

Topic : Sosio-Humaniora

Japanese Soy Sauce Industry: a Legacy of the Centuries

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Abstract

Japan is a home for more than 53% oldest companies in the world. While more than 50.000 companies in Japan have more than 100 years history, longevity in the modern business world is increasingly rare. The average lifespan of corporation has been between 20 and 30 in 2010. The mortality risk for companies across all sectors is dramatically increased regardless of the age and size of the companies.

As the economic landscape of nations dominated by family business, most of the old companies in Japan are also managed by the family. Japanese family business runs the business for dozens of generation. There are several reasons to make it possible. First is adopting the business heir, if the biological heir unable to continue the business. Second is the tradition that has supported the business to continue. Most of Japanese companies founded before the year 1700 are culture oriented. Third is the culture of the company such as 'lifetime employment' that keeps the strong bond of personal trust for over the years.

In order to strengthen the analysis, this article is supported by the lesson learned from soy sauce industry specifically in Chiba Prefecture. Soy sauce is fundamental seasoning for Japanese cuisine. As the part of Japanese culinary culture, soy sauce industry has survived for hundreds years. Using strategic business management perspective, this article will examine how the soy sauce companies managed their business and survived as a family business for over the hundred years.

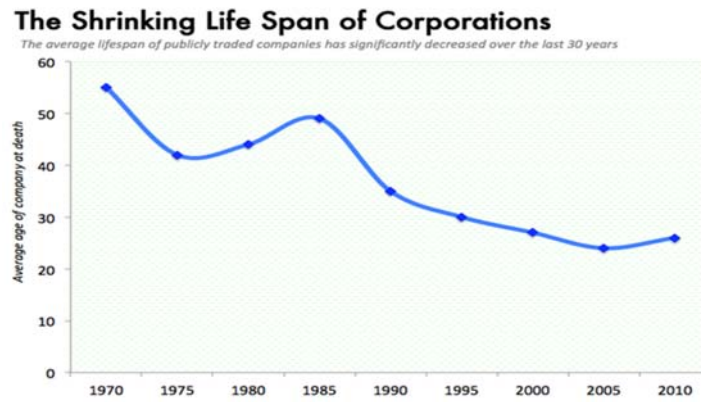
Keywords

Family business; strategic business management; soy sauce; japan

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1. Introduction

In the modern business world, the longevity of the business is getting decline. According to Boston Consulting Group (BCG) Report in 2015, the life span of multinational company has been decreasing from around 50-60 in 1970 to 20-30 in 2010 (Reeves and Pueschel, 2015). As the matter of fact, “more than one-third of the corporations on the 1970 Fortune 500 list were no longer in existence by 1983” (Crockett, 2015). Companies are dying younger and more likely to collapse at any given time. BCG has reported “one-tenth of all public companies fail each year, a fourfold increase since 1965” (Reeves and Pueschel, 2015). The mortality risk is getting increasing for any scaled and aged of the company.



BCG Report, 2015

However, there are some exceptions for 967 businesses founded before 1700 that are still survived, become the oldest companies in the world. Astonishingly, 517 of them or 53% of the businesses are located in Japan (BCG as cited by Crockett, 2015). “Before being absorbed into a subsidiary in 2006”, the oldest family business in the world is Kongo Gumi (Tamkin, 2014). This construction company (built temple) was founded in 578. The list of the oldest companies in the world from Japan still goes on including Nisiyama Onsen Keiunkan (since 705), Tanaka Iga (religious goods company, since 885), and Sudo Honke (sake brewer, since 1141).

The World's Oldest Businesses

Japan contains the oldest business in a variety of trades and industries

Type of Business	Name	Country	Year Founded
Oldest Hotel	Nishiyama Onsen Keiunkan	Japan	705
Oldest Machinery Company	TECH Kaihatsu	Japan	760
Oldest Restaurant	Stiftskeller St. Peter	Austria	803
Oldest Winery	Staffelter Hof	Germany	862
Oldest Religious Goods Company	Tanaka-Iga	Japan	885
Oldest Pub	Sean's Bar	Ireland	900
Oldest Confectionary	Ichimonjiya Wasuke	Japan	1000
Oldest Brewery	Weihestephan	Germany	1040
Oldest Tea Company	Tsuen Tea	Japan	1160
Oldest Metalwork Company	Ito Tekko	Japan	1189
Oldest Sake Company	Sudo Honke	Japan	1141
Oldest Pharmacy	Sankogan	Japan	1319

