

## **A Study on the Innovation Capabilities of Transnational Entrepreneurs**

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<sup>1</sup> Research interest: The Globalization of Japanese Entrepreneur and Local for Global Innovation.

## **Abstract**

This research presents the following research questions. First, what kind of "Japanese entrepreneur image" can bring out Japan's predominance in the global society? In Japan, there are only a few innovators who break away from conventional methods, by possessing innovative ideas that create new values, mobilizing the necessary resources, and building new mechanisms while adapting to change. Especially, there are notably few innovators who can play an active role globally. Second, what is the entrepreneurial education system? In order to understand a useful system for creating globally active innovators from Japan, first of all, it is necessary to grasp the specific innovation capabilities required of Japanese people.

Therefore, this paper examines how Japanese entrepreneurs active in foreign markets were able to build a predominance in overseas markets and bring about innovation, even though they were small in scale and how it was possible to grow the local organizations (enterprises) sustainably. In order to shed light on these matters, the study conducts a case study by looking at the case of Company K, which was founded by a Japanese transnational entrepreneur who immigrated to the United States.

From the analysis of the case study, this paper attempts to clarify the actual facts from the quest for business opportunities of transnational entrepreneurs to market development, and from the bankruptcy crisis to the growth of the company organization. Using the clarification of these facts as a key, the causes that enable transnational entrepreneurs to create innovation overseas and to survive their organizations in foreign markets are being examined. In addition to presenting an image of an innovator unique to the Japanese, who can play an active role in the global society, the innovation capabilities required for entrepreneurship education in Japan are also suggested.

## 1. Introduction

The speed of environmental changes surrounding the Japanese economy is accelerating due to technological innovation, globalization, and the rise of AI. Environmental changes are not limited to the economy but extend to areas such as climate change and the fight against new viruses, forcing countermeasures on a global scale. Hence, government agencies and non-profit organizations are required more than ever to break away from conventional methods and create new mechanisms (innovation), regardless of the company scale and industry. When looking at the last 10 years, the number of initiations themselves has been increasing, due to the government's strategies and accompanying policy support. Values related to "work styles" are diversifying, and Japanese society is also continuing to be more globalized. However, Japan still has relatively few "innovators" who can bring forward innovations compared to other countries. One reason for this can be the lack of adequate "entrepreneurship education" in Japan (Takahashi, 2013). In addition, the empirical research that the scholar himself has conducted in the past suggests that programs suitable for entrepreneurship education (for example, the promotion of local industries and the establishment of second-time startups of family businesses, etc.) that meet the actual conditions of Japanese society have not been sufficiently established and developed. (Yoshida, 2014).

Based on this background, this research presents the following research questions. First, what kind of "Japanese entrepreneur image" can bring out Japan's predominance in the global society? In Japan, there are only a few innovators who break away from conventional methods, by possessing innovative ideas that create new values, mobilizing the necessary resources, and building new mechanisms while adapting to change. Especially, there are notably few innovators who can play an active role globally. Against this background, there is an undeniable problem which is the difficulty in saying that the education of innovative personnel during Japanese higher education has been carried out in the first place. Innovation capability is required not only in fields such as "venture businesses" (for example, GAFA) backed by so-called Western theories but, it also extends to small businesses such as small workshops, small salons, community businesses, and small businesses when considering the changes that are arising in the society in Japan. Therefore, this paper considers that it is necessary to grasp the characteristics of the entrepreneurial image that is suitable for these issues and actual circumstances in Japan. Second, what is the entrepreneurial education system? In order to understand a useful system for creating globally active innovators from Japan, first of all, it is necessary to grasp the specific innovation capabilities required of Japanese people.

## 2. Research objective

Therefore, this paper examines how Japanese entrepreneurs active in foreign markets were able to build a predominance in overseas markets and bring about innovation, even though they were small in scale and how it was possible to grow the local organizations (enterprises) sustainably. In order to shed light on these matters, the study conducts a case study by looking at the case of Company K, which was founded by a Japanese transnational entrepreneur who immigrated to the United States. Transnational entrepreneurs<sup>2</sup> are

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<sup>2</sup> For the background and definition of the rise of trans-immigrant entrepreneurs, see Drori et al. (2009), Portes et al. (2002), Saxenian (2002), Harima (2019), etc.

characterized as active agents<sup>3</sup> who combine the resources of their home countries with the resources of their immigrated countries, combining unique cultures and standards, and creating new values. Thus, it is a befitting subject for analyzing the innovation capabilities of globally active Japanese entrepreneurs.

From the analysis of the case study, this paper attempts to clarify the actual facts from the quest for business opportunities of transnational entrepreneurs to market development, and from the bankruptcy crisis to the growth of the company organization. Using the clarification of these facts as a key, the causes that enable transnational entrepreneurs to create innovation overseas and to survive their organizations in foreign markets are being examined. In addition to presenting an image of an innovator unique to the Japanese, who can play an active role in the global society, the innovation capabilities required for entrepreneurship education in Japan are also suggested.

The methodology of the semi-structured interview<sup>4</sup> method is used in this study. During the interviews, attention was given to the factors such as what were the resources and advantages brought in from Japan, what were the resources and advantages used locally, and is there a relationship between the mobilization, utilization and integration of such resources and success in the local market? Moreover, this study qualitatively clarifies the factors for the continuance and success of "transnational entrepreneurship" from an analytical perspective of how values are created by combining the resources of the country of origin (Japan) with the resources of the country of residence (the United States), and how the combination of resources and knowledge transfer are mobilized from the networks of both countries are related to innovation creation.

### **3. The Case study of Hawaii Kodama Koi Farm<sup>5</sup>**

#### **(1) Immigrant Entrepreneur Taro Kodama's Background and Establishment of Company K in the United States**

Taro Kodama was born in Miyoshi City, Aichi Prefecture, and he was educated in Japan until he graduated from university. After graduating from university, he worked in Japan for several years before moving to the United States, where he lived for over 23 years. He immigrated with his family and obtained a green card (U.S. permanent residency). Currently, he runs a carp fish import, production and sales business in Oahu, Hawaii.

Taro was born and raised in the family of carp (Nishikigoi) dealers and entrepreneurs.

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<sup>3</sup> A transnational entrepreneur is an entrepreneur who is incorporated into the social structure of two or more countries at the same time while doing business outside of his/her country of origin (the country of residence). It is characterized by the creation of unique entrepreneurial values by combining the resources, markets, and systems of multiple countries made available by this duality. See Harima (2022) pp.183-184.

