

8. Country Report of Japan¹

8.2 Current Status of Women Entrepreneurs of Japan

The Evolution of Female Entrepreneurship in Japan

Much like ICT, entrepreneurship is also seen as a driver of economic growth (Minniti, 2010; Futagami and Helms, 2017). And academics, as well as research, have relayed the message that ‘female entrepreneurship does matter for development’ (Minniti, 2010, p. 295). In higher GDP countries, it is generally believed that the entrepreneurial sector has a greater propensity to grow, as it is presumed that individuals should have more resources and education to start businesses than citizens from lower GDP nations (Minniti, 2010). Research has also shown that, generally speaking, women from higher and low GDP countries, as a group, tend to explore entrepreneurship opportunities more so than women from middle-income countries. The reason for this is that women from middle-income countries tend to choose more stable employment opportunities in large, well-established manufacturing plants or companies rather than engage in entrepreneurship, which can be perceived as being more risky (Minniti, 2010). Based on such opinions, and given that Japan is a highly innovative, developed, and advanced country in terms of ICT, some may argue that Japan would present a good environment for female entrepreneurship. However, other research pertaining to Japan points to some problematic areas for women when it comes to entrepreneurship.

Traditionally, Japanese cultural rules and pressures led women to sacrifice career aspirations in favor of familial obligations, therefore leading many women to drop out of the labor market after marriage (Guth, 2000). However, over time, some of these cultural and societal beliefs and rules are now changing, which has also led to more acceptance and open attitudes towards entrepreneurship in Japan, especially among women. Early research dating back to 2004 highlighted the dearth of female entrepreneurs as compared to male counterparts but held the position that economic and socio-cultural changes were beginning to shift and open the door for women to explore more entrepreneurial opportunities (Debroux, 2004). Some societal and cultural factors which influenced the growing trend of women business owners were attributed to Japanese women either marrying later or needing to support themselves financially as divorce rates grew, and women in general seeking more satisfying career choices (Debroux, 2004). Additionally, rising living costs also pushed some married women to explore employment opportunities outside of the home to supplement household expenses. Furthermore, in 2006, country laws removing minimum requirements (in terms of capital) to register a joint stock company made it easier for citizens to launch businesses and hence become entrepreneurs (Ishiguro, 2009). Even though the

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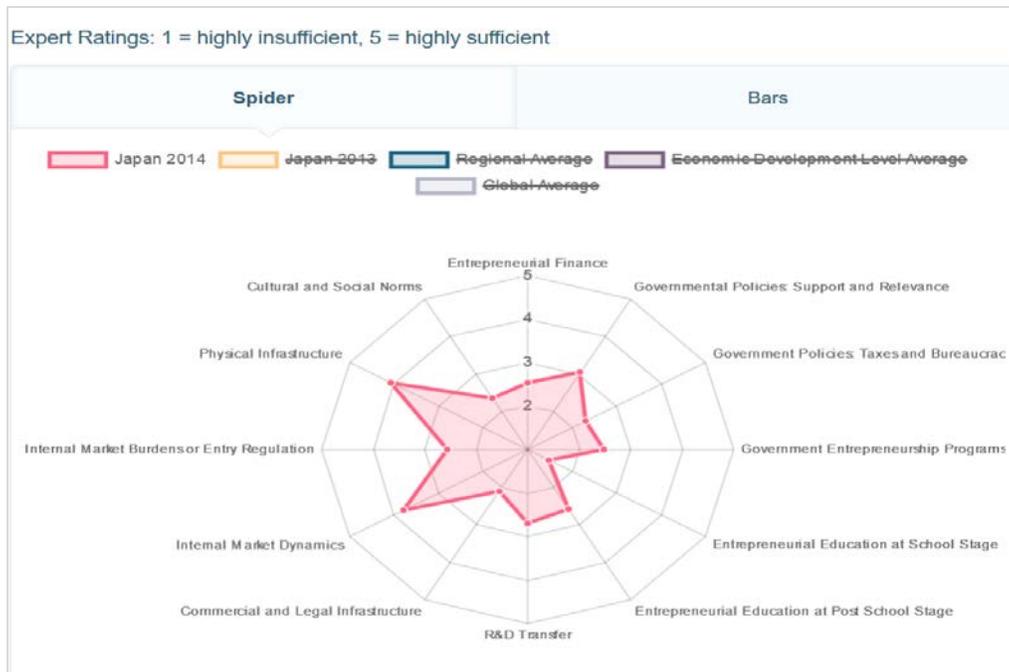
new legislation may have helped to make launching a business more attractive and easier, women at this time still struggled. In 2007 government data, it was reported that more than 20 percent of female entrepreneurs (double that of men) were forced to close their businesses (Jiji Press, 2007). Among the reasons cited by women for closing their businesses were: insufficient business skills & training, gaps in management skills, and weak networks/personal connections. Issues with balancing motherhood/family obligations and work was also cited as a major factor in leading women to leave entrepreneurship. Other research also pointed out issues with discrimination, as women entrepreneurs often found it more difficult than male peers to get financing & loan from banks and suppliers (Debroux, 2004).

Entrepreneurship Entry Barriers in Japan

Before examining some of the added complexities gender brings into the equation when looking at the current status of women entrepreneurs in Japan, this study will first briefly overview some general and relevant country related barriers to entry in entrepreneurship.

