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A CASE STUDY OF *DIGIMOM* WORKERS**

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EMERGING FEMALE ENTREPRENEURSHIP IN JAPAN: A CASE STUDY OF *DIGIMOM WORKERS*

Executive Summary (102 words)

An economic solution for reversing Japan's financial challenges is entrepreneurship. New ventures are emerging outside the traditional Japanese management systems of lifetime employment, seniority systems, enterprise unions, and the Japanese business culture which stresses a group-oriented, risk-adverse orientation. Governmental changes are slowly improving the climate for entrepreneurship. Using a case study approach, this article follows the development and strategic challenges facing the company, *Digimom* (or "Digital Mom") *Workers*, and profiles the historic and cultural challenges facing a female entrepreneur in Japan. Financial reports as well as a profile of the competitive environment are included. Implications and lessons learned follow the case analysis.

Key words for Indexing: Japanese management, lifetime employment, seniority system, Japanese business culture, entrepreneurship, female entrepreneurship, Internet business, information technology

EMERGING FEMALE ENTREPRENEURSHIP IN JAPAN: A CASE STUDY OF DIGIMOM WORKERS

Entrepreneurship in Japan

Sustainable economic development does not occur without entrepreneurship. Higher levels of entrepreneurship are directly associated with increases in Gross Domestic Product (GDP), societal wealth, and quality of life (Morris, 2001). The encouragement of entrepreneurs who are willing to take more substantive risks and seek new growth opportunities should be on the minds of all public policymakers. Yet, discussions of entrepreneurship tend to center around Western values of individualism, materialism, and competitiveness. What happens when these values are not pervasive or others are more prominent in a society? A case in point can be found in contemporary Japan.

The Global Entrepreneurship Monitor (GEM) at <http://www.gemconsortium.org> is the largest country-to-country comparison of entrepreneurship. Among the countries reviewed in the most recent report from 2006, Japan has the lowest index of nascent entrepreneurial activity. The level of new business owners in Japan is extremely low when compared to those of the United States and Europe.

Historical Perspective

While the modern Japanese economy lacks the necessary level of entrepreneurship, particularly by women, the reasons for the current situation are rooted in the country's past history and culture. In post-war Japan, for example, large, dominant firms emerged and both their formation and growth was supported by governmental policies. With keiretsu structures (Gerlach, 1992), these firms controlled both the financial and human capital in the country. The Japanese economy was based on the joint cooperation of the entire supply chain of

manufacturers, suppliers, distributors and banks. These big corporations offered guarantees of lifetime employment for their employees.

Within this culture, it has been historically difficult to abandon these norms and give up secure employment benefits to venture into self-employment, particularly since capital would be difficult to obtain and banks, loyal to large corporations, would not do business with someone outside the *keiretsu* structure or network. The cultural fear of failure and desire to save face makes entrepreneurship less attractive as a career option since historically entrepreneurs take numerous risks and experience failures as part of the new venture creation process. Helms (2003a) states that the slow growth of new venture creation in Japan is due to the conventional Japanese business culture, seniority system, enterprise unions and lifetime employment schemes, and restrictive government policies. She further cites the group-oriented, risk-adverse orientation of the population as a barrier.

While entrepreneurship has been rare in Japan, the country has excelled in a number of major industries including transportation, telecommunications, automobiles, and electronics. Japan is well-known and respected for its manufacturing efficiency, methods, innovation and creativity. Well-trained workers and a structured educational system support the country's economic growth and specialization in these government-selected industries. Thus innovation and creative, both necessary for entrepreneurship are present. However, it should be noted the Japanese are noted more for their incremental innovations rather than radical ones and these innovations are mostly in manufacturing processes like just-in-time inventory management techniques and somewhat in product features.

The Japanese have been large investors in the country's postal savings system and have also tended to save more of their income than their American counterparts especially in the

1970's, although the savings rate has declined (to 2.7% in 2004) according to System of National Accounts. Some of the world's largest banks and financial services companies are in Japan, so capital is theoretically available to invest in start-ups.

Economic and Cultural Imperatives for Entrepreneurship

Economically, the growth of Japan is a benchmark for the world, particularly the Japanese post-war economic boom from 1955 until 1974. With the economic bubble, or collapse in 1991, the economy suffered from prior over-investment and restrictive governmental policies. The Asian financial crisis from 1997 until 1998 again raised concerns as to whether economic prosperity could be regained.

There are several barriers to regaining prosperity, including the aging population. Japan is known for having one of the world's highest life expectancy rates and the country is faced with an aging population and with declining birth rates. The workforce population is shrinking just as the need for workers to contribute to pension plans and social security to support the elderly population is increasing. Japanese women are delaying or shunning marriage which further limits the population. The homogeneous culture of Japan does not favor immigration to increase the labor pool.

One way to grow the economy is through entrepreneurship. Traditionally, Japanese business culture has not been supportive of entrepreneurship, and the legal and regulatory environment for start-up firms in Japan has been considered both rigid and bureaucratic (Lynskey, 2004a). Japan's famously conservative politicians and change-averse bureaucrats now agree Japan needs to nurture risk-takers if it hopes to be competitive in the Net Age (Kunii, 1999). Japanese policy makers have introduced a series of liberalizing reforms aimed at creating an

environment more supportive of entrepreneurship and new firm creation (Lynskey, 2004a).

Harada (2005) finds there are a number of potential entrepreneurs in Japan, despite a recent decline in the number of new firms being established. Using panel data on 47 counties or prefectures in Japan, his study examines the determinants of entrepreneurial potential and finds firms clustering only in a few regions of the country due to the regional differences in the price-cost margin, market size, market growth, and the unemployment rate which effect regional potential for entrepreneurship. Favorable price-cost margins, growing markets with a minimum market size, and high unemployment all serve to positively influence new venture creation.

