

PRACTICAL GUIDE

LONG-LIVED FAMILY BUSINESSES IN JAPAN

HOW TRADITION-ORIENTED
FAMILY FIRMS SUCCEED IN CROSS-
GENERATIONAL COOPERATION

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With a foreword
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Please notice: In Japanese names, the surname is written first and the given name second (Suzuki Ichirō instead of Ichirō Suzuki). The transcription of Japanese names and terms follows the Hepburn system unless a person whose name is cited uses another spelling (Satoh instead of Satō). Common names and places are given without an accent (Tokyo instead of Tōkyō, Shinto instead of Shintō, or Ohmi instead of Ōmi province).

Where this practical guide includes references to persons in the masculine, these apply equally to persons of any gender.

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CONTENTS

Foreword	4
1 Introduction: The “House”	5
2 The importance of Japanese family businesses	6
3 Success factors for longevity	7
4 The Japanese family system <i>ie/dōzoku</i>	8
Excursus: Language-related hierarchies in family and business	11
5 The phases of the Witten model: the case of the Japanese family business	12
6 The nine-phase-model of succession in Japanese family businesses	23
7 Monitoring the Japanese succession process	25
8 Insights from succession in the Japanese „House“	27
9 Sources and further literature	28
Contact	31

The family business is a topic highly valued in economic research. Mainstream research on today's family businesses contains established beliefs about the significance of the business and the characteristics of families. According to these beliefs, family-run firms develop idiosyncratic features as a result of specific tensions which arise from the members' concurrent roles as family members and business owners. The family business as a formal entity has a significant impact on economies all over the world and, in Anglo-American research, the view prevails that family businesses across the globe share similar characteristics.

It is to the credit of the Witten Institute for Family Business (WIFU) that its researchers do not follow this widely acknowledged "theory imperialism". We find strong differences between family businesses even within the US or in German-speaking countries, be it from an inter-cultural perspective or within the respective national economy.¹ The concept of family as we know it in today's Western cultural context developed along a particular European path that goes back many centuries.² In other regions of the world – such as India, China or the Arabic countries – patrilineal traditions of family self-reproduction are dominant, which means that the male line remains decisive in marriage.

In Japan, a particular form of this patrilineal reproduction pattern developed which has created a unique form of longevity in family businesses. It is



rooted in specific circumstances, including Japan's geographic situation as an island country, which have influenced its historical political and religious development. The Japanese family system, with its ancestral heritage, which is difficult to access for outsiders, extended political lines of development and highly complex religious and cultural influences, has created an economic system that is carried and determined mainly by a delicate and finely woven net of cooperative relationships between businesses and the families behind them.

This practical guide is a spin-off from the volume *Erfolgsmuster langlebiger Familienunternehmen in Japan*,³ which provides a comprehensive guide to the world of Japanese family businesses, still little known in Western circles.

Witten/Vienna, June 2023
Professor Dr Rudolf Wimmer

¹ Berghoff & Köhler (2020).

² Wimmer & Simon (2019), pp. 145-166.

³ Caspary, Rösen, Kleve & Köllner (2023).

1 | INTRODUCTION: THE “HOUSE”

Which German-speaking reader is not reminded of the novel *Buddenbrooks* by Thomas Mann⁴ when hearing of the “house” whose glory and honour must be maintained by the family? The well-known novel tells of the rise and fall of a Hanseatic merchant family in the 19th century. However, the concept of the “house” as an economic unit dates further back in time and can already be observed in the ancient Greek *oikos* and Roman *domus*.

The *oikos* was used to refer to families of the ruling class who could retain their claim to political and military leadership over a prolonged period. The line of succession was maintained with a judicious marriage policy, and conflicts between family members over the leadership position were not always solved peacefully. A family was called a “dynasty” if leadership was passed on through its descendants for more than three generations. The head of the family exercised authority over the entire family resources, which included those of members related to the family by kinship, as well as servants and slaves, and material wealth in terms of residences, castles, and surrounding territories. Usually, the firstborn son was trusted with the succession. This form of economic action emerged from the need to safeguard the entire family’s assets. Historically, a divine mandate was also invoked to support the claim to leadership.

Yet, the history of the “house” is not limited to European traditions: the view of the “house” as an economic unit also underlies the Japanese family system of *ie*, meaning “house” or “household”. The *ie* system has survived as part of the traditional thinking in Japanese family businesses to this day and is, in this sense, similar to the Greek concept of *oikos*.

The Latin word *domus* depicts a cultic communal household comparable to that of the *oikos* described above.⁵

The German term “Haus” appeared in medieval times to describe regulations among the ranks of the nobility concerning specific rights, privileges, duties, and codes of conduct, in a form of house rules, as well as rules on succession and the scope of inheritance. If a dynasty was known by family name, the word “house” was prefixed, as for example with the “House of Windsor” or the “House of Bourbon”. Otherwise, the dynasty could be named after its founder (the “Carolingians” or the “Carolingian dynasty”) or their traditional seat of residence (the “Wittelsbacher” dynasty is from the castle at Wittelsbach, similarly the Hohenzollerns or Oldenburgs).

Over time, the concept of the house to label a family as a dynasty extended to the bourgeois class, as vividly illustrated in the literary example of the *Buddenbrooks* mentioned above. Next to the distinction between nobility and non-nobility, the history of the “house” is primarily concerned with preserving prestige, property, and wealth across generations.⁶

The process of succession in the Japanese model involves a certain form of “monitoring”: the head of the family/household hands over responsibility for the leadership of the *ie* to the person that he (usually a male) identifies to be best suited for the task, and thereby ensures the continuity of the system. Hence, the aim of this practical guide is to elaborate on the *ie* family system and on the mechanisms of monitoring which we observed in long-lived Japanese family firms.

⁴ A good English-language equivalent is Nobel Prize winner John Galsworthy’s novel *The Forsyte Saga*.

⁵ Waterstradt (2019), p. 74.

⁶ On this, see Derks, H. (1996), pp. 221-242.

2 | THE IMPORTANCE OF JAPANESE FAMILY BUSINESSES⁷

In Japan, 96.6 per cent of the country's approximately 2.6 million companies are family firms. Roughly three-quarters of the Japanese workforce are employed in family businesses and 53.1 per cent of the companies listed on the stock markets in Tokyo and Osaka are family-owned or family-managed companies. These numbers prove the importance of the family business for the Japanese economy.

Several statistics reveal that Japan is home to the largest number of long-lived family firms in any country: more than 33,000 of these family firms are over 100 years old, more than 5,500 are over 200 years old, and 21 are even older than 1,000 years.⁸

According to Mr. Hiuke Tamio,⁹ these numbers could be even higher if many documents and records had not been destroyed by natural disasters or armed conflicts over time. Mr. Hiuke is the CEO of the traditional Japanese inn 'Sennen no Yu Koman Ryokan' at Kinosaki Onsen in the Hyōgo Prefecture, which has verifiably been run by the Hiuke family since 717, making it one of the oldest firms run by a single family in the world.

Long-lived family firms are called "shinise", which is literally "old shop of long standing" and addresses the standing of the house and the quality of its products, which have lasted through time. If a *shinise* gave service to the Emperor of Japan, it received a certificate that was perceived as an honourable obligation to uphold high quality and service and raise the standing of their house. Today, *shinise* expresses an honourable perception and refers to the business's adherence to values and traditions and the respect that it receives from society. It has become a label of appreciation, as historical roots are seen as a distinction rather than backwardness.

The research on *shinise* is now an independent field of economic and management studies in Japan.¹⁰ The *shinise* are distinctive not only for their historical origins but also their corporate philosophy, which is often associated with social virtues, including value concepts that derive from the Chinese

classics, Confucian ethics, Buddhist teachings or Shinto traditions.

The managing principles of *shinise* such as the merchants from the Ohmi Province, on Lake Biwa north of Kyoto, have become particularly well-known and are said to be the root of Japanese-style corporate social responsibility. Their philosophy perceives a "win-win-win" situation for all parties: what is "good for the buyer" is "good for the seller" and "good for the world". The underlying principle is that business must be conducted in such a way that customers are satisfied and return to buy again; this makes the business flourish, and thereby creates economic activity which is good for the "world".¹¹ In the 17th and 18th centuries, the expression "world" referred to the space in which a merchant would operate – the direct surroundings which provided him with the resources for the business and where his family and employees lived, but also society in a broader sense. The merchant felt indebted to his surroundings as the business could prosper only because he was able to make use of the resources available for the manufacture and sale of products. This way of thinking was deeply rooted in the Shinto tradition which includes the perspective of nature.

This appreciation or an awareness of the surrounding nature and the people of the local community is still observed today in business relationships, whether with *shinise* or other Japanese companies.

The Witten Institute of Family Business (WIFU) has been investigating why Japan is home to so many long-lived family firms since the autumn of 2018. In April 2019, an interdisciplinary group of researchers conducted a field research journey and visited several long-lived family firms. The findings of the research journey were complemented by further research, including remote interviews¹² and visits, and were finally published as part of the WIFU publication series under the title *Erfolgsmuster langlebiger Familienunternehmen in Japan*. Some of the most important insights are presented in this practical guide.

⁷ Based on Caspary & Rüsen (2023a), Chapter 1, p. 29 ff.

⁸ Numbers from Goto et al. (2018), p. 24 f.; Goto et al. (2021); 100nen kigyō (2019), p. 6.

⁹ Interview on 21 November 2021.

