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- Resilience Thinking and Japanese Case Studies -

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## **Abstract**

**Purpose:** The purpose of my paper is to examine how to overcome corporate and social enterprise vulnerability and explore some of the more important factors that profit-making enterprise and social enterprise have used to ensure their businesses remain resilient.

**Design/approach:** This paper focuses on three examples of corporations overcoming adversity and examines the special characteristic of resilience that they possess. Along with that, it includes the results of other corporations and social enterprise that have been studied up to now while examining the fundamental elements of resilience.

**Originality/value:** By applying the concept of “resilience” studied within the fields of psychology and engineering to business, the originality of this paper is its examination of common characteristics within the fundamental elements of resilience as a major factor in the effective management of risk management for both social enterprise and profit-making enterprise to keep sustained development.

**Findings:** Along with case studies, findings indicate the source of corporate sustainability and resilience as being corporate vision, the ability to look at risk directly, and flexible thinking, particularly flexibility in marketing strategies both in private company and social enterprise. Research limitations: The conclusions within this paper are mainly regarding the cases that were considered, so it will be necessary to have an approach with a little higher versatility.

**Key words:** corporate resilience, social enterprise, social problem, risk management, invisible power, vision, flexible approach, management philosophies, intangible assets

## **1. Introduction (why we need the concept of resilience now)**

Just as we have ups and downs in everyday life, in corporate life we also have ups and downs. The worst situation at the individual level is any unexpected early death; in the corporate world it would be a drop in company profitability and/or bankruptcy.

But there is a big difference between the worst situation in a person's life and that of a corporation. A human cannot come back to life from death, but companies have the potential to recover in some cases.

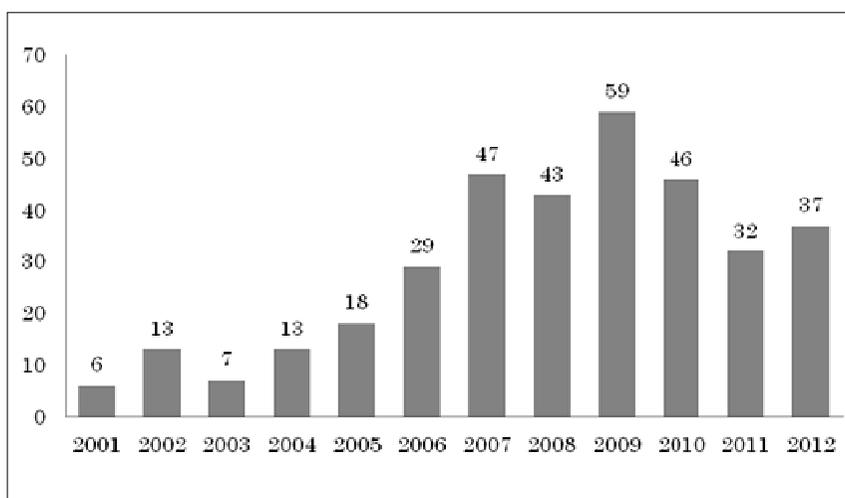
Today in Japan, companies have a low survival rate. Only 6.3% of companies are still in operation 10 years after starting up (National tax agency, 2005). In addition, regardless of its size, a company's average life span in business is only 12.5 years in both Japan and Europe.

Furthermore, according to Tokyo Shoko's research (report of Tokyo Commerce and Industry Research), the number of cooperate bankruptcies in 2012 was 11,719 cases. This figure equates to approximately 32 companies per day becoming bankrupt, which means that every hour, approximately 1.3 companies became bankrupt. The number of bankrupt 1.3 per hour amounts to approximately 2.6 times deaths per hour due to traffic accidents (the death toll in 2012 was 4,411 people, which is approximately 0.5 people per hour).

"Business that are a going concern" is just a name, and the viability of actual corporations is no match for the mortality rate of humans, no match for the mortality rate due to traffic accidents. It goes without saying that out of these corporate bankruptcies, the insolvency of small and medium-sized companies comprises of large figures. Unless the management of small and medium-sized companies undergo "emergency surgery", the abnormal figures will continue to show that approximately 32 companies per day are going bankrupt (approximately 1.3 companies per hour), and the insolvency of small and medium-sized companies (i.e. "social risk") will be unending.