<sup>4</sup> Specifically, a semi-structured interview was conducted based on the following questions. Questions: (1) Basic information: context (age, hometown, educational background, country of residence, etc.) (2) Work experience and experience of starting a business: years of work experience in Japan, experience of starting a business in Japan, years of work experience overseas, experience of starting a business overseas, country/region where you started a business in the past, type of employment immediately before starting a business overseas Employment period at the previous place of employment immediately before starting a business overseas, (3) Opportunity for overseas entrepreneurship: acquisition of management resources, influences (4) Business overview: company name, country/region where the business is located, year of foundation/establishment as a corporation, sales/interest rate, form of the company, number of offices, (5) Business content: Business content, relevance to past business experience, details of business content, changes in services over time (6) Reasons for success in overseas business: New product service development, new customer development, human resources development, utilization of local resources, etc.

<sup>5</sup> This case study is an extensive revision of my paper, Yoshida(2023) "Preliminary Inquiry on Entrepreneurship of Transnational Entrepreneurs: The Case Study of Kodama Koi Farm in Hawaii," Komazawa University Economics Review, Vol. 54, No. 3, February 2023, pp. 19-38.

His father, Mr. Mamoru, was originally a wholesaler of fish products such as sweet fish and eels, but he became intrigued by colored carps and became a Nishikigoi dealer<sup>6</sup>. Mamoru is a famous Nishikigoi (carp) dealer<sup>7</sup> in the carp industry, having won the All Japan Nishikigoi Show five times. “It is interesting that the value of a colored carp is determined not by how much it weighs, but by its beauty.” In 1972, Miyoshiike, a carp distribution and sales company was founded in Miyoshi City in Aichi Prefecture by the carp dealer, Mamoru Kodama. Eventually, his eldest son, Mr. Taro, inherited the business of Miyoshi Pond and expanded into the United States, which became the current Company K (see Figure 1).

**Figure 1: Company K’s Company Profile**

Established	Established "Miyoshiike" in 1972 (first founder: Mamoru Kodama) *Established in Miyoshi City in Aichi Prefecture, and later moved its headquarters to the United States
Second establishment	“Kodama Koi Farm” was established in the United States (Los Angeles) in 2001 by second generation Taro. Moved headquarters to Oahu, Hawaii in 2006
Representative	Taro Kodama, President and CEO * Chairman Mamoru Kodama
Corporate Philosophy	Nishikigoi makes everyone happy. · Pursue the physical and mental happiness of all employees · Through Nishikigoi, we propose a soothing lifestyle and contribute to the realization of a spiritually rich society.
Number of employees	25 people (including part time and full time)
Head Office	Mililani, Oahu, Hawaii, USA
Business	Established a distribution base for Nishikigoi breeding in Hawaii, and provided Nishikigoi and related equipment to customers throughout the United States, mainly through the Internet. By distributing Japanese Nishikigoi throughout the United States, support for a soothing lifestyle with Nishikigoi is provided. In addition to the headquarters in Hawaii, it also has a base (company store) in New York.
Annual sales	Annual sales of approximately \$4.37 million (approximately 600 million yen in fiscal year 2021)

(Source) Created by the author based on the interviews

When talking about the environment in which Mr. Taro grew up, it became an ordinary lifestyle for him to have his family, employees, and koi because his home and office were both combined. As long as he can remember, Mr. Taro was told that he was going to inherit a carp shop, so he was ready to take over the family business one day. Under the education principles of his parents who are enthusiastic about education, he eagerly worked on the junior high school entrance exam and got into one of the leading high schools in his

<sup>6</sup> Mr. Mamoru worked as a staff member at the Fisheries Experimental Station until he was 29 before starting his own business.

<sup>7</sup> Nishikigoi as a traditional product involves the techniques and skills of dealers. The method of breeding Nishikigoi, which is an artificially created work of art, is very different from wild carp (Magoi), which is raised as food and has strong vitality. It is said that Nishikigoi farming requires many areas of knowledge such as (1) crossbreeding, (2) artificial insemination, (3) sorting methods, and (4) feeding and rearing knowledge. In particular, crossbreeding, artificial insemination, and sorting ((1), (2), and (3)) require skills based on many years of experience. Nishikigoi are called Tosai fish in the first year, and are selected several times a year. The patterns and colors of the remaining Tosai fish will change depending on the environment of the pond. See the Hawaii field survey interview conducted on July 25, 2022. Also Yoshida (2008), pp.69-72

hometown. When he was in elementary school, he had a bit of a complex about his small physique, but the experiences of challenging high goals using the opportunity of the entrance exam and being rewarded for his efforts gave him confidence. According to him, it was around this time that he learned to set high goals and persevere even when faced with difficult situations. Afterward Mr. Taro studied at Waseda University and later at a university in New York for two years, and joined Nomura Securities Co., Ltd. after graduating. Within a year since he started work, Mr. Taro was ordered by his father to return to his hometown. The reason for this decision was to rebuild the family business, which had suffered a severe loss in sales.

After joining the family business, Mr. Taro launched an online retailing business for overseas exports using his experience studying in the United States. From his online retail experience at that time, he discovered business opportunities in the undeveloped Nishikigoi market in the United States and entered the United States. He went to the United States with a Japanese wife he met while studying abroad. In his mid-twenties, Mr. Taro established K Corporation in Los Angeles, California (LA), where he became its president and chief executive officer. Six years after entering LA, the company base was moved to Oahu, Hawaii with the aim of expanding the business, where they are at present<sup>8</sup>. In the United States, they are blessed with two children, and now they are a family of four with their eldest son in university and the second daughter in middle school. His parents also live in the same neighborhood on the island of Oahu.

**Photo: Kodama Koi Farm in Hawaii**



(source)Photo by the author

## **(2) Investigating the Business Opportunities**

Nishikigoi is believed to have originated in the Yamakoshi region in Niigata Prefecture, where the black carp that was raised for food was spontaneously mutated<sup>9</sup>. At that time,

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<sup>8</sup> Before the COVID-19 pandemic, they had stores for sales in NJ (New Jersey) and FL (Florida), but they are currently closed due to "selection and concentration" reconsideration of the business strategy due to the corona crisis.

<sup>9</sup> See the Ministry of Agriculture, Forestry and Fisheries homepage.

