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Entrepreneurship Guidebook 2020

Contents

Foreword

Foreword

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In 2019, the need for entrepreneurship was strongly heard, and innovation activities took off.

Being on the front lines of entrepreneurship, with startups and major companies in Tokyo and provincial areas, we at 01Booster feel that we are at a tipping point. Right now, 'unlearning' has started at major companies that have been at the center of the economy. 'Unlearning' is a process of boldly discarding the value standards that have been accumulated thus far, since the business success of the high economic growth period and the bubble economy period, and, in turn, becoming open to learning again from scratch.

We can take advantage of this kind of learning by partnering with the entrepreneurs and startups that have had a minor presence in Japan's economy.

"Determination and preparedness" is the term we must use here. It is difficult to reject the conventional ways of the company and industry, in order to learn from entrepreneurs. At many major companies, young and mid-tier employees have started to re-evaluate their conventional value standards and take immediate action. While at the front line of entrepreneurship, we are witnessing historical changes.

Foreword

Also, when reflecting upon the past, we can see that entrepreneurship was not conducted in an orderly fashion. It was more coincidental. The decision-makers at many major companies have difficulty accepting such conditions. Many business development staff and scholars are developing methodologies and tools to reproduce these conditions. However, such methodologies and tools can quickly become outdated.

Japan's economy brilliantly recovered after World War II, the population increased, the average income doubled, and the future was easy to predict and agree upon. In such times, quality products and services always sold. With an easily predictable future, it was effective to choose optimum methodologies and tools.
However, in a more mature society, the future cannot be predicted. And a future that we can agree on is nowhere in sight. Although methodologies and tools are important, we must not rely on them excessively. Only through practical steps and experiencing a good number of failures will we be able to reap the fruits of entrepreneurship.

This "Entrepreneurship Guidebook" began production since last year. We are now at the dawn of an era when many companies and organizations are beginning their own entrepreneurship activities. The definitions of popular terms like "innovation" and "open innovation" are not yet standardized.

Foreword

Even without re-evaluating the conventional organization's value standards and decision-making processes, the old ways still tend to be forcibly applied and adhered to.
But there is a wide gap between actual practice and impracticable "business development." Communication is thereby adversely affected. Especially with the open innovation of startups and major companies now, there is a high cost of adjustment when the interests of such diverse players do not match.

The role of this "Entrepreneurship Guidebook" is to visually express the language and values used by today's entrepreneurs and to invigorate dialog for all those involved in this new kind of business creation.

"The future is uncertain and impossible to predict." In the world of entrepreneurship, the pursuit of success is a journey of challenges and coincidences.

If you see anything wrong in our "Entrepreneurship Guidebook," please let us know. Let's discuss it and correct it together. And from hereon, let's change Japan and the world together.

01Booster Inc.
Representative Director
Norifumi Suzuki

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Chapter 2

Reading the Guidebook

Reading the Entrepreneurship Guidebook

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Targeting those involved in entrepreneurship, this Guidebook aims to break down the terminology and values that are used in today's business creation situations and to invigorate discussions, especially amongst parties of diverse interests.

Guidebook's Target Readers

- Businesspersons handling new business development efforts.

- Businesspersons involved in supporting ventures.

- Employees and students thinking of getting involved in new business development.

About the Contents/Chapters

This Guidebook has chapters covering topics deemed necessary for entrepreneurial business creation.
You can read it from cover to cover or just read the chapters that interest you.
We hope this Guidebook can help you with your efforts in entrepreneurship in some way.

~ 01Booster staff

Chapter 3

The Future of Entrepreneurship and 01Booster's Strategy

Problems with Entrepreneurship in Japan

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Especially in the case of the 0-1 type (non-continuous) of entrepreneurship, it is important for diverse people (resources) to have trust, shared feelings, a proper way of thinking, and proper methods in order to be able to promptly take "action, introspection, and action" repeatedly. It is also very important to support the team doing this, to provide an overall supportive environment with a relenting culture, and to have a reciprocal network (social capital), along with international connections. However, Japan currently has very many problems to overcome.

Fracturing and silo mentality of resources	Misunderstandings of innovation	Inadequate implementation
The fracturing of company-wide resources in the company, industry, and local area is major. The silo mentality (isolation of resources) is prevalent everywhere. Awareness of the importance of social capital is not expanding.	Innovation is not new integration. There is a major misunderstanding of technological innovation. There is also a lack of understanding of the difference between entrepreneurship models, 0-1 type (effectuation), and 1-10 type (causation), as well as the startup-type business development.	"The future is extremely complicated and impossible to predict." With unclear entrepreneurship, in many cases, there is excessive analysis, excessive planning, and excessive rules making it very rare to implement things or take action.
Environment, culture, and trust	**R&D commercialization**	**International network**
The following is lacking: An entrepreneurial spirit that accepts change as the norm, a culture that accepts challenges and failures as beneficial, an environment that helps entrepreneurs take risks, and a wide-area network (security net) with reciprocal trust.	The idea of having a business spawn from R&D is still rather weak. In addition, having a business started by a team of researchers (innovators) and entrepreneurs is also uncommon. There seem to be problems with using R&D for a business.	Compared to other countries these days, the scalability of Japanese business is inadequate. This is caused by inadequate coordination with the wide-area social capital and ecosystem overseas.

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・会社は何度でも甦る / Jim Stengel https://www.amazon.co.jp/dp/4484191016/
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・日本社会のしくみ / 小熊英二 https://www.amazon.co.jp/dp/B07TYF38B4

Our Mission / Our Strategy (≒ Our Way of Life)

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01Booster's Strategy: "In order to make Japan a country where entrepreneurship is easy and can change the world, we aim to become a company that helps Japan produce the most entrepreneurs in the world and to create a future where anyone can become an entrepreneur."

We shall proceed with all our programs based on the guidelines that "All actions should be properly connected to entrepreneurship."

Problems

1. **Separating resources and silo mentality**

2. **Misunderstanding of innovation**

3. **Inadequate implementation**

4. **Environment, culture, trust**

5. **R&D commercialization**

6. **International network**

What 01Booster Provides

Educational programs

Action-based entrepreneurship training programs are provided.

- Startup Dojo / Workshop for entrepreneurship
- 01Dojo / Business startup program
- Venture Study Experience / Study opportunities at an external venture company
- Eurasia Entrepreneurs School / For empowering co-creation and entrepreneurial spirit

Business development programs

Business development programs aiming to build an ecosystem are provided.

- Corporate accelerator (CAP)/ Co-creation between major companies and venture businesses
- Intrapreneur accelerator (IAP)/ Internal startup program for within companies
- Integration program (CAP+IAP)/ Internal and external entrepreneurship ecosystem creation/establishment program
- New integration program for R&D and business / R&D commercialization program

Business advancement support

Coordination is assisted with the people concerned to help accelerate entrepreneurship.

- Development, public relations, personnel, office, and more
- Funding, securing financing, capital policy, etc.

International and wide-area networks

Domestic and overseas social capital are provided.

- Wide-area community
- International network

The Future of Entrepreneurship & 01Booster's Strategy

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Liquidity of human resources

Personnel and resources are liquid, making it easy to form new connections that are crucial for true innovation.

Utilizing correct methods

Without being dualistic, a business development model suiting the unique conditions will be used.

Environment & culture for taking action

Providing an environment where there is encouragement for taking action and understanding in failure, and a supportive culture.

Combining R&D with business creation

R&D is integrated in a new way with business creation.

Reciprocal and international social capital

Jointly creating international social capital and gaining mutual trust and assistance.

Building an ecosystem that creates a future for entrepreneurship in the world, centering on Eurasia & Japan.

Chapter 4

Community and Ecosystem

Community and Ecosystem

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An entrepreneur alone cannot succeed.

Being independent does not mean being isolated.

In Japan, being "independent" often means being "isolated and alone" without relying on anyone. But in entrepreneurship, this couldn't be farther from the truth. Think about this example, an entrepreneur receiving work from only Company A versus an entrepreneur receiving work from Company A, B, and C. Who do you think will succeed in being productively independent? We should think of entrepreneurship as having many parties to rely on.

In business, having a team is important.

Although having a lone charismatic entrepreneur is something worth talking about, it is very important in entrepreneurship to have a founding team and loyal followers. Many businesses that grew large were jointly founded. Also, invention and innovation are two different things. In the same way, the innovator (research-minded inventor) and entrepreneur (business-minded risk-taker) must work together. For example, to qualify for the national high school baseball tournament, a pitcher cannot do it alone. He needs batters and other team players to succeed.

The team's environment (community, social capital, and ecosystem) is important.

＊Continue on to the next page for details.

