

**INTERNET-BASED ENTREPRENEURIAL NETWORKING
TO EVOLVE
THE JAPANESE INDUSTRIAL STRUCTURE**

Hikari Akizawa, Kyoichi Kijima
Department of Value and Decision Science
Tokyo Institute of Technology
2-12-1 Ookayama, Meguro-ku Tokyo 152, Japan

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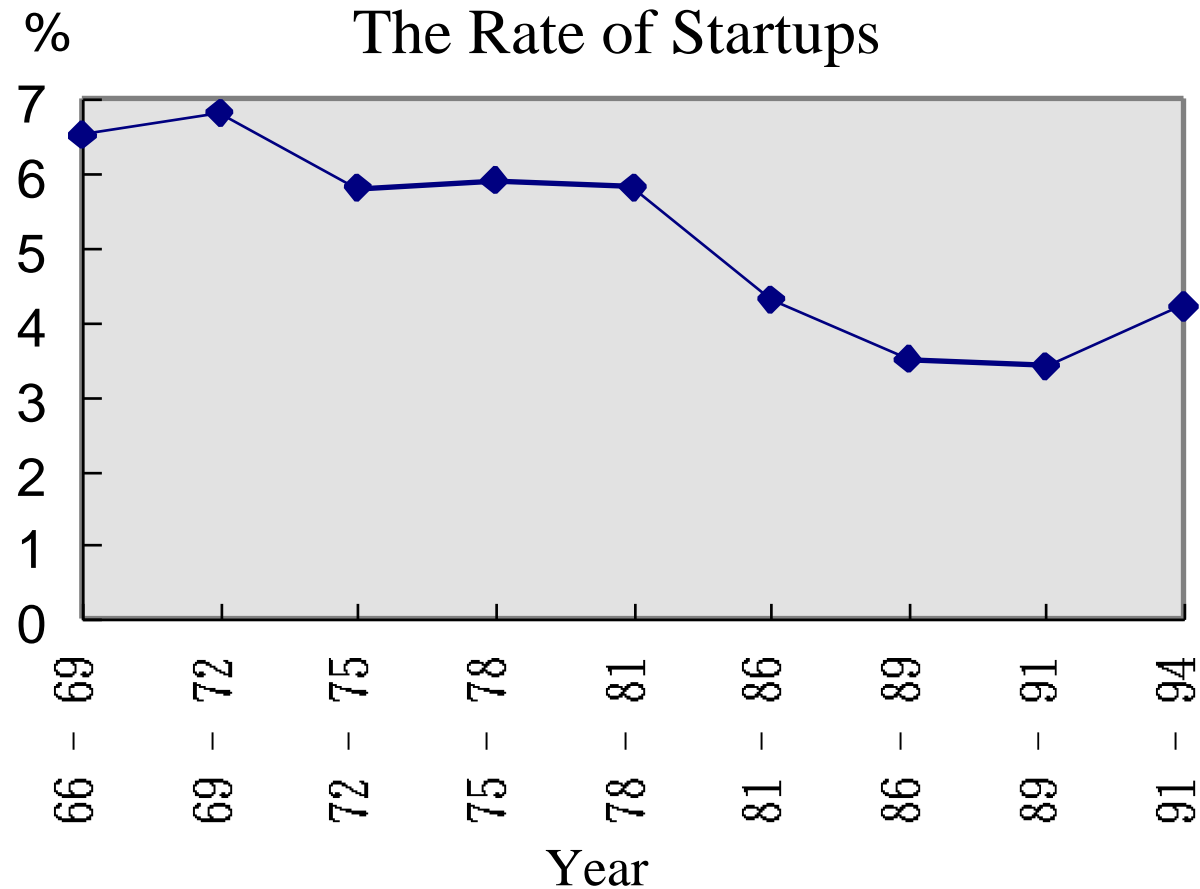
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Introduction

In this half a decade Japanese industrial structure has matured and has been struggling in a long term recession. Since major firms cannot succeed in restructuring, the industrial structure is almost stifled by inertia.

Recently importance of entrepreneurship has been recognized more and more and many assistance efforts, mainly funding, has been made.