(Cited from Crockett, 2015)

This article will mainly discuss about family business supported by lesson learned from soy sauce industry especially in Chiba Prefecture, Japan. There are several reasons that will be discussed that make Japanese family firms can survived for hundreds years. First is about the succession. Succession is become one of the substantial aspect to ensure the business sustainability. One of the main interesting finding from this research is how the family business in Japan commonly practicing adoption in order to looking for a business heir. Adoption is especially happened if the biological heir unable to continue the family business.

Second is the tradition that has supported the business to continue. Most of the Japanese companies founded before the year 1700 are culture oriented, as well as soy sauce. Soy sauce has become the important part of washoku, traditional dietary culture of Japan which emphasizes local ingredients and soy sauce as its unique seasoning. Still, the culture of the company such as 'lifetime employment' in Japan keeps the strong bond of personal trust for over the years.

In order to provide comprehensive overview of soy sauce industry, this article will also discuss about the management of the business. Using perspective of strategic business management, the last part of this article will examine the business from three aspect such as planning, implementation and evaluation.

2. Research Method

This article is written based on the research about soy sauce industry in Chiba Prefecture, Japan. There are nine companies/business involved as the interviewees. The scale of the business is vary from the small enterprises to the big companies. Companies

ages ranging from 91 to 328 years old. Using qualitative method, this research aims to provide information about management of the business especially about succession process. Data collection is obtained through the literature review, observation and interview with the director of the companies.

3. Discussion

3.1 Succession

As the economic landscape of most nations are dominated by family firms, the study about family business is become important (Chrisman et al., 2003). However, there is controversy between academician related to definition of family business. As summarised by Chrisman et al., (2003), there are various definition to describe family business. Some of researches define it by the involvement of the family in the business (ownership, management, and trans-generational succession), while another authors emphasize on the influence of the family members in the business.

According to Dyer (1989), there are some weakness related to family business. First is the lack of skills. One of the main challenge for family business is the lack of management talent within the family. There are various skills needed to run the business such as marketing, finance, and accounting to make the business survived. As a family business grow especially in complex environment, the family members are likely unable to hold the key positions with all necessary skills needed. Therefore, there is a needed to bring professional management into the family business.

Another reason for professional management in family business is the norms and value of business operations. The value and the interest of family might affect the operation of the business because of the different goals between family and the business. When the business getting expand, there are many decision that will affect not only family members but also the staff of the business. The last but the most important reason for requiring professional management is to prepare the next leader for the family business. The founder of family business may want to retire and no one in the family consider as capable to continue the leadership.

As Dyer (1989) mentioned above, the succession is become substantial especially for the sustainability of the family business. For family business in Japan, there are several option to find the next successor. According to the interview, the next successor will be determined by some criteria. First is capability. It is important for the next successor to have ability to maintain and lead the business especially for the bigger business scale

that has complex requirement and involving many people outside the family members. Second is the interest. Once the candidate do not have any interest to continue the business, then she or he will be eliminated from the list. Hence, the selection of the next leader is not solely based on the family blood but also considering the interest and capability.

Mainly, the next successor will be selected by the current business leader. For the small business scaled, other family members will involved to decide the next leader of the business. The selection process mostly held by discussion amongs the family member or the board of director (for the bigger scaled business). Some of them will set a trial period for the candidate to measure the capability. Most of the candidate already familiar since they grown up with the business in their family.

Apart of capability, another concern is the interest of the candidate. Usually, the oldest son in the family will continue the business. Unfortunately, the fact might be different. The interest of the candidate might not be to continue the business. There are various finding related to the interest of the candidate. Some of company put "interest" as one of the criteria to be selected as the next business leader. According to the business leader, it is important to run the business based on the interest and willingness of the candidate. However there is some interesting case where the candidate has to choose between continue the family business or will be eliminated from the family. To continue the family business is tend to be mandatory for the oldest son in the family.

