

Survival and Problems in Small - Micro Firm

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There is no doubt that small firms have, in spite of many adverse influences, shown a great tenacity in surviving . This is especially surprising in view of the apparently very low profits and the frequent failures .

Whereas small business owners in North America may be described as managing independent businesses, small firm, in Japan seldom stand alone. Rather, it is normal in Japan for enterprises to participate in several types business alliance. Such linkages among firms in Japan have resulted in a unique small business sector.

A variety of business alliances has evolved in Japan, including: (1) the *keiretsu* (a diversified enterprise group); (2) the *sanchi* (a grouping of small businesses in a similar line of business); (3) *kyodokumiai* (a co-operative of small businesses); and (4) the *shita-ukegyosha* (the subcontract system).

As an alternative to joining a *keiretsu* with large enterprises, small may join a *sanchi*. In contrast to the diversified *keiretsu*, the *sanchi* is a grouping of small firms that are in a similar line of business. Usually, this involves a physical cluster of many firms who co-operate in similar work or divide labor into different processes.

Usually, members of a *sanchi* cooperate together rather than compete amongst each other. Sanchi operate on the principle that a small business may be lacking competitive advantage simply because of its size and its limited ability to achieve economies of scale. Under such conditions, a cluster of nurturing small firms can be stronger than individual small businesses each on its own.

Small business are central to the Japanese economy. The Economist reported that the self-employed and their unpaid family workers account for nearly a third of the labor force in Japan, compared with less than 10 percent in America.

More recent statistics obtained by the author from the Ministry of International Trade and Industry (MITI) indicate that there are over six million small businesses in Japan, representing 99 percent of all firms in the country and employing 75 percent of the working population. Since the 1980s, most Japanese investment projects abroad have been undertaken by small and medium sized firms.

With Small and Medium Enterprise Basic Law of 1963, the Ministry of International Trade and Industry created the Small and Medium Enterprise Agency to safeguard the interests of this sector.

But since December 3rd 1999, SME New Basic Law has been in operation. As a result these small and

medium sized enterprises are legally defined as (1) service operations with fewer than 100 employees (or with a capital less than ¥ 50 million); (2) retail operations with fewer than 50 employees (or with a capital less than ¥ 50 million); (3) wholesale enterprises with fewer than 100 employees (or with a capital less than ¥ 100 million); or (4) industrial enterprises with fewer than 300 employees (or with a capital less than ¥ 300 million).

Here small firm will be used in a way that reflects the structure of “ *konnyaku* ” industry, where most firms have fewer than 20 employees and are owner - managed or family businesses. And micro firm will be used as businesses, defined by the EU, employing less than 10 employees.

This paper aims to provide an empirical insight into the diverse problems and surviving in the micro-small firms. The research is focused on the *konnyaku* industry which are predominantly neither fast growing or failures, but average performers and survivors. The purpose of this article is to shed some light upon the business alliances and the competition in this industry which members of a *sanchi* cooperate neither together, but compete amongst each other.

Profil of *konnyaku* industry

Konnyaku that is traditional and particular foods in Japan has some characters as well as it follows:

----it is a food of dough with a light taste in the mouth and elastic texture

----it is manufactured by what one mixes milling, water and lime to congeal powders.

---- “ *konnyaku mannan* ” that is the polysaccharide contained in the amorphous tubers forms a rigid colloid coagulated with weak alkali solution.

----it is evident, in this last time, that *konnyaku mannan* can reduce the level of cholesterol in the human serum.

The *konnyaku* industry is composed, besides, of three groups: farmings to cultivate *konnyaku* potatoes, *konnyaku* milling industry and *konnyaku* food manufactures. The production of *konnyaku* potatoes is concentrated in Gunma prefecture during recent fifty year as in table 1 (its proportion : 85.3% of Gunma, 6.2% of Tochigi, 1.9% of Saitama,1.8% of Fukushima and Ibaragi etc. in 1998) and figure 1.

Survival and Problems in Small-Micro Film

Table 1 Trends in main prefectures cultivating konnyaku potatoes (ton)

F.Y	1	2	3	4	5	N.P
1905	I 11,297	FS 4,236	FO 2,150	O 1,672	H 1,615	35,535
1906	I 11,654	FS 2,519	O 2,222	H 1,635	T 1,556	33,654
1907	I 8,649	FS 3,980	O 3,279	H 1,863	T 1,299	31,899
1912	O 7,731	FS 6,298	I 5,674	H 3,783	G 1,901	45,384
1916	FS 6,873	O 4,615	H 5,746	I 4,569	G 3,071	42,736
1921	O 6,437	H 5,014	FS 3,642	G 3,331	Y 2,882	37,707
1926	G 9,647	FS 6,847	H 6,088	O 5,472	I 4,657	54,985
1935	H 7,587	G 5,884	O 5,592	FS 5,172	I 4,532	55,498
1945	FS 3,943	G 3,275	SZ 2,394	H 2,214	M 1,577	22,421
1947	T 1,472	G 1,241	H 844	FS 821	SZ 582	10,280
1955	G 14,771	I 6,645	H 8,088	SZ 3,278	FS 3,038	52,800
1965	G 33,800	FS 13,500	M 8,200	I 7,530	ST 5,010	103,100
1975	G 49,900	FS 16,600	T 8,820	I 8,060	ST 3,240	105,400
1985	G 63,200	T 12,800	F 6,550	I 5,120	ST 2,370	98,300
1989	G 56,900	T 9,510	F 6,680	I 2,800	ST 2,630	85,600
1994	G 72,000	T 7,940	F 3,270	ST 2,170	I 1,940	90,800
1995	G 59,700	T 6,590	F 2,330	I 1,980	ST 1,850	75,100
1996	G 73,000	T 7,120	I 2,080	FS 1,930	ST 1,710	88,700
1997	G 82,700	T 6,790	I 2,220	FS 2,060	ST 1,630	98,700
1998	G 78,300	T 5,700	S 1,778	FS 1,660	I 1,659	91,800

