Creation
of
New
Business
Creators

New Business Creator Study Group
Study Report

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Why do we need new business creators now?

Many key industries which have helped Japan's high economic growth are now coming to the end of their terms. The future lies in the people who can create "new business." They will help Japan's regeneration and the continuation of Japanese companies.

After the war left Japan barren, many key industries led the country to high economic growth era during the 1960s and 70s. They were definitely the building blocks of "prosperous Japan."

However, after the economic bubble burst and the empty 10 to 20 years which have followed, we all need to realize that Japan cannot sustain itself with just the past key industries. In other words, such key industries may be facing an "expiration date."

Unless new businesses are created and developed, Japanesae companies, and thus the nation cannot expect high economic growth.

All companies should think about their "future business plans" to maintain the curve of their growth. However, in reality, not many companies are proudly announcing "new business."

Companies which have relied on a specific key business are even more hesitant in entering new fields of business which always comes with risk. Some companies ask their employees to participate in "new business plan contests." However, most of these ideas are short lived, lasting maybe for a year or two.

How can we create a new business which may become the key industry in the next generation? Alternatively, what kind of people can establish such a change within an organization?

With these questions in our mind, we started our "new business creator study group." In this attempt, we asked people who have actually got a new business on its track, about their experiences, capabilities, and characteristics.

This report is a summary of what we have found from people who make a difference in their companies.
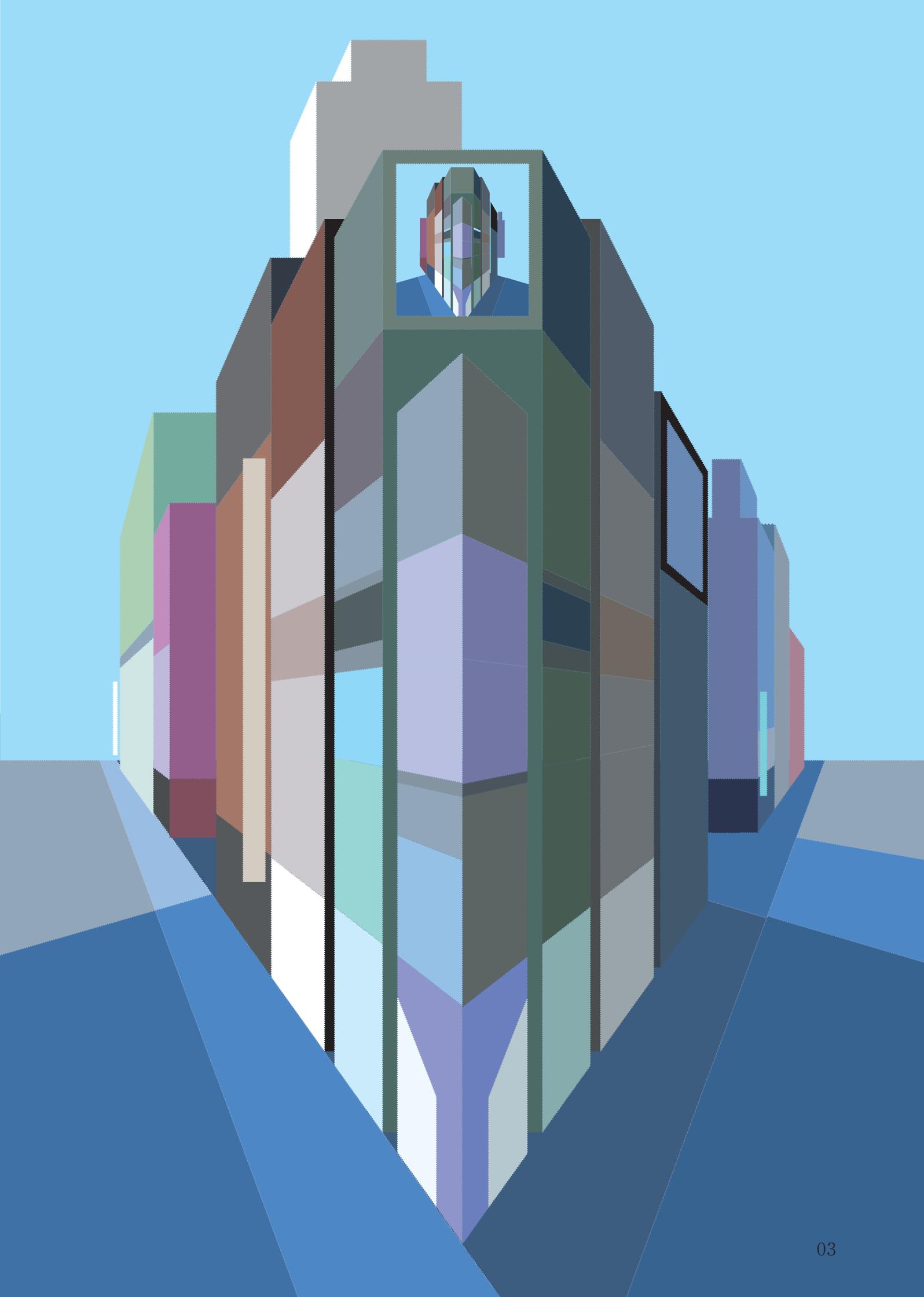
Business creation in the 21st century

