

Secrets of Japanese Firm Longevity: From the overseas perspective

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November 4, 2011



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Lessons from Japanese Long-Lasting Companies *

- Globally 5000 businesses are at least 200 years old.
- 3000 are in Japan!
- Practically all are family businesses

* Bank of Korea study



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Business Longevity Quiz

Which has better chance of surviving at least 100 years?

- A) Publicly traded company on DJIA
- B) Privately held family enterprise



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Business Longevity Quiz

During the time period, 1896 – 1996

- A) How many businesses on the DJIA survived?
- B) How many family businesses would have survived assuming we began with 100 family businesses?



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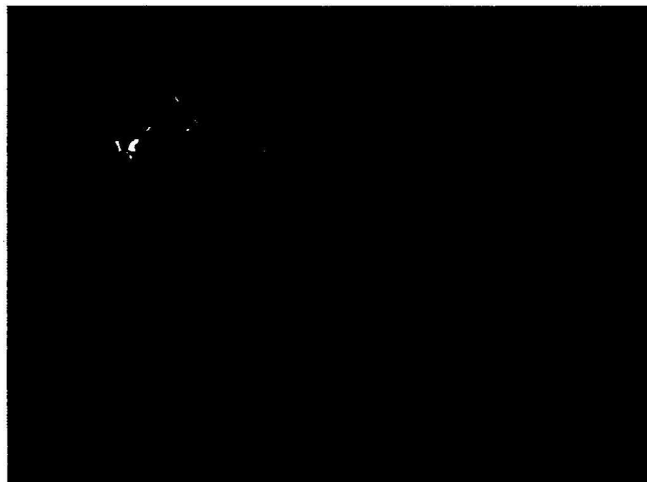
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Therefore

- If business longevity is the desired end
- Family business is the ideal model
- The key characteristic of family firms?
 - Hyper vigilant sense of responsibility to:
 - Stakeholders
 - As yet unborn grandchildren
 - Continuity



Lessons from Japanese Long-Lasting Companies *

- Devoted to earning trust
 - Customers
 - Employees
 - Community
- People are the most resilient force
- Believe that honesty with customers produces loyal customers, even in a crisis

* Bank of Korea study



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Lessons from Japanese Long-Lasting Companies *

- Deliberately small
- Conservative
 - Control growth
 - Internally financed
 - Avoid speculation
- Tend to be niche players with intellectual property and skills passed generation to generation. **

* Bank of Korea study;

** FBCG



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Lessons from Japanese Long-Lasting Companies

Ultimate purpose of the business is not profit

But

CONTINUITY



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Lessons from Japanese Long-Lasting Companies *

- Invest in the skills and loyalty of their people
- Craftsmanship is a core value
- Dominate in small markets
 - Domestic niche market share leaders with strong brands
 - 13 percent: export
 - Among those which export, higher likelihood children educated outside country of origin **

* Bank of Korea study
** Miguel Angel Gallo



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Lessons from Japanese Long-Lasting Companies *

- Protected environment
 - No wars for most of history on home soil
- Primogeniture not fully embraced
 - Comfortable adopting a son if better successor
 - 25 percent successions to non-family, adopted successors
 - 75 percent follow family lineage
 - Generally forbid in-law employment

* Bank of Korea study



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Family Business Consulting Group Experience

- Founded 1994
- 2400 multigenerational family businesses
- 70 countries
- Over 300 years of combined experience and empirical research



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The Ideal Characteristics of Multi-Generational Family Enterprises serve to deter:

Greed

Complacency

Disparate shareholder goals



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Ideal Characteristics *

- Well run family meetings and shareholder development
- Strategy informed by Values, Vision and Mission
- Appropriate and active governance for objective accountability

* American Family Business Survey, et.al.



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Ideal Characteristic – Ownership Unified on . . .

- | | |
|--|--|
| <ul style="list-style-type: none"> • Owner Values • Owner Vision <ul style="list-style-type: none"> – Nature of the business – Structure of ownership • Owner Goals <ul style="list-style-type: none"> – Growth – Risk – Profitability – Dividend expectations – Liquidity | <ul style="list-style-type: none"> • Owner Values • Owner Vision <ul style="list-style-type: none"> – Nature of the business – Structure of ownership • Owner Goals <ul style="list-style-type: none"> – Growth – Risk – Profitability – Dividend expectations – Liquidity |
|--|--|

Family Business Continuity Benefits from Discipline and Transparency

- A financial return
- Appropriate corporate leadership
- Transparency
- Accountability
- Appropriate corporate governance
- Business protection

Conclusion

If business longevity is the goal –

- Family business is the best means available
- Continuity and business honor is in their hearts



Questions