According to the December 1999 *Survey of Creative Business Activities of Small and Medium Companies* by the Small and Medium Enterprise Agency, the most common source of funds for a Japanese startup company was the founders' own contribution (80.1%), followed by loans from private-sector financial institutions (41.1%) (Yoshi, 2000).

There is evidence Japan is now undergoing a genuine structural and institutional transformation, which promises to create an environment more predisposed for entrepreneurship (Lynskey 2004b; Lynskey 2004c; Lynskey 2004d). Lynskey (2004d) in a survey of IT ventures found that the Japanese ventures firms, unlike those in Europe and the United States, rely almost exclusively on bank loans, various government loans and the personal capital injected by the founding entrepreneur, instead of venture capital funding.

Women in Japan

Traditional Roles

Mackie (2003) traced the rise of feminism in Japan from its inception in the 1870s and notes Japanese women have had tenacity, perseverance and a dogged reluctance to simply exist within the constricting framework of the prevalent *ryōsai kenbo* ideology—that of the 'good wife and wise mother' espoused by educators, media, politicians, and the greater Japanese society. These low societal expectations of women continue to keep them in traditional roles regardless of their abilities, education, or desires.

For example, Japan's Meiji Constitution viewed people as subjects of the Emperor rather than as citizens of a nation. The Civil Code which governed all aspects of society remained in effect until after WWII and emphasized 'a wealthy country and a strong army' supported by these 'good wives and wise mothers' (Mackie, 2003, p. 32). Women were only defined by their relation to men and were not allowed to participate in politics. Yet their access to education helped to change their viewpoint regardless of their limited role in society. From the mid-1970s to the 1990s, according to Mackie (2003), feminist groups worked to reform the legal system, employment practices, and welfare systems.

Barriers to Women Working

While women in Japan appear to believe more strongly than their male counterparts in the importance of equal distribution and power (Stedham & Yamamura, 2004), Tipton (2000) suggests that inequality and gender discrimination remain pervasive in Japanese society due to the assumptions about the sexual division of labor. Differentiation by gender, especially in the power distance dimension is more pronounced in Japan than in the United States.

Kakuchi (2005) states Japanese companies support reforms to attract more women workers, but resistance remains for changing the country's male-dominated corporate culture and expanding women's professional roles. Nobuo Yamaguchi, Chair of the Japan Chamber of Commerce and Industry (quoted in Kakuchi, 2005) agrees the corporate commitment to closing the gender gap is based on the aging population and not on nurturing women's talents. Traditionally, Japanese companies hire men almost exclusively to fill career positions, reserving shorter-term work, mostly clerical tasks and tea serving, for women, who are widely known as “office ladies.” Similar to a caste system, Japanese businesses keep female employees on the lower levels of business careers. Faiola (2007) reports several women have filed sex discrimination lawsuits against a number of Japanese companies and states firms pay larger bonuses to men who have no more training than their female counterparts. Regardless of a woman’s qualifications, it is difficult to break into a career track and overcome entrenched biases. Managers too do not like the interruption of childbearing from their female employees and often do not retain women after marriage and childbirth, although it seems to be changing (<http://ipsnews.net/interna.asp?idnews=28692>).

Two-Track Hiring System

For women in particular, entrepreneurship makes sense. When comparing men and women age 25 to 34 years old, the unemployment rate among Japanese women in 2005 was 6.2%, much higher than men (5.2%), according to a 2005 Labor Force Survey by the Statistics Bureau of the Ministry of Internal Affairs and Communications. In Japan there remains the deeply rooted social attitude or a so-called sexual division of labor that men should work to support the family, while women should stay at home to do housework. So women are largely

excluded from corporate management due to cultural pressures forcing them to quit work once they marry.

Balancing work and family is also a serious problem for working women in Japan. In Japan the “Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave” came into effect in 1995. According to this law, workers are entitled to a one-year leave of absence from their company for child care. The majority of individuals who have applied for child care leave under the law are female. Returning to the workplace after a year of child care leave is often very difficult for female workers due to the lack of support systems for balancing work and family, such as day care centers at the workplace or job re-training.

The male-dominated society does not recognize women as equal in the ability to manage and own a business. According to the Health, Labor and Welfare Ministry, the average salary level for women in Japan in 2004 was 67.6% that of men. This is very low, compared with 76% in the U.S. in 2001, 77.4% in Britain in 2003 and 74.1% in France in 2002. One reason for the wage differential between men and women in Japan is the two-track system in Japanese companies (Futagami, 2004).

As the protracted economic slump prompts companies to shed the time-honored practices of lifetime employment and seniority-based wages, another victim of the cost-cutting axe is the two-track hiring system that has effectively kept women's wages lower than men's (Shimizu, 2003). The two-track system includes a management fast track and a slow path for routine, clerical work. Although the tracks are ostensibly open to both sexes, men have dominated the fast track while women are usually found in the subordinate path. Companies have introduced the system to reduce labor costs by effectively keeping wages lower for non career-track

employees (Futagami, 2004). Futagami surveyed wage patterns of companies in 2002 that introduced the two-track system and found that when workers were at age 25, there was little difference between the two tracks, but the gap widened with age. By age 45, the salaries of those on the managerial track were more than twice that of workers on the subordinate, clerical track (Futagami, 2004).