The number of business startups does not increase well.



Source: *Institutional Survey 1995*

**Communication network among entrepreneurs
can work more effectively than mere funding.**

Entrepreneurial networking is the primary mechanism for accelerating entrepreneurs (Kanai 1993, 1994; Dubini and Aldrich 1991).

In this study, we focus on Internet-based entrepreneurial network and examine :

- how entrepreneurial networking accelerates business startups
- how entrepreneurial networking leads to evolve industrial structure
- if the Internet has any effects on entrepreneurial networking

Theoretical Framework

Definition of Entrepreneur

Schumpeter's definition included every essence of entrepreneurship (Bull and Willard 1993):

"An entrepreneur is the person who carries out new combinations, causing discontinuity. "

Schumpeter (1926) argued that entrepreneurship is the source of energy for economic evolution, and that a new combination, rather than succeeding the old.

Entrepreneurial Networking

Kanai (1994, 1995) :

constructed a taxonomy of entrepreneurial networking through a comprehensive field study of networking in the Greater Boston area (Route 128).

Two types are identified in the taxonomy:
the Forum type and the Dialogue type...

TABLE 1 The Taxonomy of Networking Organization: Forum and Dialogue as Ideal Types

Attributes	Forum	Dialogue
(1) Basis of ties and connections	- Weak ties - Variant value - Loose coupling	- Strong ties - Value homophily - Tight Coupling
(2) Benefits	- Instrumental tool - Access to broader information and resources	- Expressive-consummatory value - A deeper dialogue that may attribute a new meaning even information already in hand
(3) Entry and Membership	- Open membership or the lack of membership qualification - Low threshold	- Close or limited membership qualifications are stipulated - High threshold

Source: Kanai, T. "Seven Entrepreneurial Paradoxes and the Taxonomy of Networking: The Cases of MIT Enterprise Forum, Smaller Business Association of New England, and the Yokohama Venture Business Club." *The Annals of Kobe Business School* Number 3, 1995, pp.33-102.

Inter-Firm Networking and Learning

Saxenian (1994):

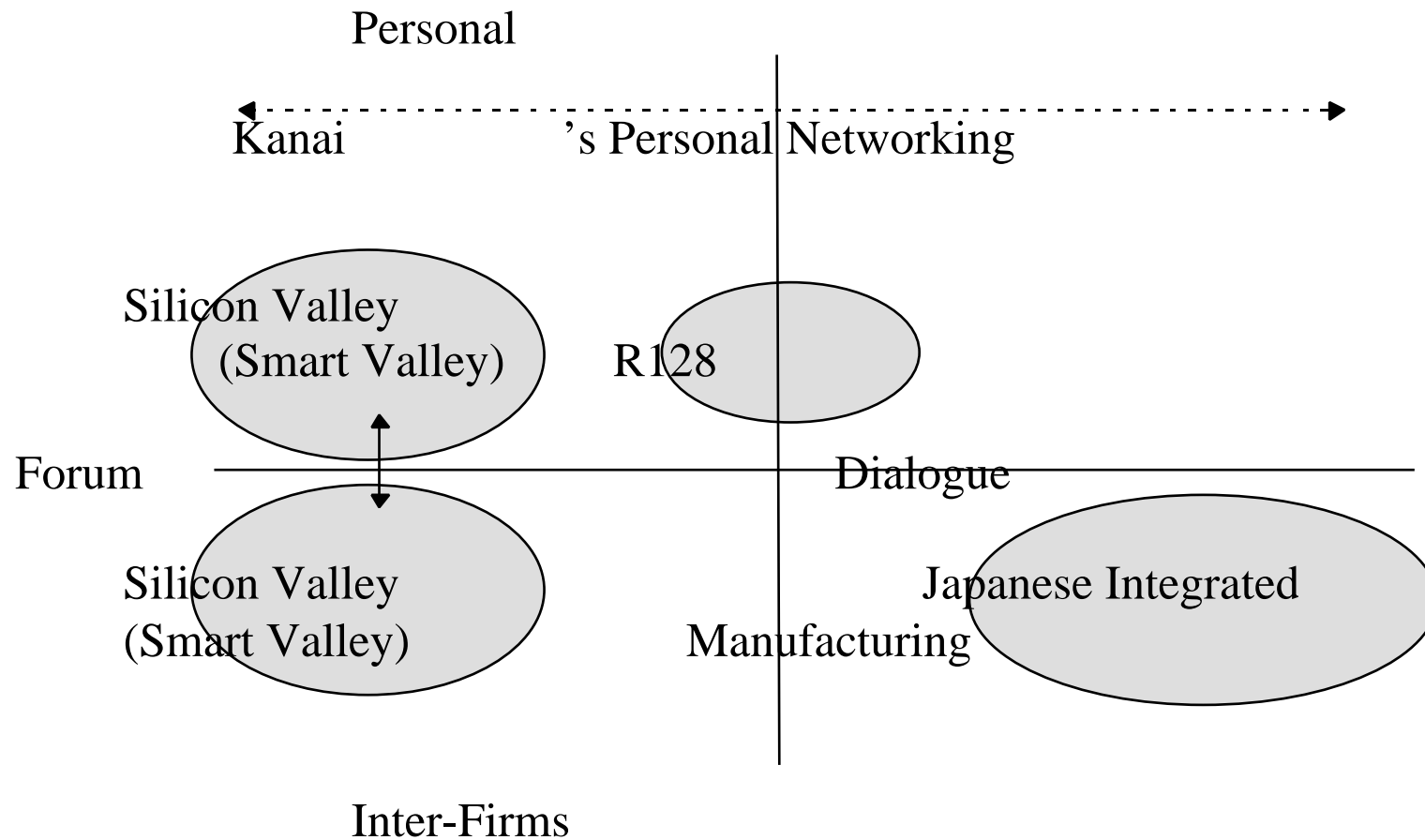
Although both Route 128 and the Silicon Valley have been effective centers of electronics entrepreneurship, their growth has been differentiated by inter-firm learning capacity.

