% out of its 2000 member SMEs in manufacturing replied that more overseas operations of production and sales are necessary, due to the ongoing Yen appreciation and the power supply uncertainty.

Despite of these facts and grave trends of business environments, many SME entrepreneurs think that their independent efforts for global operations involve a number of problems and difficulties (strictly speaking, these difficulties were frequently suggested more than 2 decades ago). The White Paper of 2010 pointed a series of reasons why SMEs are reluctant on their global activities. Though the most common reason is "sense no need" (62.4%; MA), "too busy with domestic operations" is the 2nd (32.3%), successively "insufficient knowledge of international business" (27.9%), "cannot secure HR in Japan capable of doing business internationally" (19.5%), and "insufficient financing unable to make funds for overseas expansion" (18.7%). These problems are widely believed the common barriers for SMEs against global business operations. Generally speaking the lack of necessary resources, above all human resources, financial ones and information and knowledge, is very serious and difficult to overcome.

Therefore the Government is very determined to enhance its support to SMEs' globalisation in an unprecedented scale. The SME Charter expresses "The Government will work in strengthened collaboration with the private sector to assist SMEs to develop overseas markets. The Government will also provide information about the trends in overseas markets and international trade fairs, support SMEs activities intended to cultivate new markets, and solve troubles related to
intellectual properties. The Government will push ahead with support for development of human
resources workable in overseas activities, or use of foreign staff, and then achieve SMEs' real
internationalization.” In June 2011, it revealed a new strategy “Framework for supporting SMEs in
overseas businesses,” as a comprehensive initiative. This Framework includes a united support
works of SMRJ, JETRO and other public bodies. Framework also takes up 5 major issues:

1. Information:
   ・Providing necessary information reflecting the needs of SMEs in detail
   ・Offering consistent support to SMEs by sharing support records by the conference members
2. Marketing:
   ・Supporting product development, and participation in overseas trade fairs
   ・Supporting the effective use of the Internet for overseas business
3. Human resources development and securing talent:
   ・Helping to develop human resources for overseas expansion through seminars, training, etc.
   ・Helping to secure competent human resources for overseas expansion through matching, etc.
4. Financing:
   ・Enhancing the financial consulting structure
   ・Facilitating financing for SMEs when doing overseas business
5. Improvement of the trade and investment environment:
   ・Providing information on the establishment of overseas operations
   ・Assistance regarding tax, labour and intellectual property matters

In 2012, the Government newly proposed Law of Utilization of potential and enhancement of
management of SMEs, which includes drastic financial supports involving private and public
financial institutions to improve SMEs' financial position, and encourage SME service providers to
offer more specialized and sophisticated forms of support, above all for SMEs' financial
management and international business. The Law was enacted in August and welcomed by the
business community, no matter how some business organisations criticise the Governmental
policies for SMEs' globalisation which simply accelerate the hollowing-out of national and local
economies by promoting overseas transfer of businesses and employment and discarding majority
of suffering SMEs. This sparks a serious debate whether SMEs' internationalisation should be
understood desirable or not, and policies must support it or not. This will be discussed in the
Conclusion of this paper. At least the Government justifies its policy by the facts that SMEs
engaged in overseas businesses also expand domestic businesses, improve productivity and their
employment is growing (White Paper on SMEs 2010). Naturally causal correlation may be
complex, but any domestic industries cannot survive without even producing exports to overseas
market, which had been once a strong trend among local SMEs in industrial districts and suffering
a long-term decline for these 3 decades.

Human resource issue sounds rather strange, in the age of actual borderless economy and very
popular overseas tourism or education. In 2010, the aggregate number of overseas tourists from
Japan was nearly 17 million, those to Japan nearly 8 million, and in 2009 the number of Japanese
nationals who stay in other countries excesses 1.1 million, including 0.75 long-term stays in jobs
or education. Among them, the number of those working for private companies is 228 thousand.

The problem exists that most Japanese who stay overseas are working for Japanese big businesses
or multi-nationals and they keep their knowledge, experiences and personal connections within.
SME suppliers could rely on their parental firms' supports including human resources and
knowledge, and could rather easily start their overseas operations by depending on business ties
and stable orders. However, if SMEs have to launch overseas operations independently, they face
a considerable shortage of information, skilled workforce and connections to the local business
communities and market opportunities within their own organisations. In addition, many cannot
find any staff who can dedicate to overseas operations solely without disrupting domestic
operations among very limited number. In foreign countries, recruiting local personnel and HR
management become another serious problem, which can be illustrated in White Paper 2010 that
only 16% out of SMEs engaged in overseas operations replied "no particular issues" concerning their HR issues encountered overseas, 49% pointed out "HR management" issues, 47.9% "HR hiring" and 46.4% "HR retainment."

If SMEs cannot employ or keep skilled Japanese staff who are very capable in overseas operation or foreign ones who know both Japanese and overseas businesses very well and communicate with Japanese managers (according to White Paper 2011, more than 10% of SMEs surveyed employ foreign staff), another way is to hire or to consign outside professionals who are knowledgeable experts in local business practices and have good contacts with business communities in foreign countries. The 2012 Law of Utilization of potential and enhancement of management of SMEs is expected to enhance necessary human powers by bridging SMEs' counselling and consultation with private or public providers of professional advisers and consultants of international business.