Numerous numbers of patented technologies and *kaizen* efforts are all excellent characteristics of Japanese companies. However, this alone cannot become a "business." How would these inventions and discoveries help change society? Are there ways to make such discoveries into a business?

A senior executive at a major manufacturer once said this:

"We have lots of good technologies. But for the past 50 years, I have never seen a new business come up."

Our 21st century is filled with goods. People want an "experience" rather than owning a certain product. Therefore, business creation in the 21st century cannot be only "superior products, technologies and services" alone.

What kind of fun and joy await upon using this product (service)? How will the world change? We call this the "Social Story."

People who can lead a 21st century business need to communicate this "Social Story" with great passion.

However, just telling the story alone cannot generate a new business. Even if a product or a service which may change the world exists, it must be sustainable. To be sustainable, it has to be profitable. We will call this the "Business Story."

We need the visionary thinking of an innocent young person, coupled with a calculative mind to make money. These almost contradictory sides combined create a "visionary and calculating" person who can create a new business in the 21st century.
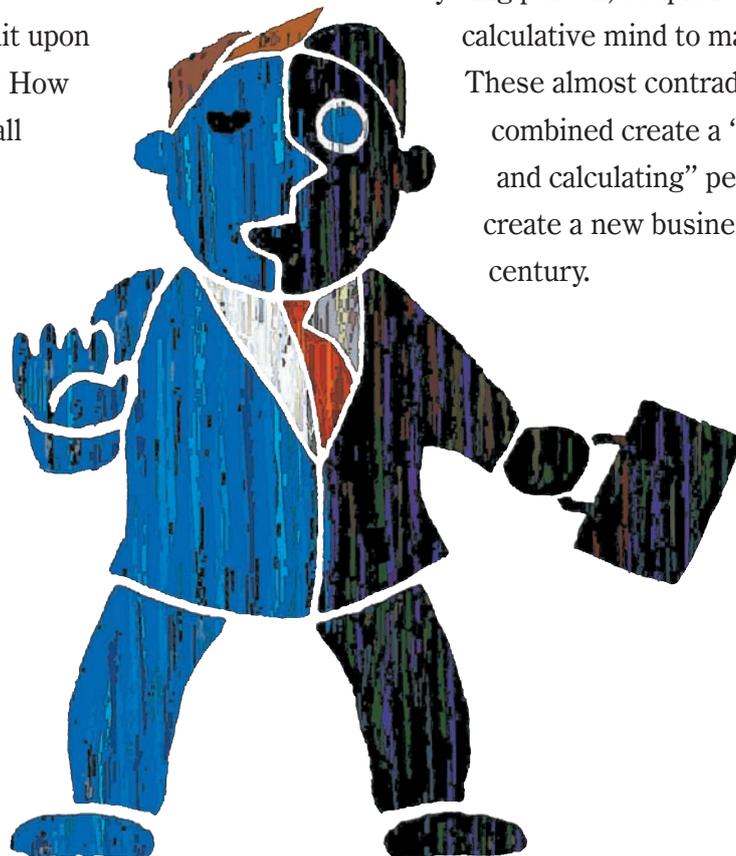
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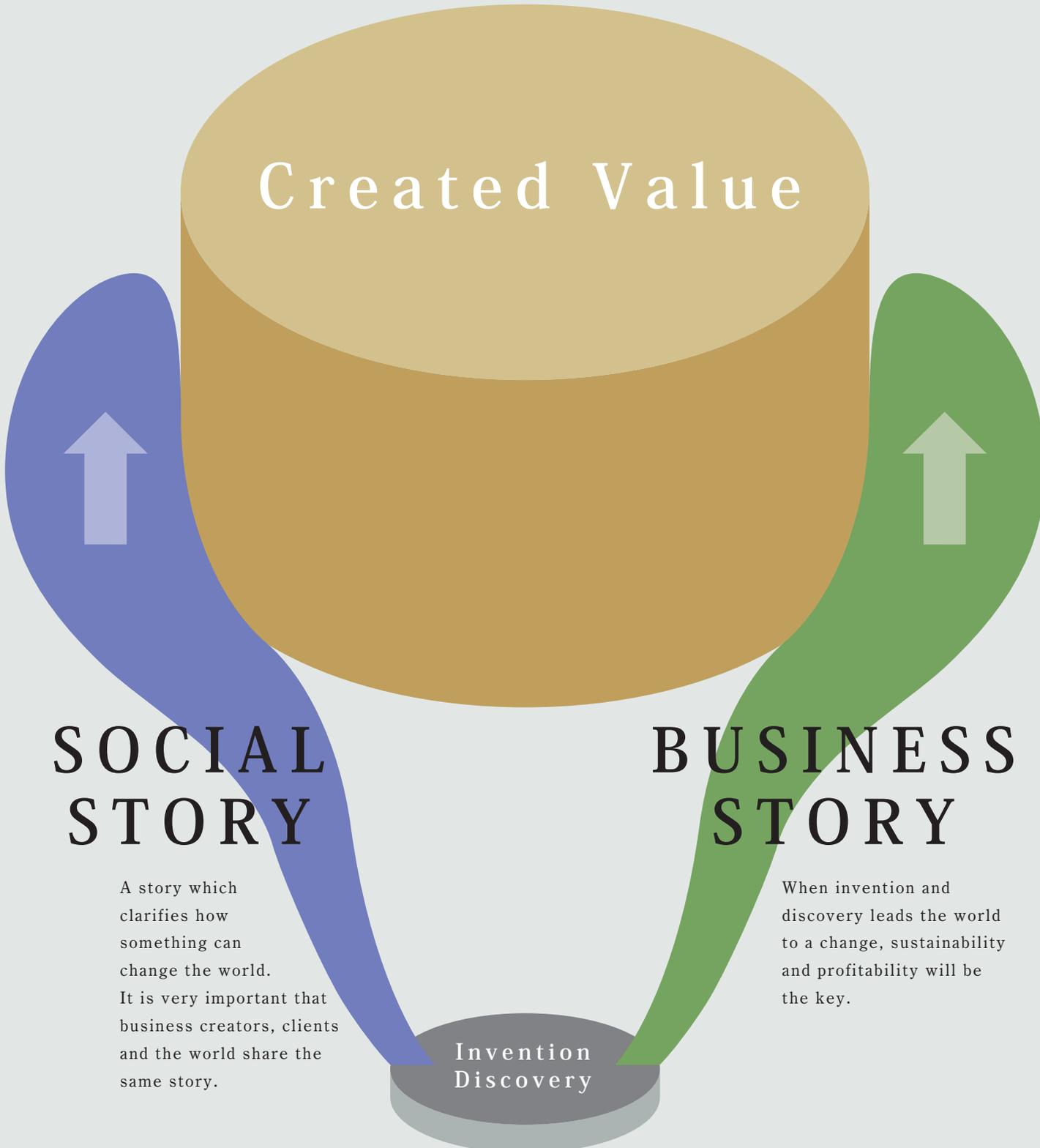
SOCIAL STORY

A story which clarifies how something can change the world.
It is very important that business creators, clients and the world share the same story.

BUSINESS STORY

When invention and discovery leads the world to a change, sustainability and profitability will be the key.

Invention Discovery

The value of an actual invention or
a discovery may be small when implemented.
The person who invents, or discovers,
does not necessarily become the business creator.

Thought and behavioral characteristics of new business creators

What kind of competencies are "visionary and calculating" persons equipped with? Based on interviews with 15 new business creators, we extracted 5 thought and 6 behavioral characteristics.

The thoughts and codes of conduct which move new business creators

In order to weave a social and business story together, and to make it a business, it requires *a firm conviction towards a brighter day.* Because of this conviction, they do not hesitate to make mistakes in pursuit of their vision.

The conviction is backed up by their *confidence based on experience.* They believe that this will make the world a better place. These people are confident that they have thought about this to the deepest possible extent.

Backed up by such strong conviction and confidence, the startup phase of a business must take a codes of conduct. Namely a *"strong goal-oriented mindset," "move fast"* and *"being sticky."* These 3 elements combined, become an engine of the project.