Silicon Valley: a regional network-based industrial system that promotes collective learning among specialist producers.

Route 128 : independent firms that internalize a wide range of productive activities

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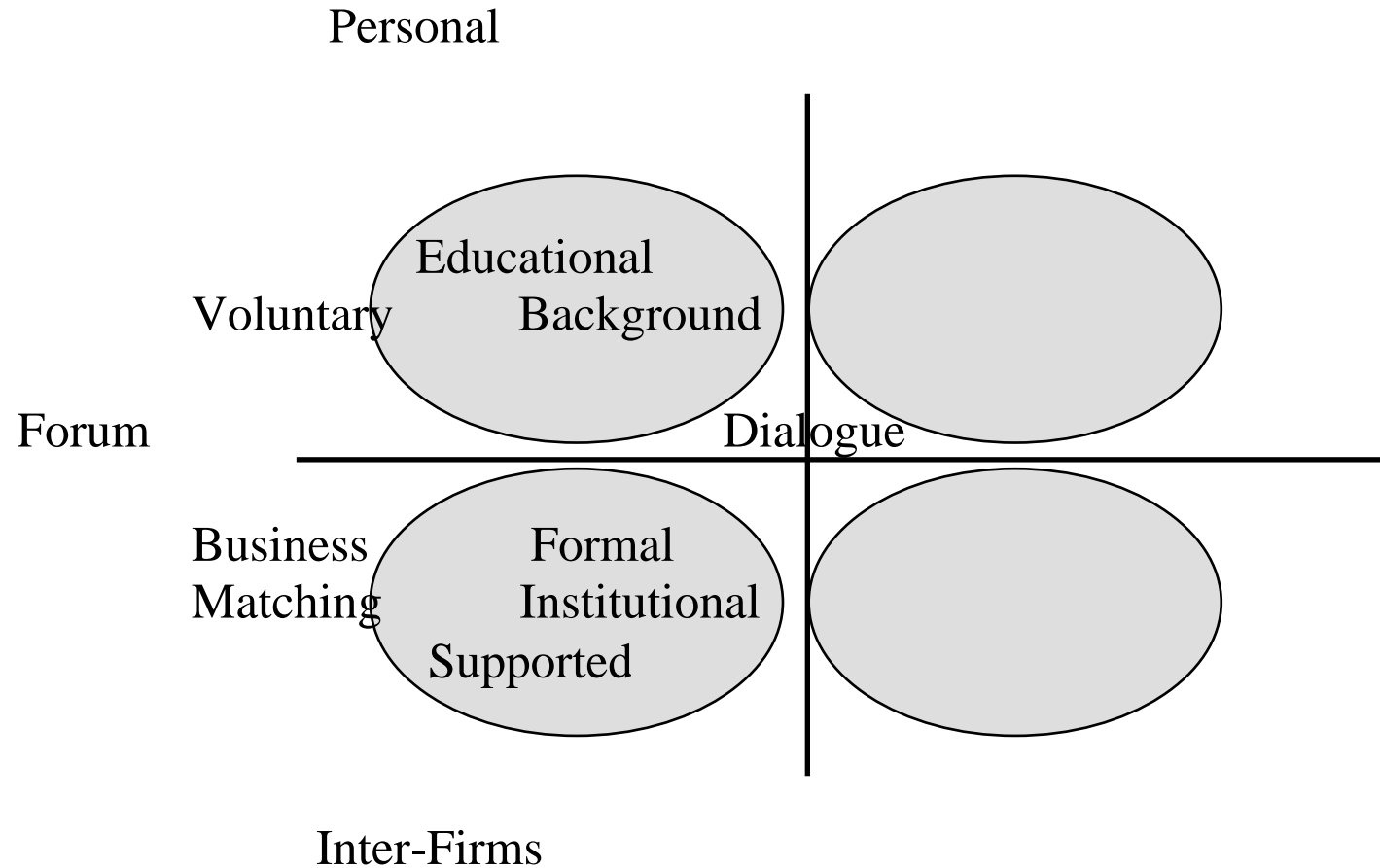
The Extended Entrepreneurial Networking



Case Study

Selection of the Case

Internet-based entrepreneurial network is emerging ...



246 Community from Voluntary group

The 246 Community (246C) is emerging spontaneously among people, some of whom are software engineers and others of whom are entrepreneurs.

The Reason for Selecting the Case

- (1) Japanese typical integrated manufacturing has been in the Inter-Firm and Dialogue quadrant. To restructure the industry, the Personal and Forum quadrant should be discussed as a contrast (The Voluntary Group).
- (2) Most members are from Internet-related business such as the electronics, software, contents, or consulting. This predilection expected to leads to inter-firm networking.
- (3) The researchers can be easily involved in and closely observe the network, because main activity is mailing list discussion.

246C Constitution

- 246 Community is a voluntary organization for the "electronic entrepreneur," by the "electronic entrepreneur," of the "electronic entrepreneur."
- The missions of 246 Community are "Co-creation," "Coexistence," and "Contribution" through business as the human's most basic social activity.
