THE GROWTH MODEL OF JAPANESE HIGH-TECH START-UPS (INTERACTIVE PAPER)

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Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol26/iss22/13

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Principal Topic

Netscape became a NASDAQ-listed company a mere record-breaking three years with sales approaching 100 million dollars. However, firms like Microsoft Corporation took ten years to reach the 100 million dollar mark. Two start-ups may have had contrasting growth patterns, and this difference reflects distinct management styles that are so crucial to a firm’s growth. However, existing research has involved very little studies undertaken from this point of view. Our research, analyzes the growth patterns through case studies in Japan, and explores what factors lie behind contrasting patterns of growth. It also seeks to determine what factors affect the growth and success of high-tech start-ups.

Method

This study surveys firms that received funding from the UFJ Venture High-Tech Development Foundation (UFJ-TECH). It was established in 1983 by Sanwa Bank (now Tokyo Mitsubishi UFJ Bank) to support the development of firms under the guidance of the Ministry of Economy, Trade and Industry.

This study employed Storey’s methods, and constructed a scatter diagram based on the relationship between the number of years since the firm’s establishment, employee numbers, and sales figures of firms. It selected companies that showed a remarkable rate of growth, Wacom, Allied Telesis, ACCESS and FUTURE SYSTEM Consulting.

Results and Implications

We see that firms that are able to win the trust of public or third-party institutions, and raise capital at an early stage, are able to follow the rapid-growth model. Through active up-front investment, it becomes possible for these firms to secure a competitive advantage based on pioneer advantage in such areas as production technology.

On the other hand, start-ups with little capital raising power are able to follow the resource-accumulation model, where building a track record allows them to gradually increase the amount of capital they can attract. However, this model involves the risk that a firm may see its competitiveness erode with the passage of time, and may lose its opportunity to achieve growth.

This research has confirmed that the growth experienced by start-ups does not follow a single pattern. Moreover, although until recently the rapid-growth model was seen as the success model for high-tech start-ups, this research has found that high-tech start-ups are also able to develop by enriching their corporate resources rather than concentrating on rapid growth.

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