A vision or a thought will face many challenges as it moves to the implementation phase. These codes of conduct are what keep these people going.

Override "common sense!" Run for your goal

The most prominent behavior is in their ability to leap over barriers. Even if a person envisions something which may change the world in a good way, when "rules and common sense" blocks them, they may come to a halt. New business creators can override such challenges and barriers, and then create a totally new path. They know this instinctively, and press right on.

Furthermore, these creators with the codes of conduct can *get what they want, shut down when required, decide, declare* and *never give up.* They are clear on where they are going, and continue to create their own unique path forward.

This is cyclical, and will give them more confidence. This creates a person who can start a new business from scratch anytime and anywhere.

SOCIAL STORY

BUSINESS STORY

Leap over barriers

Conviction towards a brighter day

Confidence based on experience

Thought characteristics

Behavioral characteristics

Business planning phase

Business implementation phase

Get what they want

Strong goal-oriented mindset

Being sticky

Never give up

Know when to shut down

Move fast

Decide

Declare
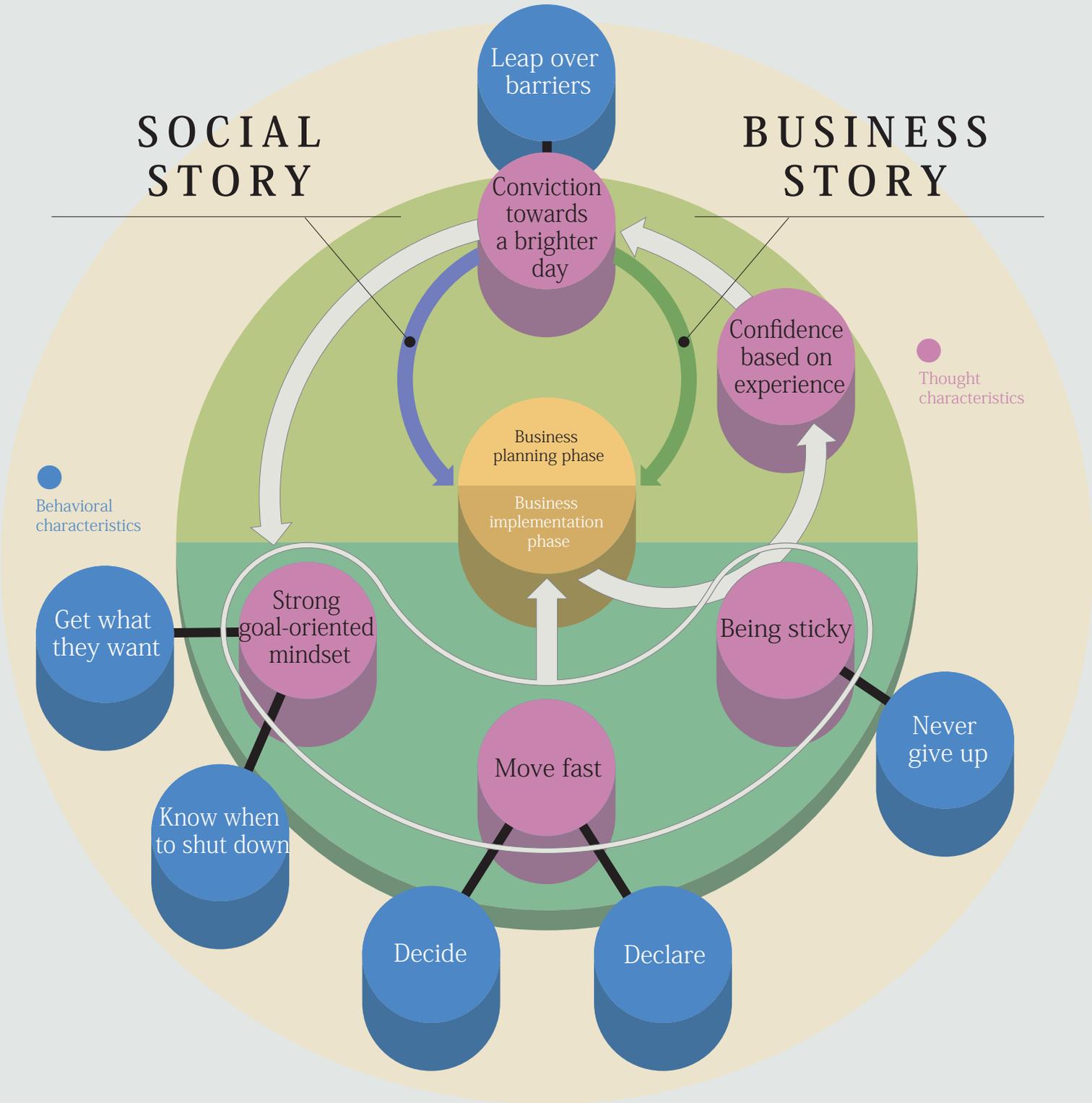
1 Conviction towards a brighter day
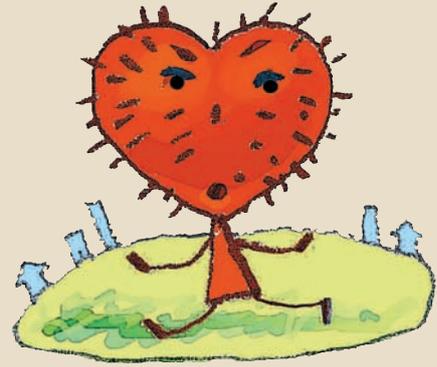
- Absurdities, irrationalities and insensitivities surround us all.