¹⁰ This perception differs from the view on *zaibatsu*, the business conglomerates, which developed in the decades before World War II, some of which also emerged from family businesses; see Caspary & Rüsen (2023b), p. 35 f., and Caspary (2023a), p. 66 f.

¹¹ "Good for the buyer, good for the seller, good for the world" (*sanpō yoshi*), see Suenaga (2019), p. 34.

¹² Due to the Covid-19 pandemic, travel restrictions were temporarily in place. For the entire list of interviews conducted, see: Caspary et al. (2023), p. 291.

3 | SUCCESS FACTORS FOR LONGEVITY

If family firms succeed in maintaining their business over many generations, there must be specific factors that contribute to this success. In the case of Japan, its geographical location and interactions with neighbouring countries shaped its political, economic, and social development. Over time, a specific family system evolved which has shaped the families in Japanese family businesses up to the present. The most important success factors are:

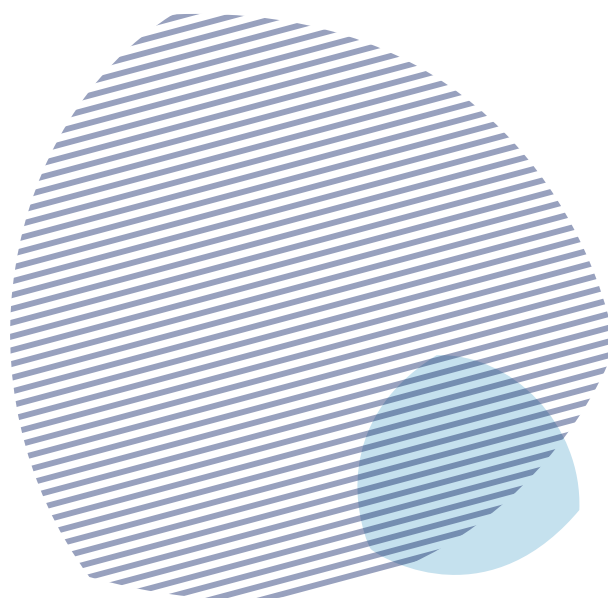
- 1 the family system (*ie*), according to which the “house” is understood as an economic unit to be passed to the next generation;
- 2 adoption, as an option to ensure the succession and to expand the pool of capable successors, and;
- 3 a special attention to the local environment, whose resources have enabled the family business to thrive.

The socio-cultural context shaped the environment in which the family and business developed and determined the perception of both as something to be passed on to the next generation. Although values and customs have changed over the centuries, Japanese business families have succeeded

in educating and guiding the members of each generation in such a way that they have taken responsibility for:

- 1 taking over the traditional family business, maintaining and developing it;
- 2 ensuring that there is a next generation to pass the family business on to, and;
- 3 establishing a form of “monitoring” to ensure that the business will be successfully passed on to the next generation even after the handover.

This monitoring process is built into the succession process for the next generation. Since its foundation, WIFU has been intensively involved with research on the succession process in German (-speaking) family businesses. WIFU researchers developed the so-called ‘Witten phase model of succession’ which divided the process into ten ideal-typical phases. Thus, we applied the Witten phase model of succession to Japanese family businesses and the processes we observed among long-lived family firms. This practical guide aims to shed light on the monitoring element of the succession process and identify some of the key elements which contribute to longevity.



4 | THE JAPANESE FAMILY SYSTEM *IE/DŌZOKU*

The *ie* family system is possibly the most important contributory factor to the longevity of the Japanese family business. The *ie*, or Japanese house, is perceived as an economic unit¹³ whose basic principle is persistence, in the sense of endurance, over generations. Being a member of a house means that a person enjoys privileges and has obligations. These include internal responsibilities for the prosperity of the house and external ones, such as integration into the social order.

The historical development of the *ie* as an institution can be traced back to the 3rd century.¹⁴ In those days, a group of people with a certain (sur)name formed an economic unit because of their blood relationship and dependent employment. In the following centuries, the *ie* emerged into a family

system centred around the stem family, which was the main ancestral line, and to which branch families were hierarchically subordinate. This family system of a main *ie* and branches is called a *dōzoku*.

Usually, the eldest son was the first choice for succession. However, if the eldest son was not capable of or willing to lead the family business, for health conditions or other reasons, the succession could be entrusted to another son.

If there was no male successor but the head had a daughter, her marriage to a suitable successor would be arranged.¹⁵ The son-in-law would then take over the responsibility of leading the family household and the business. He would take the

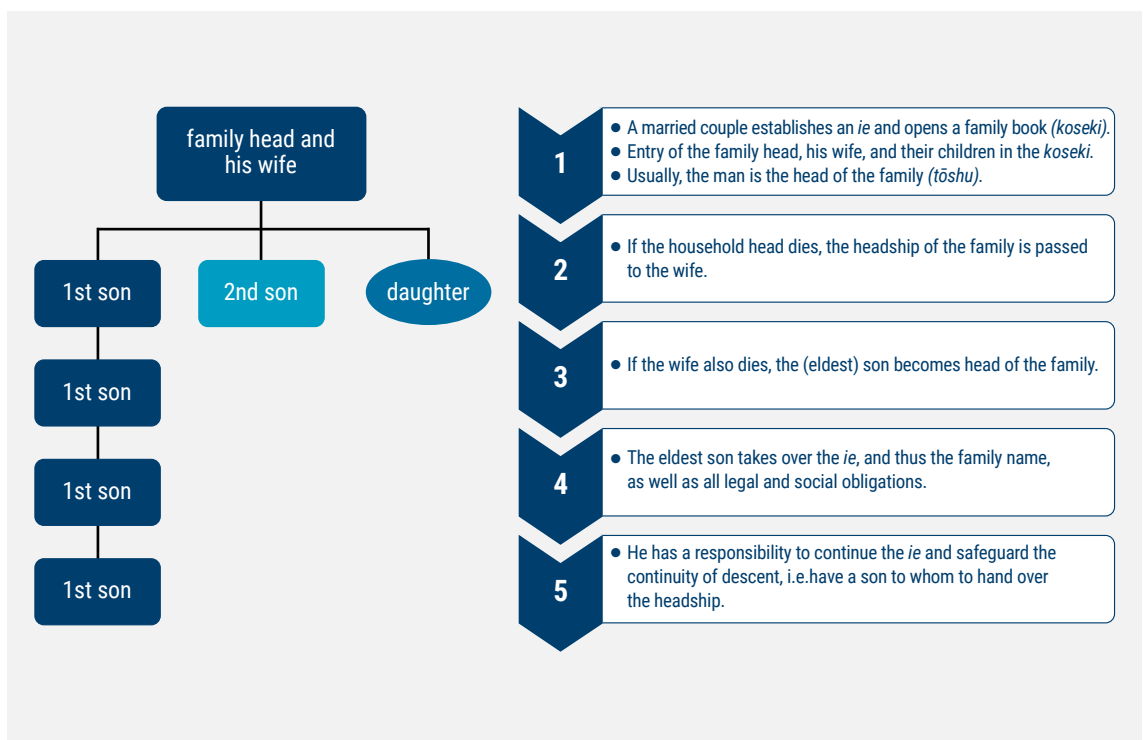


Figure 1: The Japanese *ie* family system: continuation of the name and thus the “brand” (Source: the authors).

¹³ Kuwayama (2001), p. 9; Murayama (2001), p. 304; Nakane & Ōishi (1991), p. 217; Shimizu (1987), p. 85.

¹⁴ Hendry (2019), Nakane & Ōishi (1991).

¹⁵ Mehrotra et al. (2013).

name of his wife's family and look after the affairs of the *ie* like a son, for example providing for offspring and holding Buddhist or Shinto rituals of ancestor worship. Often, a senior employee of the business (*bantō*) was chosen as a successor, as he had already proven his skills in the operational business. Usually, the son-in-law was adopted into the family to strengthen his acceptance and legal position.

If succession from among the children in the main line or stem family looked unpromising, a male member of a branch family would be selected to continue the ancestral line (Figures 3 and 4) or, in cases where there were no children in the main line, the line of the clan would be continued by one of the branch lines. Usually, a second son would be

asked to step into the main line or stem family as an adopted son.

If none of these options were available, a married couple would be adopted.