[https://www.maff.go.jp/j/kids/kodomo\\_kasumi/2021/content/koi.html](https://www.maff.go.jp/j/kids/kodomo_kasumi/2021/content/koi.html) (Accessed on: October 16, 2022) .

people attempted improvements to make more beautiful koi, and in the Meiji period, the red and white colored 'red and white' koi that we usually imagine were born. Since then, improvements were made one after another, such as "Taisho Sanshoku" in the Taisho period, and "Showa Sanshoku" in the Showa period, and currently, there are nearly 100 varieties<sup>10</sup>. There are more than 500 Nishikigoi producers all over Japan, and the number one breeding area in Japan is Niigata; the place of origin of Nishikigoi.

Miyoshiike has developed along with Japan's rapid economic growth as a wholesaler that purchases branded Nishikigoi that have been raised for two to three years in the Niigata production area and sells them to customers nationwide. When Miyoshiike was founded, it was the period of rapid economic growth in Japan, and the mature lifestyle in the country triggered a boom in Nishikigoi, and the demand for Nishikigoi was very high. Annual sales during the bubble period were reported to be about 160 million yen. Nevertheless, the "bubble economy" eventually collapsed, and as the economy deteriorated, domestic demand began to decline, and the wholesale market for Nishikigoi also decreased instantly. Due to these unavoidable reasons, sales at Miyoshiike fell by 30%. In order to find solutions for these worsening conditions, production bases (farms) were established on Ishigaki Island in Okinawa and Taiwan, which ended in failure as the water quality was not suitable for Nishikigoi breeding. As mentioned above, the only thing that was expanding and growing at the time even amidst the deteriorating business was the Nishikigoi export sector. Taking advantage of his experience studying in the United States, Mr. Taro created an English website and started online retail sales. This effort became successful, and the number of business deals from overseas soared steadily. Mr. Mamoru and Mr. Taro, who saw an opportunity for survival in this situation, stopped selling Nishikigoi in Japan entirely and began expansion in the United States. It was Mr. Mamoru's bold decision to close the stores in Japan and hand over all customers to his employees. With the expansion into the United States, Mr. Taro's journey to become the successor of the business began<sup>11</sup>.

### **(3) Discovering business opportunities and market development**

The reason for choosing the United States as the target country at the time was that despite the huge market, the Nishikigoi business was still immature, and there was a huge potential for business opportunities. Around that time, they heard from an overseas fan of Nishikigoi who connected through online retailing, that a Nishikigoi boom was beginning to take place in the United States. It is said that freshwater fish alone was an 80-billion-yen market (at the time). Through research, it was found that the competing Japanese Nishikigoi dealers were only focused on the west coast, and most of the Nishikigoi they sold were from the United States. A Nishikigoi fans' club has existed for a long time, which was established in 1967, and although there were already 200 members at the time of its establishment (the current number of members has grown to about 50,000), no real 'Made in Japan' Nishikigoi were in the market. After that, gardening became popular in the United States, and along with the tropical fish boom, there was a sudden increase in the number of people who had American Nishikigoi. As the Nishikigoi from America was completely different from Nishikigoi from Niigata, there was the opportunity to succeed in the American market if

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<sup>10</sup> Japan Finance Corporation (2018), see P.3.

<sup>11</sup> When Mr. Taro took over the family business, he was in charge of exporting Nishikigoi to Europe, America and Asia. At that time, although there was a community of Nishikigoi enthusiasts in the United States, the knowledge about Nishikigoi was still lacking at the time (wrong information was being circulated). Thus, he recognized the possibility to open a new market as there were no genuine Nishikigoi professionals.

they could get people to see the beauty of real Nishikigoi.

On the one hand, there were already many large wholesalers in Europe. In addition, although the market in the Asian region, including Hong Kong and China, has grown significantly, the transportation cost is high despite the short distance from Japan, and the cost is the same as coming directly to Japan to purchase. Hence, the distributors did not take the risk to enter the market, thinking that they would be eliminated eventually.

Company K in was established in L.A. in 2001 after looking for business opportunities in this way. Then, an acre of land was rented from an American customer he had a connection with through Miyoshiike's overseas online retailing business, and built a pond there. The company purchased the branded Nishikigoi from Niigata, managed the stock in the pond, and started selling them through an Internet auction. Additionally, a website was created that allows the customers to see the breed of Nishikigoi and the company (producer of the production area) which raised the Nishikigoi. While there is latent demand for Nishikigoi to the extent that there are enthusiasts, the problem unique to the American market was that correct knowledge about real Nishikigoi was not widespread. Therefore, in 2002, the first English-language book on Nishikigoi, "KOKUGYO"<sup>12</sup> was published in an effort to spread expertise. As a result, even the koi with a high price of several thousand dollars could be sold immediately on auction sites, making it a successful start.

**Photo: Growing Koi at Kodama Koi Farm**



(Source) Photo by the author

#### **(4) Creation of local innovation**

Just as the business was starting to become promising, Nishikigoi in the fish preserve,

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<sup>12</sup> Currently, up to the 3rd edition (US\$275) has been published. The book can be purchased from the online bookstore of the largest NPO of the American Koi Club (Associated Koi Club of America). <https://www.akca.org/akca-bookstore/books/> (Accessed on: October 16, 2022)

which had been managed in inventory, became infected with an infectious disease called carp herpes. Carp herpes is an infectious disease of fish with a high mortality rate and no effective treatment. All the carp in the same fish preserve had to be poisoned. Mr. Taro called each of the buyers of the koi he shipped to tell them honestly that they were infected with carp herpes, and carefully explained how to handle it. Although there was a serious drop in sales temporarily, the attitude of "recall responses" at that time gained the trust of customers in the American market. Communication with customers, such as consultations on how to raise koi also increased. After resuming sales, the number of repeat customers and new customers increased to the extent that the need to expand their business was perceived.

However, another serious event soon followed, which became a problem for the company's management. The Niigata Chūetsu Earthquake that occurred in 2004 caused great damage mainly in the Chūetsu region of Niigata Prefecture, which is the purchasing area of Nishikigoi. 80% of the Nishikigoi in the Chūetsu region, the production area where they were purchased, died, causing a destructive loss. Due to this, many businesses went out of business. The production area had no other option but to recover with the few surviving Nishikigoi. For recovery, it was necessary to normalize all the functions of artificial insemination using exclusive equipment and water tanks, the process of egg-laying and raising fry (fingerling), and the process of raising fry (young fish) in exclusive artificial ponds. At this point, Mr. Taro wondered if there was some way to support the recovery of the Niigata production area from the United States, and came up with the idea of importing Nishikigoi from the juvenile stage and raising them in the United States. Generally, it is common to buy and sell Nishikigoi that have been bred for 2 to 4 years so that their body shape, patterns, and colors can be beautifully and clearly seen, but that recovery would take a long time.