The exceedingly high frequency of companies failing and becoming bankrupt has resulted in tremendous economic, psychological, and societal loss not only for managers and employers, but a large number of stakeholders. Through to the SME Financing Facilitation Act of 2012, one could see whether or not these failures were temporarily suppressed, but in 2012, the number companies repetitively becoming bankrupt increased. ( Figure 1)

The legal action against the bankruptcy problem and the financial support after it became difficult for management is just an example of the SME Financing Facilitation Act, but it does not



**Figure 1: Number of repeat bankruptcies in Japan**

Source: Home page from Teikoku Data Bank

offer an essential solution to the risk management (RM) issue of small and medium-sized companies. The primary goal of this paper is to examine the fundamental elements that foster resilience and also I will explore the connection between the failure of management in small and medium-sized companies to the revitalization of small and medium-sized companies. After that, I examine valuable factors for both SE and profit-making enterprise to keep sustained development,

## **2. Relationship between fundamental factors of resilience and sustainability, solving of social problem**

### **2-(1) Relationship between 3 factors.**

Expectation to Social Enterprise (SE) that can contribute to the solution to social problem increase recently. However, we cannot solve the social problem unless both of SE and profit-making enterprise (PME) enable sustained development. First I examine valuable factors for both SE and profit-making enterprise to keep sustained development, and next examine the three cases of profit-making enterprise concerned with it. Case studies in this paper is about the profit-making enterprise, but it is important for SE while they will try to solve social problems by having a vision, facing risk squarely and dealing risk in a flexible thinking with reference to business model of profit-making enterprise. Therefore, it is necessary for SE to draw a lesson from experience and the business model in the profit-making enterprise.

The factor that valuable for both SE and profit-making enterprise to be sustained development and solve social problem is following 3 factors. That is external and internal factor of organization and common factor for both organizations. Figure shows this way of thinking

#### ① Understanding of the external environment

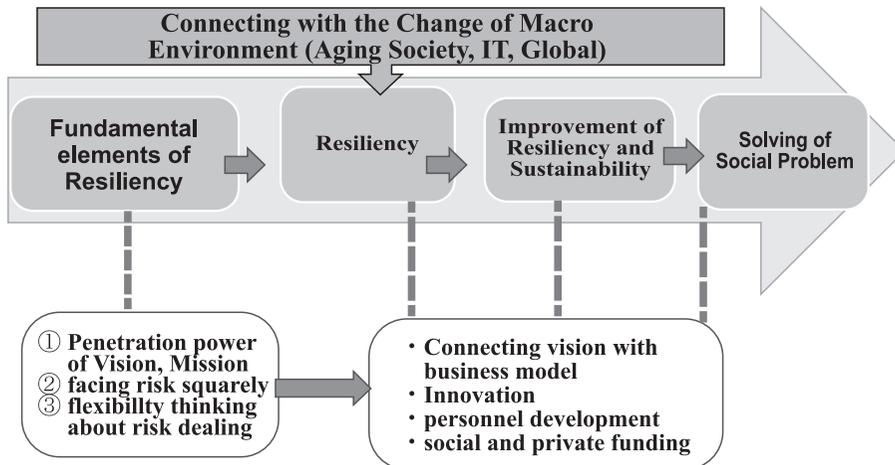
- Low birthrate and aging makes a social problem
- The social problem globalizes
- Progressing information technology helps the solution to social problem

#### ② Understanding of the internal environment

- We cannot keep the sustainability of the organization only in social nature of the organization. The coexistence with profitability and social characteristics of the organization is important. To that end, a new business model (innovation), human resources development and finance (social funding) are necessary

#### ③ Understanding common factors that relate with both SE and profit-making enterprise.

- Ability of resiliency not to be depressed by adversity is vital for SE and profit-making enterprise. This is because ability of resiliency is combined with the appeal of the organization and produces sustained development. Three basic elements which compose ability of resiliency is to examine as a case study in this article.



**Figure 2: Relationship between fundamental factors of resilience and sustainability, solving of social problem**

## 2-(2) What are the differences between risk management of profit-making enterprise and social enterprise <sup>1</sup>

When we perform RM of SE effectively, it is important that we take account of some differences of RM between PME and SE.

In the field of RM of SE,

- ① the measurement of "the gain and loss" at the time of the risk occurred is difficult.
- ② taking a risk and the realization of the mission are related closely originally.
- ③ activity of SE is usually taking place in the social problem area, therefore there is many high risk activities.
- ④ there are few consciousness about the management and few knowledge and budget.
- ⑤ SE is supported by the people who are not or little being paid such as volunteers.
- ⑥ at the time of the risk occurred, the securing of income that recover for a loss and cost is difficult

SE has also some management risks as above like PME. In addition, the scale of the organization is generally small, and administration of SE is in the difficult situation by the lack of staff and of funds.