References:
- "自立"とは, 社会の中に"依存"先を増やすこと https://www.mugendai-web.jp/archives/8758
- 何がベンチャーを急成長させるのか / 小林英夫 https://www.amazon.co.jp/dp/4502235814
- 連続起業家Steve Blankが語る、アントレプレナーとイノベーターよる大企業イノベーションの本質 https://bizzine.jp/article/detail/3511

Community and Ecosystem

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Successful entrepreneurship largely depends on the environment (community* and its social capital)

The success of an entrepreneurship tends to be strongly dependent on the founder's charisma and talent, as well as the technology. However, it cannot be done by one person alone. Having a team is important. The technology must also have practical use, otherwise it cannot be commercialized. This is when the environment, along with a bit of luck in timing, the community, and the social capital, all stand as important factors.

Social trust relationships

Three Elements of Social Capital

Reciprocity norms
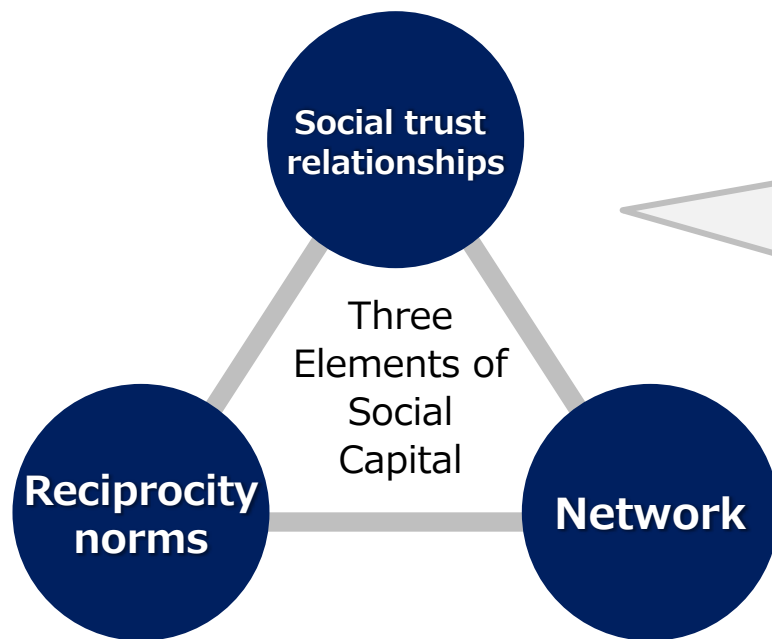
Network

About social capital

This is defined as, "Personal connections or a social network, and the sphere of reciprocity and trust generated from it." It is a human network of mutual trust and assistance. For example, someone in the company with political power or people with a long history in the company will tend to be helpful (a lot of social capital). The higher the social capital, the more efficient the organization will be.

＊A community is a group of people in the same area or place or who share the same feelings or ideas. Compared to a human network, it is smaller in scale and it has a strong emphasis on mutual contribution.

References: • POWERS OF TWO　二人で一人の天才 / Joshua Wolf Shenk, https://www.amazon.co.jp/dp/B06XWS76DS
• 孤独なボウリング / Robert D. Putnam, https://www.amazon.co.jp/dp/4760129030/

Building International & Wide-Area Entrepreneurship Ecosystems ✦ 0→1 Booster

Entrepreneurship Ecosystems in Japan

- Japan has strong division and competition among regions, industries, companies, and organizations, so trust and co-creation (ecosystem*, reciprocal loop concept**) are important.
- Since diversity and density are important for innovation, it's important for the local regions to cooperate with the Tokyo area.
- Besides venture companies, the role of financial institutions and small to medium-size companies is important at the local level.
- To expand the ecosystem, co-creation attempts with other local areas and overseas outreach efforts are important factors.

＜Five Important Ecosystem Elements＞ Personnel, density, culture, capital, regulations
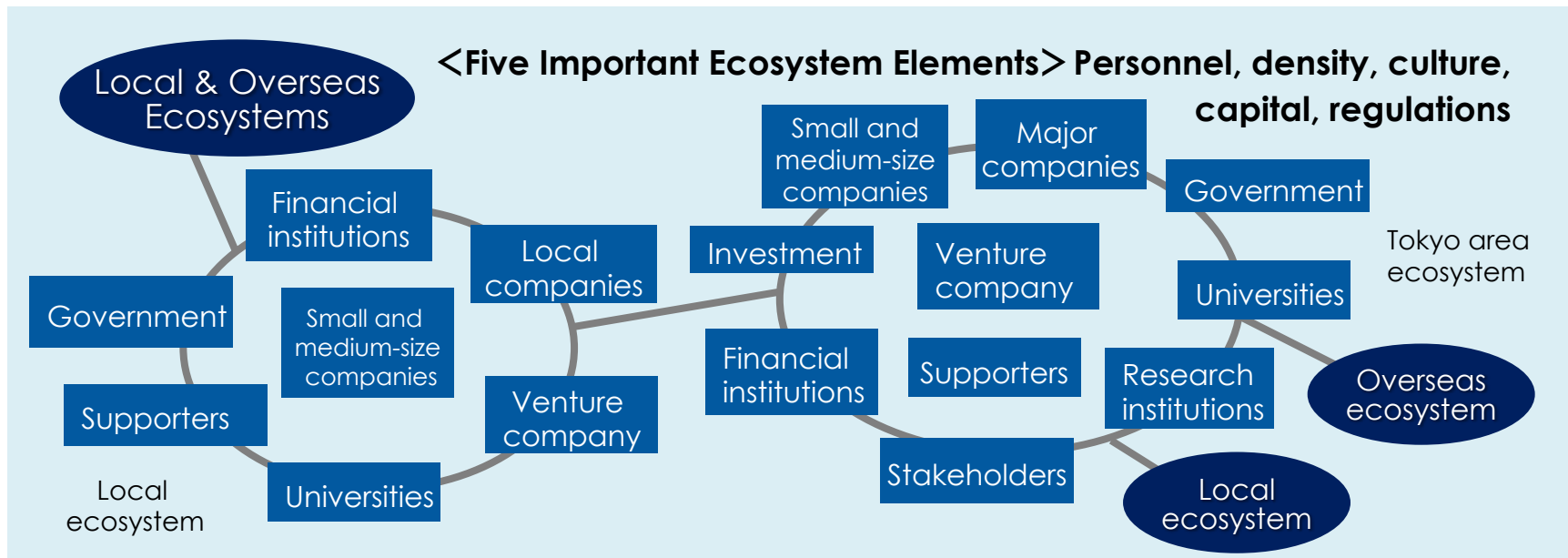
*An ecosystem originally refers to a biological community. However, in the business world, it comprises diverse people making up a co-creative community where they mutually enjoy profits.
**The biological concept of a reciprocal loop (everyone contributes without demanding anything in return, but they ultimately profit at the end) can also help in understanding this process.

References
- ビジネスの"生態系"がもたらす5つの変化 https://www.dhbr.net/articles/-/3493
- 〈いのち〉の自己organization: 共に生きていく原理に向かって https://www.amazon.co.jp/gp/product/4130130293/
- ジェイコブズの都市論 https://www.rieti.go.jp/users/hosoya-yuji-x/2008-11.pdf
- White Paper by TechStars https://www.techstars.com/content/community/white-paper-announcing-5-ingredients-fostering-thriving-startup-ecosystem/

I am myself and my circumstances; and if I do not save my circumstances, I do not save myself.

José Ortega y Gasset
(Spanish philosopher)

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Startup Building

What's a startup?

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A startup is an organization aiming for quick growth.