Related to the women successor, most of the business owner stated it is possible if the daughter is willing to continue the business as far as it is supported by her interest and capability. There is a case where the owner only has two daughters. One of his daughters has interest to run the business. Now the family support the daughter to be the next successor of the business. Another company stated that historically, their company also had women successor. It is depend on the quality and capability of the candidate.

Generally, the next successor will be selected during the young age. Some of the candidate needs to decide since they were teenager. As mentioned before, commonly the oldest son in the family will continue the business. On the other side, early age will give plenty of time to set trial period for the next successor and provide them training that necessary to continue the business. According to one of the interviewee, regeneration of the business leader in the young age also provides fresh idea from the business. The

young successor will be able to create innovation and implement fresh idea to develop the business.

There is none of the interviewees stated that they have non-family successor during their history. There will always be family member that able to become successor. In the case there is no son or daughter available to continue the business, they try to find another family members that have their eligibility as the next leader. In some extreme cases, if the business unable to find another candidate, the business will be shut down especially in the small scaled business. However, instead of recruiting professional manager, the family business in Japan tends to adopt their successor.

In the case where there is no biological children to continue the business, or if the owner of the business desire for better candidate as the successor, it is legal to adopt the successor. It is common for Japanese business owner to engage in this practice since a long time ago (Crockett, 2015). According to Crockett (2015), nowadays “98% of Japan’s 81,000 adoptees are males between the ages of 25 and 30 – many of whom are businessmen who are legally adopted by the owners of corporations and put in management positions”.

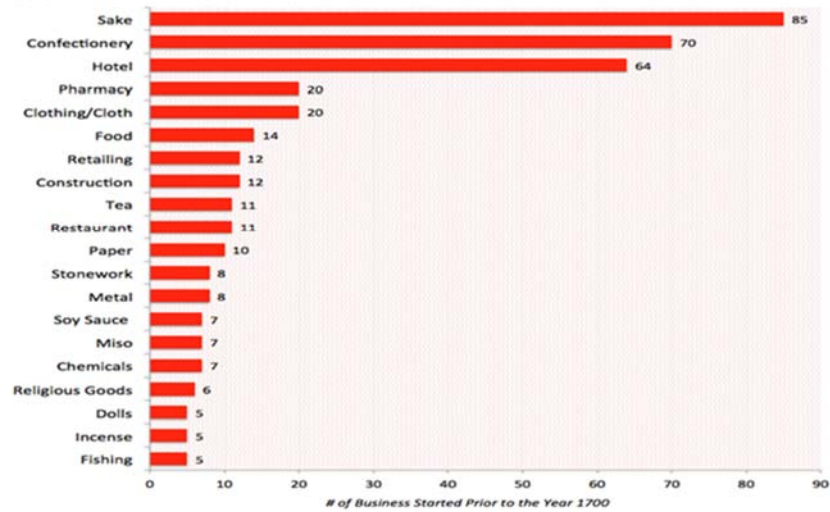
Business owner also can legally adopt son-in-law to continue the family business. This is also happened in one of soy sauce company that being interviewed. The current leader of the business is the son-in-law while the daughter plays the role as a manager of the restaurant and participated in developing new product of the company. Through the adoption as well as son-in-law, the practice of family business remains intact without risking the business into less capable son or nephew. Moreover, according to Mehrotra (as cited by Crockett, 2015), the performance of adopted successor is better compared to biological successor.

3.2 Tradition/Culture

Other factor that supported the longevity of Japanese family business is the tradition. From 517 business founded before 1700, most of them are culture-oriented such as sake, paper lanterns, religious goods as well as soy sauce. There are the part of culture and daily life.

What Are Japan's Oldest Businesses?

Of Japan's 517 businesses founded before the year 1700, these are the most common trades



According to Nishikawa (2011), there are several reasons related to culture that make Japanese business can survived for hundreds years.

1. Character of the Japanese: integrity, tolerance, persistent effort and diligent is the part of Japanese characteristic.
2. Strong respect of the House (family name): the family name is considered as the most important asset to protect. It makes the principle of house-centric become ever lasting.
3. *Sanpo Yoshi*: value relationships to work together for harmony and mutual benefit between customers and business partners; local communities; owner of the company and the employees.
4. Flexibility and continuous improvement (*kaizen*): Tendency to continuously improve core products, services and technologies in a flexible manner responding to environmental changes.
5. Stable governance system: There is no foreign invasion in Japanese history, creating stable governance under the reign of the Emperor family.