**Photo: Mr.Taro Kodama is inspecting the condition of koi**



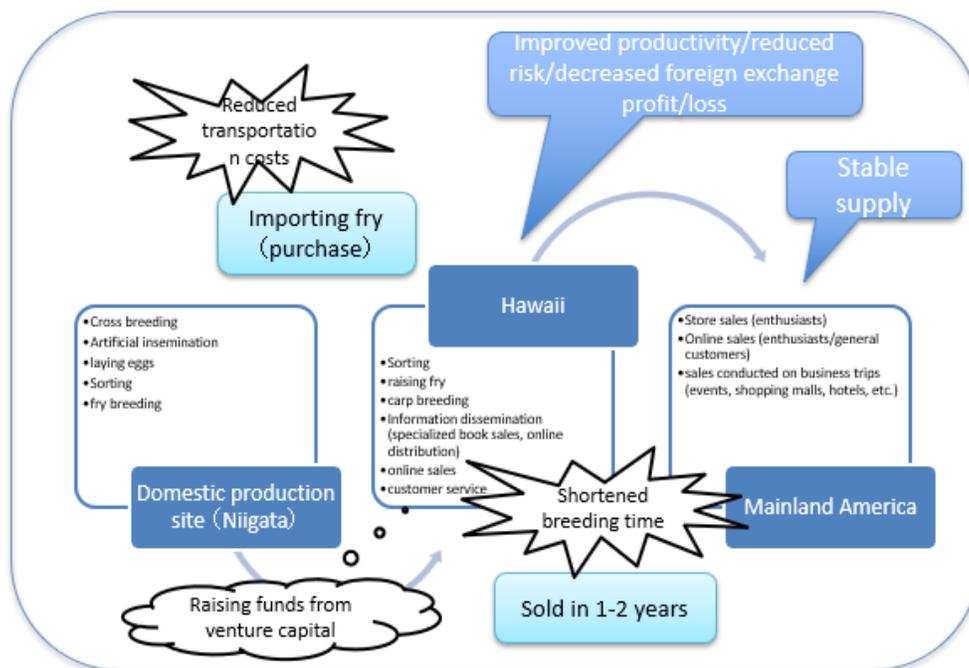
(Source)Photo by the author

There is a reason for being able to move into action without any delay at this point. Originally, there was awareness of the problems with the arrangement of the previous business conditions which led to making the decision to reform (to engage in innovation activities) promptly at this time. Until then, there were major problems such as the simple business of importing and selling Nishikigoi from Niigata meant that a stable supply could

not be provided, and the cost of transporting large fish from Japan was high (at the time of the herpes incident, it caused a great loss)<sup>13</sup>, and the problem of foreign exchange losses. The introduction of new mechanisms reduces transportation costs, risks and production costs. The earthquake triggered an awareness of the everyday problems that led to prompt action at this time.

The scale after moving to Hawaii has simply increased by more than 10 times. In addition to that, with the company’s own knowledge and technology, they were able to produce koi with high commercial value. As a result, productivity has improved significantly, risks have been reduced, and stable supply has become feasible. This is definitely the creation of “innovation.” In this manner, the new business model that has led Company K to sustainable growth was born (see Figure 2).

**Figure 2: New Business Model**



(Source) Created by the author based on the interviews

### (5) From Family Business to Company Management

Based on this business model, a large amount of investment was received from Japanese venture capital and 200 million yen was invested for facilities and created a distribution base for breeding Nishikigoi in Hawaii. Mr. Taro breeds young Nishikigoi imported from Japan in the United States and distributes them to the American market by renting 10 acres of land (about the size of Tokyo Dome) on the island of Oahu, Hawaii and shifting the headquarters from LA to Hawaii.

In Nishikigoi farming, the natural environment, water quality, cold water temperature of 16 to 25°C even in summer, and soil are considered to be appropriate for Nishikigoi

<sup>13</sup> In addition to not incurring transportation costs for fry (young fish), it is easier to control the risk of diseases that occur during the breeding stage.

production. The most important factor is maintaining a stable water temperature throughout the year. However, in Japan, it is difficult to maintain a stable water temperature, due to the four seasons. In this regard, Hawaii's water temperature is constant throughout the year and the climate is mild, which makes it easier for plankton to breed, making it ideal for cultivating Nishikigoi. This is regarded to be an important element for Nishikigoi to grow without stress. This is because plankton can easily grow and the color of the pond becomes dark green, which is effective in protecting the fish from natural enemies. When it was actually tried, it grew to a surprising average of 60 cm in one year, which takes four years to grow an average of 60 cm in Niigata.

As a result, the stock increased tenfold, making it the largest Nishikigoi farm in the United States. His parents, younger brother and several Miyoshiike employees also migrated from Japan with the move to Hawaii. Using this as an opportunity, local people were hired, and the company changed from a “family business” to a “company management”.

#### **(6) Management during the COVID-19 pandemic**

A noteworthy point in this company's case study is that it has continued to grow steadily during the pandemic despite facing numerous crises on the brink of bankruptcy before the pandemic (significant events are detailed in the next section). As mentioned before, even when the company had to face numerous difficulties, it overcame them by finding the best way to survive, repeating trial and error. Thereby, the company grew into a stable organization. The company was able to respond quickly and appropriately to the socially shocking changes brought about by the Covid-19 crisis, as the company essentially did not change its coping method from the dramatic changes it had already encountered in the past. Therefore, even during the pandemic, the company was able to grow steadily.

When the lockdown was declared due to the coronavirus pandemic, the first decision taken was not to lay off employees. Not even a single employee was laid off even during the COVID-19 pandemic. The management and all employees worked together to immediately address the issues that have arisen due to the changes caused by the COVID-19 pandemic. A prompt decision was made to close and withdraw from the New Jersey (NJ) store, which is the base for face-to-face sales. Even though the NJ base was the store with the highest sales among stores, it was understood that there would be restrictions on the movement of people and face-to-face sales, which led to the decision to withdraw completely. Due to the fact that the decision was made early, the effect of cost reduction was greater than the negative impact on sales. At that point, the scraped-up expenses were added to online sales in order to overcome the Covid-19 impact and all the employees were in agreement. When closely checking the monthly figures, online sales seemed to increase rapidly as expected, so the focus was given to all resources (including the stock) on digitization. Hence, based on the two modes of the business model and organizational management (the management system will be described later) that were built before the COVID-19 pandemic, both sales and ordinary income have been growing sustainably during the COVID-19 crisis by adapting to versatile touchpoints and distribution systems. One of the factors of success was the ability to capture the “stay-at-home demand” of the COVID-19 crisis in a timely manner.