Notes :

F.Y = fiscal year N.P = national production of konnyaku potatoes

M = Miyagi FS = Fukushima I = Ibaragi T = Tochigi

G = Gunma ST = Saitama SZ = Shizuoka H = Hiroshima

O = Okayama Y = Yamaguchi FO = Fukuoka

Source : Japan Konnyaku Institute ; orig.Census of agriculture/forestry/fishery

Table 2 Number of miller, device driver and pound installation

	Miller	Device drier	Pound installation	
			Pestle	N.M
1965	194	20	20,598	
1967	194	33	20,598	
1970	190	103	23,264	
1975	198	148	31,055	
1980	185	194	34,627	
1985	169	194	27,643	16
1989	159	207	23,290	52
1993	145	174	18,995	79
1998	133	149	13,652	87
1999	116	133	10,942	82

Notes :

N.M = number of milling machine

Source : Japan Konnyaku Institute

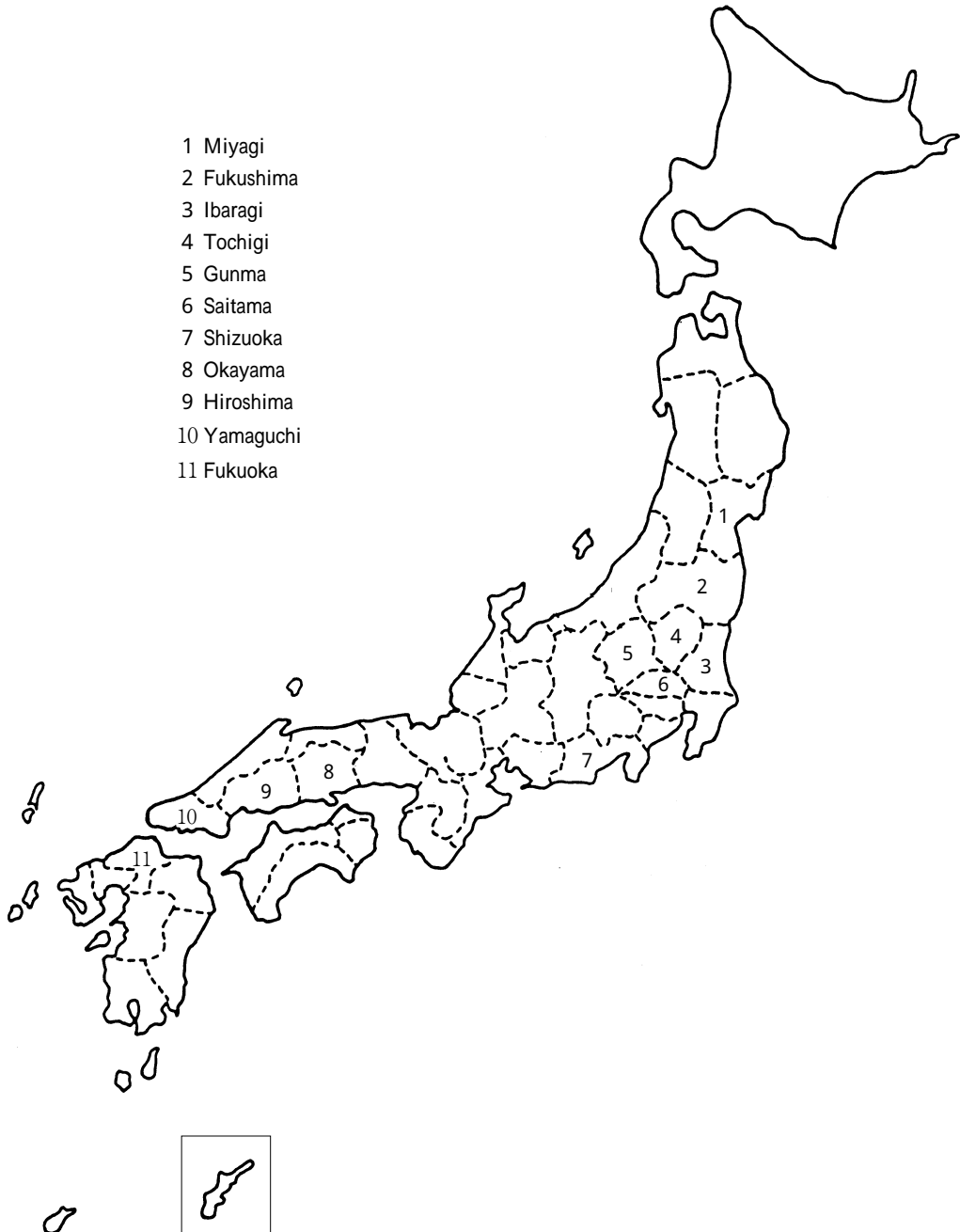
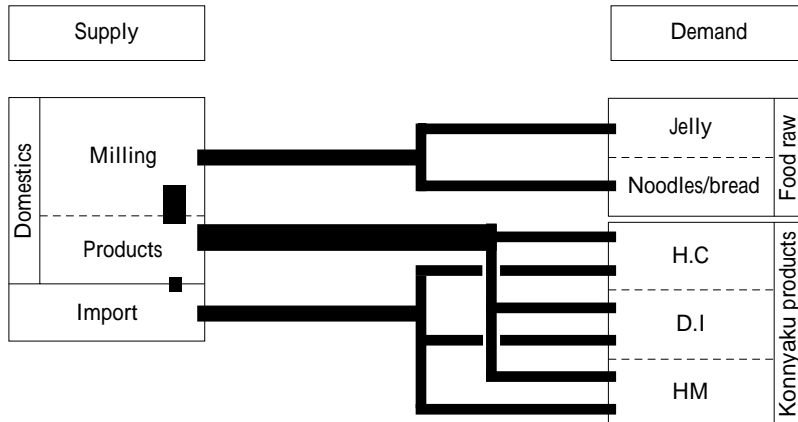