- The 246 Community uses the Internet for communication and venture business creation.
- The 246 Community allies with and supports foreign companies and individuals who want to expand their business in Japan.
- 246 Community members, in Japan and overseas, collaborate with each other for the aims above.

Members

- Entrepreneurs (already succeeded and expected to be)
- Engineers (electronics and software)
- Specialists (management consultants, marketing consultants, CPAs, lawyers and researcher)
- Many people come from the Japanese Major IT Industry (electronics, computers and communications)
- Some people join from the Silicon Valley and Taiwan

Entry Rules

Currently, there are no particular entry rules or charges. Entrants are just required to send a self-introduction detailing their expectations of and potential contributions to the 246 community.

Growing Process

	<u>the number of the members</u>
October of 1995	several (core members)
June of 1996	forty (PC network to Internet)
September of 1996	a hundred
January of 1997	a hundred and twenty
March of 1997	a hundred and thirty

Cf. Yokohama Venture Business Club

Activities

- Discussion using Mailing List
- Entrepreneurs' School
- Electronic Publishing
- Inter-Firm Networking of Entrepreneurs
- Networking with other Networks

Findings

Growth of Networking

246C moved from the origin along the arrow (A) in the past. Some parts of the 246C will go to the right as (B) shows, while other parts will follow the arrow (C) .