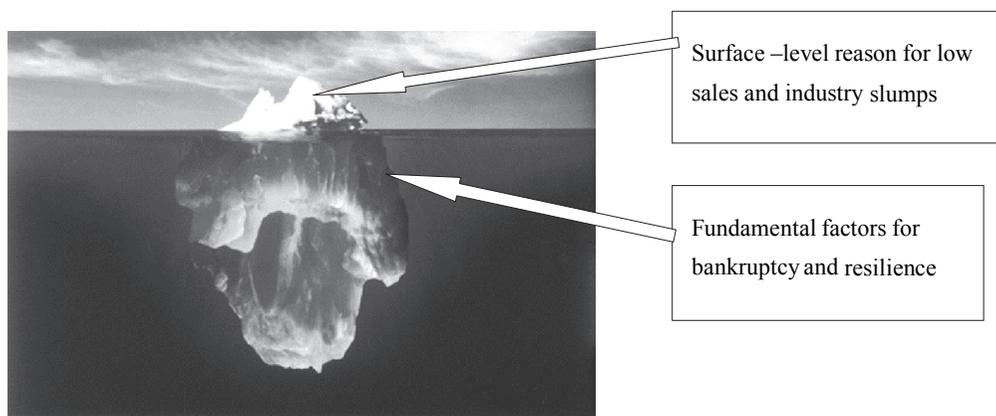
<sup>1</sup> Kazuo Ueda, Takeshi Iwasaka, *Risk Management of Nonprofit Organization*, Hakutou Publishing, 2009.

### 3. What are the fundamental factors in order to have resilience?

On the homepage of the Small and Medium Enterprise Agency, the origins of the 2013 corporate bankruptcies are posted based on the “Survey of Corporate Bankruptcies Annual Report”, which is issued mutually with other companies. This survey showed that bankruptcies due to “low sales” were 9,599 cases (73%), “previous burdens” (cumulative deficit) were 1,128 cases (9%), “repercussion of third-party bankruptcy” were 774 cases (6%), and “difficulty collecting accounts receivable” were 59 cases (0.4%). In addition, documents from the Teikoku Databank showed that the primary cause to the “recession-type bankruptcies” were low sales and industry slumps, which makes up 84.2% of cases for why companies went bankrupt.

However, these factors are only listed as the concluding factors of bankruptcy, so the so-called hazards that led up to these bankruptcies are not shown. For example, even though "poor sales" accounts for most of the causes of bankruptcy, we don't know why that occurred. The data only shows surface-level and concluding reasons for the cause of bankruptcy, so unless the “essential causes of bankruptcy and its fundamental factors” are analyzed and subject to reform, along with such things as management within the company, resource analysis related to marketing, and strategy analysis, then regeneration and revitalization of the management within small and medium sized companies cannot be accomplished.

There is validity to exploring the essential cause of bankruptcy and its fundamental factors, as well as analyzing companies that have pulled themselves out of severe adversity. The reason being is that even though such companies are lead into financial difficulties for some reason or another, they are successfully restored by the efforts of management from that point onward.



**Figure 3: Surface-level reasons for the cause of bankruptcy and fundamental factors**

## **4. What is corporate resilience?**

### **4-(1) Definition of resilience**

So far, I've been using the word "resilience" many times. The etymology of the word resilience comes from the Latin word "resilire", which means that something has the ability to return to its original shape and location. That means that something has elasticity, repulsion, and recuperative strength, but it also holds true in a psychological sense that "resilience = not failing despite adversity" (Within psychology, it seems to have been used previously to refer to the resistance against such things as poverty and child abuse). Furthermore, in ecology, it is also used to mean recuperative strength from devastation caused by climate change and overexploitation. It can also be said that it's similar to the concept of BCP (business continuity plan) within businesses.

First of all, let me introduce some dictionary definitions of resilience. In the Oxford English Dictionary, resilience is defined as: "being able to withstand or recover quickly from difficult conditions". From the homepage of the Science Council of Japan, resilience is seen as: "the ability of a system and its component parts to anticipate, absorb, accommodate or recover from the effects of a major shock in a timely and efficient manner". And a researcher in Finland defined resilience as "the capacity to recover quickly and effectively after experiencing a crisis and change without a lot of accompanying trauma" (Professor. Lisa, Aalto Univ. in Finland, *The Resilient Organization*, pp.19-20,2010)

From the perspective of risk management, I argue that resilience is the corporate capacity to overcome adversity in a critical situation, not only by managing the cause effectively but also by seeing new opportunities in an otherwise adverse situation.

## **5. Company resilience: Japanese Case Studies**

Both of the two cases being considered are examples of companies being restored after adversity. The first case being considered as an example of a company being restored due to several factors is the Suisen Brewing Company, which was a brewery that was devastated by the great East Japan Earthquake on March 11, 2011. It's a case in which corporate management is currently on their way to restoring the company after having been faced with adversity, due especially to the disaster risk associated with the large earthquake and tsunami.