Figure 1 Main prefectures cultivating konnyaku potatoes

In the *konnyaku* milling industry which has been relatively the mass production by the modernization and mechanization in this last time, it results in the reduction of miller and the surplus investment as in table 2.

In the *konnyaku* food manufactures the buying power emerges in the relations between the owner / manager

of *konnyaku* food industry and the store of mass purchase / sale (par example supermarket) in this last time (cf. Figure 4). The demand- supply of *konnyaku* milling and products is, further, composed as in figure 2.



Notes :

H.C = konnyaku products for home cooking

D.I = konnyaku products for diner-out industry

HM = for half meal industry which exists between the home cooking and the diner-out industry

Source : Japan Konnyaku Institute

Figure 2 Demand-supply of konnyaku milling and products

We will treat here a part of my research result as well as it follows.

1) While observing the shape of firm, one can understand that the individual firm is the crushing majority of 65.8% at the object of the investigations and that the other side the corporation (L.td.) is a quarter of it.

The firm managed by only one owner and family is 78.8%. Nearly all millers establish, besides, their commercial offices in the same way with their lodgings.

There is, so, a lot of firms that don't separate "property and management" . And most its conducts are strong of the domestic profession character.

2) As for the account books, the simple style (47.8%) is more of a current use that the double style (32.8%). Two third of firms confide their holding of the books to the owner/manager and their unpaid family workers, and the other side the dependent millers of employees are only 14.5 percent.

To this point, it is doubtful that they clearly separate their domestic savings and their managements. In most firms, the self - employed and family workers is not paid in rate of the wages which is achieved in the labor market. And the working costs of owner/manager and family workers are equal to their expenses of life. In other words, their essential goal of activity of production and sale is to be well - off, so that it remains strongly the nature of " profession to earn a living " .

3) Besides, there is somewhat of firms that shape precisely the attribute of enterprise as following senses:

----the family workers takes care of managed work as the nominal employees. And there are also only the salaried employee in the process of manufacture.

----the owner moves away completely of process of manufacture and devotes himself to manager's job.

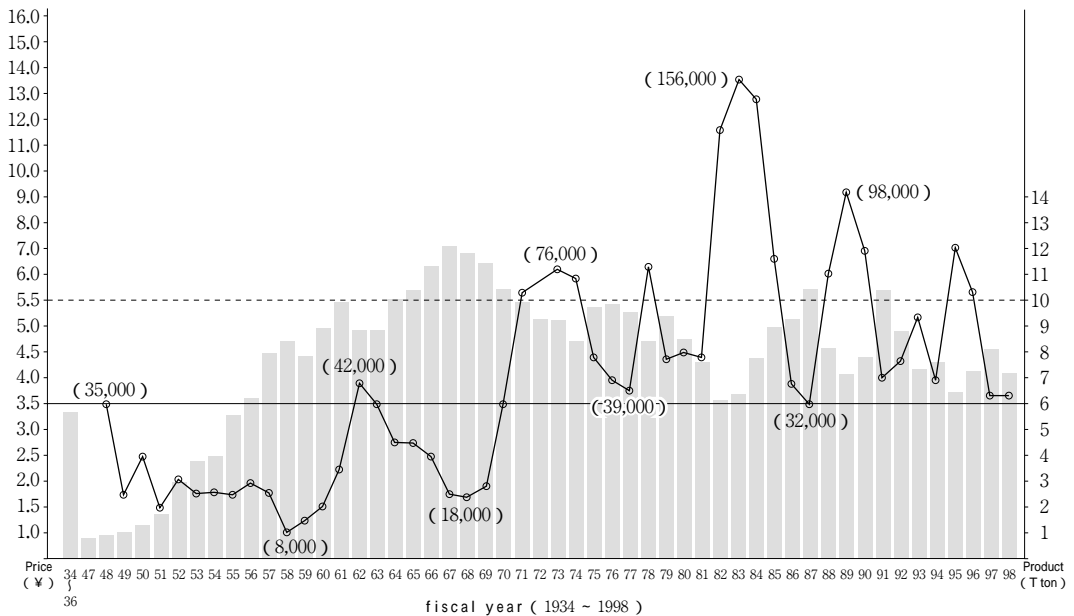
----the salaried employee works at normal pay which is achieved in the labor market.

----In these firms, the capitalistic conscience presents itself precisely.

--- The concept of "Capital and Labor" is clearly separated.

But neither accumulating the profit nor enlarging production is difficult, in order to have the inclination to realize a large of profit on the rise/drop of speculative prices (figure 3), although it uses some salaried employee, has the system of the economic calculation and has the strong advantageous conscience.

If it is possible to accumulate the profit, owner/manager and family workers accumulate them as the individual goods and has luck hardly to reinvest them to the main business.



