

## FEATURE ARTICLE

# The spirit of *shinise*: Lessons from long-lived Japanese companies

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*Shinise* is a Japanese term that refers to a company that has thrived over a long period of time, particularly one that is known and trusted for the quality of its products and unique management practices. A study exploring the main characteristics of three *shinise* in Kyoto reveals the qualities that have enabled these companies to remain successful over several generations and highlights the differences in values, strategies, and outlook that distinguish them from similar organizations in the United States.

## 1 | INTRODUCTION

Countless new businesses are started around the world every year, yet for various reasons, many of them fail within a relatively short period of time. In Japan, the average number of new businesses per year has been around 100,000 for the last several decades, but since 1967 the number of those that have closed is greater. Many Japanese companies, however, have managed to survive and thrive for an extraordinary length of time, despite wars, economic depressions, and environmental disasters. Although the definition of long-lived can vary from industry to industry, companies that have existed for more than 100 years are referred to as *shinise* in Japan.

Currently, there are 28,000 *shinise* in Japan, although 461 of them closed in 2017—2.2% more than in the previous year (Teikoku Data Bank, 2018). This decline is a result of the 2008 financial crisis and the devastating Tohoku earthquake in 2011. Seven *shinise* are more than 1,000 years old. The oldest company in the world is a 1,400-year-old Japanese construction firm based in Osaka, Kongo Gumi; the second oldest is Nishiyama Onsen Keiunkan, a traditional Japanese inn founded in 705 (Newswitch, 2016). The sake brewing sector has the highest number of *shinise*, followed by hotels and traditional inns, sake retail, and the kimono and fabric retail industry (Goto, 2011).

Most *shinise* are small family businesses. Approximately 60% of them have no more than 10 employees (Suekane, 2012). These venerable organizations are often known and trusted for the high quality of their products and their unique management practices.

How have these long-lived companies survived decades of economic, environmental, and societal challenges? An analysis of the characteristics common to these old Japanese companies reveals essential strategies for long-term survival. Contemporary business people in all parts of the world can learn much from those firms' many years of commitment and diligence.

## 2 | SHINISE CHARACTERISTICS

Some similarities and differences in strategy have been found between 100-year-old companies and 300-year-old companies. Similarities include uniqueness, expertise, the stressing of continuance over growth, positive public perception, and an emphasis on customer satisfaction. As for differences, 300-year-old companies adapted to societal changes and challenges, whereas 100-year-old companies appeared to be more concerned with supply chain issues and localization of business (Suekane, 2012). One study (TenHaken, 2008) found that common *shinise* strategies include:

- clarity and continuity of corporate culture and values,
- learning systems built on relationships, and
- the ability to balance tradition and innovation through gradual change.

Although *shinise* value tradition, they view it as both a strength and a liability. This ambivalence indicates the ability of these firms to strike an artful balance between tradition

and change. Interviews with *shinise* owners (Nomura, 2006) have revealed the following commonalities.

- Although many *shinise* are family businesses, they are open to bringing in exceptional individuals from outside the family.
- Aspects of their business have changed according to the times.
- Their original core business does not change: They know who they are, what their values are, and what their strengths are. They do not invest in opportunities that are not in alignment with their core values.
- They serve the community.

According to the theoretical longevity model, five factors that contribute to companies' longevity are as follows: corporate identity and culture, core strengths, business relationships, employee relationships, and community relationships (TenHaken & Kanda, 2015). *Shinise* live by their core values, and the concept of authenticity is pronounced in the best of these firms (Takehara, 2010). These authentic firms are old and new at the same time; they know what to keep and what to change or innovate. While embracing their own management philosophies that have been born from many years of trial and error, they ask difficult questions. These include:

- For whom does a company exist?
- To whom does a company belong?
- What is the purpose of management?
- What is the meaning of work?

Their unique managerial practices emerge from the process of dealing with such questions and also from embracing the dualities of ideal and reality, theory and practice, plan and outcome, and benefit for self and for others.

Almost all the owners of these authentic companies have congruent values, hopes, and perspectives as business leaders and individuals (Takehara, 2010). They believe that knowing how to exist as a business depends on learning how to exist as individuals. They also respect the firm's existence value, which is determined by its stakeholders. Stakeholders endorse the existence value of a *shinise* by such statements as "This company/product is like no other," "We cannot do without...," or "We can trust..." The authentic *shinise's* unwavering commitment to serving all stakeholders with ultimate quality in service and product is crystallized in their values, which is symbolized in the *noren*.