Throughout the interviews conducted by the WIFU research team with members of long-lived family firms in Japan, it was often highlighted that the household was lucky to be blessed with children that allowed the succession to be continued within the family of the founder.¹⁶

In fact, the number of adoptive sons in long-lived Japanese family firms varies: for example, the Okura family – of the sake producer Gekkeikan, founded in 1627 – has recorded only one case of adoption

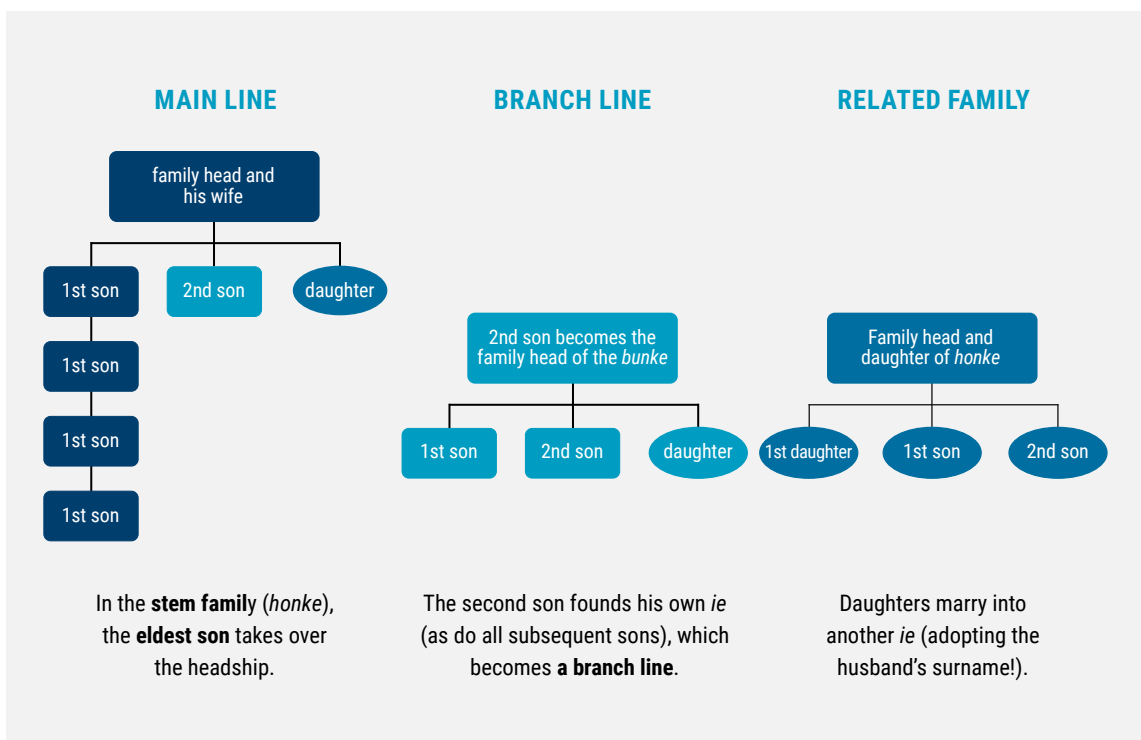


Figure 2: The *ie/dōzoku* model with main line and branch lines (Source: the authors).

¹⁶ Shimizu (1987); Caspary (2023a), p. 101 ff.

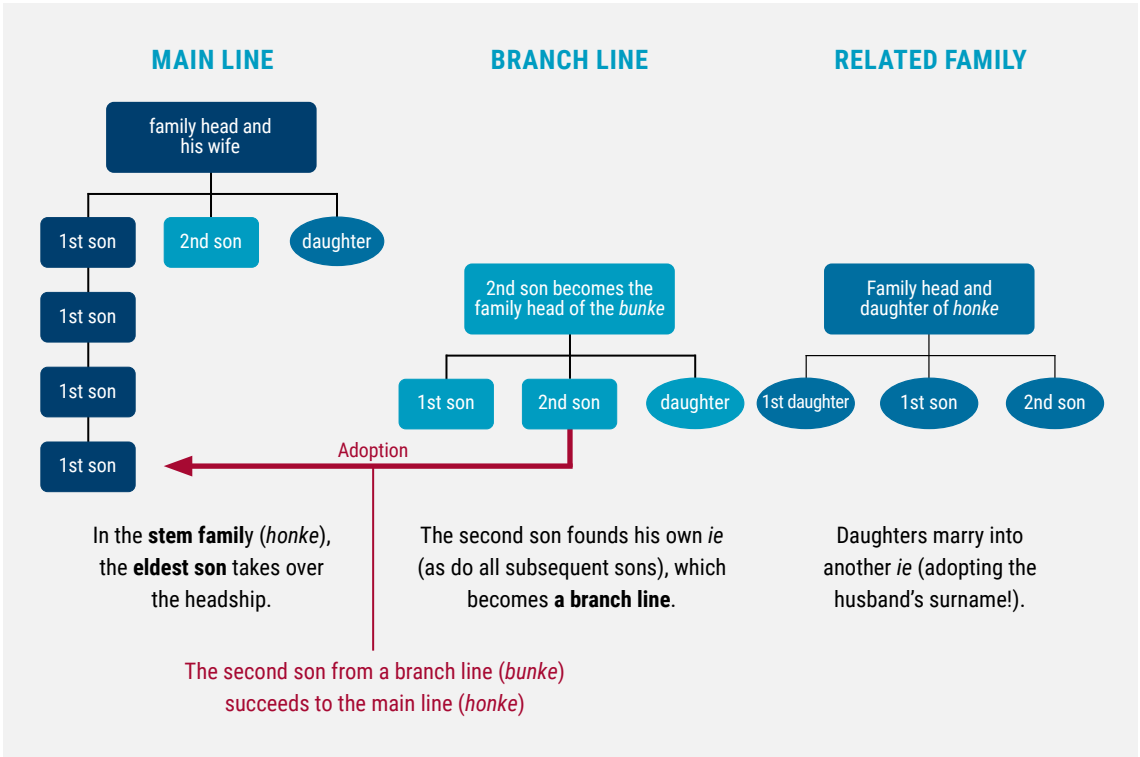


Figure 3: Option 1: Adoption from a branch line of a brother or nephew of the founder or one of his descendants (Source: the authors).

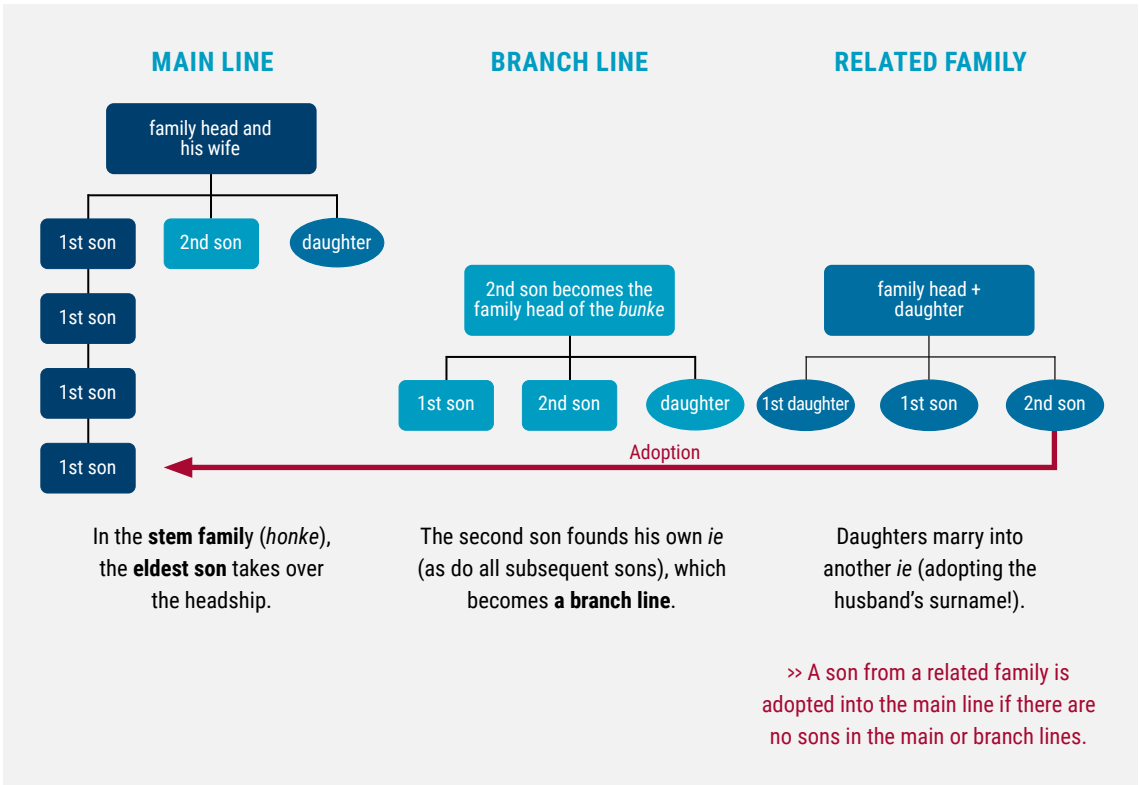


Figure 4: Option 2: Adoption of a male family member who is a relative of a female family member from the stem family (Source: the authors).

from a brother's family line. In the case of the traditional Japanese inn, Hōshi, which was founded in 718, the ancestral line was frequently continued by sons-in-law who took over the headship. Similarly, in Kongō Gumi, the oldest known family business, founded in 578, Kongō Toshitaka, the 39th head and a son-in-law himself, claimed that the ancestral line relied on the health of daughters as the sons often proved insufficiently strong or capable to take over the headship. As mentioned above, the custom of sons-in-law taking over the family name is one of the factors supporting the longevity of (not only) Japanese family business.

Excursus: Language-related hierarchies in family and business

Hierarchies within the family have persisted over centuries, and this is partly related to the linguistic context, which shaped social interactions. The Japanese language (in common with Chinese) uses different words and characters for older and younger brothers, or older and younger sisters. As regards children, different terms are used for the eldest son (*chōnan*), second son, third son and so on, and the same for daughters. These specific terms describing the birth order are also used in communication with third parties, in place of the children's given names, when speaking about the eldest son, the eldest daughter or the younger children. Such distinctions determine a hierarchy among children and siblings, reinforced by the use of the terms in daily language, and manifest a hierarchical order in social contexts over an entire lifespan.