Notes :

Figures in () = average amount of konnyaku milling in ¥ per 20 kg

(¥) = 10 thousand yen (T ton) = one thousand tons

Line graph = konnyaku milling price

Bar graph = konnyaku milling product

Source : Japan konnyaku Institute

Figure 3 Movement of product and price at konnyaku milling

4) With regard to the composition of age of owner/manager, 13.0% of them are less than thirty years, 35.7% for the age of forty, 32.0% for the age of fifty and 20.0% for age of more than sixty years. It seems that there are enough young owner/manager relatively.

It reflects itself that the *konnyaku* milling industry has the habit of speculative trade by which anyone can dream to accumulate suddenly a big fortune, and that it presents itself the high risk for the speculative politics of the business.

Otherwise, it means that the occupation of market of the big millers is not steady nor big because of being difficult to form the high wall of entry, the traditional politics of the prices in the *konnyaku* milling industry, the strong seasonal change of consumer's demands against the *konnyaku* food products, the low level of consumption with a gradual decrease of their demands, and the unsteady offer of *konnyaku* potatoes influenced by the natural phenomenon etc.

5) About 72% of firms are founded since the age of 1955. A lot of enterprises are very new. 35 millers existed, whereas their association has been established in 1916, but now it only remains 7 millers of it. The succession of management is weak.

The fact that the anyone who has no experience of manufacturing milling can enter positively or merely in this market, has relations with the particular conventions to this industry, for example the excessive competition and the instability of management having serious relation to the speculative character.

There is, besides, the excessive competition which is a loss of price at high and also decrease the prices until expenses of life, because anyone can start a new firm with the small capital and it is not necessary to have the good technique, the full knowledge and the sufficient experience.

It seems that this industry has the dominant cause of excessive competition as well as it follows.
----even if one firm acts up to its principles, it cannot take the price leadership under the atomic market structure.

----it is not difficult to enter in this market, because the level of appropriate scale is extremely low, and that the economy of scale is very small to the point of view of the technique level, of the productive manner, of the rate of wages and the level of prices.

---- always it is possible to lower the rate of wages in this industry, and it has inclination to depend on family workers and temporary employee.

While looking at the result of research as above, it seems that the milling of *konnyaku* has particular conventions as follows:

----most millers are an owner/manager of micro - firm in which his housing doesn't separate from the place of business. They will rather promote congruity between the place of business and housing, becoming a model industry for indiscrete the co - existence of housing, industry and commerce.

----a lot of millers are arbitrary people. The conduct lets itself influence by the capacity and the discernment

of owner/manager.

----all millers are an owner/manager, even though the enterprises are under the shape of corporation, and they are all the society directed by only one family.

----the difference between the growth and the stagnation is very big, because the millers don't have strategic activity sufficiency for the various outside changes. And the new entry to the market is frequent, when the market spreads, especially as the power of capital is very small. It results, besides, that the market produces the character of excessive competition today.

----most millers have a vivacious strength of surviving, the other side it is easy to go into bankruptcy.

Finding of Joseph Steindl:

There is no doubt that small firms have, in spite of many adverse influences, shown a great tenacity in surviving. This is especially surprising in view of the apparently very low profits and the frequent failures.

According to Joseph Steindl who wrote " Small and Big Business " in 1947, the reasons for the tenacious defence put up by small business are summarized below.

1) The basic factor which explains why small firms are only slowly losing ground, is the fact that they can do so only to the extent to which bigger firms grow, and this again depends on their accumulation of capital which takes place at a certain pace; and therefore needs time.

Big scale entrepreneurial capital does not spring from the ground, even if there are many large scale economies available for it; it comes into existence mainly by the growth of already existing large entrepreneurial capital (it is only a technical difference, whether this growth takes place, as it does in Britain, inside enterprises, or whether the profits distributed as dividends to the big shareholders who control the companies are accumulated and reinvested).

The process of growth of big capital at the expense of small capital is therefore a gradual process which takes time. The pace of this process is very much influenced by a few further factors.

2) Imperfect competition by protecting the small firms' market constitutes an important factor in its ability to survive. The imperfection may be due to *rational factors*, like transport cost, which can hardly be eliminated.

It may be due to differentiations in taste; that is, there may be an individuality of product to which the consumers really attach a significance. And finally the differentiation of the product and attachment of customers to particular firms may be simply due to irrational factors; that is, force of habit, ignorance of relevant facts, or laziness.

The irrational factors are probably the most important; they account for a considerable cost to society without offering any advantage (gardening tools can be standardized without harm to individualists).

It may be asked whether imperfection of the market can be such an important force in protecting small firms in view of the fact that these firms have a high mortality and are again and again replaced by new small firms. It is true that the small firms which die lose their “good-will”; but the new small firms come in on a wave of good trade and acquire a limited small market quite easily from new “unattached” customers without any particular cost; and once they have got it, the goodwill is established, and helps them to endure the crises longer than they could without it.

Imperfection in the labour market is perhaps even more important than that in the market of the product. A great part of the small firms are in the industries of unorganized cheap labour supply, where pressure on prices is more easily passed on to wages, and where there is thus little incentive for technical advancement by labour saving devices. In other industries, small firms competing with big ones often exist on the basis of a cheaper labour supply (such as can be secured in small towns for example).

3) Oligopolistic conditions in an industry are apt to secure the continued existence of a certain number of small firms in that industry. The reason is that the big firms which have established themselves as price leaders there have in most cases little to gain from the elimination of small firms which account only for a small part of total supply (and, on the other hand, they will successfully obstruct the replacement of these firms by a new big entrant).