Japan included, this is an area that shows the disaster risk index as being very high throughout the world and many Asian nations. The aim is to establish strong cooperate development in disaster risk management that contributes to the solution of social problems.

The second case is of a bus company in Saitama prefecture that, in the midst of the aging population and regional depopulation, is breaking away from deficit operations into profitability, and their resilience model is expanding into other areas as well as other countries. Under the harsh external environment of an aging population and regional depopulation, there are many movements

to abolish the bus system, but for those who do not have a driver's license or is too elderly to drive, the bus system provides them with a transportation service, and in some cases, helps support their very existence (Kawakami Yoji, "Challenges and Prospects of Public Transportation in the Hokuriku Region," May 2008, Vol.21, University of Fukui, Professor in the Graduate School of Engineering). This case challenges social issues head-on, takes the importance of multiple factors related to the management of risk, converts them into opportunities, and contributes to the solution of social issues.

The third case is Imabari Towel: Reconstruction by facing risk, having vision and thinking flexibly Ikeuchi Towel. Imabari in Ehime Prefecture is a small city with a population of 180,000 known for its shipbuilding and towels. Just out of university, I worked for a major insurance provider in their Imabari branch office. Here, I visited many a towel factory as they were clients for our fire insurance. The example I've taken up for discussion here is that of Ikeuchi Towel, a victim of chain bankruptcy due to its prime wholesalers going under amidst harsh external conditions. With the small, rural city and the towel industry itself in decline, they were subjected to fierce price wars.

### **5-(1) The Suisen brewing company**

#### **(1) The Suisen brewing company before and on the Great Eastern Japan Earthquake in March 11, 2011.**

The Suisen brewing company suffered catastrophic damage from the Great Eastern Japan Earthquake. That company was incorporated in 1944 by the merger of 8 liquor stores (sake brewers) in Rikuzentakada and Ofunato.

"Suisen", the most popular brand in the company, received the gold award at National New Sake Tasting Fairs in 2007 and 2008. After 2008, they started a new part of their business, expanding into the China market.

However, in the Great Eastern Japan Earthquake on March 11, 7 of 60 employees died. On March 31, 2011, all remaining employees were dismissed as there was no longer any physical infrastructure left after all 150 tanks and buildings including the wooden 4-story warehouse were submerged in the tsunami.

Five days after the earthquake, President Yasuhiko Konno visited the site which was completely destroyed. He almost lost hope in reconstructing the company when he saw the extent of the tragedy. But when he found a piece of sake barrel from the wreckage, he couldn't believe it was just coincidence. "Everything was lost because of the tsunami, but Suisen is still here. Why don't I try to start up Suisen again?" President Konno felt that an invisible power pushed him to reconstruct the company. (Figure4)



**Figure 4: Invisible power of sake barrel from the wreckage**

Source: Home page from Suisen brewing company.

## **(2) Suisen’s reconstruction scheme after the Great Eastern Japan Earthquake**

The reconstruction of Suisen was started 3 months after the Great Eastern Japan Earthquake. I think Suisen’s corporate resilience was derived from three factors.

① The first factor was the vision of Suisen brewing company to pass down the culture and skills to future generations through both manufacturing and sales of sake.

They had two missions for the reconstruction of Suisen. One was to brew good sake that customers could once more enjoy, and the other was to keep passing down the technical skills and the corporate spirit from one generation to the next.

② The second factor was to keep performing that important role (above), while being aware of risks and being well-prepared for an emergency by reviewing the current risk management strategy.

③ The third factor was that Suisen and its stakeholders took a flexible approach to their reconstruction activities. Suisen was able to borrow brewing facilities from Iwate Meijo corporation. They also reduced their 200 house-brand products to below 20, including “Yukikko”. And they received economic backing through investment banks and individual contributions.

Eighteen months after the Great Eastern Japan Earthquake, the construction of new factory “Ofunato warehouse” was completed on Aug 22, 2012 (Figure4). And shipment of “Yukikko” began on Oct 1. Suisen is now concentrating on the production of “Yukikko” which is not a high class sake, but they would like to produce one for the present as a main product (Figure6).



**Figure 5: New factory of Ofunato warehouse in Aug 22, 2012**

Source: Home page from Suisen brewing company.



**Figure 6: Shipment of “Yukikko”has begun October in 2012.**

## **5-(2) Eagle Bus**

### **(1) The bus industry’s general situation and philosophy of Eagle Bus**

Founded in 1980, Eagle Bus is a company based mainly out of Kawagoe in Saitama Prefecture that has operated shuttle and tourist buses for more than 20 years. Until now, majority of Seibu serviced the through the “Hidaka-Hanno Bus Route,” but had to withdraw in 2006 due to their deficit. The environment surrounding the bus industry in Japan is severe, and was alleged to be running an 80% deficit. The number of passengers reached its peak and started to decline in 1968 (Showa 43), and when looking at the recent decade, passengers in urban areas has fallen by 10%, with passengers in rural areas dropping as much as 20%.