Traditionally, given names also identify the rank of a son through their written characters. For example, Ichirō or Hatsutarō signify the first son in literal terms through their characters; Jirō is the second-born and Saburō the third-born son. Other characters, which stand for numbers, indicate the order of children and, thus, the order of succession.

In some family businesses, it was common to adopt the given name of the founder when taking over the leadership of the business in place of one's own. For example, in the House of Mitsui, the name given to, or rather passed on to, the son of the stem

family when he took over the leadership of the family business was predetermined by the family constitution of 1722. The names of sons in the extended families of the House of Mitsui were also changed according to the names in this historical document when they took over the headship of their branch family.¹⁷ Another example can be found in the Hōshi family: all sons or sons-in-law adopt the name Zengorō when taking over the headship of the family business.

Another widespread custom to indicate genealogical kinship is to transfer one character of the father's first name to the biological sons. Thus, when looking at the first names of a family firm's successors, a son-in-law may be identified because his first name contains no character from the founder's name. This custom is not adopted for daughters.

According to the context, there is another linguistic way to express the dual nature of leading both the family and the business. In the family context, the words "father" (*otōsan*) or "husband" (*shujin*) are used. Within the business, it is customary to call colleagues by their position instead of their surname; hence the household head is addressed as the "active head of the family business" (*tōshu*) when talking about the family business or, more commonly, as "president" (*shachō*). In case the father takes the role of the company head in a family context, family members will address him as *shachō* instead as *otōsan* also.

Within the company context, it depends on the top management structure whether a family head is addressed as "chief executive officer" (*shachō*) or as "chairman of the supervisory board" (*kaichō*) which both are translated into English as "president". At a certain point of time or career, a *shachō* usually achieves the position of a *kaichō*. Once their active leadership of the business has ended, family heads take the position of "(senior) consultant" (*komon*). These titles are introduced here because they will be used in the following chapter to illustrate the individual stages of succession in the business, as they explain how a hierarchical social order is entrenched into the everyday consciousness of the (family) business.¹⁸

¹⁷ Roberts (1991), Caspary (2023b).

¹⁸ See also Caspary (2023a).

5 | THE PHASES OF THE WITTEN MODEL: THE CASE OF THE JAPANESE FAMILY BUSINESS

The Witten Model of Succession in Family Business (WIFU)¹⁹ divides the succession process into ten ideal-typical phases. This allows the succession process to be observed separately in each phase. The outline shows an ideal process in which the single phases may vary in duration and appear different from one family business to another. The application of this model, however, allows an analysis of what happens during each individual stage, who is involved and what the influences are or could be.

In the following chapter, we briefly refer to the phases of the WIFU model and then introduce each specific phase in the Japanese context. Where appropriate, we will distinguish between different perspectives on succession – those of active entrepreneurs and successors, of family members and members of the family business context including stakeholders. In each phase, we will include insights from actions, regulations and practices in long-lived Japanese family firms visited by the WIFU researchers. Additionally, we refer to cultural peculiarities and provide examples of specific cases.

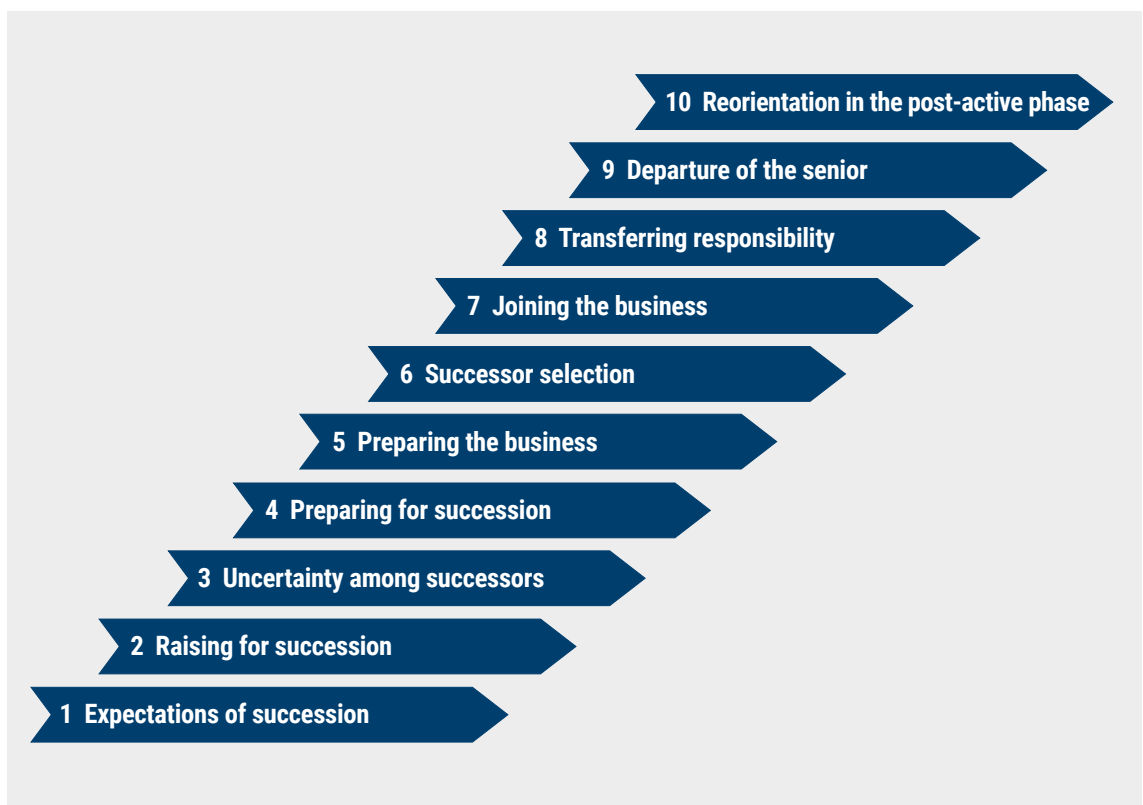


Figure 5: The Witten phase model of succession (Source: Groth, Rösen & von Schlippe, 2020, p. 5).

¹⁹ The Witten ten-phase model is used in its second, revised edition (Groth, Rösen & von Schlippe, 2020).

Phase 1: Expectations of succession

In a family business, succession is an issue that involves everybody on an ongoing basis, sometimes consciously, sometimes unconsciously. When the first of a new generation are born, expectations rise that the next generation will one day take over and continue the family business. The first phase centres on the perspective of the generation currently running the family business. Intra-family expectations of the offspring in entrepreneurial families have an important impact at an early stage when the upbringing and socialisation of successors are shaped.²⁰

Historically, in many parts of the world, passing on the family business to the eldest son has been considered the “natural choice”.²¹ In the Japanese family system too, expectations are “naturally” high that the eldest son will take over the business. These expectations are particularly strong because of the interconnection of the positions of head of the family and head of the business. Two factors reinforce these expectations on the offspring: firstly, instilling a belief in all family members that the house, the family name, and the business are to be continued – in long-lived family firms, the business usually comes first. Secondly, the understanding of relationships within the family and according to social norms, according to which each family member receives a particular role by birth. These intra-family relationships give rise to the children’s sense of obligation towards their parents, their “filial piety”. The obligation felt to respect one’s parents is associated with a desire to fulfil their expectations.²² This behaviour is deeply rooted in society and, hence, can be called a Japanese cultural value. The continuation of the *ie* as a wish or expectation of the parents is thus already embedded at a very early stage and is perceived as “natural”²³ to everybody. Therefore, the expectation of a family head

that the first male child will succeed to the headship of the *ie* bears considerably more weight than can be assumed for expectations of the siblings.

Other family members share the expectation that the eldest son will be the successor,²⁴ and members of the surrounding community, whether the business community or the local community, perceive this as a social norm. In most cases, however, this expectation is not necessarily discussed openly; it is an unquestioned premise from which there is initially no way out without a massive loss of face for all parties involved. As mentioned above, as one child will continue the stem family, the other children need to find other options. Subsequent sons set up their own households, and daughters leave the parental *ie* after marriage and join the *ie* of the husband.

Phase 2: Raising for succession

The period of life from four to sixteen years of age is that in which the next generation of an entrepreneurial family is educated to succeed to the family business. This phase includes the creation of an appropriate awareness of the special characteristics associated with belonging to this family system. If there is more than one child, initial patterns are formed in the sibling relationships and influence the siblings’ behaviour and relationship later in life.

In Japanese family businesses, it is more or less tacitly assumed that the eldest son will succeed to the *ie*. From a parental perspective, it is, therefore, necessary to prepare the son from an early stage to take over this specific role. This education is embedded in daily routines such as the Buddhist rituals of ancestor veneration, for example, in which family members play a role in performing the respective rituals according to their position in

²⁰ Groth, Rösen & von Schlippe (2020), p. 6.

²¹ Choosing the eldest son for succession is also seen as a “natural” choice in many Western countries (Missioner et al., 2020, p. 236).

²² “Filial piety” (*kō*) is a special form of obligation felt within interpersonal parent-child relations, Caspary (2023a).

²³ The term *shizen* (“natural”) was used in several interviews.

²⁴ Even if there are older or younger sisters, the son is often supported to take over.

the family. Further, the hierarchisation of siblings is expressed in daily conversation as described in the excursus above and is therefore also transferred to the interaction between siblings or intra-family relationships in other areas. In this respect, children are already aware from everyday life of what the hierarchy for succession will look like.