A certain high proportionate share in the market of an industry gives practically all the control over prices which can be desired. At the same time, the retention of the remaining small firms is desired by the dominating concerns as a matter of policy; they will, if need arises, render conclusive proof that there is no monopoly in the industry, and in any collective representation they will appear as so many “independent representatives” to support the policy of the leading firm.

An enterprise with an expansive tendency, seeking an outlet for its accumulating capital, will therefore stop short of absorbing the whole of an industry and will rather expand into other industries in order to achieve influence over prices there.

What has been said above applies similarly to a cartellized industry. Indeed, a (voluntary) cartel could in most cases be correctly described as a means of strengthening the oligopolistic position of a few big firms in an industry, while at the same time tolerating the continued existence of small firms for political reasons.

4) Tenacious survival of small firms, lastly, is explained by the “gambling” attitude of small entrepreneurs. It may seem odd to call them gamblers, but they certainly are, in the sense that they accept unusually high risks at very low remunerations.

To judge from American data, a steady stream of small entrepreneurs is entering industry, only in order to fail after a short time and be replaced again by new hopeful candidates. The explanation of this phenomenon is very easy: The social position of the entrepreneur (“to be his own master”) is valued as such, and any small entrepreneur will struggle to the last to retain it, sustaining losses and still not giving up hope of success

until he is financially unable to carry on. In the same way the potential entrants into the ranks of entrepreneurs will value this position highly, and will therefore not be deterred by the low average profits and high risks from the hope of succeeding and acquiring permanently a higher social status.

The position of the entrepreneur, apart from all social advantages, gives also a tangible immediate economic advantage, namely the possibility for the small entrepreneur to give employment to himself, and perhaps also to members of his family.

This factor will gain the more importance the greater the unemployment among wage - earners. The small entrepreneur will then be the more determined to stick to his business, and a certain number of new entrants will appear simply as a consequence of general unemployment.

Indeed, the self - employed small entrepreneurs are in a position to reduce their remuneration in real terms to any amount, whereas as wage - earners they would not be able to get employment by offering themselves at a lower rate.

It is therefore likely that high unemployment (especially of a secular character) contributes considerably to the determined "holding on" of small firms as a group. This factor probably played a certain role in the United States in the 1930's.

The survival of small firms is thus dependent on a series of factors not very creditable to our economic system: Monopolistic exploitation of labour, imperfection of markets due to "irrational" reasons, unemployment, and the "gambling preference" of small entrepreneurs, with all the waste of energy attendant on the high "turnover" of small businesses.

In other cases their continued existence is only due to toleration by big business, and affords a mere semblance of independence. For this a further example may be found in the vertical disintegration of certain processes, parts of which can be performed on a small scale.

This type of vertical disintegration was mentioned by Marshall as offering the prospect of new opportunities to small entrepreneurs. But in fact these "subcontractors" , or small processors and distributors of products made by big firms, being numerous and small partners in a bargain with few big firms, are economically quite weak and their independence is largely fictitious.

This fact of gradual loss of economic and consequently political independence of small entrepreneurs is worth attention. If small business would, for example, be faced with the choice of either adopting co-operative methods and accepting a greater degree of government interference, or of opposing such measures, they might well consider that the latter alternative only means falling more and more under the domination of big business.

Inspection:

1) Joseph Steindl said that “ The basic factor which explains why small firms are only slowly losing ground, is the fact that they can do so only to the extent to which bigger firms grow, and this again depends on their accumulation of capital which takes place at a certain pace; and therefore needs time. ”

Even if there are many scale economies available for big scale entrepreneurial capital, and so the process of growth of big capital at the expense of small capital is a gradual process which takes time, there is always a lot of micro - small firms. Over the long term, its proportion has been remarkably stable (cf. table 3).

Table 3 Establishment, output, value added by manufacturing size

Est. size	1983				1993			
	Est. size	Employees	Output	Value added	Est. size	Employees	Output	Value added
4-9	58.7	14.6	5.5	7.9	55.4	12.6	4.8	6.8
10-19	19.5	11.2	6.2	7.5	19.8	10.4	5.6	6.8
20-99	18.6	29.9	22.4	23.2	20.9	30.8	22.3	23.9
100-299	2.4	16.5	17.8	17.4	2.9	18.0	19.0	19.3
300-999	0.7	13.7	22.7	19.7	0.8	14.6	22.1	20.9
1000+	0.1	14.0	25.5	24.2	0.2	13.6	26.2	22.4

Notes :

Est. size = establishment size by number of employees

N = 446,942 (1983) and 413,563 (1993)

Figures do not necessarily add up to 100 because of rounding.

Source : Chusho kigyo cho (ed.) (1992, 1995), statistical appendices; orig. *Kogyo tokei hyo* (Census of Manufactures).

The world of small firms in Japan is simply fascinating and every bit as representative of modern Japan as that of large firms. In the *machi koba*, or small factories packed into back alleys and narrow streets in the metropolitan centers, you will find antique machines and tools cluttering one side of a workshop, and gleaming laser cutters and machining centers on the other.

Around three quarters of Japanese manufacturing workers are employed in establishments with less than 300 employees, a quarter in establishments with less than 20 employees (cf. table 3). If self-employed and family workers are included, the small firm share of employment is even more pronounced. More are employed in establishments with less than ten employees than those with over 1,000. The proportion increased in the 1970s, and has declined since the mid 1980s, but over the long term it has been remarkably stable.

Given these statistics, a model of “Japanese style employment” could just as easily be based on small firms

as on large firms, but it would be much harder to construct given the greater diversity of employment practices.

Small firms are crucial to the Japanese economy, and always have been. Revenue from their exports played a crucial role in funding early industrialisation and reconstruction after World War II. They have provided employment for the majority of the labor force, easing the social transition as Japan industrialised and enabling an effective mix of capital and labor resources.