In 2021, Company K moved to the United States and completed its 21st term. Sales reached about 440 million yen. Ordinary profit is at 64 million yen, and the ordinary profit

rate is growing steadily at 14.6%. Currently, the goal is to achieve sales of 650 million yen, an operating profit of 100 million yen, and retained earnings of 200 million yen by 2025.

In its current mid-term business plan, there is a plan to build a distribution center in Texas in 2025. Texas as a base, the company is aiming for further development as a foothold for expanding markets in Central and South America.

#### **4. Analysis of Innovation Creation Factors of Transnational Entrepreneurs**

The above chapters talked about the case of transnational entrepreneurship in Hawaii and introduced the actual situations from the search for business opportunities by immigrant entrepreneurs to market development as well as from the brink of bankruptcy to the growth of the company organization.

The reason why the company has grown into a rock-solid organization that can go forward even in the face of dramatic changes such as the corona crisis is its behavioral characteristics which allow to overcome unexpected events that have been encountered. The same can be said for the background of the new business model and behavioral characteristics that were seen in the case study. In the following sections, the study analytically explores the reasons as to why the company was unable to grow and was slow, and the factors that allowed it to grow into a solid organization and how President Taro's behavior changed after a decisive event and how it affected the results.

##### **(1) Factors that hindered the growth**

When the company moved to Hawaii and launched a new business model, it was considered that the company would smoothly enter into the growth phase. Theoretically, both sales and profits should have increased significantly. However, the actual sales did not grow as expected, despite increasing the scale and the debt continued to grow. The reason for this was not a management strategy or a business model problem, but a management problem. Mr. Taro often disagreed with Mr. Mamoru's opinions, who was a dealer of carp and the company chairman, about the company's management policy, and for a while after moving to Hawaii, the company's management did not go well. Mr. Mamoru has his own way of thinking as a carp dealer, as well as his thoughts from his highly successful experience of establishing Miyoshiike during the period of rapid economic growth in Japan, which he developed steadily. Mr. Taro has ideas based on first-hand experience of cross-cultural exchange, experience at a major securities company online business, and successful experience in solidly developing the American market in LA. Employees were confused as the company's policy was derailing, and several people, including technicians brought from Japan, resigned. The low retention rate of employees was a heavy blow to carp breeding, which essentially requires technology and skills. Mr. Mamoru was not ready to allow his eldest son to run the business completely while Mr. Taro was not ready to become a business owner. He believed that if something happened, the chairman should take responsibility. This situation continued for several years.

##### **(2) Factors of growth**

When he was worrying about what a business owner should be, he learned about the opening of the Seiwayjuku Hawaii academy, from a local information magazine. Mr. Taro belonged to the "learning community" since the academy opened in Hawaii, and when he faced problems in management, he looked for clues to solve those through the study

sessions that were held regularly.

Seiwajyuku was founded in 1983 by a group of 25 people as a learning community that transcends organizational boundaries<sup>14</sup>, which originated from a meeting that started when Mr. Kazuo Inamori, the founder of Kyocera and KDDI, was asked by young business owners in Kyoto to teach them how to run a business. Seiwajyuku Hawaii opened in January 2010 as the fourth school in the United States (Los Angeles, New York, Silicon Valley). Seiwajyuku Hawaii grew into a total of 60 members and was dissolved in 2019 when the original Seiwajyuku closed. "Dojo RITAH" was founded in 2020 as its successor in Hawaii<sup>15</sup>. At this point, members were limited to volunteers who were earnest about working on management innovation, and the rules of the new organization included evaluation criteria such as the rate of participation in study sessions and preparation for initiatives. Dojo RITAH is currently active in Hawaii with about 25 Japanese immigrant entrepreneurs and successors of Japanese immigrants, including Mr. Taro<sup>16</sup>. Even during the COVID-19 pandemic, they continue to have regular weekly discussions with immigrant entrepreneurs who share problems and ambitions that are common to all. For the Kodama family, which had its second business establishment in the foreign land of America and has continued to run the family business, entering this learning community was an ideal opportunity to feel relieved for the first time.

### **(3) What actions were taken and what has changed?**

Mr. Taro was desperate to genuinely gain some awareness from the learning community of Seiwajyuku which had aligned interests. He interpreted the teachings of Seiwajyuku in his own way and put them into practice. At first, Mr. Taro believed that "only actions can change reality," so he intended to take action. Thus, the first action taken by Mr. Taro was to "communicate with employees" and "make sure that all the employees are in agreement (regarding the company's goal)". This practice is called Philosophy Management in Inamori Management<sup>17</sup>.

Specifically, it started by having a meal with the manager once a month. Nevertheless, it seemed that second-hand words that were not assimilated by himself did not resonate with the manager. Even though any effects of superficial conversations could not be seen,

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<sup>14</sup> At Seiwajyuku, students enthusiastically learn Inamori's management philosophy, which states that "the mission of a manager is to boost morale, improve company performance, and make employees happy." Expanding nationwide from the voluntary activities of its members, the academy closed at the end of 2019, with 56 schools in Japan and 48 overseas, with approximately 15,000 students, after 36 years. See Kazuo Inamori's official website (accessed October 2, 2022) URL: <https://www.kyocera.co.jp/inamori/management/amoeba/>

<sup>15</sup> It was founded out of the necessity to enhance the brand power independently, without relying on the "Seiwajyuku" brand as a learning community where small and medium-sized business owners in Hawaii can learn philosophy to boost their morale and grow their business in Japanese and English.

<sup>16</sup> As of the field survey conducted in July 2022. The members consisted of people who are about to start a business, to business owners with annual sales of \$30,000, \$1,000,000, and \$50,000,000, all studying in the same room. The qualifications for admission are: (1) A person who has the final decision to take responsibility for management or an equivalent person, and a person who has the ability to put Inamori philosophy into practice. (2) Those who understand the essence of Inamori's philosophy and have a strong desire to learn and put it into practice. There is a strict examination for entering the school, and if you repeatedly miss classes after entering the school, you have to drop out of the school.