Today, Japanese women are marrying later and are pursuing higher education in greater numbers. Women who have completed graduate degrees abroad return to Japan frustrated by limited employment prospects. Some talented female workers start businesses and there is growing promise for female entrepreneurs in Japan. Many agree Japan's greatest untapped human resource is highly motivated women wanting to utilize their intellect and creative power and to be recognized for it.

Few Opportunities or Role Models

Women account for less than 0.8% of CEOs of Japanese companies with shares listed on the stock market (Wiseman, 2005). And women represent only 5.74% of top executives in registered Japanese companies in 2007 according to research by the Teikoku Databank. Only 3% of Japanese companies have a woman on their boards. In addition, Japan ranks below average in providing economic opportunities to women according to a study by the World Economic Forum (Wiseman, 2005).

Chambers (2007) refers to the sexism that remains fierce in Japan as the country's "rice paper ceiling" within the Japan's salary-man dominated corporate culture. Wiseman (2005) agrees women who are shut out of opportunities with traditional Japanese companies seek jobs with foreign firms in Japan. He further notes women in Japan have to fight harder than their male

peers to be accepted in their positions.

Growing Use of the Internet and Information Technology in Japan

One arena in which women might be accepted in Japan is in the area of information technology. The changing economy and business structure of Japan has brought about corresponding changes in the business needs of the country. Since the Bubble economy of the 1980s and its aftermath, gradual changes have been made in the capital and labor markets to make entrepreneurship somewhat more attractive and open. Growing foreign direct investment in Japan along with international competition from China has been a challenge to industries within the country. Even diversification in lifestyles and the importance of a knowledge-based economy is slowly changing entrenched roles and expectations. Japan's former strength in high quality manufacturing has been threatened by lower costs outside competition; thus high-valued added non-manufacturing industries should be emphasized as new choices for Japan. The Internet and information technology (IT) are examples of this change in focus. IT offers opportunities for entrepreneurs of both genders to overcome the lingering institutional barriers in Japan. Advances in technology coupled with the growing use of the Internet and even mobile Internet usage in Japan support IT careers by women who are combining work and family.

The Japanese economy has long been recognized for its leadership in consumer electronics, communications, and information technology. As Internet technology evolves, the potential for returns from the information that travels on networks will be far greater than anything realized so far (Son, 1999; Wu Dunn, 1999). As Japan continues to turn toward technology to strengthen its economy, e-commerce will play an increasingly prominent role (Shih, 2000).

The penetration rate of the Internet in Japan in 1998 was 13.4%, compared with 33.4% in Sweden, 24.8% in Canada, and 22.2% in the U.S. and lagged northern Europe, Canada and the U.S. One of the reasons was the high cost of connection charges. In 1999 the cost of connection charges in Tokyo was about ten times compared to New York. The Japanese government adopted an “e-Japan strategy” in 2001 and “e-Japan strategyII” in 2003 to encourage IT and to become the most advanced IT nation. The charges for broadband in Japan are now the cheapest in the world, declining to \$0.09 per 100 kbps in 2003, compared with \$3.53 in the U.S. (ITU, 2003). Also the speed of broadband in Japan is the fastest in the world, rising to 26.0 Mbps in 2003, compared with 1.5Mbps in the U.S. (ITU, 2003). The website www.internetworldstats.com shows Internet world usage statistics in 2007 and reports over 87.5 million users and 68.7% penetration in Japan with an 85.9% growth from 2000 to 2007. Today as an advanced IT nation, Japan holds great promise for entrepreneurs, although there is a gap of penetration of broadband between urban districts and the countryside with the urban districts having more Internet access and younger members of the population are the heaviest users of broadband Internet services.

Gaps also exist in Internet and information technology usage in Japan by men and women. Even when controlling for socioeconomic characteristics, women tend to use the Internet less than men. Ono and Zavodny (2005) indicate the type of employment plays a large role in the gender gap in Japan and the prevalence of nonstandard employment among female workers in Japan can explain much of the gap in information technology use and skills.

Overall, the Internet offers a new context (Rayport & Sviokla, 1994) for companies to do business. The Internet growth in Japan has added new dimensions to organizing customers which is an essential marketing element of the Internet (Zhang, 2004). Through examining Internet marketing activities of Japanese companies, like travel agencies, Zhang (2004) discusses

the reasons why they are organizing customers and can win competitive advantages. Major computer firms in Japan see a lucrative future in the new field of bioinformatics, as demand grows for sophisticated computer systems and software from pharmaceutical firms and research institutions, mainly for the purpose of developing medicines through use of genomic data (“Japan IT Firms,” 2002).

Given the Internet penetration and its growth in Japan, women have been encouraged to start e-businesses and this holds great promise for female entrepreneurs. According to the survey by the Center for the Advancement of Working Women in 2006, 14.9% of female entrepreneurs founded their business in the information and communication industry.

Digimom Workers

The Founder and Company History

To study female IT entrepreneurship first hand, the authors interviewed Ms. Noriko Teramoto, founder of Digimom Workers. Her start-up mirrors the trends and patterns of other female entrepreneurs in Japan and highlights the unique challenges and opportunities of new venture creation.

Digimom Workers was founded on October 1, 1999 by Ms. Noriko Teramoto with two other women. Digimom Workers specializes in Internet projects, particularly webpage design and systems development for customers. Ms. Teramoto started her business with an initial personal capital investment of ¥3,000,000 (about \$26,000). Today, Digimom Workers’ main activities are database creation, design, system development, and homepage content creation. Her company designs and suggests homepage content for customers. She uses outside suppliers when customers need additional help with computer instruction or repair.