  At some point, a feeling of *"I want this to change"* or *"We need to change this"* sprouts. This later becomes a strong conviction.

- *Believes that for a better world and to be of more service to the customers,* this business can create a better place for everyone.

- *How should the world look like in 20, 30 years? Or how should it supposed to be?* Such grandiose and long-term perspective thinking helps make decisions today.

  "It came from a simple question. Why is it that people involved in art and creation cannot make a living? This may sound naive, but it all started from there."

  "I wanted to change from creating a system exactly as required by the customer, to creating it together with the customer."

  "When the Internet changes the world, the fun should be in our hands. Why let others have fun with it?"

  "The world which we can create through the Internet can be much bigger than national boundaries. If we can experience that in our 40's and 50's, I just thought it would be exciting."

  "No matter how wonderful something may be, it must succeed as a viable business. If not, it's a failure."

  "I pursue what is right."

2 Confidence based on experience

- Believe that they have *invested the most experience and thought.*

- With *a sense of "self efficacy"* throughout from experiences of overcoming challenges and difficulties,

  they believe that *impossible does not exist.*
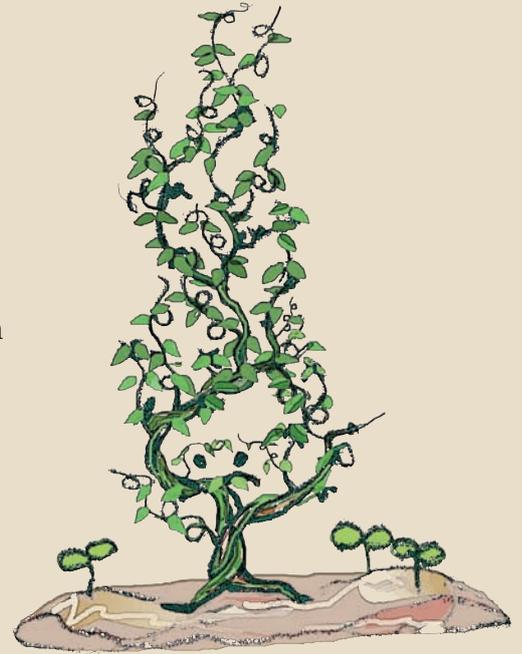
"Until now, I have dealt with small to large clients. So, I have a pretty good sense of what kind of size company makes what kind of decisions. I know that if I charge 2 million yen, I cannot close a deal. But I can close it if this is 1.2 million yen."

"I was never good at math. So, I bought a comic book such as "statistics for dummies. " This led me to university level books, and before I knew it, I was studying books for professional programmers."

"We are a leading company. As a No.1 player in the industry, we need to think that society is asking us for an important role. We don't need to think about our competitors."

"I was with a very large company. But I was placed in a small division; I did lots of sales on foot. This meant that I was not hesitant at all to do whatever work in India."


"I have many times created a business from nothing. So, I had no doubt about doing it again."