Existing as the “profession to earn living” in the composition of capital, the formation of price, the level of income and the category of income, the *konnyaku* milling is also the ability to survive.

2) Joseph Steindl said that “Imperfect competition by protecting the small firms’ market constitutes an important factor in its ability to survive.----- Imperfection in the labour market is perhaps even more important than that in the market of the product. A great part of the small firms are in the industries of unorganized cheap labour supply, where pressure on prices is more easily passed on to wages, and where there is thus little incentive for technical advancement by labour saving devices. ”

The relative strengths of large firms lie mostly in resources, while those of small firms are generally argued in terms of behavioral characteristics. In the small business, par example, one or two persons are required to make all the critical management decisions: finance, accounting, personnel, purchasing, processing or servicing, marketing, selling, without the aid internal specialists and with specific knowledge in only one or two functional areas.

Small business owners are generally regarded as being creative and entrepreneurial. Small business has been considered as a major driving force in local market. This often results in the imperfect competition. There is, particularly, imperfect competition in the *konnyaku* industry which form “the special industry in region”, because of having the habit to consume a *konnyaku* as one article of food in winter or fall. It results in the surviving of small firms.

Employment in small firms has been the subject of debate in many countries. On the one hand job spans tend to be wider than in large firms, where they may be broken down into discrete components performed by different workers. The “personal touch” and lack of bureaucracy add a human dimension to the employment relationship. Small firm workers often score more highly than large firm workers in job satisfaction surveys. On the other hand, the human dimension is not always salutary. Owners can be dictatorial, and there is little recourse to collective support when disagreements occur. Working conditions, including health and safety, are often inferior.

Wage differentials have doggedly persisted (cf. table 4). And, at the end of the day, job seekers with ability and academic qualifications prefer to work in larger companies. True, wages in Japan are strongly related to age, gender, education, years of employment and employment status, in addition to company size, and when these are controlled for, and apples are compared with apples not pears. the wage gap shrinks

Table 4 Wage and labor cost differentials by size of firm, 1991

	Firm size (employees)			
	1,000-4,999	300-999	100-299	30-99
Cash earnings	100 (417,756)	90.8	81.2	73.6
Other labor costs	100 (82,934)	80.7	67.0	62.9
Of which:	100	90.8	81.2	82.0
statutory welfare benefits	(41,174)			
non-statutory welfare benefits	100 (14,470)	64.3	54.1	53.9
retirement/severance money	100 (20,818)	73.0	49.2	37.1
education and training	100 (2,635)	57.0	43.9	27.4
other	100 (3,837)	93.5	75.1	56.6

Notes :

Size category 1,000-4,999 employees = 100, other figures are relative to this.

Figures in () = average amount in ¥ per month.

Source : Rodosho (1992), *Rodosho fukushi shisetsu chosa hokoku* (Survey Report on Systems of Worker Welfare Provision, 1991).

considerably.

But the fact is, there are many “pears” in small firms. Pears here means a disproportionate number of older workers (where the wage gap is greatest; many are part of a “downward drift” into smaller firms), a disproportionate number of women (particularly middle-aged women who have reentered the labor market after early child rearing, usually on a part time basis), workers with lower education levels (those with higher education seek employment in elite companies higher up the size scale) and fewer years of continuous employment (because of job changing, due to personal career development or job loss), and a higher proportion of non-regular employees.

Statistics on non-regular employment are slippery since a wide range of definitions is used, but figures for part timers in table 5 illustrate the last point (between 50 per cent and 60 per cent of non-regular employees are classified as part timers). Almost half of female part timers worked in firms with less than 30 employees in 1990. Working hours can be taken as an indicator of differences in conditions.

Stereotypes color, however, our image of employment in small firms in Japan. Core employees in large firms have benefited from job security through “Japanese style employment”, while employees in small firms are viewed en masse as a peripheral workforce, subject to exploitative conditions and layoffs.

Table 5 Part-time and workers by firm size, 1992

	Firm size (employees)					Total
	1,000+	300-999	100-299	30-99	5-29	
Proportion of employees who are part timers	6.8	12.8	13.5	13.7	15.4	12.4
Percentage composition	11.7	14.3	17.9	19.2	34.3	100

Notes :

Part timers are defined as workers whose scheduled working hours per day or days per week are less than those of regular employees.

Source : Japan Institute of Labour (1995), *Japanese Working Life Profile*, p.26; originally Rodosho, *Koyou doukou chosa* (Survey on Labour Trends).

The reality is more complex. Some of factory owners have to rely on skilled workers and adopt a variety of strategies to recruit and retain them. It is evident that small firms competing with big ones often exist on the basis of a cheaper labor supply.

In the *konnyaku* milling which has generally the higher proportion of small, the possibility plain of the reduction of wages exists because of periodic demand and seasonal works. Some of their older craftsmen have remarkable lengths of continuous employment, but they too are reaching retirement age, and owners have been in difficulties for attracting the new generation to take their place.

In Japan, one has the habit to consume *konnyaku* as one article of food in winter or fall. And the *konnyaku* potatoes of these raw materials are, more or less, harvested of the mid - October in the beginning of November. The millers of this way have, so, the inclination to put them in powder since the end of the month of October until the last ten days of December to face the demands.

Therefore, the operation of the productive installation and the employ of laborer concentrate during this season. They make the plan to lower the level of wages by the use of temporary workers who give some hours per day in this season. Out of there, they depend on the family workers.