Ms. Teramoto studied behavioral science and received a Bachelor's degree in Sociology from Kanazawa University. After graduating, she found a job at Ygrecosystems, a printer controller maker with twenty employees, headquartered in Tokyo and Ōtsu in Shiga prefecture. She worked as a firmware programmer for nine years in Osaka until she married and had a baby. As a firmware programmer, her job was to write the interface program between computer hardware and software. It transforms data from personal computers into dot patterns for printers, enabling the printing process. (Ygrecosystems was dissolved in 2004 following the President's death.)

Prior to starting her company, Ms. Teramoto studied computer programming skills while she was still working at Ygrecosystems. She was trained by her supervisor for three months and after that she learned new skills on her own, reading books, studying on-line, and scanning the Internet. She studied entrepreneurship and theories for starting a business at a seminar in Kyoto city and also studied at Kyoto Research Park for six months before founding her company. At the end of her one-year child care leave in 1995, she asked to return to work, but was told "no" by her supervisor.

She then began working at home completing programming jobs and creating homepages for several clients including an airline and a printing company. These were one-to-three month projects. In 1996, she started "Digimom" whose name is a contraction for the words "Digital Mom" and is also the name of an activity group or circle for local mothers. Mothers in the community gathered at a group member's home or at a public hall once or twice a month and created homepages. At Digimom, Ms. Teramoto was instrumental in teaching twelve home-bound mothers to create Internet homepages. Her leadership became evident.

In 1997 along with a graphic designer who was a member of her Digimom group, Ms. Teramoto joined the planning department of the community newspaper, *B-Mail*. *B-Mail's* main

activities were gathering and sending community information. In 1999, her circle transitioned to her company, “Digimom Workers”. She started “Digimom Workers” with two individuals who were original members of her “Digimom” circle. One of the original employees has since left the company to devote herself to the care of her child.

The Company’s Mission

In the original circle of mothers, Ms. Teramoto was called her son’s name, “mother of” or her husband’s name, “wife of” but never by her first name of Noriko. She wanted to establish her own identity and character, separate from that of her husband and son. She discovered her niche or identity was her computer skills. At the time she became involved in the circle, the Internet was growing in popularity in Japan.

Ms. Teramoto has always thought working to be a key part of life. She wanted to return her talents to society, especially after starting up her business. The mission of her business is also to encourage other Japanese mothers to participate in society or to return their talents to society. To satisfy this mission her objective at Digimom Workers is to offer quality work and services to all her clients, by expressing the client’s desires or wishes in the unique designs and content of their web pages.

The Company Today

Digimom offers both design and programming of client’s homepages. There are few companies offering both. Since all her employees are female, clients can remember the company name easily. Ms. Teramoto feels women can better empathize with clients’ intentions and express these in a well-planned design. These strengths of the all-female workforce are also their

weaknesses, as their employees attach importance to spending time with their family as well as working. Digimom's work is often slower than competitors who work overtime to complete customer's projects more quickly.

Clients have previously attached greater importance to the design or look of their homepage, but now they are interested in the system and its functions, for example, the ease of renewing or updating the homepage. This is an opportunity for the growth of Digimom, especially as more Japanese use the Internet for shopping.

There are few small-sized companies offering both the system and design of homepages like Digimom Workers does. However the competitors are increasing their abilities. Now the problem becomes how to differentiate her business from other web page creation companies.

The company's customers are corporate clients (60%), public organizations (30%), and individuals (10%). Since she has fewer individuals as customers, this is a weakness and she is addressing it with a new website for individuals, called "Uchino-Ko-Mon." In Japan, traditionally each family has a "Ka-Mon" which is an original family crest or heraldry for the generations. "Ka" means family, and "Mon" means crest or heraldry in Japanese. And "Uchino" means "for me or for my family" and "Ko" means individual. Her wordplay of "Uchino-Ko-Mon" means original and individual crest or heraldic designs (see www.uchinokomon.com). The site offers custom crest or heraldic designs for t-shirts, towels, and straps for cellular phones.

Ms. Teramoto wants to expand information technology services for manufacturers including homepage design, order systems, business efficiency, and branding. For the future she envisions providing manufacturers with her designs and delivering custom-made goods to clients. Her future vision is also to make a worldwide custom-made atelier network. She believes the

“Uchino-Ko-Mon” site can further differentiate her business from other homepage creation companies.

Work/Family Balance

With a growing family, like most working mothers, Ms. Teramoto is extremely busy and lacks time for her two sons and daughter. Her children are 12, 9, and 4 years old. The oldest son is in elementary school each day until 2:00 p.m. and the younger children are in nursery school from 9:00 a.m. until 6:00 p.m.

Human Resources

Ms. Teramoto respects the self-direction of each employee to think by herself and do her best work to satisfy clients. She gives employees a bonus of between 1.0 and 1.5 times their salary twice a year. Personnel costs are ¥1,300,000 to ¥1,400,000 per month. Directors have management responsibilities and their bonuses are paid from profits. Bonuses for regular employees are paid from expenses.

Hiring female employees was a key way Digimom overcame the labor market barrier that exists for most Japanese entrepreneurs who are unable to hire the best workers because they were already employed in large companies. Employees with job security or hopes of lifetime employment would not be attracted to working in a start-up. Also the cultural fear of failure would cause many employees, particularly men who are deemed the provider for the family, to lose face if unproven ventures fail. If the venture were unsuccessful, it would be difficult if not impossible to find employment again in a large company.

By profiling the career path of two of her key employees, it is easy to see these trends

are correct. Digimom Employee, Ms. Rika Morita, is responsible for system development. When asked why she was attracted to Digimom Workers, she replied, “I can do my job at my own pace, because I can be entrusted with the job. The female employees are honest and work well together within the workplace. We work in harmony with company directors. It is a comfortable place to work. It is not required that we socialize outside the workplace and I enjoy the working conditions.”