Of course, it is important to differentiate between different types of family business in this phase. If the business is a large part of the parents' everyday life, or if the children spend time at the business from an early age, a closer emotional bond between the children and the business is likely to develop, as it becomes part of their childhood environment and growing up due to these early and frequent encounters. Children who come into contact (including physical contact) with the family business at a later stage develop a more distant relationship with it. This relationship may be positive or negative: we have seen cases where the child identifies themselves with the business and feels closely connected because the family business has "always been around". However, if the business is perceived as competing with the child for the parents' time or seen as the reason why the family spends its time differently or, for example, goes on holiday less than other families, it is important to find ways to compensate.

Children are given considerable freedom to develop their personality up to the end of their six years at primary school. Subsequently, at secondary school, the learning load increases considerably and leisure time decreases.

Although there is a widespread expectation that the eldest son will be the successor, direct communication between parents and children about succession starts remarkably late (if ever, in this phase). In the interviews we held, the parental generation stressed that they leave it up to the children to decide whether to join the family business. The assumption is that someone who decides to take on a task will approach it differently from someone who is forced to do it.

When asked whether a son will be chosen for the succession or whether a daughter could also be considered, parents often answer, "We don't know yet" (*mada wakaranai*). Whether they really do not yet know who will succeed or whether they simply say they do not until a child announces they wish to, remains unclear. In any case, it seems that, when communicating with third parties, the family head will avoid committing to an answer and prefer to remain vague about the future, even if internally there may be clear preferences as to who takes over the family business.²⁵ The topic "education for succession" is thus initially limited to education for succession within the family, related to social customs that allow more certain anticipation.

Let us briefly turn again to language. In family or business settings, role attribution usually serves to indicate the position in the (hierarchical) relationship on which the use of appropriate courtesies depends. In the home environment, for example, the father is called "Dad" (*otōsan*); in the business environment, he is the "boss" (*shachō*). Sometimes the authority of the boss is so great that even at home he is only referred to as *shachō*, instead of dad. In such cases, family members have a strong perception that the business has absolute priority over family matters. For the father there is no "private" sphere in life; he *is* the business. This positioning of the family and business head also has a lasting influence on the adolescence of the next generation.

In this phase of the children's life, parents do not talk much to their children about the topic of succession. More often, the grandparents express themselves to the grandchildren regarding marriage and roles in the family or in the family business. The environment thus plays a significant role in conveying positions within a family business and, thus, in introducing the next generation to the social conventions that serve to stabilise social norms and values.

²⁵ Even if the family and the business are physically under the same roof, there are cases in which direct communication on the topic of succession takes place only later, usually when the next generation marries and produces grandchildren.

Phase 3: Uncertainty among successors

This phase covers the period in the development of young people when hopes and ideas about their future life gain shape. This phase includes puberty, which is typically characterised by high attachment aspirations to parents on the one hand and strong cord-cutting dynamics on the other. Uncertainty among the children, the next generation members, therefore, is related to the signals they receive from their environment regarding their future role in the family business.

In Japanese family businesses, “successor uncertainty” occurs differently, due to the prioritisation of the eldest son for succession. Traditionally, everybody believes that the eldest son will assume the position of head of the family. The same holds true for the headship in the management of the business. Therefore, specific signals are given to the siblings that they must give the eldest brother precedence in deciding to enter the business.

Uncertainty, therefore, appears for the first time about when the eldest son will decide to take over, and how. He has considerable time to make this decision. However, once he has expressed his desire to take over the family business, all the forces around him combine to support him to acquire the skills to fulfil this role for the well-being of the “house” (*ie*). Therefore, even if the topic of who will succeed seems settled with the birth of the first son, it remains uncertain whether succession to the business will be successful.

For the other children, uncertainty regarding business succession only arises when the decision on succession has been made (Phase 6). Until then, social values shape the understanding of the hierarchy of “traditional” decision-making about succession: other sons do not enter the parental business, and daughters leave the family when they marry and enter the husband’s *ie*.

In the Japanese family system, roles and positions are very much predefined. Nevertheless, even

in Japan, the eldest son is not always the most suitable successor. If there is more than one son, the eldest might feel uncertain as to whether another brother would fit better. Without open discussion about succession, the outcome also depends on how all the siblings feel during this “phase of uncertainty”.

Amid current declining birth rates, it is increasingly common for families to have only one child. If this is a daughter, the question arises for her of whether she will find a husband who, according to the traditional pattern, will take over the management of the family business, or whether she would like to take over the position herself. In such cases, it is still common to arrange a marriage (*omiai*), a custom that may raise mixed feelings for Western observers today.

The uncertainty about who will succeed is also prevalent among the parental generation until the decision is made public. In all the interviews held by the WIFU research team, the fathers – and hence the family firm’s presidents – always used the subjunctive form when talking of succession, stating that the time for succession had not yet come and that it was therefore impossible to know what the future would bring.

We find that the question of “uncertainty” is more difficult to answer in Japan, not least because there is a much stronger distinction between the role outwardly assumed in social relationships (*tatemae*) and inner aspirations (*honne*) which do not always correspond.²⁶

There still is little research on the effects that a sense of obligation (or filial piety) in Japan may have on children. On the one hand, filial piety is an important concept that guides behaviour in this phase of life and thus offers a certain degree of security around doing the right thing. On the other hand, it can prove to be a burden if the surrounding conditions for fulfilling this sense of obligation make it hard for individuals to live up to the role expected of them. Indeed, Buddhist priests report

²⁶ Hamabata (1990), p. 92 f.

that shortly before the Obon festival, which is held every year in August to honour the souls of the dead, they see young people – and especially young women – who need encouragement in the situation that they face when attending Buddhist ceremonies at the graves of their ancestors without being able to “report” that they have fulfilled certain expectations, such as marriage or childbirth.

Phase 4: Preparing for succession

This phase comprises the school education and subsequent vocational training of the next generation. It is characterised by choices and decisions that may be based on interests, abilities and inclinations or predefined tasks and roles. Ideally, the inclinations correspond to future tasks.

The task of the parents as well as those in the immediate environment in this phase is to give the child confidence that they will master the challenges ahead. Given the growing complexity of tasks in running a (family) business, this is not an easy task.

In Japan, the choice of school sets the course for later life at an early age. It is common for renowned universities to have their own upper, middle, and primary schools, sometimes even kindergartens. Middle school marks the beginning of a more rigorous period for all young people, with long school hours and much homework. Parents carefully observe how their offspring behave at school, for example, whether they develop an interest in learning (*benkyō suru*).

The term “education” in this phase thus primarily encompasses senior high school²⁷ and university. Over 90 per cent of a cohort graduate from senior high school, and over half of these attend one of the many universities. For admission to one of the renowned state or private universities, a veritable “learning hell” awaits. Once the hurdle of the entrance examination to university is cleared, the subsequent period of study is the time in the lives of

the Japanese, during which they are relatively free from social responsibilities.

In the interviews conducted with the heads of family businesses, it became apparent that the emphasis was on giving as much freedom as possible to all children, who are given the opportunity to succeed in university education, regardless of their gender and ambitions for succession.

Many of those who had decided to take over the family business at this age (most of the successors in our cases had announced their decision to the family by this age) opted for degrees in management, marketing, or finance. Younger generation successors have often spent some time abroad to study. The time spent as a student is an excellent opportunity for networking, as such connections often last long and later contribute to working life.

Before successors enter the parental business, some family firms have introduced an intermediate step in their education. After graduating from university, prospective successors first work in a family business other than the parental one. Some of the long-lived family firms reported work experience programmes at banks or large companies. This phase is also regarded as part of the education or training for succession.

Phase 5: Preparing the business

This phase involves adapting the business to the succession situation. Structural and organisational preparations are often needed to “decouple” the business from the established leader and to create space for the new leadership and new ways of doing business that the next generation may follow after joining the family business. In this context, it is recommended that adjustment on deficits be implemented, alongside any necessary reorganisation or even restructuring measures to ensure organisational fitness for the handover process.

²⁷ Japan has adopted the US school system (six years of elementary school, three years of junior high school and three years of senior high school). More than 50 per cent of high school graduates attend university; about 30 per cent (mostly women) attend a two-year university course and about 15 per cent enter the workforce directly (Ouchi, 2004, p. 222).

In Japan, it is common that everybody in the family business shares the expectation that the eldest son will succeed to the headship. Information on a prospective successor's age has usually spread within the business, so that the employees are prepared for the prospective successor's entry. The procedure of entry itself depends on the size of the business and the age of the successor. In smaller companies, experienced employees will mentor the junior to familiarise him with the relevant activities. The family business relies in this phase on the loyalty of employees to their seniors and the business.

In long-lived companies, it is quite common to employ second or third generation of employees. Such companies have developed processes to keep knowledge of specific competencies within the business and pass it on to the next generation on the shop floor. To achieve optimal familiarisation with business processes, it is important to encourage employees to take part in a process of training for succession.

In large or listed companies, there are usually no special arrangements for the next generation. The junior will enter the business and join the internal training processes together with other graduate recruits. Since university graduation occurs at the end of the financial year, graduates tend to start work on 1 April. In large companies, there is neither preferential treatment for the successor nor any special conditions: he needs to go through certain career steps like any other new recruit. The board will decide on a specific scenario for succession at a later point. In many cases, the incumbent head of the family decides on the conditions, although in listed companies this will occur in consultation with the top management.