A startup is a temporary organization used to search for a repeatable and scalable business model.
-By Steve Blank

Startup innovation type		**Small business operation type**
	Idea and methods differ	
Destructive & deviant (Disruptive)	⬅➡	Sustainable new business New business for many companies
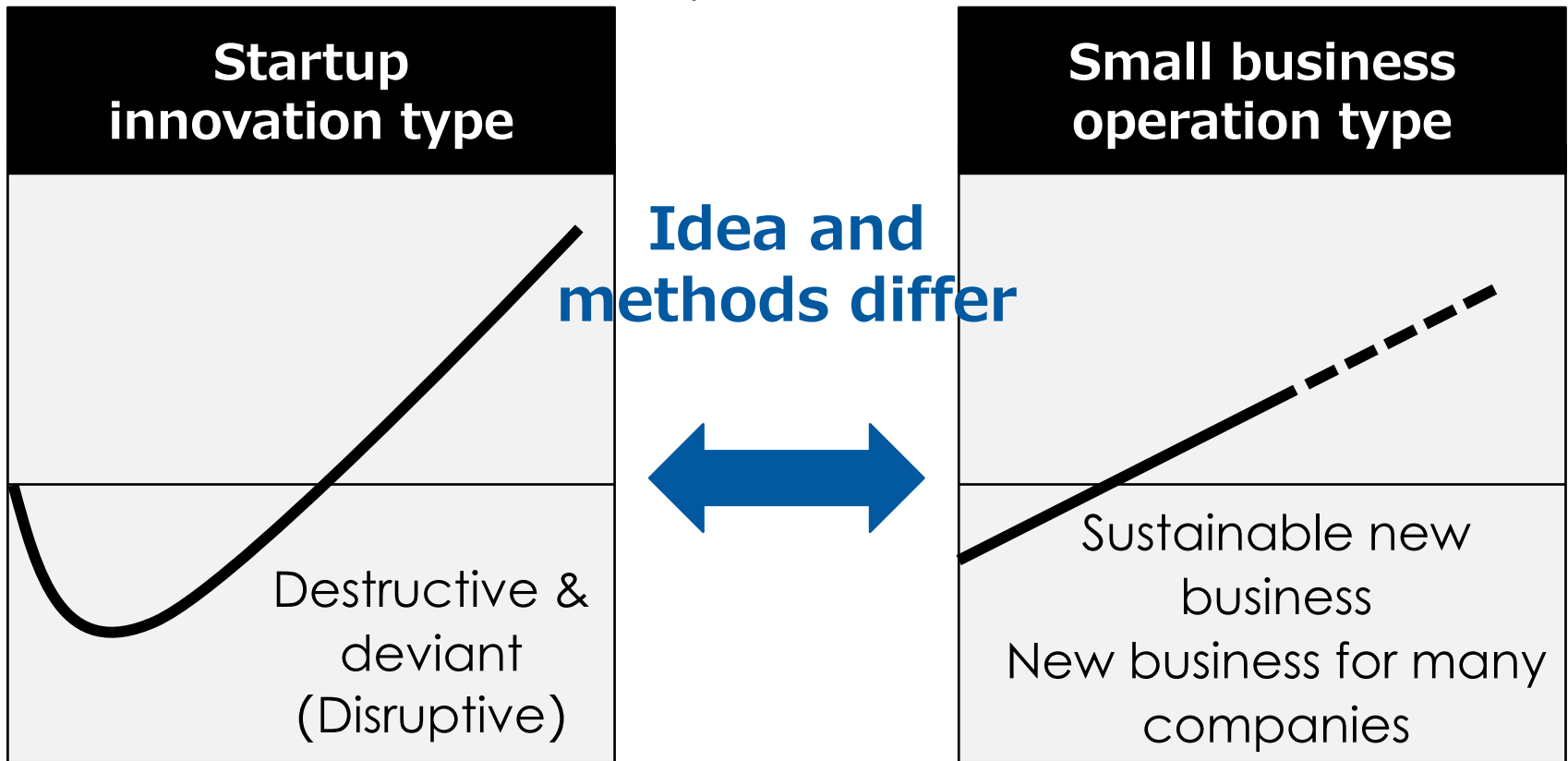
In Japan, "venture" company and "startup" are synonymous in reference to starting a business. However, "startup" has the above meaning and nuance.

MANPOWER
Human Capital

Startup Studio

Accelerator

Venture Capital

ANGEL investment

Investment Size
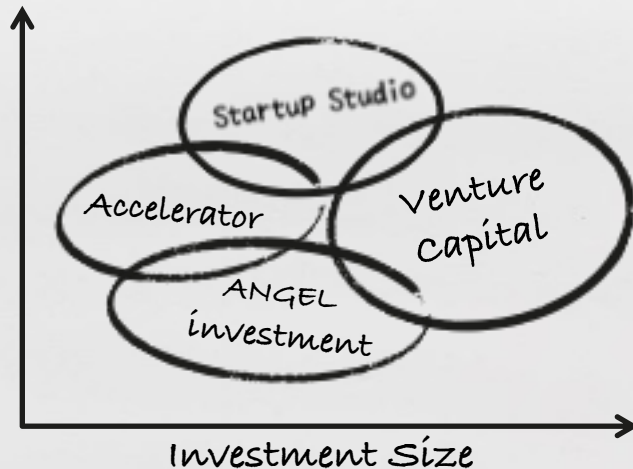
References:
**Startup Weekend https://startupweekend.org/
**TechStars Startup Program
https://www.techstars.com/startup-programs/
**Spearhead is transforming founders into angel investors
https://techcrunch.com/2018/09/12/spearhead-is-transforming-founders-into-angel-investors/
**The Origin and Evolution of the Startup Studio
https://medium.com/global-startup-studio-network/the-origin-and-evolution-of-the-startup-studio-3e442c35d21
**The Corporate Entrepreneur in Residence
https://medium.com/mooreventures/the-corporate-entrepreneur-in-residence-5d1f9b37b128
**Andreessen Horowitz https://a16z.com/about/team/

Some of the world's leading funds are getting bigger. There is an urgency for them to find, nurture, and build-up entrepreneurs and founding teams as early as possible. For example, see the activities below. Innovation is also required when building, nurturing, and supporting a startup.

✓ TechStars' Startup Program (similar to Startup Weekend).

✓ Startup Studio model that handles individuals who want to be involved in the launch before the accelerator, and those who want to be a part of the founding team.

✓ Entrepreneur in Residence. (Although originally the entrepreneur was in the VC, there are diverse models.)

✓ Scout Program and related model by venture capital. (The entrepreneur is founded as an angel investor.)

✓ Andreessen Horowitz's business development team (business support by venture capitalist).

Startup Studio

There are various types of startup studios. Generally, we handle the entrepreneur candidate before the team up. Therefore, we give support before the accelerator (where there is already a founding team and business seed). Also, with an accelerator, the main business is with the startup. However, with a startup studio, the main business tends to be with the studio. Instead of the studio providing various resources, the studio normally holds a 15% to 100% equity stake. In many cases, the entrepreneur candidate receives a salary. A good number of successful entrepreneurs and venture capital firms operate this way, although they require funding (investment + personnel expenses) to do so. In the case of accelerators, support length is usually around 3 to 6 months. With a studio model, it can be a yearly period. The examples below are relatively special models of Startup Studios.

Rocket Internet	Entrepreneur First
Centering on developing countries, this time machine model is used for a quick start. https://www.rocket-internet.com/	Like the accelerator model, the person joins here as an individual, teams up, and gets screened for selection. If the person is selected, a 10% equity stake is taken. https://www.joinef.com/the-programme/

References: The Startup Studio Ecosystem 2019 https://blog.themainingredient.co/the-startup-studio-ecosystem-2019-6598f2652e5e
Startup Studio Playbook https://www.amazon.com/dp/B07NVNYM4C

Chapter 6

Global Trends

Asia's Open Innovation Activities

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The year 2019 was when Japan and the entire world saw vigorous corporate innovation activities. For example, Thailand's RISE accelerator recruited AI startups from RISE.AI in Southeast Asia and implemented programs to promote the DX of companies, such as Krungsri Finovate (major megabank's innovation corps) and PTTEP (major oil developer).

Others include Vietnam, which has been advancing their open innovation since 2019 as a national policy. Organizations such as Saigon Innovation Hub and Innolab Asia have started community development with local companies.

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Increase of Global Scouting

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With the start of accelerator programs, more companies and local governments have expressed a desire to also include overseas startups in their programs.

However, Japan still has very few programs that include such overseas startups or initiatives. The country should launch more outreach programs to work with overseas startups.

Corporate Accelerators in the World

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APAC (Asia-Pacific): The APAC area has 182 corporate accelerator programs. Many programs that stand out are in Singapore and India.

Singapore

India

South Korea

Since Singapore is strategically located for the APAC headquarters of global companies, over half the programs are run by global companies. They include Google, Shell, Ericsson, Huawei, JLL, and Rakuten. Others are mostly by former national companies such as DBS. Singaporean companies also have corporate accelerators.

India is an R&D center for global companies. One-third of the programs are run by global companies like Shell, Philips, Facebook, Qualcomm, and Airbus. In addition to Target in the USA implementing "Powered by TechStars", India has started its own program since 2013. Others are mainly conglomerate companies like Aditya and Reliance. Indian companies are also implementing corporate accelerators.

Centering on conglomerate companies, South Korea also has corporate accelerators starting to attract attention. New companies like Naver and Kakao are active. One characteristic is their many global programs. Besides Seoul, Samusung Next is also implemented in Silicon Valley, Tel Aviv, and Berlin. Lotte Accelerator also started in Vietnam in 2018. Conglomerate company Hanwha implements a global accelerator program called "DreamPlus."