Ms. Morita brought prior work experience to the company. She had a background in system development and updating of homepages as well as editing. Her prior office work was in a sales division and in an accounting division where she worked as an assistant and was responsible for ordering company materials.

She agrees that Digimom’s employees, and particularly Ms. Teramoto, all understand the role of working women. She states, “the employees are professional and don’t base decisions on kindness. In my previous job, it was difficult to take paid vacation, but now I can take time off by simply explaining my need. I can work without being distracted by long, pointless meetings. I also have many opportunities to develop my skills.” When asked if she had an interest in entrepreneurship or saw it as a possible career in the future, she remarked, “I enjoy listening to the success stories of entrepreneurs. If I could start a company and be profitable, I would like to.”

Another employee, Ms. Fumi Kawamoto, is Digimom’s Accountant and is also responsible for projects and planning for two clients, Uchinokomon and Hanakomon. An example of her work is the website at www.hanakomon.jp. She was attracted to the company and the job through her vocational training. She explains, “homepage creation was extraordinarily new to me in the beginning, but everybody stopped their own work and taught

me. After I finished a month of vocational training, I wanted to work at Digimom even “arbeits” or part-time because I was very impressed by everyone’s kindness and knowledge. The key attraction of Digimom Workers is that I can grow here. Now I feel I can grow with the support of others. A final attraction of Digimom Workers is Ms Teramoto’s charisma.”

Ms. Kawamoto had prior work as a public kindergarten teacher where she was not confident in balancing work and getting married and having a baby in the future, because she worked long hours, often sleeping fewer than five hours a night and even working on weekends. She had no free time. She agrees, “At Digimom, Ms. Teramoto and the other women understand the work-family-life balance. I now feel confident to continue my work and feel Digimom Workers is a good workplace for working women.” She is interested in entrepreneurship, but does not see it as a possible career for her future.

Funding and Incubation

Ms. Teramoto and the two original members of Digimom provided the seed capital funding needed to establish the business. Each member invested ¥1,000,000 (approximately \$8,600 each) totaling ¥ 3,000,000 and they were incorporated. She had no difficulty in finding clients for her new venture. For the first three years, she operated using only personal savings and received no bank loans, because an IT business like her business did not need a large level of capital funds. This is also an attractive reason for other Japanese entrepreneurs as they consider new venture creation. Since 2003, she has borrowed money from the bank to cover her daily operating expenses. Today obtaining bank loans is easier, even with no collateral.

Digimom’s office operated within the SOHO (Small Office Home Office) Business, Incubation Center in Kusatsu, a dedicated facility for small businesses supported by Shiga

prefecture. The monthly office rent of ¥35,000 was subsidized and was very low. Facilities including Internet, cable, telephone line, meeting rooms, copy machines, a parking area, and a reception desk were provided by the Incubation Center. About twenty businesses were housed in the facility including an architect, ecology business, a sightseeing business, and educational information services. The businesses had to be admitted by the Governor of Shiga prefecture. In the screening process, the potential tenants must present their business plan and must be interviewed about their current statement of accounts. Only IT-based businesses can be admitted to the SOHO Business Incubator Centre in Kusatsu. Approximately 50% of the applicants are admitted in this competitive process. SOHO business less than five years old and primarily involved in an information technology can remain at the Incubation Center for three years. In 2006, Digimom Workers left the Incubator and moved to a new office in the city of Kusatsu, incurring a larger rent and overhead.

Pros and Cons of Being a Female Entrepreneur

Because there were few female entrepreneurs in Internet businesses in Japan, the local newspaper profiled Digimom Workers. Because she was an industry founder, Ms. Teramoto became well-known and received many opportunities to network. She is a member of government committees, but has little free time to network at night. This may be a future disadvantage for her business. In the beginning, her husband opposed her new venture, but slowly he has accepted her work. During the start-up she did not feel any real risks, but now she feels responsible for her employees and for the debt she has recently borrowed money from the bank for expansion.

Risks and Advantages

“I don’t feel I am taking a business risk, but I do feel responsible for the business,” Ms. Teramoto admitted. Her yearly sales in 2004 were about ¥28,000,000 (or about ¥2,300,000 per month); about ¥42,000,000 (or about ¥3,500,000 per month) in 2005; and about ¥40,000,000 (or about ¥3,300,000 per month) in 2006. Also, the company was about ¥700,000 in the red in 2004, but in 2005 was about ¥290,000 in the black. In 2006, the firm was about ¥470,000 in the black (see the attached financial reports).

Ms. Teramoto agreed it was because she could work on her own, at her discretion, and with flexibility that attracted her to entrepreneurship. In addition she is able to complete an entire job and focus on the work itself, since she must complete an entire job before being paid. Her new independence has a few disadvantages, because she is very busy and her schedule is tight. Also profits have not caught up with the number of hours she currently works, but are expected to do so in the near future.

Current Performance and Improving Future Cash Flows

Her performance, as indicated on Tables 1 through 5 and includes the Balance Sheet; Income Statement; Selling, General and Administrative Expenses; and the Absorption of Deficit; and the Non-consolidated statements of changes in net assets. Total assets as well as shareholder’s equity are increasing. Gross profit on sales is increasing and gross margin ratio (gross profit on sales/sales) is also increasing. Since 2005, net income for the year has been positive and return on sales (net income for the year/sales) is also increasing.