However, the owner of the company, Mr. Tanishima (CEO of Eagle Bus), claimed that, “It not just about profit; the transportation network to support the region is no longer there and employment disappears. The deficit is a problem, but I cannot help but think about the people and

the region. What's important is not only economic thinking that eliminates waste or just economic benefits, but the demand, the region, and importance of compromising with people. I won't be happy until our business supports and stimulates the region." (East Japan Railway "Tran Veil" September 2013).

Locals also had requests, which lead Mr. Tanishima to have one of his company's management philosophies be "contribution to society through work." Even though it was the request of locals, in order to implement these philosophies and ways of thinking, Eagle assumed this route of operation in 2006.

## **(2) Looking directly at the risk management of the route bus**

In terms of what Mr. Tanishima said, when thinking that they'll be alright because they have know-how about shuttle and tourist buses, their route bus operations ran a deficit in the 1<sup>st</sup> year, which would be a total deficit of at most ¥70 million within the year, so other operations got swept away. Risk has that characteristic lurking from the beginning, but especially in the case of the bus company's management, that tendency is high. In addition to visualizing the invisible risk within Eagle Bus's management, the engineering approach to the pillars of RM (mainly the use of IT), as well as market research and strategy, are interconnected as shown in next paragraph.

## **(3) Marketing research based on flexible thinking**

The following summary states more specifically of risk management and marketing research conducted by Eagle Bus.

- Put a sensor on the back of the bus for getting on and off (the sensor was going to be made in Japan, but since it did not make sense in terms of cost, a sensor from Germany was used).
- Sending data to a server that counts the number of passengers getting on and off at each station, the positional data at each station, and time.
- The data stored on the long-time server is averaged and shown by a graph.
- In addition, conduct a survey on the needs of passengers. Also, carry out a survey for each reform of the bus schedule, as well as a survey to know the behavior of local residents once every three years.

According to Mr. Tanishima, understanding the needs of the customer through this data is a natural thing to do in general industry, but he said that the bus industry wasn't able to such things. So, it will be possible to collect data and know the number of people at each stop to support flexible marketing. For example, they found out that the number of passengers at stations that do not have homes is increasing. Actually, there is a hospital in the vicinity, and visitors walk up to 500m to get there. So, they were thinking of putting a bus stop right in front of there. It succeeded in that it increased the number of visitor passing by it.

In order for the Eagle Bus's management bounce back from adversity, there was a flexible way of thinking. Such flexible way of thinking can be made possible, and it can be said that there is a driving force behind the company's resilience, along with contributions to the company through work (such as the corporate philosophy). Also, there is a direct look at risk and a flexibility for marketing and market research.

#### **(4) Bounce back from adversity and know-how from Eagle Bus has been explored**

This system for Eagle Bus was built up over 3 years, and thanks to a series of reforms, the deficit of ¥70 million yen per year was temporarily reduced to 25 million yen. Three years later, the number of passengers increased by 14% and the deficit fell nearly 80%. The number of passengers is growing at an ever-increasing rate, and the number of routes has also expanded to 6 routes.

Know-how provided from Eagle Bus has been explored, so recently, business inquiries have been coming in from not only domestic but overseas (Southeast Asia). According to Nihon Keizai Shimbun, Tokachi bus in Hokkaido will expand their bus service to the center of Obihiro (Obihiro City) and implement a survey of bus passengers by utilizing IT. Using the infrared sensor and global positioning system (GPS), such things as the number of passengers at a bus stop will be determined. There are plans to review the bus scheduled that will actually be used sometime next fall. This will be beneficial to increasing convenience for passengers and increase profitability.

The introduction of this system for Eagle bus (Kawagoe, Saitama Prefecture) was developed in collaboration with Saitama University. There is a combination of GPS along with an infrared sensor attached to the entrance of the bus that can determine the time and how many passengers are getting on and off at any stop. Tokachi bus is expected to gain revenue in its bus operations for the year ended March 31, 2012 will turn positive for the first time in 39 years. 2-3% per year has been reduced to the previous year, but down-to-earth business activities such as visiting individual residents along the main route has been successful. From now on, it should lead to efficient operations that utilize IT and improve profitability.<sup>2</sup>

#### **5-(3) Ikeuchi Towel <sup>3</sup>**

##### **(1) A new president takes over immediately following the first owner's passing**

Established in 1953, Ikeuchi Towel is currently on its second president. The first president, Tadao Ikeuchi, passed away suddenly in 1982 due to illness. Tadao's son, Keishi, worked for Matsushita Electric in Osaka for 12 years and had just decided to take over the family business when Tadao passed. Keishi took over as president of Ikeuchi Towel in 1983. About 60% of the towels produced nationally in Japan are Imabari towels. At one time there were 500 towel factories, but this hit its peak around 1976. Now, 140 different companies carry the Imabari Towel name. I worked at Yasuda Fire Insurance right at the peak of towel production.