Phase 6: Successor selection

Before the next generation join the business or the circle of shareholders, it is important that the current shareholders agree on the conditions for the

participation and dismissal of new shareholders. Particularly when taking up senior positions in the business or on board committees, it is important that the conditions under which prospective successors will be appointed are clearly defined. It is crucial to include a critical voice from outside to ensure that the selection is made with the greatest possible objectivity and that the rejection of candidates from the founding/owning family does not lead to a loss of face or the outbreak of family conflict.

In Japanese family firms, the selection process depends also on the form of ownership. As mentioned before, if the family holds the majority of the business shares, the eldest son will usually be the successor. Therefore, the question of whom to select differs from other countries: it is not whether but when the junior decides (Phase 6) to enter the business (Phase 7), and when he will be assigned to which positions and duties (Phase 8). This makes it more important that all parties treat the successor accordingly – the senior generation, family members, employees, and stakeholders. Once the successor has made a firm decision, he or she will work hard to achieve the best possible result for the family business and its employees.

There are cases where the designated successor decides against taking over. The reasons vary: a lack of interest in the task of running a business can play a role, because not every child shares the founder's entrepreneurial spirit. Concerns about not being able to fulfil responsibilities to the family and the ancestors²⁸ are common.

Sometimes intra-family conflict causes a need to rearrange succession. Intergenerational relationships play a role here; for example, the wife of the successor may not agree to take on the role of the wife of the president in a particular family business. She thus indirectly rejects the role of the future wife of the head of the family. Other reasons why children decide not to consider succession include work-life balance or little interest in the business. This is the point in the succession process where

²⁸ Such concerns also repeatedly lead to desperate acts such as suicide, as in Kongō Gumi (2013), p. 180; see also Hamabata (1990), p. 55 f.

conflicts most frequently arise, yet for which many Japanese family businesses are ill-prepared.²⁹ The sudden loss of the designated successor is experienced as a severe intra-family disturbance and causes unexpected turbulence within both the family and the business.

Phase 7: Joining the business

This phase sees the entry into the business, followed by the path to top management, and both deserve appropriate planning. This planning should include learning phases and a specific career path, developed to enable the successor to gain a deeper knowledge of the business structure, to become familiar with processes and, above all, to get to know the key people of the business as well as the most important stakeholders.

Although the process of how to select a successor seems predetermined, we should note that the entry of a designated successor is a challenge for many Japanese family businesses today. In this phase, the process of identity finding is the toughest test for the successor.

To minimise conflict between siblings that could jeopardise the continuation of the family business, usually only one child enters the active business in Japanese family businesses. How the employees welcome the usually male prospective successor when he joins the business depends on how closely he has been in touch with the family business in the time up to that point. Here, the size of the business again plays an important role. In small family businesses, a successor is integrated into the operational business at an early stage so that everyone involved has the opportunity to get to know him in this role and to contribute as much as they can to ensure that he is trained and supported to the best possible level.

The larger the business, the greater the emotional distance towards a potential successor may become. Even as a member of the owning family the

prospective successor needs to climb many steps of the career ladder. Sometimes, however, a lateral entry to responsible positions is possible. In this phase, the successor gains the respect of the employees by demonstrating entrepreneurial success in specific projects, which then earns them the necessary authority when they come to lead the business.

It is problematic if, *after* joining the family business, it transpires that the designated candidate is not suitable for succession to the management level. This not only causes difficulties for the succession in the business, but also for the hierarchy within the *ie* system, and has ramifications also for the extended family.

The reasons why a prospective successor does not reach the headship of a business may relate to health issues, but also to personal character, and it may only become apparent how they cope with specific situations after they have joined the family business. In such cases, health and psychological issues are often taboo subjects.³⁰ In our interviews, there were frequent mentions that intra-family conflicts should be resolved as smoothly as possible behind closed doors, without “arguing in public”. Because of the prominence of the family business in a specific region or within a specific business area, the succession process is usually followed closely by those close to the company so, in such situations, the family and the business strive to find an amicable and low-key solution.

Possible succession alternatives include selecting another male from either stem or branch family for the succession or considering adoption. The option of selling the family business arises only as a last resort. If possible, it is preferable to decouple succession in the stem family from succession in the family business.

If there is a preference for a unity of succession in both family and business – which is usually the case – the son who will not take over the management of the business leaves the parental *ie*. He will

²⁹ Muta (2015).

³⁰ Illness and disabilities are still taboo in Japan. From a religious perspective, illness is considered bad luck for the sufferer and, hence, for their family. People do not reappear in “normal” life until they have fully recovered. Even enquiries about health are considered a burden (*meiwaku*) for the enquirer; the sick person is considered to bring bad luck and hence apologises for their “un-normalness”. Disabled people still hesitate to go out in public so that the stigma of not being healthy will not affect others. Concern about inheriting an illness can be a hurdle to marriages, such that arrangements are not made or are even dissolved if an illness was known of but not disclosed (see Zachmann (2010), Hamabata (1990), p. 55).

then establish his own *ie*, or branch family. The son who takes over the management of the family business becomes a successor in the parental *ie*. This preserves the unity between the board of directors in the parent family and the business board and the consanguinity in the family.

In most cases, only one male family member per cohort is active in the business. Thus, the member of the extended family who is best suited for the position in the cohort will be selected to run the business. If an appropriate candidate is available, the management of the business in the following generation will return to a (male) person from the original stem family. With increasing business sizes, family firms that have already experienced personnel bottlenecks in their history that endangered the continuity of the business are more willing to take another member from a branch family into the operational business. If the preference is for the continuation of the family line according to lineage, divided into main and branch families, the pattern is different: the management is handed over temporarily to a member of a branch family and, at a later point in time – which may be the next generation, returned into hands of a member of the stem family. The premise that the preference is that the eldest or most suitable son from the extended family fills a management position on the business board is then suspended. This flexibility shows how the *ie/dōzoku* system can endure across generations.

Another option is to secure the succession through adoption. If there is no son but there is a daughter, the son-in-law will take over the headship. The blood relationship with the founding family continues through the daughter. Adoption, as described above, is quite common in some of the long-lived family firms such as Hōshi or Kongō Gumi.

There are also cases in which a family head decides to select a successor for the business from among male non-family members. Regarding the business, then, the premise is that performance is more important than consanguinity. The bloodline is maintained via marriage with a daughter. This

also is a common pattern for business first in family businesses.

The aim in such cases is to secure the family's position at the top of the business, instead of adhering to the tradition of establishing longevity through the continuation of the male bloodline. A famous example is that of Suzuki Motors, where a son-in-law was adopted in four successive generations. The unforeseen and early death of one son-in-law and designated successor finally led to a natural son succeeding for the first time.³¹ According to Japanese traditional beliefs, a crisis or a misfortune is a sign to break with convention and try a new pattern.

Phase 8: Transferring responsibility

This phase is characterised by a period when both the senior and junior generations are active in business operations. Crucial for success is a clear clarification of the roles, tasks and decision-making powers of the family members who work together. It is important to create clear expectations among employees and external stakeholders, and parent-child dynamics should be kept out of business communication as far as possible. The new ideas and approaches of the junior generation together with the experience and network contacts of the senior one can be an ideal combination in this phase.

In Japan, the period over which two generations work within the family business usually lasts several years. As noted in the previous section, the successor is usually a male from the founding family, who works in different business departments to gain experience and self-confidence. Since this is the phase in which the employees get to know the designated successor through business interactions, it is also important in terms of employees' loyalty to the business. Especially in long-lived family firms, employees have expertise that is not easy to duplicate and that should be kept in-house. Hence, it is important to establish a positive relationship with the next generation.

³¹ Suzuki Motors at Reuters, see Yamamitsu (2021).

A change in the top management is always a time when employees consider whether they will remain with the business. If the principles and values are continued, there is usually little change in the workforce, despite organisational changes. Continuity of employment is an important sign that the new management has been accepted.

In order not to minimise disruption, the change should be as gentle as possible, which requires cooperation between the incumbent and the next generation. When talking of training the next generation, the principle of “looking at the senior’s back” was repeatedly emphasised in Japanese family businesses: the next generation should carefully observe the actions of the senior generation in order to find a way to manage certain situations.

However, the senior generation also emphasised that the next generation enjoys considerable freedom to do things differently. In many cases, the successor is given a specific project and thus the opportunity to prove their skills. This may involve launching a product, managing a branch office, or looking after or setting up an overseas office. The latter often takes place in a country where the prospective successor has already studied and can, thus, profit from their earlier experience and transfer their knowledge for the benefit of the family business. In interviews, the senior generation stressed the importance of allowing the junior generation to make mistakes. Learning how to cope with mistakes is thus part of the learning phase in which the junior generation is not yet in a very prominent position in the business.

How rapidly the successor climbs the career ladder to the top of the business depends on various factors: the senior’s plans for his own lifetime, his age and health conditions, the age of the prospective successor, and, of course, the size of the business, the business environment, whether the business has launched a new project or faces a downturn. Further, the industry environment may influence the handover, for instance, whether the family business needs to develop other business models for which the senior leaves the field open to the junior.

The interviews repeatedly revealed that there was little communication on business matters between father and son during this phase. Even in the family context (for example at lunch), there were no direct exchanges about business matters. This reveals another specific pattern of the junior’s preparation for succession: the senior encourages the junior to think about certain decisions themselves; at best, he gives advice on how to approach a specific situation. In fact, the next generation frequently reported that, in certain situations, they tried to imagine how the family business head might have thought or acted in a similar situation. Therefore, communication on how to run a business takes place indirectly; the successor learns by copying the outer form and then strives to fill the frame with their own solutions. This offers space to develop creativity and an individual style of doing business.