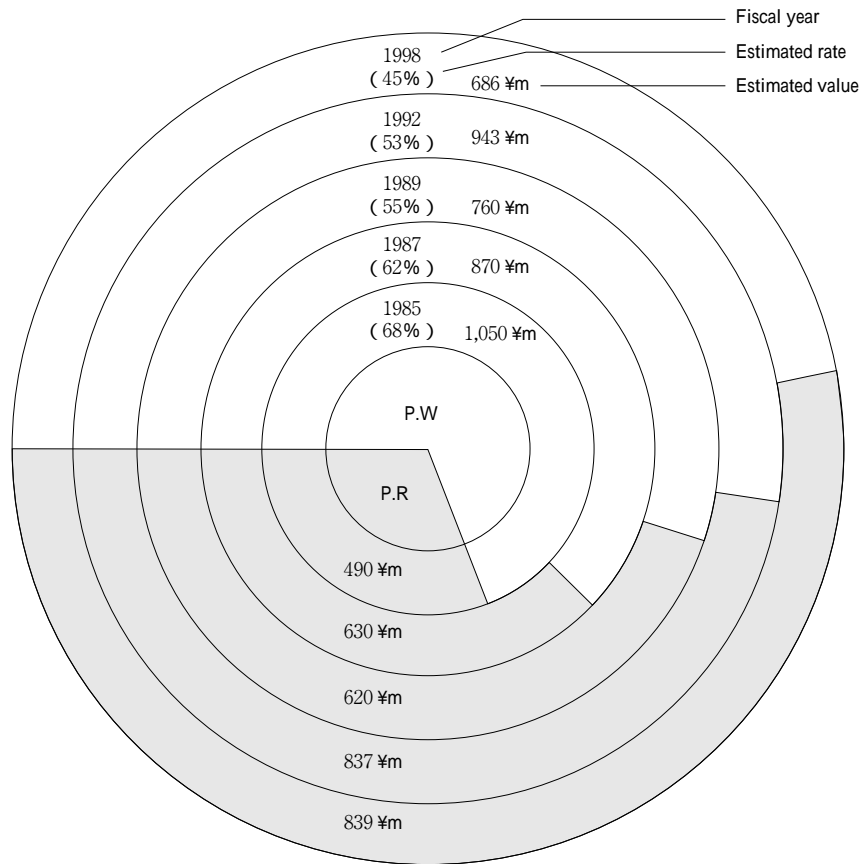
3) Joseph Steindl said that "oligopolistic conditions in an industry are apt to secure the continued existence of a certain number of small firms in that industry".

A firm already in possession of monopoly power is less motivated to protect against the entrance of new small firm because it feels less threatened by rivals or because sales of new products may be at the expense of the sales from existing products.

In the *keiretsu* (a diversified enterprise group) it is evident that oligopolistic conditions are apt to secure the continued existence of a certain number of small firms. A *keiretsu* network consists of a group of large and small companies, each firm voluntarily cooperating with the others for mutual gain. Their linkage is usually implicit.

In the *konnyaku* industry there is not a firm in possession of monopoly power, but it exists the buying power which emerges in the relations between the owner / manager of *konnyaku* food industry and the store of mass purchase / sale (par example supermarket).

Preferential treatment within them gives each member an advantage in procurement and distribution, while the owner / manager of *konnyaku* food industry feels threatened by the supermarket because of drop and maintaining at wholesale price as in figure 4.



Notes :

Estimated rate = estimated rate of wholesale price

Estimated value = estimated total value of wholesale

P.W = proportion of wholesale price

P.R = proportion of retailer charge contained the distribution expence

¥m = 100 million yen

Source : Japan konnyaku Institute

Figure 4 Estimated value of wholesale price at konnyaku products

In the *konnyaku* food industry which has been relatively the mass production by the modernization and mechanization, the manufacturer of *konnyaku* food was controlled by a store in possession of buying power because it results in the surplus investment and the overproduction.

4) Joseph Steindl said that Tenacious survival of small firms, lastly, is explained by the “gambling” attitude of small entrepreneurs. It may seem odd to call them gamblers, but they certainly are, in the sense that they accept unusually high risks at very low remunerations.”

To judge from Japanese data, a steady stream of small entrepreneurs is entering industry, only in order to fail after a short time and be replaced again by new hopeful candidates. The drive to be “lord of a castle” is essentially individualistic, but it is nurtured in industrial communities or districts.

As Marshall wrote: “ The strong individuality of the British race may find its highest development under the guidance of the spirit of constructive cooperation. ” This was most fully developed, he argued, in industrial districts: “ The broadest, and in some respects most efficient forms of constructive cooperation are seen in a great industrial district where numerous branches of industry have been welded together almost automatically into an organic whole. ”

According to Florence: “ The localisation of a great number of medium-sized or small firms, each specialising in some single process or service and depending on a general background of metal and services in an alternative to a few large firms integrating those processes and services. ”

Such industrial districts enable the proliferation of small, specialized firms which can make use of economies of scale external to them, with the result that average firm sizes are smaller in industrial districts than outside them.

Tenacious survival of small firms is also regarded in the *konnyaku* industry, in spite of accepting unusually high risks at very low remunerations. A steady stream of small entrepreneurs is entering industry, only in order to fail after a short time and be replaced again by new hopeful candidates. The reasons is the drive to be “ lord of a castle ” .

A lot of *konnyaku* millers serve to the local society by what they offer odds of work or jobs to the inhabitants of this region, take an active part like politician of the various levels, are in charge of several commissioners of the provincial administration and produce others different opportunities to serve there.