##### **(2) The towel industry**

With more than 70% of Japan's towel demand being in the specialty gift market, consumers choose the product that is more attractive. This contrasts with American consumers, who buy towels in line with their own tastes, going with simple towels and focusing on their own preferences in terms of color or material quality. Currently, the Japanese towel industry is facing its biggest crisis to date. Japanese business numbers dwindle and production is falling as imports of lower-priced products from China and other Asian competitors surge. With the large influx in

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<sup>2</sup> March 13 Nihon Keizai Shimbun, 2012.

<sup>3</sup> Kazuo Ueda, "Risk Management Thinking and Case Studies for Creating Business Resiliency", *The Sensyu Social Capital review* No.3, 2012, pp.105-109.

low-priced products, the percentage of imported towels in the domestic market jumped to 81.5% in 2010 from its 2000 mark of 57.5%. One of the reasons things got to this point is a lack of the kind of initiative in decision-making pointed out in previous examples. Insiders will tell you that the biggest cause is that towel vendors were slow in adjusting to the times—they neglected to develop products that met end user needs or work to reform their distribution.

### **(3) Facing crisis**

When Keishi took over the family business, around 20% of Ikeuchi Towel sales were from exports to the U.S. and abroad with the remainder being domestic sales. Under this business model, Ikeuchi Towel was a commissioned manufacturer for wholesalers who outsourced most all their work to low-cost Chinese and Vietnamese sources. In 2003, however, the wholesaler they were dependent on for 70% of annual sales went bankrupt. At the end of the day, this left Ikeuchi Towel with an uncollectable 240 million yen in their accounts receivable and a total of 1 billion yen in debt. Just before the bankruptcy, the Ikeuchi brand sold roughly 7 million yen in 2002, accounting for 2-3% of their overall sales that year. On top of that, their production was as an original equipment manufacturer (OEM) for another brand. They were taking a big risk, keeping their own sales largely dependent on another company.

In general, there are three situations under which using an OEM is most effective:

- ① When a market is starting up. If a company does not have the technology or a production line, they can make up some time between other companies going to market and starting their own production with an OEM supplier.
- ② When the market is reaching a growth phase. Production is outsourced when one's own production cannot keep up.
- ③ When the market is declining. The company stops in-house production, allowing them to supply the market with product at low cost.

Also, smaller businesses with weaker sales capabilities can find some benefit in utilizing the sales capabilities of the outsourcing company as an OEM. In the times of its first president, Ikeuchi Towel probably depended on such thinking and chose to produce towels as an OEM. This is an extremely dangerous business model from a risk perspective, forcing you to rely on the original contractor. The OEM reasoning above makes them look like the saviors of weaker companies. The relationship is effective when the market is in decline; the outsourcing company can stop in-house production and supply the market with product at low cost, and smaller businesses with weaker sales capabilities can find some benefit in utilizing the outsourcing company's sales capabilities.

This line of thinking is dangerous from a risk perspective, however, and the Ikeuchi chose to put an end to this seemingly miraculous business model. Another option is to diversify their OEM contracts and the associated risks, but Ikeuchi Towel decided to forego this path in favor of developing its own brand.

### **(4) Overcoming crisis: From OEM production to selling their own brand**

In 1997 before the bankruptcy, Ikeuchi aspired to making the world's safest towel, looking to conceptually establish a brand on environmental-friendliness. He then established the IKT Brand of towels. IKT towels use organically grown cotton and are “woven with wind,” using wind power to

power their towel production. Winning the Best New Product Award at the New York Home Textiles Show in 2002 was great encouragement, but Ikeuchi says his motivation for the big shift in management policy to a business model of selling their own brand was “to make a product he actually wanted to make instead of just one he wanted to sell.” He also knew that continuing OEM production of products carrying a different company's name would only pull them into price wars with low-priced Chinese and Southeast producers.

The company is also environmentally friendly in their water usage. They purify the gray water that results from dyeing the towels through a wastewater treatment facility jointly managed by seven towel companies. Completed back in 1992, they boast that the facility makes the water clearer than seawater.