These symbolic cloths, typically decorated with the company's logo or other symbol, are displayed at the entrance of a business to indicate that it is in operation. *Shinise* owners often use the expression "protect the *noren*" to mean that they are continuing to uphold and transfer the company's deeply held values. An absolute symbol of trust laden with great significance, a company's *noren* means so much in

Japan that the opening of a new branch or office is referred to as a "*noren wake*." When one is given the *noren*, it means that he or she is entrusted to protect and continue the value and quality of the company it symbolizes.

## 2.1 | Continuance, not growth

Contrary to the objective of many contemporary companies, the goal of *shinise* is not growth, but the continuance and transfer of the values that have been handed down for generations. Key to the long-term survival of these ancient firms, this philosophy may be rooted in traditional Japanese ethics. For instance, how money is spent is considered more important than making it. According to this concept, wealth is like water: One must know how to ride its waves and understand both its action and inaction to avoid drowning (Ishikawa, 2006).

As *shinise* do not focus on growth, their leaders eschew the use of such strategies as selling lower-quality products at reduced prices, manipulating prices, or other short term-oriented sales tactics. They believe in uncompromising quality and setting a fair price for their product. They focus on continuously improving their product over time, handing down tried-and-true techniques and methodologies from generation to generation in order to attain the ultimate level of quality. These are the company "secrets" or special methodologies that make the organization unique (TenHaken, 2008).

## 2.2 | The influence of *sado*

In the West, the Protestant work ethic, which encouraged the creation of wealth in the secular world, led to the development of capitalism. In twelfth-century China, Confucianism played a major role in outlining business ethics. In Japan's early economic development during the Edo era (1603–1868), it was not religion but the sense of mutual benefit and interdependence that gradually shaped the country's principles of commerce.

Interestingly, *sado*, the traditional Japanese tea ceremony, has been influenced by Zen Buddhism. Zen and tea are closely related because the first Zen monks drank tea to stay awake during meditation. Mindfulness is an essential part of Zen, and its practices require complete attention. The following philosophical characteristics of *sado* can be considered to have influenced business practices in *shinise*.

- Ultimate service to others. This is demonstrated during the tea ceremony by the cleansing of ceremonial tools in the presence of guests and the serving of freshly made tea in an immaculately clean teahouse. All of these signal respect for both the space and the guests who occupy it. Application to business: Providing the best service and products; transparency.
- *Wabi-sabi*. Rooted in Zen Buddhism, this esthetic concept stresses simplicity devoid of all that is unnecessary and quietude (*wabi*) and beauty borne of age (*sabi*).

Application to business: Recognize what is unnecessary and eliminate it; focus on what is most important.

- The beauty of incompleteness and imperfection. To grasp this concept, which recognizes constant change in nature and the value of each moment, one has but to wonder, *Are only flowers in full bloom or the full moon beautiful?* Application to business: There is value in each stage of work.
- *Ichigo ichie*. Literally an once-in-a-lifetime encounter, this concept highlights the fact that no two meetings are the same, and each has its own unique value. Application to business: Appreciate and make the most of each encounter and relationship.
- *Wakeiseijaku*. This encompasses harmony and connected minds (*wa*); respect for others and what they are sensing, needing, and feeling (*kei*); purity of mind (*sei*); and simplicity and quietness (*jaku*), eliminating what is not necessary, and quieting our minds so we can appreciate the moment. Application to business: Ultimate service to customers and guests.
- *Chazen ichimi*. This phrase can be translated as *Zen and the taste of tea are one and the same*. It refers to the notion of seeing the divine in all things. Application to business: Treat everyone and everything with care and respect.
- *Chashitsu*. This is an architectural space designed to be used for tea ceremonies. Participants enter the tearoom through a doorway that is so small that they must bend to go through it. This is to signify that all are equal. Application to business: Practice and value humility.

### 2.3 | Corporate social responsibility

*Shinise* traditionally have valued the importance of living and working in harmony with the local community. This resonates with the Japanese citizens because their tight culture suggests that they strictly follow societal norms (Pelto, 1968). That commitment to society is symbolized in the *noren* hung at their doorway. When a *shinise* hangs its *noren*, it is conveying its gratitude for being able to conduct business another day. Whereas in Western societies compliance focuses on obeying laws, for a *shinise* the concept of compliance centers on valuing societal relationships and building trust (Sasaki, 2008). Corporate social responsibility for a *shinise* is rooted in the philosophy of the *Oomi*, early merchants who traveled to various parts of Japan to start their businesses. The *Oomis'* strongly held values are still reflected in the following *shinise* concepts (Sasaki, 2008).