<sup>17</sup> Philosophy management is a way of thinking based on an original management philosophy created by Kazuo Inamori to realize Kyocera's management philosophy by addressing fundamental questions such as "What is right as human beings?" and "What is the purpose of human life?". It is based on the guidelines for work and life created by overcoming various difficulties, in order to realize "management by all employees" in which each employee plays a leading role and voluntarily participates in the management. See Inamori, previously cited (30). (Accessed: October 17, 2022).

interactions with employees have continued anyway. At that point, he realized the difficulty of sharing his thoughts with the employees. Although the importance of bringing empathy was understood, he repeated trial and error without knowing the means or methods.

For example, every June, employees and their families were invited to a beach barbecue as an annual event. Letters were written to employees on their birthdays. Even when the company is running out of funds or even now, when the business has improved, the company continues to communicate and keep in touch with its employees. Twice a year, a general meeting of all employees was also started during this time and continues to date.

As a means of sharing the president's actions and thoughts, reports on what they are working on and what they are thinking are sent out in the "Awareness of the Week" once a week. Since the employees belong to many nationalities, including Japanese, Americans, and Filipinos, the two languages; Japanese and English are being used. As a result, employees' motivation began to change by telling each employee their dreams and points of view. The results of practicing the philosophy management could be seen in the high retention rate of employees.

By thinking about the management philosophy together with the president and employees, the company's vector was aligned in one direction. Based on this management philosophy, it is believed that efficient management has become possible by unifying the organization and uniting the motivation of employees with the goal of the president. This can be easily comprehended from the fact that there is a positive correlation between the timing of changes in Mr. Taro's behavior, organizational changes, and numerical changes. Based on this single management philosophy, the company was able to create a channel that facilitates smooth communication between the president and employees, making it possible for all employees to participate in management. Participation of all the employees in management has resulted in creating a rock-solid organization that can flexibly implement new business models and produces results even in the face of crises caused by external changes. In this manner, while repeating the practice of learning from the learning community, the business stabilized and began to regenerate profits.

#### **(4) The Behavioral Characteristics of Leadership**

In 2014, the company had to face another crisis of bankruptcy. Suddenly, the landlord who was renting the land requested to vacate the premises within a year. This meant throwing away the facility, which was an investment of more than 200 million yen, which had not completed the repayment, and rebuilding the facility from scratch in a new location. The only option was to carry out the illogical plan of demolishing the facility, looking for a new place to move, digging a pond, liquidation of the tens of thousands of carp fish, and moving the remaining inventory to the new location, all at the same time, in order not to face bankruptcy<sup>18</sup>.

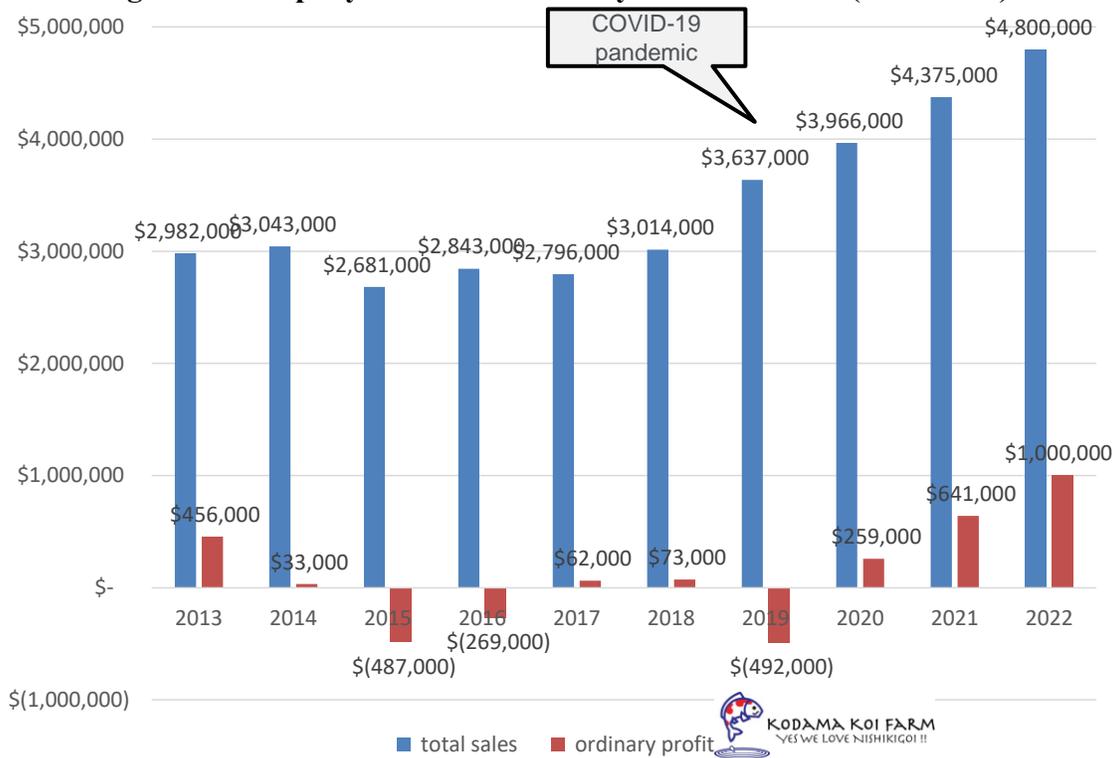
There was a sense of unrest within the company. The family was divided over the future of the company. Mr. Mamoru and his third son said, "Why don't we take this opportunity to have all the employees quit, and start again with the Kodama family alone? Instead of clinging on to Hawaii, why don't we move to the store in Florida?"<sup>19</sup> With these ideas, Mr. Taro was once again torn between the chairman and the employees.

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<sup>18</sup> Kodama(2016), see p.37.

<sup>19</sup> See Kodama ibid, p.39.

**Figure 3: Company K's Sales/Ordinary Income Trends (2013-2022)**



(Source) Figure courtesy of the Kodama Koi Farm

However, when it came to the problem of relocation, a prompt decision was made that was different from the previous one (immediately after building a new business model). That is, he made decisions based on his principles despite the opposition from the chairman. From the experiential knowledge gained from Seiwajyuku Hawaii, he was convinced that "the company's reason for existence is to pursue the happiness of all employees". Therefore, that moment was seen as a chance to prove his leadership as the "president" and resorted to take action.