Ikeuchi Towel has created a brand name based on environmentally friendly towels with wind, water and organic cotton. The words “Corporate Social Responsibility” appear in all industries, and many companies even put out environmental reports. While plenty of companies in the finance, insurance and other industries with low environmental burdens are vocal proponents of social responsibility, their often poor performance and scandalous behavior can be enough to garner contempt from consumers. Meanwhile, the core business in industries such as automobiles, oil and towels is deeply connected to the environment. Ikeuchi Towel focuses on environmental issues not just to appear socially responsible, but to increase product sales, reduce costs and help improve profitability. They are truly a sustainable operation.

Ikeuchi Towel is truly a business that embodies the three main factors of this paper: it faces risk, sticks to its internal resources and in particular its vision and philosophy, and overcomes adversity with flexible thinking when faced with difficult external factors and crisis. In terms of facing risk, they avoided the price war with Southeast Asia, confirming the repeating chain of risk in producing outsourced product as an OEM. In terms of their vision and philosophy, they have set forth a clear management vision of environmental friendliness using water, wind and organic cotton. Ikeuchi Towel gives a clear message for its management vision as follows:

**Safe baby towels for all the mothers who put their baby's life before their own!**

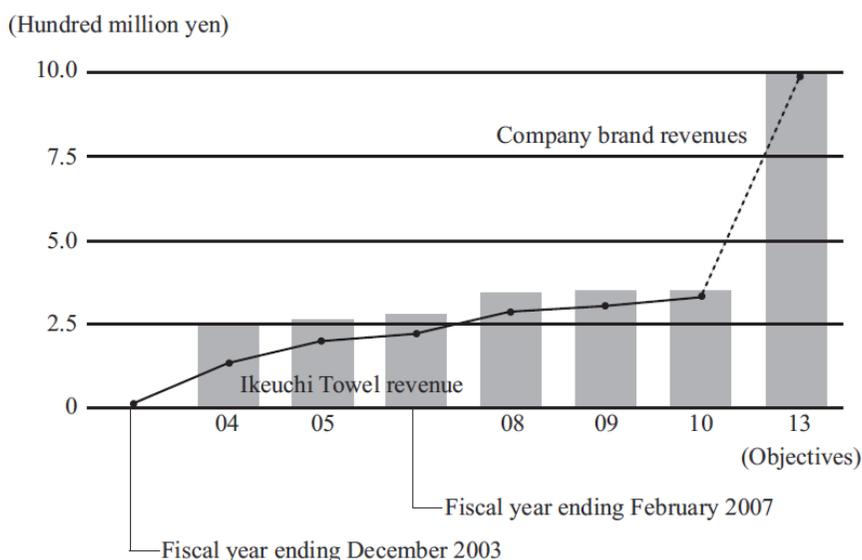
Maximum safety and minimal environmental impact—our products are developed to be in harmony with the environment.

With originality in mind, our policy is to make products that all our employees can stand behind, not to make practical products that are easily replaceable.

In terms of flexible thinking, based on their vision and willingness to facing risks, Ikeuchi has implemented a strategy to move up market to higher price marks with their own brand. They went from machine-only production to manual procedures for cutting the organic cotton with scissors reduced defects. Also, they computerized the production process and focused on global market sales and online sales of small, single products. The leadership of Ikeuchi Towel's president played a large part in successfully blending these three factors together. It is Ikeuchi's appropriate blend of

these three factors that has allowed the company to overcome crisis.

The proof is in the Ikeuchi Towel performance results. They recorded 360 million yen in sales for the fiscal period ending in February 2010 with 95% of sales coming from their own brand. Their sales before the bankruptcy were 800 million yen, but these figures do not show the whole picture. If they were not faced with a chain bankruptcy and did not think with the three factors listed previously, Ikeuchi Towel would not even exist today. With a risk management strategy able to handle crises, they are aiming for 1 billion yen in sales for 2013. Their growth also helps to revitalize the Imabari region.



**Figure 7: Ikeuchi Towel sales**

Note: Filed for bankruptcy in the fiscal year ending in December 2003. Fiscal year ending in February 2006 is not included in the graph to account for change in financial statement period from ending in December to ending in February.

Author's note: Graph lines show sales for Ikeuchi brand items, and bars give sales for Ikeuchi Towel.

Source: *Nikkei Business*, May 3, 2010, P. 53.

## 6. The source of enterprise resilience and eight key concepts to building organizational resilience and sustainability: Conclusion

In investigating corporate resilience in not only above three companies, but some companies (Tokyo Disneyland, Komatsu) <sup>4</sup> before and after March 2011, I came to the conclusion that the following three factors (intangible assets) would be the main source of enterprise resilience both of

<sup>4</sup> Kazuo Ueda, *Introduction to Risk Management by Case Studies-Risk Management Way of Thinking to Produce Resiliency*-2012, Doubunkan.

profit-making enterprises and social enterprise.