In business framework, the heir adoption then becomes more rational because of the strong respect of the house. By adopting new successor, the family name still remains while avoiding the risk to handing the company to incapable successor. Put the goals of society rather than private goals also become one of the main characteristic of Japanese people. Therefore, integrity and persistence are the part of Japanese society.

The value of *sanpo yoshi* also manifests in the culture of company such as 'lifetime employment' that keeps the strong bond of personal trust for over the years. In one soy sauce company, there are some employees that work for more than one generation. There are some couple, or parent and children work in the same company. Other company will gladly accept employees after their maternity leave for two or three years. The relation between the owner and the employees is more like a family to support each other.

The manifestation of *kaizen* also can be seen in the product innovation. Every soy sauce company has their own innovation adjusting the need of customer such as halal product, free-allergic product, as well as the innovation of the packaging, marketing, and also the taste of products. For more comprehensive view of how the soy sauce business being run, the next part will discuss from the planning, implementation and evaluation process.

3.3 Business Management

According to interviewees, the key of success for business are the persistence to survive in hard time; build and maintain the trust from the customer, partner and employees; and prioritise the goals of society than the private goals. However, there are still various goals of the business that want to be achieved. Among of them are expanding products to international market, producing various specific and excellent products, as well as expanding the business itself.

In order to achieve their future goals, every owner of the business always setting the goals and strategy every year. The target of the business is arranged based on the past performance and the future prospects. Some of them refers to other eminent company to learn and develop the business while other focusing on improving the capacity of human resources in the company. All of discretion belongs to the current business leader. They create new strategies to develop the business such as using the internet to promote the product especially international market; expansion of the retail sector; and managed to have a restaurant using their own products. Some of the business open to hired professionals to develop new products especially if it is related to specific products. Moreover, advice from different point of view will be useful to provide different insight and idea for the business.

The prominent aspect of family business compared to non-family business is the involvement of the family member. Family value might affect many aspects of the business. For small business scaled, influence of family members about management and

product development is more apparel. It is because for the small scaled business, family members are also involved directly in daily activities such as marketing or financial. Meanwhile, for other bigger business, business and family are two different things. The top management are still family members, but decision for the business will be made according to professional mechanism for the sake of many people.

Since soy sauce is highly related to culture and community, the business also put their consideration into contributing to society. Historically, Kikkoman as the biggest soy sauce company in Japan built hospital and bank to support their business. For smaller soy sauce business, the contribution may become vary depend on the ability of the company such as donation for local events and participating in social activities. In soy sauce industry, the waste of soy sauce making process is distributed to local farmers to feed the cattle for free.

The next step of business management is implementation stage. As mentioned above, for small scaled business, involvement of family members become prominent to support business activities. Meanwhile for biggest business where the need of employee is bigger, the influence of family member is getting decline. Only family members in top management that involved the business activities will influence decision making process.

In small soy sauce business, generally female family members are also involved in management of the business such as financial or product development. In fact, one of the company already decided their daughter as the next successor due to her capability and interest to continue family business. For bigger soy sauce business, female family members are not involved anymore. However, one of the business owner has mentioned that female employees have more contribution to the business. Female employees are considered as more persistent, thorough, and comprehensive for development of the products. Since most of soy sauce customers are women/wife, women perspective is become prominent.

Another specific issue that need to be considered in family business is the conflict between family members. Some of the business owner have admitted that conflict might be happen but the best way to deal with conflict is discussion. Through discussion among family members, the conflict is never caused damage or fatal effect for the business.

The last part of business management is evaluation process. This stage is become substantial especially when the goal of the business is not achieved during the year. The

business owner will evaluate the goals, strategy, and analyse the cause why the business goal are failed to achieve.

Discussion above indicates that even the business is owned by the family but the management of business is still considered as professional. Every family business always set their goals, strategy and mechanism to achieve the goal. They are also involving professionals if it is needed especially for developing new product. The next successor is also selected based on capability. There are various innovation to answer the challenge of business environment and adjust with the need of the customer. However it is substantial to consider the scale of the business. When the business is getting bigger, the percentage of family member involvement is getting decline. Thus, the professionalism is remains the same due to scale of the business.

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