Corporate Accelerators in the World

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EMEA
**Europe,
the Middle East and Africa area**

Great Britain

NALA
North America Latin America area

EMEA has about 160 corporate accelerators. Half of them are in Great Britain. Germany and France each have one-third.

Corporate accelerator programs are run in almost all industries. The major ones are Barkley Accelerator powered by TechStars, Pfizer Healthcare Lab, and JLAB.

In NALA, North America has multiple corporate accelerators. However, not that many companies are powered by GAFA (Google, Amazon, Facebook, Apple) or TechStars. In South America, corporate accelerators centering in Brazil have increased since 2017. However, most of them are local programs by global companies. America has over 60% programs that are "Powered by" mainly TechStars or R/GA. There is a wide breadth of leading companies like Amazon and TechStars, to major grain companies like Cargill and the healthcare company, The Heritage Group. Geographically and area-wise, there is a wide CAP.

Chapter 7

Effectuation and Causation

Effectuation and Causation

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The "effectuation" concept is attracting attention.

Effectuation is a market creation implementation theory for discovering and systematizing the decision-making process and ideas (or way of thinking) that is common to outstanding entrepreneurs.

Giving meaning
Who am I?
What do I know?
Who do I know?

Objective
What can I do?

Interaction
Who do you know?

Resource expansion cycle

Commitment
With people involved

Restriction settlement cycle

New meaning

New objective

Change in meaning

Change in environment

Change in restrictions
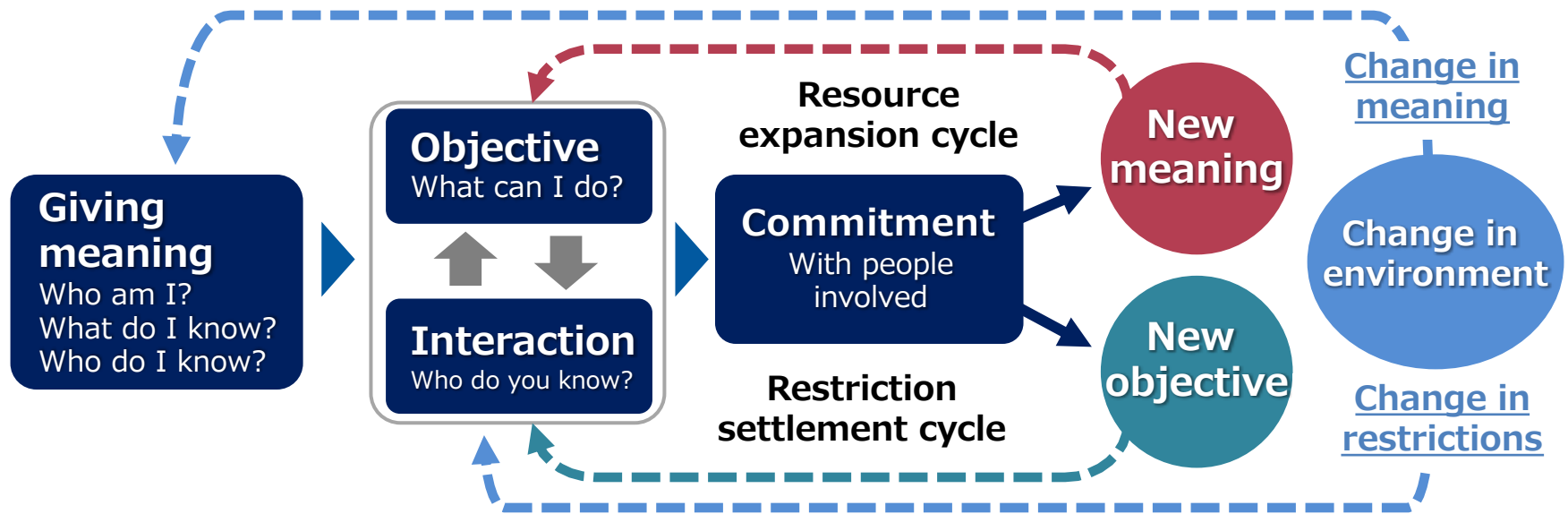
New products, companies, and markets not part of the conventional lineup.
Presented by Indian business scholar Saras Sarasvathy. Highly acclaimed for establishing learnable methods that benefit even normal company employees.

Limitations of Causation

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Amid an uncertain future, place importance on the predictable aspects.

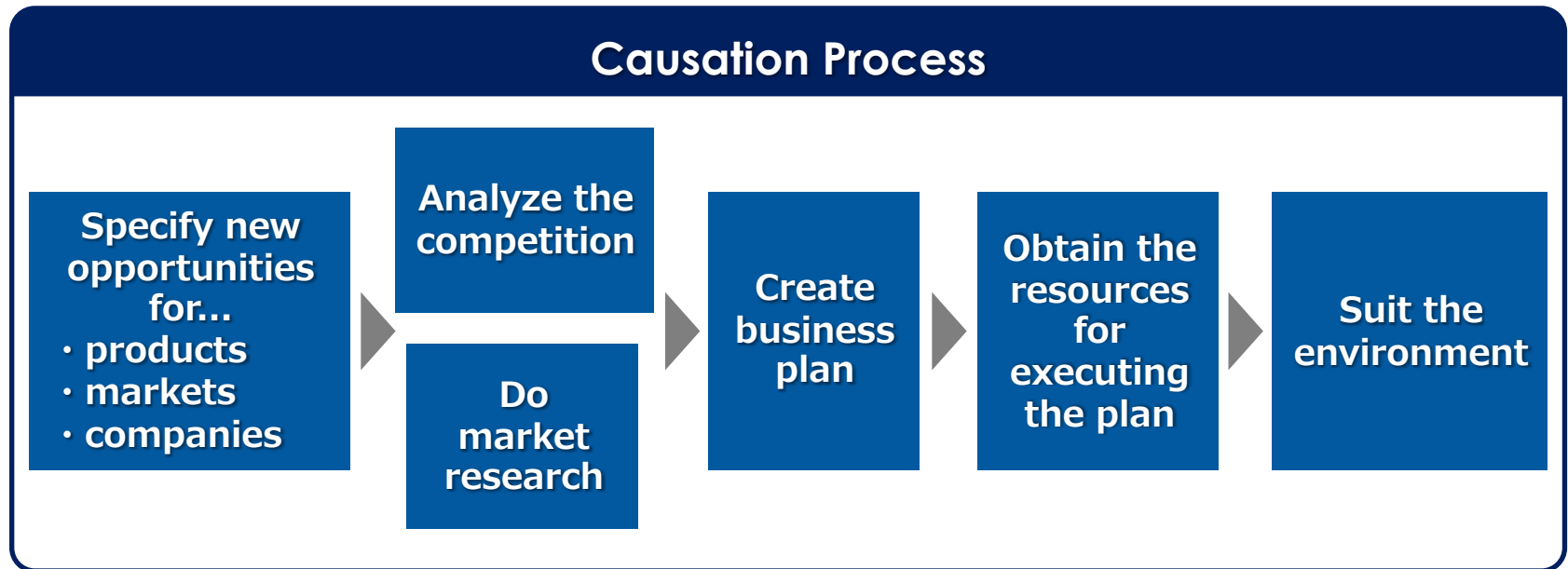Start with the desired "objective (results)" and think about what you need to do to attain this objective. Select the means to obtain the specific results. This approach assumes the undertaking of a huge amount of research. However, **this approach also has limitations during the VUCA period*** due to the possibility of changes in the market environment after the research.

Causation Process

Specify new opportunities for...
- products
- markets
- companies

Analyze the competition

Do market research

Create business plan

Obtain the resources for executing the plan

Suit the environment

Although the future is uncertain, keep forecasting it and proceeding as much as possible. Business management until now has kept this process of causation as the principal axis.

*VUCA period = Volatility, Uncertainty, Complexity and Ambiguity, (aka: the especially uncontrollable period of markets and flux)

Enterprise Venture Exchange

Enterprise Venture Exchange

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Program Background

- Training personnel who are capable of entrepreneurship and company reform is a very important matter for major companies.
- To train such personnel, a practical education program is necessary, instead of just traditional impracticable classroom work.
- The program would be very effective if the personnel could learn the work and speed necessary of venture companies in opening a market, with their ideas and action-taking being implemented even with inadequate resources, unlike those found more easily at major companies.

Types of Enterprise Venture Exchange

The implementation methods and dispatch objectives can be placed into four categories:

Implementation methods

Study abroad objectives

① * Done in-house (the company selects and negotiates with the study experience target and provides support after dispatching the person).

② ** Subcontracted to a company (outside company entrusted to do the above).

③ Gain experience (initially experience a venture for stimulation and discovery).

④ *** Attain a specific goal (Example: New business manager, catalyst, PMI personnel training).