-----Insert Tables 1, 2, 3, 4 and 5 Approximately Here-----

Cash flow is the most serious problem facing Digimom Workers. Payments from customers follow project completions and range from six months to one year. She often ran short of working funds and had to borrow about ¥6,000,000 (approximately \$ 50, 522) from a local bank to pay personnel cost in 2005. To solve this problem, she is working to decrease the time for payment. However it means performing more small jobs quickly and thus her profits will likely decrease. To grow her business, she has two possibilities. First, she has to enlarge her client base and secondly she needs to add additional consulting services. The consulting projects would include working with clients on developing and suggesting ideas for possible webpage designs.

Like all entrepreneurs with a growth motive, Ms. Teramoto would like to enlarge her business. Her goal is to double her staff size and see sales grow three or four times their current levels. Her profit goal is 20% of sales.

Networking

Ms. Teramoto is a member of an Internet seminar study group and also directs the Cooperative Association of Digital Contents for the Kansai area of Japan. Figure 1 shows Digimom Workers' organization and its networking. Digimom Workers has a flexible network and collaborates with other community independent contractors. Digimom, the origin of Digimom Workers, remains as an activity group within the community for local mothers. Ms. Teramoto networks not only with Internet-related groups, but also with others in related computer fields.

-----Insert Figure 1 Approximately Here-----

Competitive Environment for Digimom

Digimom's competitors include the Internet departments of large companies who have upwards of 1,000 employees, but Digimom Workers has competitive cost advantages as the price of Digimom Workers' service is half or even one third that of its competitors, largely due to personnel cost savings along with lower office and overhead expenses. Digimom Workers sometimes advertises in newspapers and conducts seminars. The corporate webpage is updated to market their growing range of services. Technological innovations and the environment change very rapidly in the industry. Designs and systems are changing quickly, so companies have to respond quickly, too. Ms. Teramoto and Digimom's employees study new trends from Internet seminars or outside networking activities. Although tools and computer languages may change and programs may be partially automated, a human being has to gather the client's ideas and intentions and develop those into systems and designs. This is the most important part of Ms. Teramoto's services, and will not change. She feels there are also no direct substitutes for her services.

Conclusions

Summary and Discussion

There are four factors responsible for the success of Digimom Workers. The first success factor is the choice of an Internet business. The Internet business is a lower-cost start-up requiring lower start-up capital funding, and, unlike other Japanese industries, it is easier for a female entrepreneur to establish this type of business. Internet businesses have no restriction on working time or workplace, thus the working women in Digimom Workers can work flexibly at a small office or a home-based office. Additionally, Digimom Workers can send information via

Internet to Internet-users, reducing the cost for advertising. In Japan, Internet businesses are growing in popularity and more Japanese use the Internet for shopping. Internet businesses in general hold great promise for female entrepreneurs in Japan.

The second success factor for Digimom Workers is based on Ms. Teramoto utilizing the strength of her nine years work experience as a firmware programmer as well as the computer skills she has learned on her own. Digimom Workers utilizes the strength of these skills and those of her employees and this has led to her success.

The third success factor is her collaboration with community networks. Digimom, the origin of Digimom Workers is an activity group for local mothers and a community network. *B-Mail* also is a community network for gathering and sending community information. Ms. Teramoto networks not only with Internet-related groups, but also with other peripheral fields within the community. Networking has been a key to the firm's success.

The fourth factor for her success is her gender and choice of an appropriate career for a female in Japan. She wanted to establish her own identity and thus did so by founding her business. Balancing work and family is a challenge for working women, due to the lack of support systems and the negative and deeply rooted social attitude toward working women in Japan. With limited child care available many talented Japanese women like Ms. Teramoto are compelled to quit their jobs to stay with their families, yet many want to work and utilize their talents. Digimom Workers utilizes untapped and highly talented and motivated females and this has led to her success.

The kaleidoscope model fits women's careers well as a means of understanding how women operate relationally to others in both work and non-work realms. Like a kaleidoscope that produces changing patterns when the tube is rotated and its glass chips fall into new

arrangements, women shift the pattern of their careers by rotating different aspects in their lives to arrange their roles and relationships in new ways (Mainiero & Sullivan, 2005). In their early career, one predominant life/career pattern for women is their concern with goal achievement and career challenge. In mid career, women must balance both family and work relational demands. Later in their career, women are free from balancing work and family issues, so questions of their authenticity may arise. According to Mainiero and Sullivan (2006), authenticity is defined as being true to oneself, knowing one's strengths and limitations, and acting on the best information available. Just as a kaleidoscope uses three mirrors to create infinite patterns, the kaleidoscope career model has three “mirrors” or parameters (authenticity, balance, and challenge) that combine in different ways throughout a women’s life, reflecting the unique patterns of her career (Mainiero and Sullivan, 2005). Digimom Workers reflects Ms. Teramoto’s unique career pattern which are produced by arranging her role, identity, relationship, and collaboration to others in the community. As such she is an example of the entrepreneurial changes underway in Japan.

Implications and Lessons Learned

One point to note about the practice of hiring female workers is, as the business grows, Digimom Workers will need more human and financial capitals. It will be difficult to attract them given the culture and norms of the country, so there may be a limit to her growth. This supports the views of Schweitzer (2007) who agrees women face entry barriers to entrepreneurship in general and tend to start businesses that do not have high demands for both human and financial capitals because they lack access to them. Therefore such women-owned businesses tend to be smaller in scale.

From a public policy perspective, entrepreneurship is important as a driver of economic growth worldwide and is much needed in the changing Japanese economy. However, the structural and regulatory barriers for new venture creation must be lowered to foster entrepreneurship in general, and among women in particular. This must be coupled with a societal and perceptual change in the role of women. Women must be viewed as equal in the business world.