In the latest 2018 report for the Global Entrepreneurship & Development Index (GEDI), Japan ranked 28th out of 137 countries (GEDI, 2018). The Global Entrepreneurship Monitor (GEM) report may shed more light onto Japan’s ranking, and help explain the country’s lower global position. In a 2014 GEM report, Japan was found to be lacking in the below areas in terms of a country’s ability to provide favorable entrepreneurial conditions (GEM, 2015, fig. Entrepreneurial Framework Conditions):

Figure 1. Entrepreneurial Framework Conditions



Other GEM data from 2014 also reported that the rate of entrepreneurial activity (early-stage) for Japan was 3.85 percent, placing the country nearly at the bottom of all economies surveyed (Futagami and Helms, 2017). Therefore, from the research and statistics reviewed, it can be postulated that the entrepreneurship climate in Japan is not exactly thriving.

Some experts have attributed and explained such statistics to the following:

- Limited funding sources
Angel funding is found to be more difficult in Japan than countries like the US. While the venture capital industry is growing, it is still considered to be small in size (Ford, 2016). In fact, one article relayed the following quote, ‘One entrepreneur stated that the eco-system in support of entrepreneurship in Japan is “less than 1% of that in Silicon Valley.”’ (Karlin, 2013, para. 9).
- Legal system
‘Japan’s legal environment emphasises both personal liability and director’s liability. Therefore, many individuals are hesitant to start new businesses knowing that failure could have significant personal consequences’ (Ford, 2016, para. 3).
- Fear of failure
As a country, Japan’s citizens tend to shun change, risk, and uncertainty (Karlin, 2013; Terjesen and Llyod, 2015). These attitudes have only been perpetuated and magnified by recent natural disasters that have plagued the country. National disasters including the Tohoku earthquake, tsunami, and nuclear incidents have made younger generations even more risk averse when it comes to career choices.
- Culture
Like many other Asian societies, Japan is still a culture where parents encourage their children to pursue stable career paths that appear to be more prestigious in nature and tend to pay well (Karlin, 2013). There is still a prevalent trend among young people who are considered to be top talent to pursue careers at large, international corporations, legal firms, or government agencies.

The Status of Women Entrepreneurs in Japan

Benchmarking progress and identifying gaps in female entrepreneurship can be both difficult and complex. One powerful tool for policymakers to assess the current state and predicament of female entrepreneurship in their country is through the Female Entrepreneurship Index (FEI). This index is defined as the ‘barometer of a country’s current situation relative to a group of other countries with respect to the conditions present that will fuel high potential female entrepreneurship development’ (Terjesen and Llyod, 2015, p. 9). In 2015 results of Female Entrepreneurship Index rankings, Japan came in 44th out of 77 countries accessed and was categorized as being in the 40-

60th percentile, thus highlighting the dire conditions of female entrepreneurship in Japan (Terjesen and Llyod, 2015). The report goes on to state that Japan, as well as other East Asian countries, are often better at encouraging women to go into entrepreneurship than at creating conditions that make such options feasible for women, which is also in line with the above findings from the GEDI and GEM rankings and information previously mentioned.

Gender can certainly be seen as a multiplier when it comes to barriers to entrepreneurship. Overall, Japan is a very male-dominated society, scoring a ‘95 on the masculinity scale’ – making it ‘one of the most masculine societies of the world’ (Futagami and Helms, 2017, p. 42). This culture of male dominance can be seen as a contributing factor to discouraging women from pursuing entrepreneurial opportunities. Further research shared in the 2014 GEM report supports such suppositions. The GEM report found that the average entrepreneur in Japan is in fact male, middle-aged (approximately 45 years old) and holds a university degree (Futagami and Helms, 2017). The disparity between males and females was also captured in a 2016 study by OECD on Entrepreneurship. The below table captures self-employment percentages by gender for member countries (OECD, 2016, p. 123):

Figure 2. Share of Self-Employment by Gender



As highlighted by the above figure, Japan’s rate of self-employment is well below the OECD average, and the number of male business owners in Japan is more than double that of female owners. What is startling is that even though Japan is considered to be one of the most educated nations in the world, in 2015 OECD reported that only 67.5 percent of the population was employed in a full-time or part-time job (Futagami and Helms, 2017).

‘Estimates are that if women in Japan would work at the same rate as men their economy would grow by 18%, which could offset the country’s low birthrate and aging population.’ (Futagami and Helms, 2017, p. 41)

The low participation of women in the job marketplace could be reflective of other deeper issues. In connecting research between the predicament of Japan’s ICT strategy, entrepreneurship, and gender issues, an additional dimension that may be considered is the country’s issue with the low participation of women in research. Recent statistics from 2016 show that only 15.3 percent of researchers in Japan are female, which mostly likely stems from an issue with low levels of female entrants in STEM at the graduate level (OECD, 2017). Policy research on Japan has suggested that increased participation by women in STEM fields will likely lead to new research, innovations, and much-needed increases in market/business/economic activity (OECD, 2017).

Overall the research points to a need for an increase of female participation in STEM, research, and entrepreneurship, to stimulate economic growth and cites that the underutilization of women in the job market is not only an isolated trend, but one that needs to be addressed swiftly and quickly before larger economic factors like the country’s aging population, low birthrate, and high national debt present major challenges for the country.