*Regarding ①, for the company to do it in-house, it would be difficult without good judgment of the venture company and network.

**For ②, if the main purpose of the study experience is simply for the experience, one must be careful because the benefits of the experience can easily weaken depending on the department the person is assigned to after returning. (If the original department was a major business department, etc.)

*** 01Booster offers this program to focus on ④.

Program Scheme

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[Overview]

Enterprise Venture
Exchange

Sender

Receiver

Major company

Venture company

Return home

New
business

Company
reform

Educational program
(Dojo & mentoring)

Goal setting
Selection support

Accelerator
program

Various support

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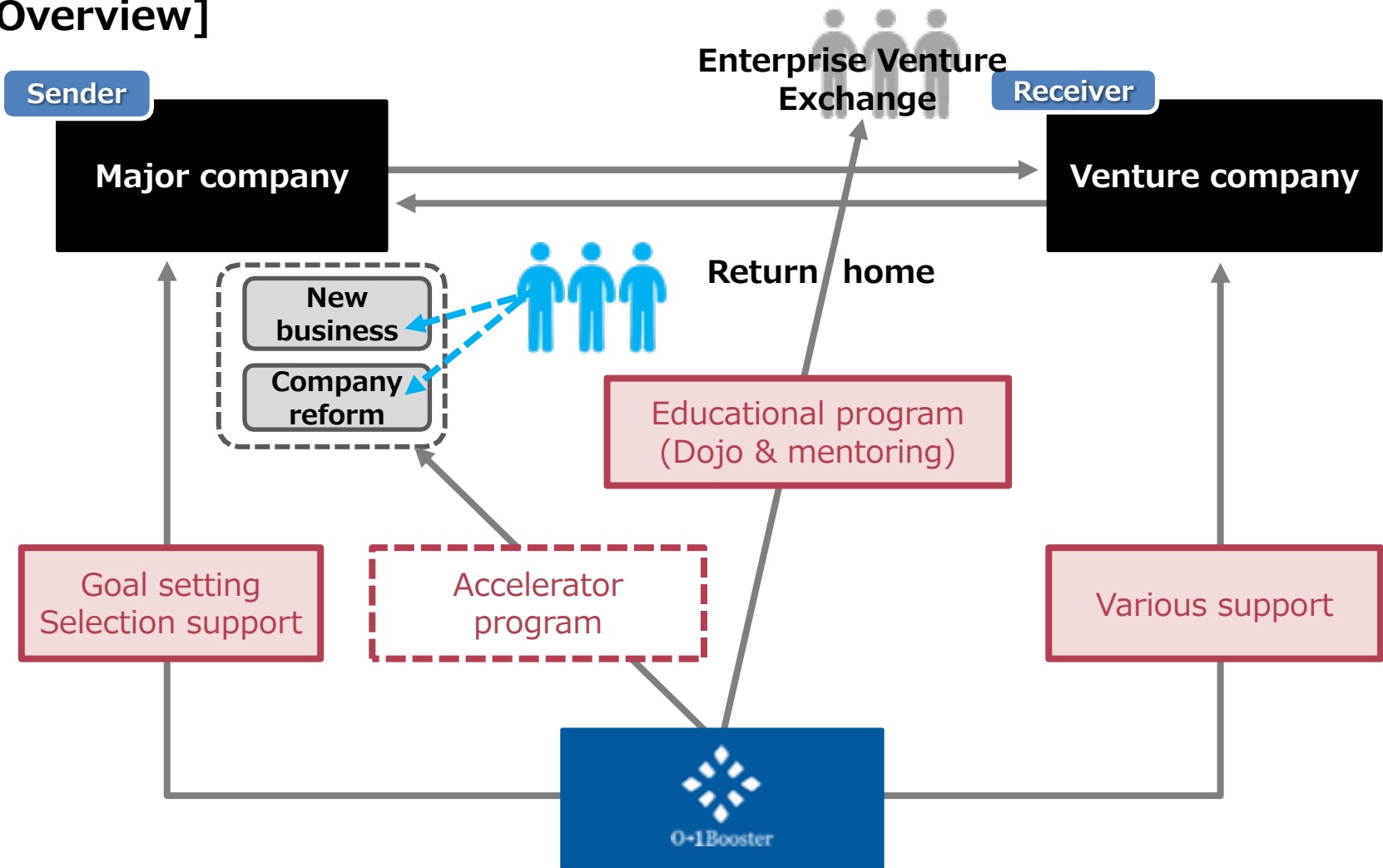
Program Scheme

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[Implementation Flowchart] * 01B = 01Booster

| Arrangement | Implementation (1-2 years) |

Major companies

- Consultation
- Find out Desired conditions
- Show candidate ventures
- Periodic report
- Periodic report
- Periodic report

Employees

- Internal selection of candidate personnel, powered by 01B
- Creation of matching list

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Narrowing down companies

Personnel screening interview

Advance training by 01B

Employment by venture company

- Mentoring by 01B
- Mentoring by 01B
- Mentoring by 01B

Venture company

- Desired conditions
- Find out Desired conditions
- Show candidate companies / personnel
- Feedback to 01B
- Feedback to 01B
- Feedback to 01B

Chapter 9

Corporate Accelerators

About Corporate Accelerators

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The Corporate Accelerator

In non-successive business areas, external venture companies and major companies have their respective advantages.
Resources and interests are exchanged, combined, and connected to the market in order to produce profitable businesses.

Companies have diverse objectives. 01Booster has earned over 30 "Powered by" accelerator badges over the course of four years or so. Each one is different since they are customized for their respective company.

Why is open innovation necessary? What do we want to attain with open innovation?

Not many companies can answer these questions very well. We must first stop and think about these two questions carefully.

Together with major companies for the medium- and long-term, the venture company's business is to become a platform attracting innovation instigators that are taking the initiative in the industry. Creating an environment where optimum resources are easy to obtain is a major objective of the corporate accelerator.

In Japan, accelerators have increased. However, depending on the accelerator's planning and operating player or sponsoring company, accelerators can be totally different. For your reference, the standard definition we use at 01Booster is as follows.

Benefits of Corporate Accelerators

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Businesses and innovation that cannot be solely created in-house are to be separated from the company core and put in an isolated environment where the venture company's newness, drive for action, and resolve could be utilized, and also where the cost of failure is limited, the risks are transferred externally, promptness is emphasized, and as many trials are possible.

Creating businesses and innovation that cannot be created solely in-house is a business development method. Since multiple businesses will certainly be implemented, they will have a good influence on in-house, innovative minds. This activity will be a process to reform the organization. We can thereby expect it to speed up the launch of new businesses in-house.

Corporate Accelerator Objectives
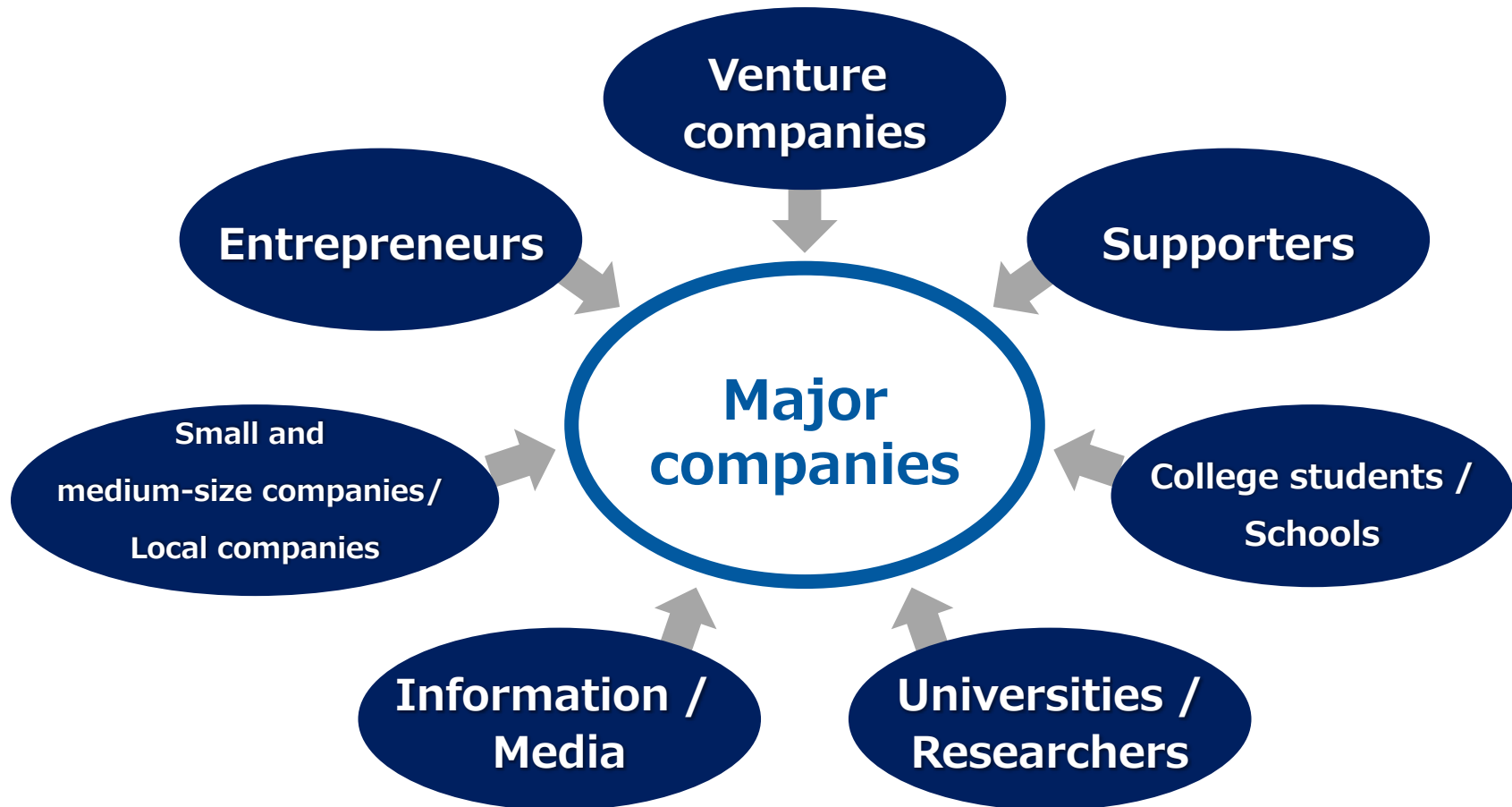
The venture company's business centering on major companies with innovation instigators is to become a platform for mutual support in the medium- and long-term.
It is to create an environment where optimum resources are mutually easy to obtain.