3 Strong goal-oriented mindset

- A strong desire to *make the business happen.*

- Making clear decisions of what is required and what is not required, know *precisely when to get, or when to shut down.*

- Humble to a sensible logic. *When convinced, change happens immediately.*
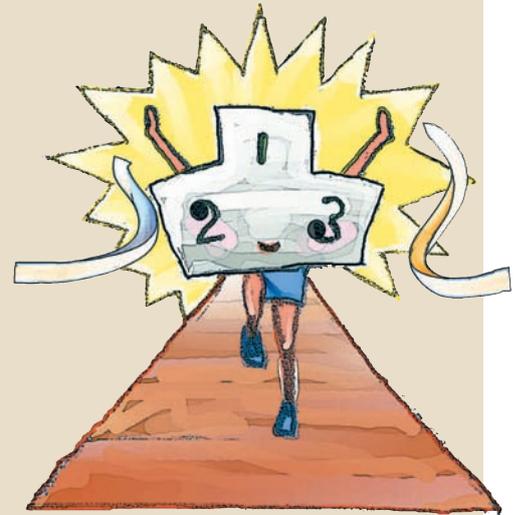
"From a perspective of the "resource based view" or "positioning strategy," it seemed highly practical. So, I was able to explain myself no matter who said what. I knew what I was saying."

"What should be done and what challenges need to be solved are all that matters. Whether it is difficult or not is not an issue."

"I divide people into two groups. People who understand and those who don't. I simply don't work with people who cannot understand. It's a waste of time."

"The opposition from the upper management was absurd. But then, I realized this was the world. So I needed to overcome this and somehow convince them."

"Actually, I was wrong. If you've made a mistake, just admit to it. If I don't change, people around me will not change either. So, I changed my point of view."

4 Move fast

● Hates slow traffic and regression. Small to large goals are set to succeed in projects and *clarify what the team needs to do.*

● Prefers a jump start rather than a well thought plan. Not waiting until 100% ready, but start when around 60% certain.

Well aware of the risks, but still takes that first step anyway.

"It may become a big hit 5 or even 20 years from now. If I were to fail, I would rather be told that I was too early than too late."

"I start it, because I think the loose ends will eventually take care of themselves. All I have to do is to go for it."

"I do not want to hear "I think...." Don't think about it, don't spend sleepless nights on it, just do it."

"Put the differentiation stuff aside. You will know it when you do it."

"'If I knew this and that, I can make a decision.' Such a statement just proves one's incapability. Just decide even when you don't have all the answers to your questions."

"Waiting for your boss's approval is too late. Just decide."

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5 Being sticky

● In the pursuit for a goal, *criticism, opposition, pressure, and hindrances shall not block the way.*

● No matter how long it takes, *continue to move on.*

"I only listen to proposals which combated all opposition and denial. Ideas which shrink upon negative feedback will never make it through."

"If someone has a strong belief in what they are doing, no matter what their boss and colleagues say, they should stick to it, make the effort and find a way."

"99.9% of the future is unpredictable. But sometimes, there is a gut feeling that it will definitely happen. Under such conditions, words of denial won't hurt me."

"After it's done, people just act as if it just happened. In reality, it took about 3 years to go through numerous amounts of management meetings to be approved. After all, I went around taking care of each and every single challenge raised."

"I kept on thinking about how we can support that market. It was always in my head. So I was able to keep on giving it another chance."

New Business creators = Are they good leaders?

The characteristics of new business creators; are they the same as so called the "good leaders?"

There is an academic study regarding the "Leadership behavioral study." In this field of study, leadership has always been explained in two main axes. 'Initiating structure' and 'Consideration' (by Ohio State Leadership Studies.)'Performance' and 'Maintenance' (PM Theory of Leadership by Misumi 1966.)'Agenda setting' and 'Networks' (by Kotter 1982.)

The expression varies among the authors, but it basically talks about "setting clear goals and challenges, and then solving them," or "promoting the team's motivation to continue their growth." These 2 main thoughts of thinking tend to dominate the definition of a leader.

When we compare these thoughts to our new business creator's characteristics, we can see a commonality in completing a task. However, when it comes to matters of people, they don't share the same characteristics.

Of course, there are those who have people skills, but they seem to be more interested in getting the job done rather than developing junior members.

Stated in a different way, they will develop juniors if needed for the success of the project.

The new business creators have such a prejudiced side to themselves. Therefore, they are not the typical "good leaders." This may be seen as unique in a negative way.

However, isn't it this trait itself which makes them create a new business and get it on track?