Japan continues to rank as one of the lowest levels of entrepreneurial activity in the world. Like other entrepreneurs around the world, Japanese entrepreneurs face many challenges starting their new businesses. These challenges include limited assistance from banks, business competition, and the stress of providing personal guarantees for small business loans. There has even been a noted rise in suicides among entrepreneurs who fail to repay these guarantees. The fear or shame of failure (Tezuka, 1997) along with the culture of “saving face” leads to these extreme measures.

Educational programs and government incubators must provide the training and motivation to these would-be and nascent entrepreneurs. The country is rich with a population of individuals with talents and hobbies that could become profitable ventures with appropriate economic and cultural reform. Easily available capital and financial support for new businesses needs to be a higher priority in the economy. With the low social expectation, women should be better able to take the necessary risks starting a new venture requires. Because women are not seen as primary breadwinners, they can engender more risk-taking, rather than remaining stable and conservative. They can start a business without harming their family’s income stream, which is traditionally provided by their husband. Thus, it would seem women are in a better position to become entrepreneurial than their male counterparts in Japan. Helms (2003b) agrees small,

innovative companies can offer the catalyst the Japanese economy needs. For women, increasing economic independence via entrepreneurship can be a way to sustain the economy.

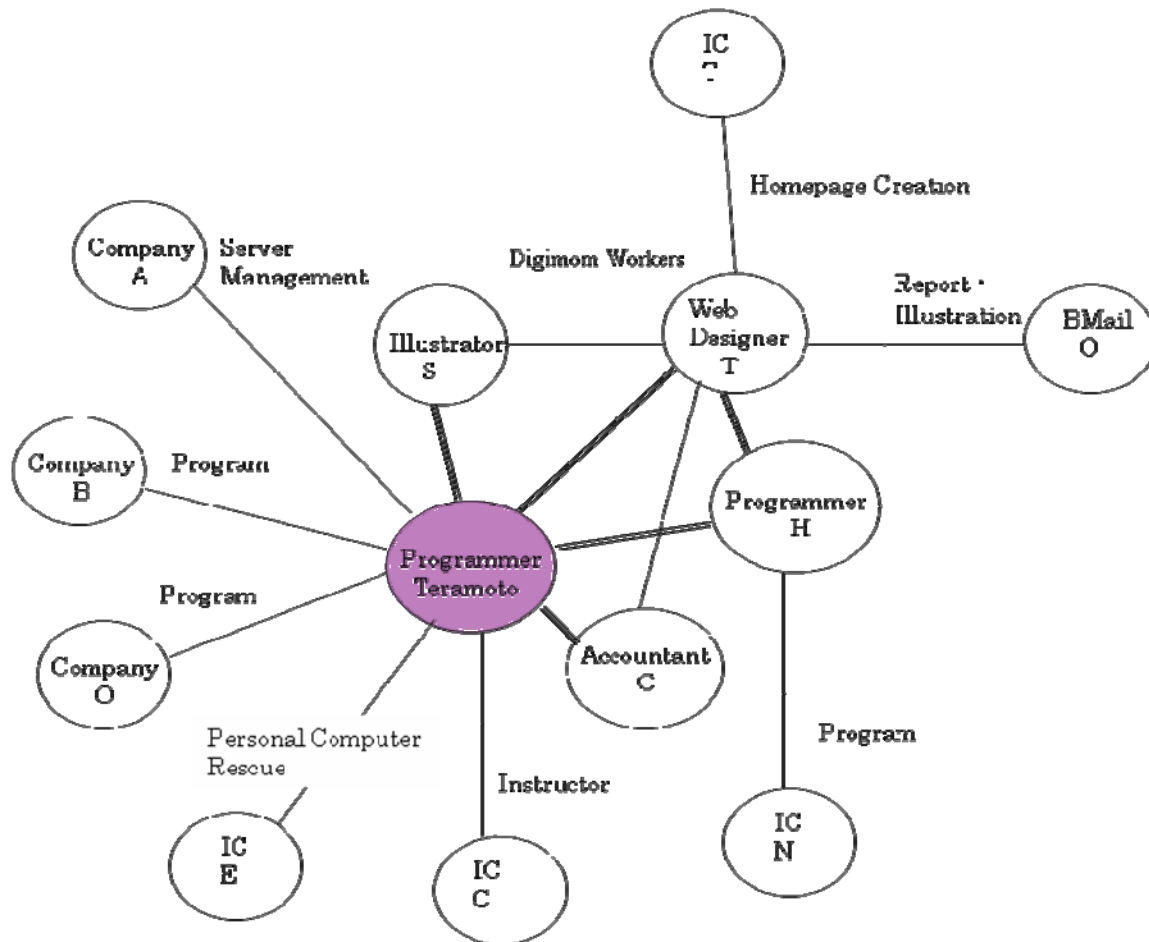
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Figure 1 Networking of Digimom Workers



Note: This figure was developed based on interviews with Ms. Teramoto. She and her company and employees are inside the dotted circle. Companies and Independent Contractors (ICs) where she outsourced personal computer repair, programming, and other skills and services are outside the dotted circle and are represented by letters.

Table 1: Digimom Workers Balance Sheet August 1, 2003 to July 31, 2006

[illegible]

*1: Company Laws went into force since May, 1, 2006. The title of account of Shareholder's Equity has changed into Net Assets since then. *2: The title of account of profit (loss) undisposed for the year has changed into retained earnings carried forward since May, 1, 2006. *3: The title of account of total Shareholder's equity has changed into total net assets since May, 1, 2006. *4: The title of account of total liabilities and shareholder's equity has changed into total liabilities and net assets since May, 1, 2006.