Chapter 10

Financing Entrepreneurship

Financing by Borrowing

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Two ways of financing by borrowing: **① Financing by a private financial institution.**

② Financing by a governmental financial institution.

In the case of ①, there is financing with a secured loan from a credit-guarantee corporation or there is proper financing. Many companies use financing with a secured loans from credit-guarantee corporations. Although borrowing is easier with a loan from a credit-guarantee corporation, a separate guarantee fee is usually charged. If you start to have a good track record, they may eventually offer proper financing.

In the case of ②, there are institutions like Japan Finance Corporation and Shoko Chukin Bank. Japan Finance Corporation can offer financing before or soon after the company's startup. It does not hold any stake in the company when providing financing, but the money must be paid back. In most cases, the business owner is also required to be the personal guarantor.

To obtain approval for financing, it is important to create an attainable business plan.

It is also important not to have any overdue payments, keeping up with a good track record.

Financing with Secured Loans by Credit

Proper financing

Financing from government financial institutions

Investment and Financing

The major ways for a venture company to obtain financing are financing through equity or having a debt (borrowing).

Equity (Investment)	Debt (Financing)
● Repayment unnecessary. ● Investor rights retained (rights to self-interest and common profit rights, voting rights, etc.) ● In most cases, the investment approval screening will place importance on business growth potential, market size, and ability of the business operator (or management team). ● Cost of capital is high.	● Repayment is necessary. ● No voting rights. ● To obtain financing approval, a stable business is required in many cases. Also, collateral (personal guarantee, such as in the case of secured loans) may be required. ● Cost of capital is low.

✓ The investor could be an angel investor, venture capital, or operating company.

✓ If there is a venture company with high-growth potential, the venture capital (VC) aiming for capital gains would invest in stocks to provide funding. Normally, the company dedicated to VC would manage funds from multiple investors such as financial institutions or operating companies and operate it as a limited-time fund. If financing is obtained from a VC, an EXIT (IPO or M&A) will be required before the fund's time limit is over.

✓ Besides companies specializing in VC, there are now more companies that operate VC.
    They are the so-called "CVC" (Corporate Venture Capital).

✓ Besides capital gains, CVC aims to get an investment return as a business.

✓ The CVC is usually funded either entirely by the operating company itself or by a two-person association.

✓ As long as it's an investment business association, CVC is managed as a fund with a time limit.

✓ A venture company receiving funding from a CVC can also usually use the resources of the operating company.

✓ There are also cases when the operating company invests in the venture company directly.
    Its objectives are the same as the CVC's. There is no time limit as with a fund.

Venture Ecosystem
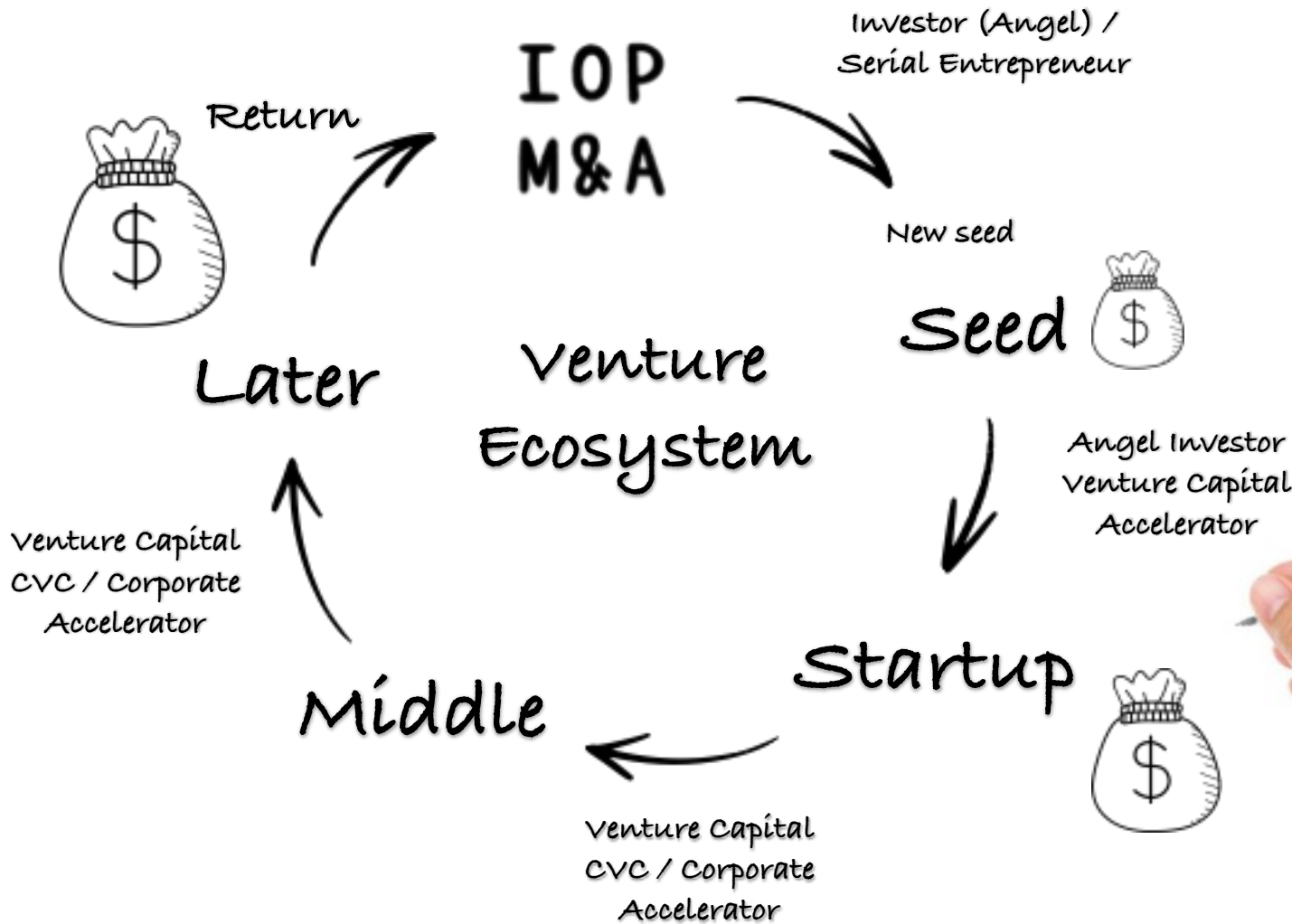
Chapter 11

Reverse PMI

Reverse PMI (Reverse integration)

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PMI

Post Merger Integration

Post M&A Integration Process

To create innovation, M&A is an important theoretical method. However, to attain the expected value and synergy of integration after the M&A, the actual integration will be more important and difficult than the process leading to the M&A.