It seems that the charm of the independent owner/manager that can take a lot of odds of work or jobs to fill the social responsibility is also one of his existence conditions. It holds, I want to say, the entrepreneur’s social place in high esteem, although the average profit is very low with high risks.

A micro - small firm has various problems because of high risks and low remunerations. An understanding of the problems faced by small businesses is of practical importance for those involved in small businesses. For small business owners/ managers, the perception of a situation as a problem can influence their behavior, such as information searching, knowledge acquisition, attention directing and business performance.

According to Xueli Huang / Alan Brown, these problems were either expressed by the small business operations or identified by the program manager from their conversation results of the problems encountered by the small business operators are shown in Table 6.

The most prevalent area in which the small businesses have problems are sale/marketing (40.2 per cent), human resource management(15.3 per cent), and general management(14.3 per cent). Specifically, promotion, marketing, research, and training are the most frequently encountered problems, all of which are knowledge or skill related, reflecting the general shortage of expertise in small business sector.

Sales and marketing issues were, par example, found to be the most dominant problems encountered by small business operators. Marketing has been widely acknowledged as being the most important of all business activities and critical for the survival and growth of small business. Specifically, Table 6 shows that problems in promotion and market were most frequently encountered by the small business operators.

It was found that these problems included the selection of promotional media(local newspaper or radio, direct mails, outdoors), content design and format of the promotional materials, market size, and location and addresses of the potential customers. Lack of financial resources to employ specialists of has also been attributed to this marketing inefficiency in small business.

Therefore, the high frequency of occurrence may be due to a number of reasons, such as 1) the resource constraints for information searching, 2) lack of a management information system and 3) the concentration of decision-making with one or a few owner/managers.

Part of the problem may relate to the lack of financial and human resources to engage in these activities. Human resource management, general management and production management. The high proportion of problems categorized as human resource management and general management is probably not all that surprising given the varied background of small business proprietors and the relative ease of entry into small business. The most frequent general management issue faced was planning while the next most important ones deal with lack of management experience, general management problems and the issue of managing growth.

It can be concluded, by the analysis above, that three areas that small businesses are more likely to have problems with are marketing human resources and general management. Specifically, promotion, market research, general marketing, training, and business planning are the most prevalent ones.

It is not doubt, in the *konnyaku* industry, that small firms have been variant problems for general management (e.g.; Inadequate working capital, Cash flow problems, Successor problem, Controlling margins/profits/expenses, Lack of management experience etc.,) , for production / operation management (e.g.; Old machine and equipment, Loss of productive process, Production capacity problem, Lack of skilled staff, Employment conditions, Maintaining quality control/ raw materials/resources, Becoming computerized, etc.,) and for sales / marketing (e.g.; Marketing or distribution channels, Promoting/public

Table 6 Detailed Analysis of Small Business Problems

Problems	Frequency	%
1. Obtaining External Financing	95	5.7
Obtaining financing for growth	44	
Other general financing problems	51	
2. Internal Financial Management	53	3.2
Inadequate working capital	8	
Cash flow problems	20	
Other or general financial management problems	14	
Controlling margins/profits/expenses	10	
Collection of accounts receivable	1	
3. Sales/Marketing	671	40.2
Market research ^a	212	
Low sales	32	
Dependence on one or few clients/customers	11	
Marketing or distribution channels	61	
Promoting/public relations/advertising	233	
Other or general marketing problems	101	
Changes in markets	9	
Increased competition	12	
4. Product Development	111	6.7
Developing products/services	89	
Other general product development problems	18	
Product line changes	4	
5. Production/Operation management	144	8.6
Establishing or maintaining quality control	73	
Raw materials/resources/suppliers	23	
Other or general production/operations management problems	25	
Production capacity problem	3	
Becoming computerised	20	
6. General Management	238	14.3
Lack of management experience	37	
Only one person/on time	14	
Managing/controlling growth	30	
Administrative problems	22	
Other or general management problems	26	
CEO overworked/overwhelmed	17	
Planning	80	
Leading	1	
Bench-marking	11	
7. Human Resource Management	255	15.3
Recruitment/selection	36	
Turnover/retention	7	
Satisfaction/morale	5	
Employee development	27	
Training/development	132	
Other or general human resource management	48	
8. Organisation Structure/Design	6	0.4
New Division	1	
Changing from custom programming to product	0	
Other or general organisation structure/design problems	5	
9. Economic Environment	3	0.2
Poor economy/recession	0	
Other or general economic environment problems	1	
Stock market problems	2	
10. Regulatory Environment	69	4.1
Insurance	1	
Licensing/bonding	3	
Changes in federal/state regulations	32	
Other or general regulatory environment problems	4	
Creditability	4	
Taxation	13	
Copyright	12	
11. Export	23	1.4

Source : International Small Business Journal, Vol.18 No. 1

relations/advertising, Increased competition, Pricing, Buying power, etc.,) .

Conclusion:

The sample *konnyaku* industry comprises businesses which are predominantly neither fast growing or failures, but average performers and survivors. For policy-makers, such understanding, among other things, will aid in formulating policies and developing small business assistance programs.

Since December 3rd 1999, SME New Basic Law has been in operation. As a result business support policy interventions have shifted from a focus on protection of existing businesses towards business start-ups and increasing their competitiveness with a view to their growth and development.

But the sheer number of micro business and small firms make them an important constituent of local, regional and national economies and subsequently a potential target for policy intervention.

It is necessary, therefore, to aid in formulating policies and developing micro-small business assistance programs. Government policy-makers need to address issues aforementioned to create a favorite environment for small businesses in product development, particularly the costs involved in applying the intellectual property protection, given the importance of new product development to the survival and success of micro - small businesses.

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