The period over which two generations work together in a family business may span years, so there is room for differences in how to run the business to appear. In one case of an intergenerational dispute, the senior was dominant in insisting on how to run the business. The junior had a contrary view but gave way and later admitted they had understood the senior’s intention. In some cases, conflicts occur because the junior is a relative and not a subordinate. The senior is still young and does not want to hand over the leadership of the family business yet, but the junior generation has reached an age where they can no longer accept the senior generation’s leadership in all areas. In such situations, there are various strategies to prevent one of the parties from having to step out of active involvement in the business.

One way out of such intergenerational differences is to turn the paternal business into a holding business. One family made the business area in which the son was in charge an independent sub-business. By separating areas of responsibility, the continuation of the family business was preserved and the decision about who would be the more senior manager was postponed.

Gender aspects may also play a role in how inter-generational conflicts are managed. In one case, the senior insisted on retaining his position and the junior, in this case, a daughter, often had to take a back seat. The daughter initially respected the senior's authority, followed his lead, and put her own views aside. As direct communication was scarce, she only understood what the senior might have been thinking after he had died, too late to reassure herself or even apologise for her lack of understanding in the acute situation of the dispute. The daughter showed filial piety in regretting that she had not been able to understand his way of teaching his (tacit) knowledge. In both cases, the interviewees felt sorry for the employees who must have suffered as a result of conflict between family members related to the management of the business.

In another case, the senior adopted a proposal from the junior and thus shared absolute authority at the top. In fact, this was an indication that the senior generation had realised that this would be a good time to hand over the leadership of the business to the junior generation.

We have already mentioned the role of the employees in the succession process. Employees in Japanese family firms know about and share the expectation that the eldest son will be the successor. Here, again, the influence of the family (head) on business matters depends on the size of the business. In large companies with non-family members on the board of directors, the family shares their power in the decision-making process. If in a listed business a family holds a minority share, the board will take part in evaluating the designated successor's performance after they have worked in the business for a few years. For listed companies, there is (still) a social norm about the minimum age that a designated successor should be for certain positions. There is public discussion even in the press about the age at which a designated successor should become a member of the board of directors, for example.

Phase 9: Departure of the senior

In this phase, the change at the top of the business occurs, which means that the senior leaves top management and transfers responsibility to their successor. It is a step of great importance to all parties involved and hence the transition is accompanied by symbolic actions (change of office, handing over of a baton, etc.) for greater visibility. For a transition to be successful, it is crucial to define the future role of the senior generation after leaving an active role in top management.

In Japanese family businesses, the possible scenarios for a senior's exit from active management depend on the size of the business. In smaller companies, the senior will probably remain at the top of the business until his death. As Japan is one of the countries with the highest life expectancy, the length of time a family business owner has been at the helm has increased by an average of about ten years since the end of the Second World War.³²

This does not mean, however, that the senior must necessarily be involved in all decision-making processes; usually, there is a specific division of responsibilities. One very common option is that the senior moves to the position of "honorary chairman" (*kaichō*) when the successor takes over the position of CEO (*shachō*).³³

This scenario is interesting in that it allows the senior to remain involved in the fate of the family business until a ripe old age, even if he has delegated much of the responsibility to the next generation. The CEO (*shachō*) oversees the operational work, while the Honorary Chairman/President (*kaichō*) can take over representing the company in the community. However, the senior's consent is mandatory for important management decisions. This means that more communication is necessary, and the implementation of specific plans may be delayed because the senior still brings ideas that may not fit the current operational business model.

³² Ochiai (2016).

³³ On business cards, positions such as CEO, Chairman or Honorary Chairman translate as President; for clarity, the Japanese words for the specific position are added here where a distinction is necessary.

As an Honorary Chairman, the senior represents the firm in the local community, for example, chairing associations related to sports or cultural activities or carrying out administrative work related to the management of a school, shrine or temple, sometimes continuing duties fulfilled as CEO. This *shachō-kaichō* scenario of shared responsibilities allows the option for the senior to return to the operational leadership of the family business if the situation requires.³⁴ For the senior himself, it opens the option of a smooth exit from an active role in the family business and demonstrates respect and appreciation for his experience and lifetime achievements. Since, in most cases, the senior does not leave the business, there is a smooth transition to the next phase.

Phase 10: Reorientation in the post-active phase

This phase marks the senior's entry into a completely new lifestyle. Free from their former workload and the pressure and responsibility for business decisions, he can now engage in long-planned alternative activities, concentrate on hobbies, and fulfil promises about family activities (usually made to spouses). This is why it is so important to engage in the thoughtful planning of such activities for life after the business. Without any such leisure activities unrelated to the family business, there is a high risk that the senior will "rebound" and, hence, start to interfere with the business and the decisions taking place which may not prove favourable for the well-being of the family business.

As outlined in Phase 9, in Japan, the senior rarely steps entirely out of the family business. He either takes the position of Honorary Chairman (*kaichō*) or senior adviser (*komon*). If a senior wants to withdraw from the operational business and provide his successor with the opportunity to lead the family business in a new direction, whatever this might be, he will take the position of *komon*. A *komon* has no function in the operational business, and his influence on the business is small. Nevertheless, like the *kaichō*, he will continue to be associated

with the business's fortune, as he is a respected person in its immediate environment and among its business partners. Usually, a *komon* holds this position until the end of his life.

In either position – *kaichō* or *komon* – the senior will increasingly devote himself to other tasks important to the family business. These include involvement in activities in the local community or the community of the family business, whether cultural events such as exhibitions or concerts, commemorative day celebrations, sporting events or local festivals. Through all these activities, the senior plays an important role, connecting the family business visibly and emotionally to the community.

Since the position of the head of the family includes both functions – that of managing the business as well as that of heading the family – the full responsibility of succession is only felt when the senior dies. This is why it is so important to make succession arrangements at an early stage, to involve all parties at all levels and to communicate appropriately with all those involved.

³⁴ For example, if the designated successor suddenly dies, as in the case of Suzuki Motors, when the son-in-law Ono Hiroataka passed away due to cancer in 2007 and the senior Suzuki Osamu resumed leadership of the business.

6 | THE NINE-PHASE MODEL OF SUCCESSION IN JAPANESE FAMILY BUSINESSES

Originally, the WIFU phased model for succession was developed to describe the succession process in family businesses operating in German-speaking countries (i.e. the D-A-CH region of Germany, Austria and Switzerland). When comparing the succession phases in the WIFU ten-phase model with the practical experiences of Japanese family businesses, we found differences in how some of these phases proceeded.

The selection of a successor (Phase 6) for instance, takes place at an earlier stage than proposed by the WIFU model. For this reason, the authors suggest moving this phase up to the fourth position in the phase model. Succession decisions usually take place before the junior joins the business, even if the final decision on the successor only takes place when he assumes the position of CEO (*shachō*) in some cases leaving some uncertainty until this point.

From the interviews, we learned that communication about succession remained imprecise, leaving an escape route for another option. Unless there was a clear commitment from the next generation, the subjunctive form in language was used: “It will probably be the case that ... But you don't know yet” was a frequent formulation throughout the interviews. To the ears of the Japanese, this may sound like a clear decision, but an element of uncertainty remains, a possibility that fate may turn out differently.

Phases 9 and 10 in the case of Japan also differ from the Witten model. The senior in the Japanese firm does not leave the business entirely; he remains with it, assuming the position of either honorary chairperson (*kaichō*) or senior adviser (*komon*) until his death. Therefore, Phases 9 and 10 are merged: the “Reorientation of the senior” becomes Phase 9 and there is no Phase 10.



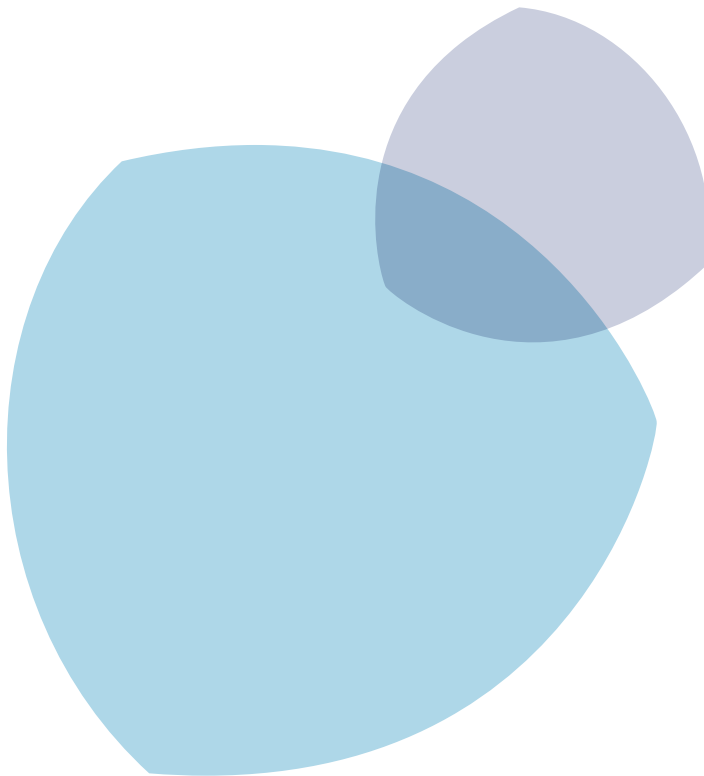
Figure 6: The WIFU phase model, adapted to Japanese family businesses (Source: Caspary et al. (2023), p. 238).