Various business administrative processes are integrated, IT systems are integrated, and management and personnel are also integrated. The integration involves a wide swath of companies. And the integration of corporate cultures and thinking is intangible and takes too much time.

In the case of a major company and startup's open innovation, the major company's innovation strategy may be to acquire the startup. Normally, the major company as the buyer will conduct due diligence to consider how to integrate and match the startup into its corporate strategy. We usually expect a company in a conventional and declining industry to become innovative by switching to new game rules. Therefore, instead of the startup adapting itself to a conventional industry's major company, the major company should adapt itself to the startup. This is more efficient.

However, since an M&A normally gives high priority to the buyer's wishes, the innovation-filled startup tends to take on the characteristics of the major company acquiring it. The operator of the startup who attained an M&A with a major company has little tendency to desire royalties from the major company. So after the M&A, there tend to be incentives for the startup operator to resign.

Reverse PMI (Reverse Integration)

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Even if there is a key man clause in the contract (though fewer contracts have it now), we also hear that they count and wait during the same period.

There are few M&A examples that smoothly attained their initial expectations. The reason is that the value of the acquired startup was not utilized well.

As mentioned before, innovation is an action that disrupts conventional rules. Therefore, it is necessary to adopt the startup's (operator's) processes and value standards.

And so the major company should learn from the startup that it acquires and become more like the startup. This will become more important.

A corporate accelerator by a major company and startup will be a learning process for the major company from multiple startups. It is also a type of reverse integration activity.

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Chapter 12

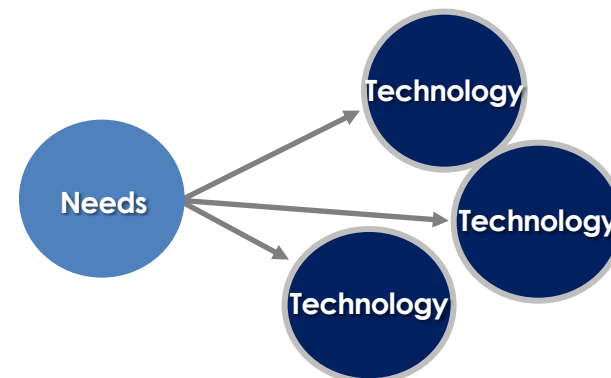# Technology

Technology

0→1Booster

- It takes time for any technology to go from the lab to the commercial market.

- From the viewpoint of entrepreneurship, technology's important role is that it must fulfill a need. However, those needs are seldom universal like medical treatment. Most of those needs change depending on the time and place. Some needs also disappear. Also, in many cases, there are multiple technologies that can be selected to fulfill a need.

- Often times, people try to forecast future needs and invent technologies which would meet future (new) needs that don't exist yet.

- **To invent a technology leading to entrepreneurship, you must be selective of the expected needs and ascertain which need the technology will benefit the most.**
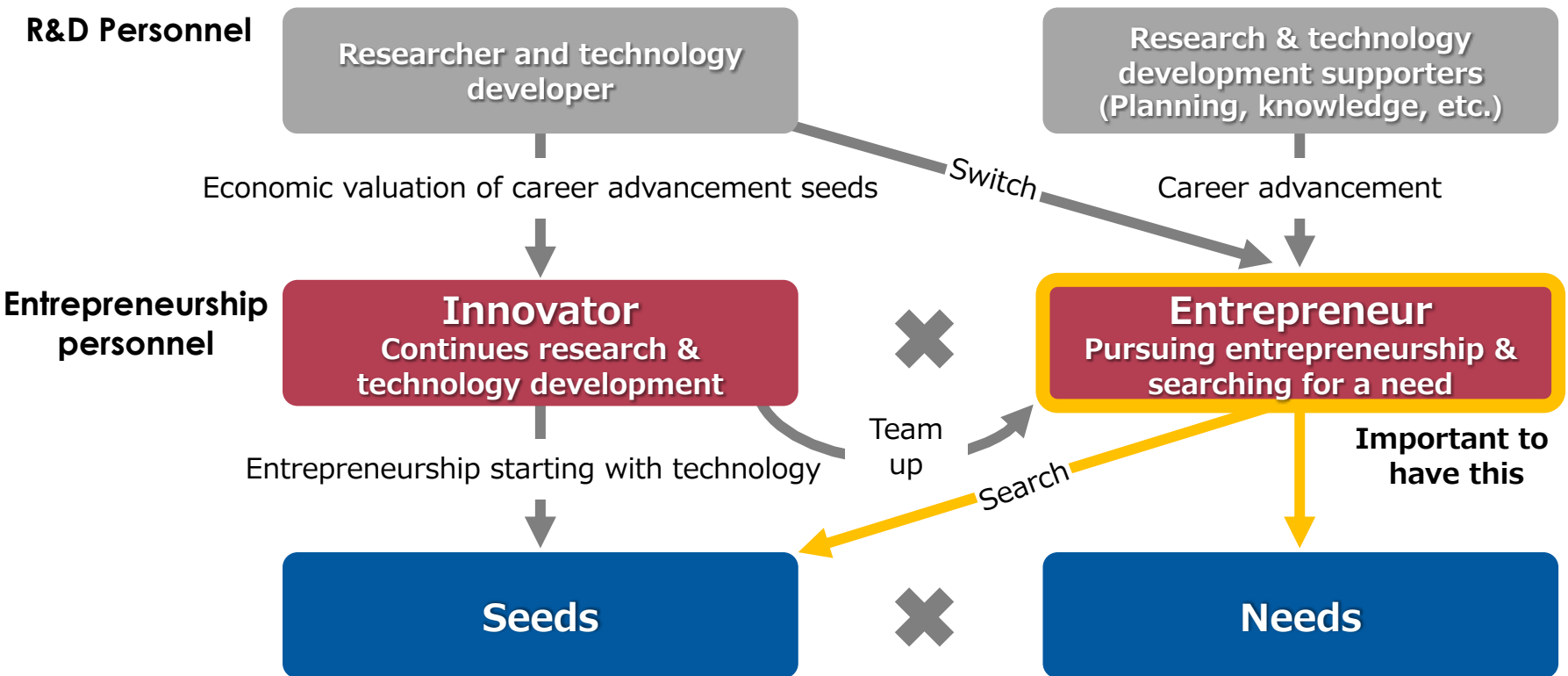
| Technology (Seeds) | ✖ | Needs | = | Entrepreneurship |
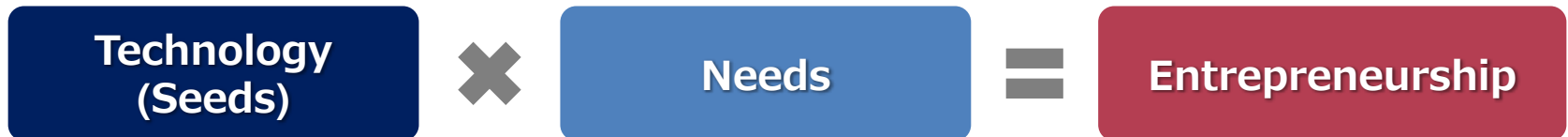
Fulfill new needs with technology
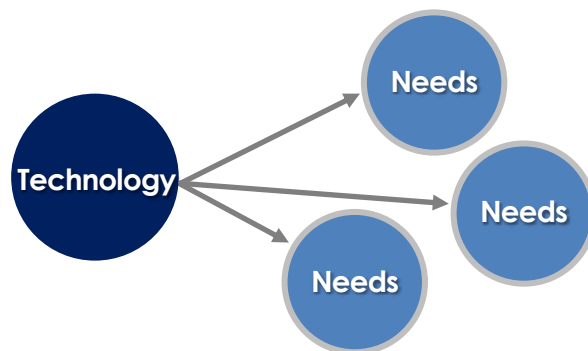
Select technology that fulfills needs

Technology-Related Career Selection

✧ 0→1Booster

- In the R&D departments of universities and companies, there are many researchers and engineers who spend their entire careers developing technologies.

- Many of these researchers and engineers aim for innovation. However, if the new technology they develop does not have economic value, innovation cannot be achieved.

- Universities and companies aiming for entrepreneurship resulting in innovation must increase their number of entrepreneurs.