As I quoted in a presentation paper at the 36th ISBC Conference in Taipei, 2010 (Niches for SME in Regionalization and Globalization — Japanese experiences in the 21st Century), SMEs' global development requests following subjects to exercise;

a) Establishing a sound and solid vision and business strategy, supposing global market prospect and stepwise approach, under a stable and unshaken leadership

b) Recognising the potentiality of various local resources, including skills, technology, knowledge base or even business systems, and investigating new ways of their combined application and implementation under a novel rethinking

c) Concentrating efforts on developing and producing really saleable marketable products or services, by responding to the markets and customers' concrete and actual needs, requests and voices

d) Reviewing and restructuring the existing local production and distribution networks, and promoting more relevant, effective and unconstrained alliances and cooperation still based on local business communities

e) Proactively disseminating information about own products, services or businesses themselves worldwide, by using different measures, expressions, languages and opportunities and promoting bi-lateral dialogues

f) Making global alliances with best local partners which can sustain mutual win-win business relationship and often promote intangible and human collaboration

g) Requesting and materialising effective, practical and specific public policy measures, including information offers, consultations and human resource developments

h) Implementing a long-term and comprehensive development in local communities themselves, including keeping industrially proactive minds, fostering business/ internationally minded human resources, and promoting creative, learning, plural, universal and open atmosphere.

Though they are mainly for local SMEs based on industrial districts, most are also suitable to every kind of small business in different sectors and locations. The key is how to drastically improve their marketing and sales capabilities based on well established long-term strategies towards global and growing market opportunities. Again, HR and knowledge accumulation are very decisive and indispensable, and public or external supports are very necessary and effective. Even the European SMEs face similar difficulties in 3rd countries such as in China, Korea or Japan and policy supports are rather essential, which was illustrated by a large-scale empirical research report commissioned by the Industry and Enterprise DG, European Commission in 2011
(Mitsui was in charge of its Japan part). Needless to say, how can Japanese SMEs do without any supports? And academic researches and debates must contribute to these global practical issues in some senses, based on global thinking, frameworks and partnerships.
6. Brief Conclusion

In a macro economic sense, Japan's economy in need of both globalisation and internal regionalisation, world-wide industrial growth and stronger domestic demand, not simply depending on exports. They are not inconsistent, but supplementary each other, under the ongoing globalisation and regional integration of business operations and industrial linkages across borders. Most big businesses have already established their horizontal division of labour systems mainly covering Asian regions, to materialise individual advantages and competence, and to supply to individual markets. Then, domestic businesses and industries must exercise their competitive advantages such as innovativeness, quality production technology, outstanding skills or unique locality, and at the same time must actively promote own overseas operations or global alliances to achieve long-term and stable developments. Otherwise, some may concentrate on local markets to cater and contribute to individual or community needs or to improve people's quality of life, by exploiting own human skills and local networks.

This ongoing procedure requests not only more dedicated public policies and business practices in the global frameworks and context, but also more committed academic researches and findings, and more academic contribution to business communities and policy making debates. In turn, as was seen in the process of the globalisation of Japanese academic studies, this may accelerate global views and thinking within the academic community. Researches must be based on more universal ideas and frameworks, which can be globally shared, and the globalisation of SMEs and SME studies is a typical and good example.

Naohiro Kurose, another prominent academic researcher for decades (who is my colleague at Kaetsu University and Vice President of JASBS), recently published a book, insisting that SME is a unity of "problematic and development climates," which is suggested by Professor Yamanaka's 'essentialism' and also by Nakamura and Kiyonari's entrepreneurial potentiality of growth debate. He also found a number of good lessons in his visits to East Asian economies and dialogues with overseas practitioners and researchers.

The importance of mutual understandings and common efforts to exchange ideas, views and empirical findings among researchers, business people and policy makers across borders goes without saying. Naturally every kind of respect for individual culture, history and locality is very indispensable. We could learn from the history of the European Community and the European Union, not simply questing economic alliance and strength alone, but also dealing with social issues and realising common human values and coexistence of different cultures and diversity. Obviously the EU itself is now in a number of difficulties, and its economic integration and stability is under a growing scepticism, but its 50 years' history gives the impression how important and inevitable regional integration and community development is in the present world.

The SME Charter in Japan is a product of global thinking and global commons. It can be also shared between many states and international organisations. The fact the Charter was clearly inspired by the EU Charter of 2000, as well as the OECD's Bologna Charter on SME Policies, is very symbolic, and this may be in future ages understood a beginning of common philosophy, ideas, frameworks and objectives of SMEs and policies for them in a global scale.

Global academic communities must play a key role as a decisive common platform for mutual understandings and developments. In that sense, to be honest, Japan's long-term commitment in the ISBC involves both sides of a coin. It has become rather an alliance of academics, policy makers and business people, but strongly depending on individual member state's business organisations and public bodies. For instance, in Japan once the Government's JSMEA and a private business organisation, NFSBA, gave committed supports, and later the role was transferred to the JSBPC (later SMRJ). Nevertheless, the Government's streamline schemes made it rather difficult to offer more contribution to an international body. In addition, the involvement of
academic community has been rather low, which was mainly promoted by prominent names.

On the other hand, another international body, International Council for Small Business (ICSB) kept rather a low profile in Japan, contrasting to its distinguishing development in the world. Part of the reasons is that its original Japanese affiliate, which had been established nearly 2 decades ago, failed in attracting many members and good supports and stopped working. This is very grave loss both for Japanese academics and practitioners and for global counterparts, above all Japanese academic people may have missed very good opportunities for their presentations and discussions, and of obtaining hot information. JASBS, representing SME studies in Japan with more than 500 members, can domestically work well, but is not necessarily very suitable for its official and organisational commitment to the international issues.

Finally, a prominent and well-established academic society, the 118th Research Committee of JSPA, which was also established by late Professor Yamanaka and colleagues more than 6 decades ago, took charge of the ICSB affairs, and newly established its Japanese branch body, Japanese Committee of ICSB (JICSB), which was officially recognised as an affiliate by the ICSB Council in June 2012. This must be a very beginning of the progress towards Japan's more commitment to the global academic community of SME studies, practices and policy implementations.

Note:

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