Table 2: Digimom Workers Income Statement
from August 1, 2003 to July 31, 2006

Ordinary Profit and Loss Section	2004		2005		2006	
[operating revenue and expense section]						
[operating revenues]						
[sales]						
sales	¥28,176,009		¥41,606,443		¥39,491,794	
total sales		¥28,176,009		¥41,606,443		¥39,491,794
[operating expenses]						
[cost of goods sold]						
beginning of year inventories			170,772		155,792	
purchase for the year	6,031,213		12,393,731		4,412,002	
total	6,031,213		12,564,503		4,567,794	
year-end inventories	170,772		155,792		121,338	
cost of goods sold		5,860,441		12,408,711		4,446,456
gross profit on sales		22,315,568		29,197,732		35,045,338
[selling, general, and administrative expenses]						
total selling, general, and administrative expenses		22,902,512		29,088,170		36,114,976
operating profit (loss)		(586,944)		109,562		(-1,069,638)
[non-operating revenues and expenses section]						
[non-operating revenues]						
interest earned	115		240		230	
miscellaneous revenues	5,494		585,022		1,999,116	
total non-operating revenues		5,609		585,262		1,999,346
[non-operating expenses]						
interest expense	52,600		126,633		334,693	
amortization			100,000		60,000	
miscellaneous expenditures			3,657			
total non-operating expenses		52,600		230,290		394,693
ordinary profit (loss)		(633,935)		464,534		535,015
[extraordinary profit (loss)]						
prior period adjustments			105,000			
total extraordinary loss				105,000		
net income (net loss) for the year before taxes		(633,935)		359,534		535,015
corporation taxes		70,000		70,000		70,000
net income (net loss) for the year		(703,935)		289,534		465,015
profit (loss) carried over from the last year*1		(604,353)		(1,308,288)		
profit (loss) undisposed for the year*2		(¥1,308,288)		(¥1,018,754)		

*: Profit (loss) undisposed for the year (*2) was calculated by addition (subtraction) of profit (loss) carried over from the last year (*1) to (or from) net income (loss) for the year. Non-consolidated statements of changes in net assets are introduced since May, 1, 2006, so the end of income statement is net income (loss) for the year.

Table 3:
Digimom Workers Breakdown of Selling, General, and Administrative Expenses - August 1,
2003 to July 31, 2006

Selling, General, and Administrative Expenses	2004	2005	2006
Director's remuneration	¥8,040,000	¥8,400,000	¥7,370,000
Salary	5,710,000	7,968,000	11,023,600
Bonus	1,000,000	1,160,000	400,000
Retirement allowance		300,000	
Miscellaneous salaries			603,595
Employee welfare (designated by law)	1,212,018	1,625,510	2,672,235
Employee welfare	259,353	67,710	111,340
Pension for employee in small and medium sized business	930,000	1,230,000	1,110,000
Expense for subcontractors		25,200	2,602,315
Shipping and handling expenses	11,780	26,350	
Advertising cost	9,975	74,021	1,112,250
Social entertainment expenses	21,690	65,950	69,525
Meeting expenses	112,485	184,414	99,537
Travel and traffic expenses	418,446	510,747	703,071
Correspondence expenses	984,000	952,302	674,189
Expendables cost	2,152,622	2,226,664	1,954,039
Stationery expendables cost	5,023	12,189	
Repair cost	8,400	48,900	37,800
Water, electricity and heating expenses	7,097		171,602
Subscriptions and publications expenses	188,786	223,086	218,705
Membership fees	165,200	293,715	374,400
Payment charges	51,415	402,959	275,900
Lease fees	85,490		
Insurance payments	13,650	91,800	133,560
Rewards	273,500		774,000
Depreciation costs	28,586	158,995	89,355
Rents	1,193,854	1,870,514	2,535,870
Taxes and duties	18,802	1,028,301	511,630
Miscellaneous expenses	340	140,843	486,458
Total of selling, general, and administrative expenses	¥22,902,512	¥29,088,170	¥36,114,976

**Table 4: Digimom Workers
Absorption of Deficit***

Absorption of Profit undisposed for the year	2004	2005
Loss undisposed for the year	¥1,308,288	¥1,018,754
Loss carried forward for the next year	¥1,308,288	¥1,018,754

Representative Director
Noriko Teramoto
As of September 7, 2005

* Note: Absorption of Deficit was abolished after May, 1, 2006 when non-consolidated statements of changes in net assets (as shown in Table 5) were introduced.

Table 5:
Digimom Workers Non-Consolidated Statements of Changes In Net Assets
From August, 1, 2005 to July, 31, 2006

Limited Company Digimom Workers [shareholder's equity]		
capital stock	balance at the beginning of the year	¥3,000,000
	balance at the end of the year	<u>3,000,000</u>
retained earnings		
other retained earnings		
retained earnings carried forward	balance at the beginning of the year	-1,018,754
	net change during the year	
	net income for the year	<u>465,015</u>
	balance at the end of the year	<u>-553,739</u>
total of retained earnings	balance at the beginning of the year	-1,018,754
	net change during the year	<u>465,015</u>
	balance at the end of the year	<u>-553,739</u>
total of shareholder's equity	balance at the beginning of the year	<u>1,981,246</u>
	net change during the year	<u>465,015</u>
	balance at the end of the year	<u>2,446,261</u>
total of net assets	balance at the beginning of the year	<u>1,981,246</u>
	net change during the year	<u>465,015</u>
	balance at the end of the year	<u>¥2,446,261</u>