R&D Personnel

| Researcher and technology developer | Research & technology development supporters (Planning, knowledge, etc.) |

Economic valuation of career advancement seeds　　　*Switch*　　　Career advancement

Entrepreneurship personnel

| **Innovator** Continues research & technology development | ✖ | **Entrepreneur** Pursuing entrepreneurship & searching for a need |

Entrepreneurship starting with technology　　Team up　　*Search*　　**Important to have this**

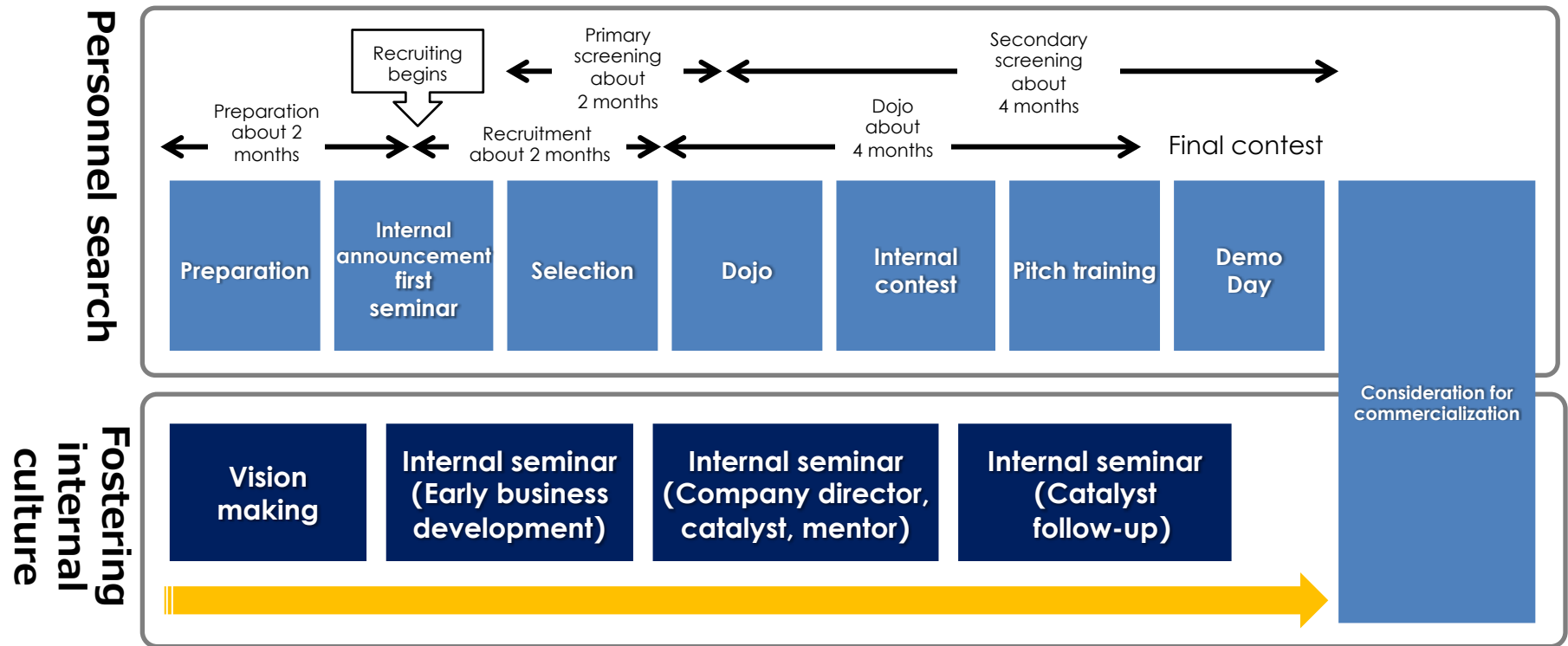| **Seeds** | ✖ | **Needs** |

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On the Front Lines of Intrapreneurship

On the Front Lines of Intrapreneurship

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Major companies tend to have innovators.

Personnel search process and in-house culture development are important.

Personnel search

Preparation about 2 months

Recruiting begins

Recruitment about 2 months

Primary screening about 2 months

Dojo about 4 months

Secondary screening about 4 months

Final contest

Preparation	Internal announcement first seminar	Selection	Dojo	Internal contest	Pitch training	Demo Day	Consideration for commercialization

Fostering internal culture

Vision making	Internal seminar (Early business development)	Internal seminar (Company director, catalyst, mentor)	Internal seminar (Catalyst follow-up)

Selection criteria: "Self motivated" "Action amount" "Resources"

On the Front Lines of Intrapreneurship

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Why is it hard to train internal entrepreneur personnel?
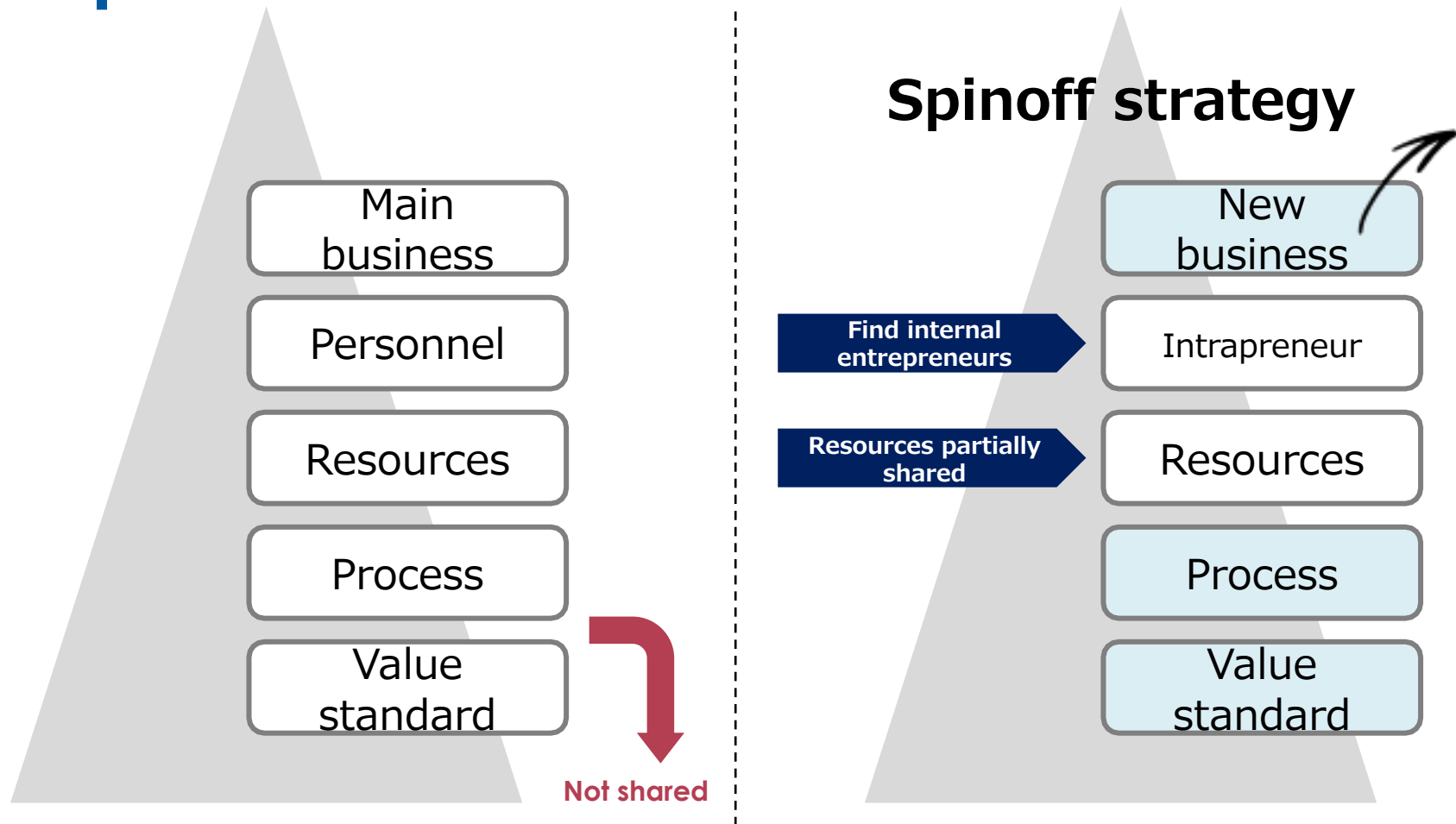
For a new business, people are an important resource.
Even if you find and train them to be in-house entrepreneurs, the new business cannot take off unless the "process" and "value standard" also change.
Therefore, even if you have trained in-house entrepreneurs, they tend to resign from the company, and the company then becomes more geared toward the existing business operation.

External (Resign)

Measures

Educational

Environment

Incentive

In-house entrepreneurs are trained, but they quit.

Operation process

Cost structure

Value standard

Process and value standard do not change over the short term.

On the Front Lines of Intrapreneurship

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Separating the value standards and processes from the main business.

Spinoff strategy

Main business

Personnel

Resources

Process

Value standard

Not shared

New business

Find internal entrepreneurs → Intrapreneur

Resources partially shared → Resources

Process

Value standard