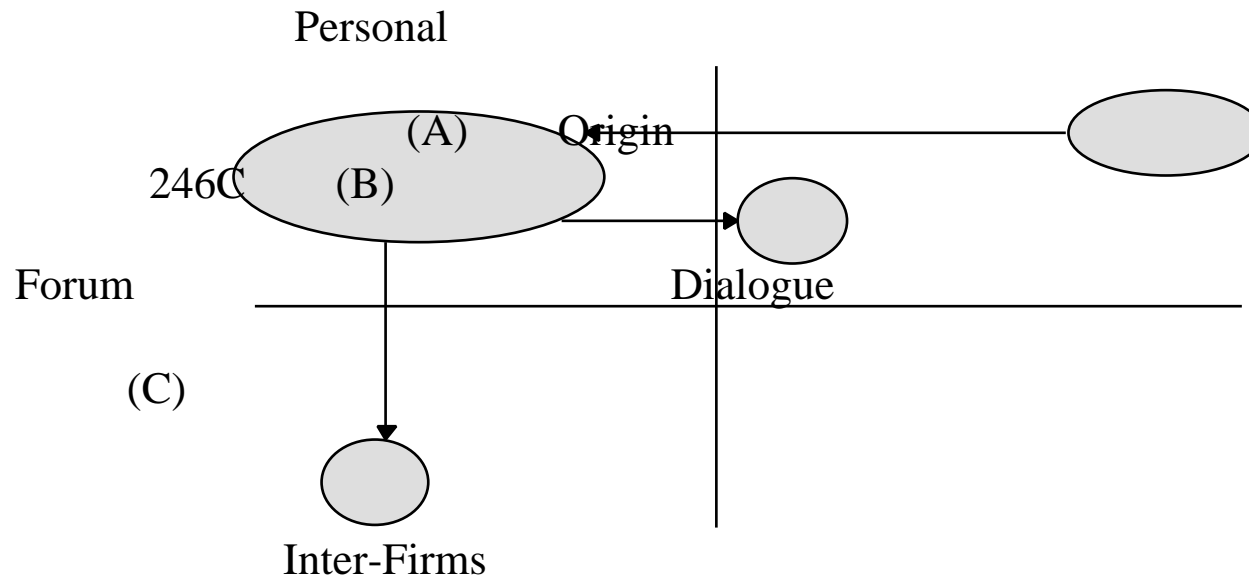


FIGURE 5 Growing Process of 246C

The Effects of Entrepreneurial Networking

Survival of Startups

- Easy to find out success models
- People feel startups as ordinal but not too risky in the community
- Timely assistance from other entrepreneurs and specialist
- Technical information is shared and validated among members.

The Effects of Entrepreneurial Networking (cont.)

Awareness to members from matured firms

- Aware the speed of venture companies
- Accelerating spin out and intra-firm entrepreneurship

Inter-Firm Collective Learning

- Certain interdependencies between firms, such as share of computers or office space
- Alliance for the Internet business
- Use the community as a market

Two Types of Interdependency

Interdependency is a feature of personal networking for exchange and create knowledge.

- Generally it is called “give and take”
“Market” rule
- The rule of the 246C is “give and given”
“Mutual Aid” rule

Mutual Aid rule is appropriate for personal networking and Market rule for inter-firm networking.

e.g. Yokohama Venture Club

Conclusion

-We developed quadrants matrix by two dimensions:

Personal - Inter-Firm

Forum - Dialogue

-By the quadrants matrix, the dynamism of growing networking could be depicted clearly.

-The effects of entrepreneurial networking is revealed:

Survival of Startups, Awareness to Members from

Matured Firms, and Inter-Firm Collective Learning

Conclusion (cont.)

- Two types of interdependency for knowledge exchange was distinguished:
 - the “Mutual Aid” and the “Market” rule
- The Internet could be powerful tools for network management on the dimension of Forum - Dialogue.