The cash flow of the company was checked many times with the second son who is in charge of accounting and decided that if they could liquidate the stock of Nishikigoi and raise funds from the bank, the company would be able to survive somehow<sup>20</sup>. Consequently, the decision and action taken at this time divided the fate of the company. As already mentioned, the company's sales have been steadily increasing since then (see Figure 3). Even amidst the COVID-19 crisis, it did not slow down, and not only sales but even ordinary income continued to grow. The company began to grow in a stable manner only when the innovative business model was in harmony with the innovation of management. During the relocation problem, determination and leadership as a business owner proved to be essential and the results changed greatly by executing those. According to Mr. Taro, this determination, which is considered to be the starting point of a manager, was gained by studying from the learning community. It is said that this determination gave Mr. Taro the courage to never run away from any difficulties and enabled him to show leadership.

<sup>20</sup> See Ibid, p. 39

## 5. Discussion/Conclusion

In this section, based on the case study and results of the analysis that have been explained so far, the study attempts to present the image of an innovator unique to Japan and the innovation capabilities that should be incorporated into Japanese entrepreneurship education.

First, as a Japanese, it is essential to make use of the superiority of "Japan" in order to create innovations that can be applied globally. As shown in this paper, one of the advantages that the Japanese have is their technical strength. For example, in order to locally implement the production and sales of Nishikigoi introduced in this case, advanced "techniques/skills" were required. Specifically, it is a technique related to sorting and carp breeding. Letting the koi swim in a pond is not enough. That is; the pattern, color, and health of the koi in the future will change greatly depending on the environment and the method of raising them. During this process, "quality" becomes the most important product value. Quality means the trust of customers, that is, the brand. Therefore, it is one of the innovation capabilities that Japanese people should have, which is based on technical strength.

Then, in this case, it can be pointed out that the resources of both the home country and the country of expansion were utilized to create globally accepted innovations. As the resources of the two countries are embedded in the networks of their respective countries/regions, in order to mobilize them, it was necessary to build loose relationships with networks in each country and region as a prerequisite and to control the resource utilization arrangements of both sides. Additionally, since the combination of resources itself (new combination) becomes a significant requirement for innovation creation, the ability to utilize the networks in which those resources are embedded becomes important.

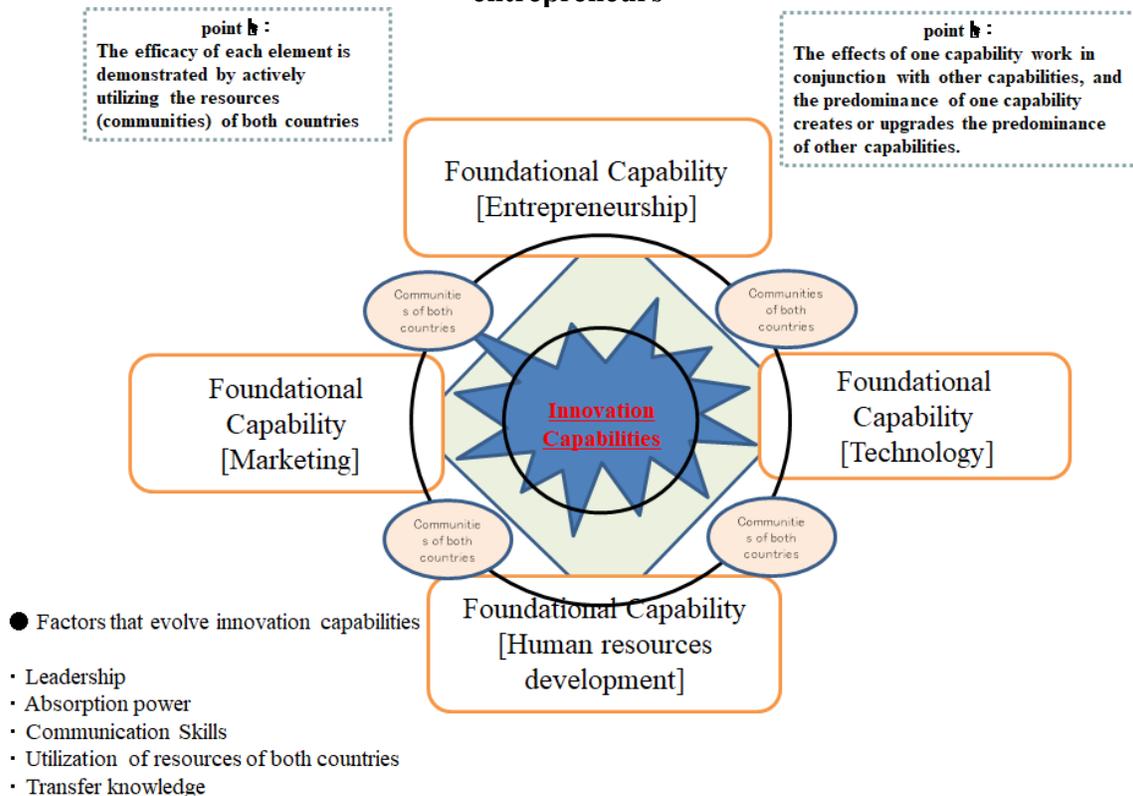
In this series of processes, "entrepreneurship" that acts to create value by oneself becomes an essential requirement. That is; behavioral characteristics become vital to mobilize the resources embedded in the communities of the two countries, control the balance, and combine those resources, from the business opportunity to the planning stage. At this stage, it will be necessary to have the behavioral characteristics of displaying leadership that operates both management and innovation activities while compromising the organizational cultures of both countries. In this case, by "controlling" the balance of resource superiority between the two countries, it was possible to increase productivity while avoiding risks. However, it should be noted that resource mobilization is not something that can be easily controlled. In order to control these resources, it is necessary to carry out "embedding" into the network (community) of the two countries and "build a relationship of trust". Specifically, by creating a breach (export of fry) in a part of the "production center (entrepreneur community)", expanding the supply chain, creating a breach to develop the market in the local "enthusiast community" and combining/merging each of them has led to the innovation of "improved productivity + reduced risk" which is mentioned above.

It is not necessary to be equipped with this kind of "entrepreneurship" from the beginning but must continue to evolve through experience. For that purpose, one must have the "absorption capacity" to acquire knowledge and evolve through trial and error experience.

As seen from this case study, "opportunities for learning (awareness)" play an important role in utilizing absorptive capacity in innovation activities. For this reason, it is necessary

to create opportunities for learning in external communities, such as establishing communication channels between management and employees within the company, as well as external study groups and workshops. The "network power" of approaching and building relationships with communities inside and outside the organization becomes a significant ability in building a foundation for innovation activities.