In this model, too, the steps ideally follow one another. Nevertheless, as described, it may be that there are overlaps in the individual phases, either among those who go through the phases – the previous, the current, or the next generation – but also regarding those who are involved in decisions within or outside the family.

In long-lived family businesses, as described, the eldest son usually takes over the headship of both family and business. That the Japanese share this tradition as a social norm is well documented in many Japanese sources. However, we shall note here that there are regions where rules on succession differ. In some regions in southwest Japan, for example, it is often the youngest son who takes over the family business.³⁵ The reason for this is high life expectancy, which enables a long phase of active headship in family and business.

Compared to the youngest son, the eldest son reaches an age when he wants to take the fate of the business into his own hands earlier. By handing over the business to the youngest son at a later stage, the senior's active phase is extended by a corresponding number of years. Moreover, the longer the time of joint housing and work, the longer the time available to build up a sufficiently large property for both the parents' generation and the following generation. The next generation is also younger when taking over the task of caring for elderly parents.

A prerequisite for a succession process following the Japanese model is, however, that a son is available who is suitable to take over the succession. If this is not the case in a family, the selection of the successor will be delayed and then the succession process in a Japanese family business may look similar to that in the Witten model.



³⁵ Ochiai (2005), p. 362 f.

7 | MONITORING THE JAPANESE SUCCESSION PROCESS

The description of the succession process reveals that specific monitoring is in place in long-lived Japanese family firms. This monitoring has been developed over many generations and refined at each stage or phase in the process of succession, which itself is embedded in the respective phases or stages of life.

The decision on succession is fairly simple if it is agreed that only one child takes over the parental “house”, as succession to the headship of the family includes succession to the headship of the business. This preliminary decision relates to the socio-cultural norm that the eldest son takes over and that different options are available to his siblings. In this way, identity formation takes place at an early stage: the eldest son is predestined to be the successor in the family. The hierarchy of the birth order (traditional in male succession) provides a framework for which the social environment is supportive. The influence that a social environment has on identity creation is considerable: it begins at birth and continues throughout life and is related to the presence or absence of siblings, a particularly influential factor if the hierarchical relationship is apparent in the language used. As elaborated above, the Japanese language has specific words for older or younger brothers and sisters, which reflect the hierarchical order of the children within the family. In traditional families, a boy’s first name reflects his position in this order. It is not easy for sibling relationships to escape this imprint.

Yet the pattern includes some flexibility for further options in the event of a default. The decision as to whether the eldest son will actually succeed to the business, and thus the family headship, can still be changed at a later point, even if this entails greater risk in finding a suitable successor then. Keeping the option open just in case requires the family to unite in giving priority to the continuation of the business, possibly over their own personal interests.

Gaining the support of those around as early as possible regarding a decision on succession is therefore important. The involvement of employees

in the process of adapting to the successor is a crucial aspect of the monitoring that occurs not only in the family but also in the business. The creation of emotional bonds is also not only left to the parents; it also happens through the grandparents in long-lasting family businesses, and through artefacts that help to convey the history of the business, or a museum, or through narratives about the embedding of the family business in the region. Narratives about how previous generations cared for the well-being of the local community are not necessarily passed on by members of the family but by members of the local community itself, highlighting again the importance of a supportive local environment in identity creation.

A close connection to the neighbouring community is important at any stage of the succession process. We shed light on the phase in which the senior departs from his active management position. In this phase, whether in the relationship with customers or suppliers, a phasing-out of the senior occurs more smoothly as there are other positions with fewer obligations to which he will switch. Here, too, there are several options on how to proceed: the bond between the senior and the business is maintained through their network in the local community beyond, enabling a phasing-out from the business without an abrupt break after stepping down from active management.

Such processes are helpful in preserving social norms and values, which are changing in Japan, but which are also adapting to change. The family *ie* system offers a number of solutions on how to address the challenges of change. Amid low birth rates, daughters will play a greater role in succession than may have been expressed in the interviews conducted by the authors on the learning journey, or those held since with representatives of long-lived family businesses from the currently active generation.³⁶

Over the course of history, such monitoring has always produced a member of the family who shows entrepreneurial behaviour similar to that of the founder. In the Japanese context, the term

³⁶ The conditions under which non-Japanese people are accepted by the Japanese *ie* were not discussed in the interviews and will therefore not be discussed further here.

shūko no sō is used for a person who represents the “renaissance of the founder’s entrepreneurial spirit”.³⁷ It is used to describe successors who have decided they wish to take over the succession from previous generations. They are dedicated to contributing to the prosperity of the family business, but also to the development of society. These *shūko no sō* may have developed a new business model or brought a product innovation to the market and thereby changed the business’s performance while maintaining continuity.

To describe the monitoring of a succession process that has evolved over generations, we suggest the term “Entrepreneurship Management”.³⁸ In long-

lived family businesses, it is possible to manage succession in such a way that a member of the family can always be found to take over the management of the family business. This person is thus willing to take on the responsibility of bringing the business into the next generation. The long-term perspective of this “entrepreneurship management” is remarkable and it is supported by the socio-cultural framework. It is embedded in the local community through networks of employees, customers, suppliers, and other stakeholders which create a sense of belonging that positively supports the continuation of relationships. The resilience of these networks, and hence their strength, becomes particularly apparent in times of crisis.



³⁷ Goto (2019).

³⁸ Caspary, Goto & Morishita (2023).

8 | INSIGHTS FROM SUCCESSION IN THE JAPANESE “HOUSE”

From the succession process in long-lived Japanese family firms, developed from a specific socio-cultural framework, some insights can be derived which are transferable to family businesses in our regions:

- The long-term perspective – also included in life-long learning – which is applied wherever family firms pursue transgenerationality;
- The continuation of the name of the “house” – which creates an emotional bond and high identification with the values of the family and the business;
- A willingness to adopt the rituals of the family – this is certainly more common than is assumed at first glance, if consideration goes beyond religious-based rituals;
- Giving the next generation the freedom of choice to actively join the family business – which reinforces self-esteem and motivates people to take responsibility;
- Placing trust in the person responsible for the management of family and business – which in turn promotes the integrity to cope with the resources entrusted to them in a far-sighted (and transgenerational) manner;
- The creation of opportunities for the senior to stay connected with the family business – which shows appreciation for their performance during their active time;
- An expansion of the notion of “family” – which involves employees and members of the wider local community in the succession process;
- The importance of networks that are established in one generation, and which the next generation must renew, expand or establish anew in order to create the framework conditions for long-term cooperation in the environment as well.

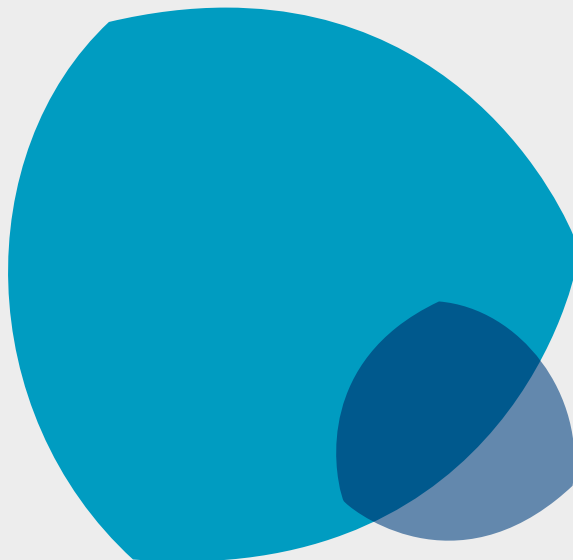
The authors were particularly touched by the thoughtfulness in dealing with each other and the appreciation of what was achieved by previous generations in their research of long-lived family firms in Japan. This holistic approach to understanding family and business brings out a gratitude for what has been achieved in the past and for the resources which the local community has allowed to be used. Despite all the uncertainties and socio-economic changes that the future may bring, the members of long-lived family businesses express a kind of primal confidence and trust that they will succeed in bringing their respective “house” into the future.

9 | SOURCES AND FURTHER LITERATURE

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THE WIFU FOUNDATION

The non-profit WIFU Foundation, founded in 2009, is committed to promoting not only research and teaching, but in particular practice transfer in the field of family entrepreneurship. Our most important supporters include around 80 family businesses from German-speaking countries. The focus of our activities is the acquisition, communication and dissemination of high-quality and current-issue-related knowledge on family businesses and business families.

Our funds are primarily used to establish and maintain chairs, to support research projects and to award scholarships to young scientists. One focus of our funding is to support the work of the Witten Institute for Family Business (WIFU), based at Witten/Herdecke University, with its three research and teaching areas of business administration, law and psychology/sociology. The WIFU has been making a significant contribution to the cross-generational sustainability of family businesses in the field of research and teaching for almost 25 years.

Another focus of our work is the organization and execution of congresses and other events on family entrepreneurship-related topics. Practice-oriented knowledge and skills to promote succession in the management of family businesses within the business family are conveyed in working groups, training courses and other formats. Our events are characterized by a protected framework which provides room for an intimate and open exchange. A comprehensive and active public relations work for research results in the field of family entrepreneurship completes the range of tasks of the WIFU Foundation.

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