- (1) Having a organizational vision, or organizational mission
- (2) Looking ahead and assessing the correspondence of risk
- (3) Having a flexible strategy

In addition, based on a questionnaire survey and case studies, there are research results that indicate several points to increase strategic effect in SE.<sup>5</sup>

- Visualization of the vision of SE
- Appeal to the outside stakeholder of activities of SE
- Feedback to a supporter of the activity result of SE
- The business system of enabling realization of the direct advantage of the SE and the social advantage at the same time
- Strategic width that can put business characteristics and non-business characteristics together flexibly without being bound by limitation called the pursuit of the profit

These factors above are fundamental elements for organization to have in order to have resiliency, but for organization both SE and PME to have resiliency and sustentation, it is necessary to consider the following eight factors shown here. I will use the following eight factors as the conclusion of this paper.

1) First, the tendency of risk to repeat itself is an important point, leading us to the first point of risk management: learning from past failures. Corporate fraud and misconduct are examples of risks which repeat themselves, and with increasing frequency in recent years.

2) The second point is the importance of assessing one's potential future risks and thinking flexibly in order to manage risk. In predicting potential future risk and establishing a corresponding risk management structure, it is important to learn from the lessons of the past and leverage clever and flexible thinking.

3) The third point is to continuously be aware of the frequency and changing impacts of risk as well as the changing face of a risk's impact on organizational value, and respond accordingly. This is important because risk changes and can change into other risks. This implies an awareness of the past, present and future risks in risk management thinking.

4) The fourth point of risk management thinking is what gives a organizational resilience and sustainability. In this, the first question is whether top management has settled on a management vision mutually understandable among its employees and managers based on that vision. The second is whether they understand risk management and their risks within the management vision and have their ideas on risk management trickle down through the company.

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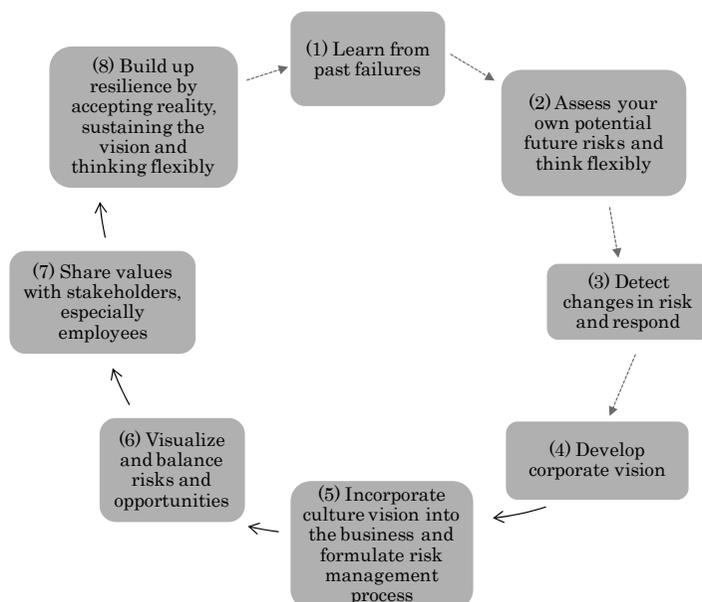
<sup>5</sup> Tatsunori Fujii, *Journal of Finance Loan Corporation of Japan*, No.17, November, 2012.

5) The fifth point is that organizational management decisions are reflected in a modern risk management process. If a business settles on a corporate vision, as given in the fourth point above, it will mean nothing if management fails to act upon it. The business needs to capitalize on its vision within the modern risk management process and incorporate this process into its management decisions.

6) The sixth point is to assess the overall risks and opportunities in relation to management as a whole, visualize and map these out, and balance them from an overall management perspective. This will involve minimizing losses and maximizing opportunities.

7) Seventh, how well member of organization develop their trust, bonds and other intangible elements with other members, their supervisors and stakeholders is key to the risk response of a company on the verge of crisis. This point deals with how risk control is a focal point of a organization’s risk response, and how risk management problems focus on the intangibles listed above for the organization's most important asset, its people.

8) The eighth point relates to company resilience. It deals with what the elements comprising resilience are, and how resilience is cultivated. This final point brings together the ideas from the first seven points, including organization philosophy, vision, and flexibility, which are important pieces in developing resilience. This point incorporates a comprehensive view for the framework of resilience and involves discussing concrete measures that can be taken (Figure8).



**Figure8 Eight key concepts to building corporate resilience and sustainability**

Source: Kazuo Ueda, “Risk Management Thinking and Case Studies for Creating Business Resiliency--Possibilities for Soft Control and Social Capital-,” *The Senshu Social Capital Review* No.3 p.93.(2012)

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