**Figure 4: Conceptual diagram of innovation capabilities of transnational entrepreneurs**



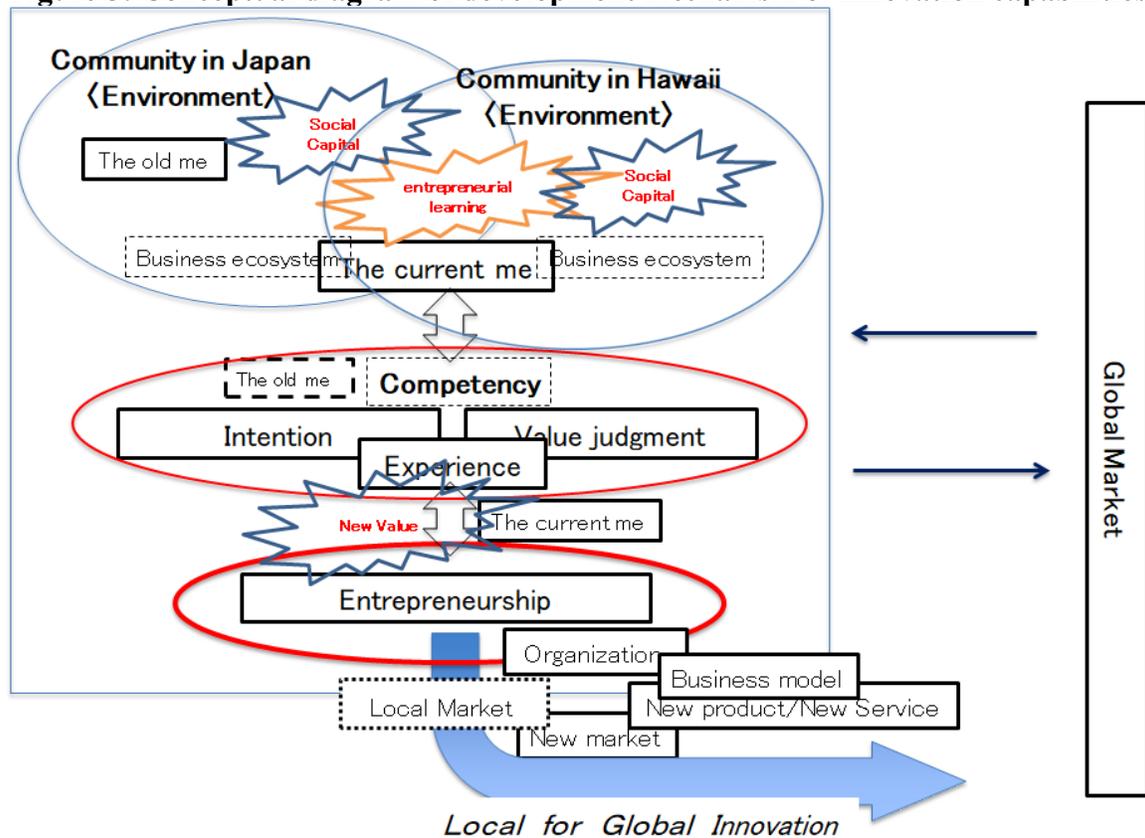
(Source) Created by the author

Eventually, the practice produces profit as a result. For that purpose, "marketing power" that can reflect the results of experiments in products and services, such as the ability to conduct market research, the ability to propose ideas, and the financial analysis ability to analyze profits, is required. Moreover, as indicated in this paper, even if a business model that creates new value can be built, an organization cannot grow sustainably unless it can share its vision with employees and elevate employee motivation. In order to grow as an organization, it is necessary to grow together with the employees. The ability to develop human resources to create opportunities for employee growth is an important ability for management in determining the sustainability of the organization. Therefore, it can be said that the management's marketing ability and human resource development ability are essential as the foundation of innovation ability. The innovation capabilities essential for transnational entrepreneurs are shown as follows (see Figure 4).

The following two points are the points of this conceptual diagram. The first point is that it is not required to have all four elements, but if any one element is particularly superior,

it will pull up the other elements to increase their superiority. For example, Kodama Koi Farm had excellent technical strength, but their marketing skills were not particularly excellent, mostly because they had no experience in Japan. However, they were able to identify the needs that come in through contact with the local enthusiast community and succeeded in developing markets by utilizing their technical capabilities to meet those needs. As a result of developing trial-and-error marketing activities with technical capabilities as a weapon and learning by watching others, an original business model was created. The second point is that the utilization of communities in both countries enhances the efficacy of each element. For example, by building a network between Nishikigoi production communities in Japan and communities of carp enthusiasts and learning communities in the United States, and by utilizing these networks, the company was able to succeed in developing sales in the global market and in achieving organizational management. Thus, the effect of one factor accompanies the other, and the predominance of one factor creates or enhances the predominance of the other factor. Similarly, the effectiveness of each element is displayed by actively utilizing and linking knowledge and resources gained from local communities in both countries. The explicit linkage of each condition encourages the “learning” of human resources, and the mechanism that enhances the innovation strength brought about by the four conditions as a whole begins to work.

**Figure 5: Conceptual diagram of development mechanism of innovation capabilities**



(Source) Created by the author

#### **(4) Future Research**

Finally, in order to generalize the concept of innovation capability of Japanese immigrants' transnational entrepreneurship, it is necessary to carry out comparative studies and statistical tests with the actual situations of other industries/races in the future due to the limitation of this case being a single case of a transnational start-up in a conventional local industry. In addition, it is necessary to consider the fact that circumstances vary immensely depending on the region and country. Especially, as there are not many examples of success and development in innovation activities, it was not possible to adequately discuss whether the strategies of transnational entrepreneurs are applicable to other countries and other races. It is necessary to theorize the innovation strategies of immigrant entrepreneurs by not only looking at transnational entrepreneurship from a limited perspective but also by analyzing it across various industries and multiple races. More than anything, in order to grasp a useful system for creating innovators in Japan today, in addition to embodying innovation ability, it is vital to understand a framework for incorporating them into an "educational program" to see how it can be promoted. For that purpose, it is necessary to further examine how innovators can be "educated". Analyzing these types of cases related to entrepreneurial education is also an important perspective to increase the theoretical probability of this research.

As described above, there are many remaining research issues and efforts will be taken to shed light on those.

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