1 Leap over barriers

- Not confined to standard pre-conditions. *Methods are made from scratch.*

- The existing organizational rules and thinking are not important. *Happy to deviate.*

- Views matters from a different perspective, *redefine, and seeks new opportunities.*
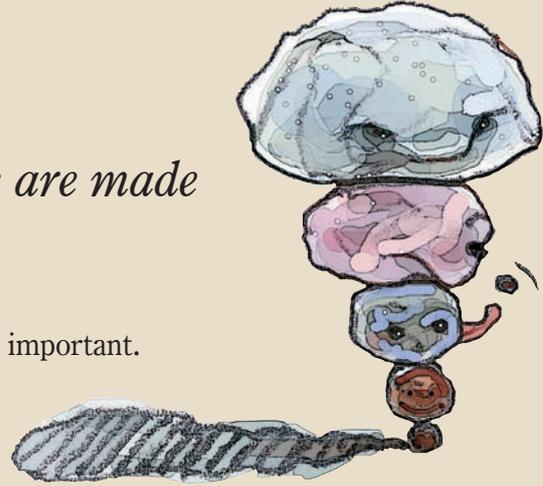
"I do not like to be the same. I like to do it in a different way."

"I redefined the PC as the 'new digital household electronic equipment'."

"We were already late in catching the 'wave.' We had to do something totally absurd to win."

"We can no longer be confined to the customer's IT budget to get new orders. We need to poke into their other pockets."

"Many people say that it has to be 'original.' This is bad ROI. Why not just copy others who've already succeeded. Then, after that, you put that special twist and tell the customer that we are the only ones who can do that. We can become No. 1 later."

"People have an illusion that a company binds you. Just change it in the way it suits you."

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2 Get what you want

- To get support, agreement, understanding, right to make decisions

  and power, *explain to the necessary people and convince them.*

- Define the functions and roles of the seniors, *make them useful.*

- Know abilities and limits. *Do not hesitate to ask for assistance.*

- *Using organizational power,* boost the speed of the business

- For business success, *develop people if necessary.*

"The top management doesn't really understand the content of this business. They are moved by the numbers. So I show them the numbers."

"The company members are same as customers. We need all the support we can get. So I tell my story all the time to my good prospective in-house SEs."

"I don't want to hear any complaints. If they need to be listened to, they can go elsewhere to get that support."

"This service required almost no initial investment. The original service already had a lot of traffic, so we just used this infrastructure."

"I need to develop more me-like leaders. The market is growing."

3 Know when to shut down

● If the actions are not practical in achieving the goal, *just stop them.*

● If the matter does not affect the big picture, just give it to those who want it.

Who cares about losing?

●*Block the noise.* Remain stiff as a rock.

"Keep it minimal. Ignore the accessories."

"Low initial investment is the key. Let's get rid of what is not necessary. Don't think about that you may use someday. You won't use it any day."

"When exposed to practical logic that makes sense, being able to let go is very important. The cheap pride of 'But it was my idea' is totally unnecessary."

"Before anything gets started, many smart people will give you lots of advice. They tell you how it can never work. If you follow this advice, nothing will change."

"I hate little clerical work. I want it to finish quickly, so I become efficient. I want to spent time for myself. I hate to work, so I work very quickly."

4 Decide

- *Which way are we headed?*
  By when do we complete?
  To what extent?

  These matters need to be decided fast. Show them the way, move fast.

- *What do you need to do?*
  What do others need to do?

  Make clear boundaries and keep them.

"We created a new standard of never creating something twice. Therefore, we rejected orders which were already standardized."

"When we decided to close the company, we started seeing new opportunities."

"Without any concrete plans, I decided to start a subsidiary. But I all knew was when the service was to start. April 1st. That's it."

"There is difference between thinking about the logic versus acting on it. A leap of faith is what is required."

"Clarify the logic, people will follow."

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5 Declare

- Declare *even if there are uncertainties.*

- Show what you will do or won't do.
  Let them know in advance.

- Make your ideas and plans open.
  Let it grow on its own.

"I told the customer's CIO one day over a drink. 'Hey, I want to show you something real interesting.' A month later, I had to truly come up with something interesting."

"I told the management to keep quiet for 3 years. I declared that I can make my numbers turn black. The 'how' just followed. So for 3 years nobody said anything."

"The team knows my capabilities. So the four team members' expertise never overlapped."

"I am rather blunt. I talk a lot. This benefits me. Let's give it a chance. Maybe talking bluntly gets more opportunities."

"I talk about my plan to people outside. As long as I know how to succeed, who cares? People show interest because I talk."

6 Never give up

- *As long as one continues to move,*
  this is not a failure.

- *Failures and mistakes come with the package.*
  So don't let it get you down.

"If you don't succeed, try and try again."

"If you quit, nothing happens. If you don't quit, you may not know the end result, but something may happen."

"I keep telling myself that I can keep my motivation up despite 100 mistakes I may make. What a joy when you achieve something by only making 20 mistakes. Wow, how lucky!"

"When trying to do something new, something always gets in the way. If you can't cope with this, you have failed."

"Others think of me like a forward in a soccer game, but I'm actually the goal keeper. I will be the very last person to give up."

The growth path of new business creators

They had no special experiences. They learned from everyday matters, and just created something from the reality in front of them.

Experience develops new business creators

New business creators were able to establish their task because they had certain thinking and behavioral characteristics. However, they were not born with these traits. Many of these characteristics were developed through their experience. Furthermore, these experiences are not necessarily special. They learned these abilities from things that everyone faces.

"Everyday matters" induces a question and guides them to a conviction toward a certain change

New business creators quickly sense "something is wrong" or "unreasonable" from their everyday work. They start taking small actions toward change. Through such experiences, they start thinking that they need to correct what they feel to be a problem in the society. This pulls them up to a higher level of consciousness and conviction. Their business creation does not start from a divine ideal, but from everyday matters.

The learning from experience polishes the behavioral characteristics

New business creators often look into their behavior and evaluate what works and what doesn't. They choose only the good patterns of behavior to be in their code of conduct. The success through such behavior tells them the effectiveness of this behavior. Therefore the actions become repeated practices. The repetition increases the scope of the action. They become bolder and bolder. The new business creators repeat this learning cycle which make their behavioral characteristics more refined.

How to develop new business creators?

There are 2 key traits. "Extraordinary learning ability" and "Radical cowboy"

The new business creators have grown through experience. However, this growth is not due to intentional division assignment, nor by a special ability development program. Just like others, they were assigned to a division not necessarily of their liking. They have just done their everyday job in such circumstances. Through overcoming daily challenges, they made better choices, learned something from them, and continued this cyclical process. Through the repetition of this learning practice, they obtained the behavioral pattern to success. These people have an amazing learning ability.

The new business creators also show signs of revolution, or even radicalness from the start. They are not the easy new hires. Because of such personalities they often override the rules, or say what everyone in the company wishes to say but never says. However, for a manager, they can become just another headache. A radical cowboy with an extraordinary learning ability can be a double-edged sword.

As a result, the power of organizational socialization often places pressure on such an individual. Therefore at an early stage of employment, such people are at risk to be extinguished. Despite such severe circumstances, we were able to interview 15 new business creators. They are the ones who somehow survived through all the challenges.

If we applied the same circumstances and challenges to all the employees, there are no guarantees that they can all become new business creators. This tells us that an organization cannot intentionally create new business creators. Those who can blossom as new business creators are therefore very limited.

People who had what they needed, but never made it, are because they were thrown out of the organization due to their cowboy style.

The culture in many Japanese companies inhibits new business growth. If Japanese companies really want to develop such new business creators, they need to come to terms with a paradigm shift. Rather than "development," they need to make an effort to "increase the rate of emergence."

Two things are important in this process. Not to destroy a radical cowboy. And to find people with extraordinary learning abilities.

Find them and do not destroy them

Employee development is one process of the organizational socialization. For those who are more like cowboys and hold high learning ability, such attempts may serve them negatively. A special type of management, where we let such people blossom, and also teach them the basic norms of "working together in an organization," has to be carried out simultaneously.

The success of such management depends on the top of the font-line workforce capability. The front-line workforce should not hinder the freedom of "to be a new business creator." The workforce needs to support and develop their special skills.

In order to support the front-line workforce, HR needs to back them up. Good communication between the workforce and HR needs to be established.

We cannot create new business creators intentionally. However, with a strong conviction, we can create the culture to develop new business creators.

On a journey to find new business creators

The question of "Why are new businesses not being created?" and "How to create a new business?" sounds similar, but are different. This time, we gave thought to "What is lacking in the current business creation?" As a result, we saw that people were the key.

"A young man's visionary mind combined with a skillful professional's calculating mind."

Let's remember this personality profile. The new business creators are not just of the young visionary type. However, they are not a money-oriented businessman either.

Without the existence of such unique individuals, no great ideas, technologies, nor even products can become a "business."

Innovation is fragile. The sprout of a new business wilts easily. Previously, the focus was on business developers. Less attention was placed on educators, protectors and supporters. We thought about finding visionary and calculating people.

However, to be honest, we are still in the early stage.Finding a radical cowboy with an extraordinary learning ability and developing them within the organization without destroying them can be a big challenge.

However, we found out about what needed to be done. We are now at a stage about how to do it with what we have found out. The new business creator study has just begun. We ask you to walk together with us in our path.

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Minoru Noda,
the head of the New Business Creator Study Group

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