- Good business requires acceptance and trust from three perspectives: buyer, seller, and society. Businesses should never profit at the expense of society.
- *Gi* (integrity) is essential. Take complete responsibility for your actions and products. Product liability and extended producer responsibility should underlie all

business practice. Never deceive, never turn away from a problem, and always deliver what you have promised.

- The more profit you make, the more you return to the society. Good businesses live and work with and within society. Harmonious existence with stakeholders is critical.
- Good businesses succeed only in fair and honest manner. Profit made by deception or during an economic bubble is not considered honest profit. Even when you make more than enough profit, never waste any of it.
- Value the spirit of care for everything, and live simply.

### 3 | A LOOK AT THREE *SHINISE*

To explore *shinise* values in practice, visits were made to three *shinise* companies in Kyoto, Japan. Interviews were conducted in Japanese with the presidents of each of the firms. The questions explored during the interviews are given in **Exhibit 1**.

Kyoto has approximately 1,900 *shinise* because it was the site of the Emperor's residence until 1868, and the Imperial Palace brought in the best businesses from all over the country to cater to the Emperor. The three companies that were studied are Hyotei, a 400-year-old restaurant; Itochu, 123-year-old manufacturer of traditional Japanese sandals; and Sasaki Shuzou, a 125-year-old sake brewery. Although the individuals who were interviewed at each company had different stories to tell, their core business philosophies and practices were surprisingly similar.

#### 3.1 | Hyotei (瓢亭)

Started 400 years ago as a teahouse in a pine forest near Nanzenji, a Zen Buddhist temple in Kyoto, Hyotei was converted to a restaurant in 1837. Located near a road between Tokyo and Kyoto that people used to travel on foot, it originally served as a resting place where travelers could change their straw shoes. Over time, the tired and hungry travelers' requests for more than tea and sweets led to the serving of boiled eggs. The secret of preparing these eggs has been passed down for centuries, and Hyotei eggs remain a specialty at the restaurant (Hyotei, n.d.).

The entry hall with its bench, the thatched roof, and garden created by Uekuma, one of Kyoto's best-known garden designers, are said to still look as they did at the establishment's founding. With 34 employees, Hyotei is one of the most well-known and trusted restaurants in Japan for excellent food and elegant presentation in a beautiful, traditional Japanese setting. The restaurant has maintained a three-star rating by Michelin Guide.

Although Hyotei has received many awards, no trophies, plaques, or any other items that boast of the enterprise's success are displayed. Eiichi Takahashi, owner and chef of the restaurant, explained that humility is one of the important values that have been handed down over the 16 generations that his family has operated the restaurant. He grew up

**EXHIBIT 1** Interview questions

The following questions were translated into Japanese for the interviews.

1. Could you tell me about how the organization got started? (When did it start? How did it get started? How big is it now?)
2. What are the guiding values of this organization? How are these values integrated within the organization? Do you see these values as different from those of other modern corporations?
3. Which factors do you put into consideration when developing long-term plans? Where do you envision the organization going in the future? (Please describe how you see your firm 1 year, 5 years, 10 years into the future. How big do you want it to be?). What role do you envision yourself playing in the process?
4. What do you tell new employees about your organization and how things are done here? (What do you say about how to interact with customers? Do you give examples? What do you say about how to actually do various tasks or jobs? How do you do your hiring? Are there specific qualities that you look for in a new hire?)
5. What do you tell new customers about your organization and how things are done here? (What do you say about what is available for purchase? What do you tell them about the quality of your goods or services?)
6. What is your organization's position with respect to its major markets? Do you consider yourself to be a preferred choice for most consumers in the industry? If not, how have you positioned your brand?
7. If you were to tell me about a critical event in your organization's past, what would that story be? (When did this happen? What did it teach you and the organization?)
8. Tell me about your market, your industry, and your environment. (Has that changed in the past? Do you think that will change in the future? Why or why not?)
9. How do you obtain and use market intelligence regarding your competitors and other happenings in the industry?
10. What would you consider to be the greatest risk you have taken in this organization?
11. Are there specific environmental and social issues that directly affect your business?
12. What do you see to be the greatest contribution of your business to the larger society?
13. What outcomes or performance measures are important to the longevity of this organization?

hearing from both his mother and grandmother that one's own success is not to be bragged about. Although Hyotei is certainly a world-class restaurant that attracts many celebrities and royals, there is no sense of haughtiness from Mr. Takahashi or any of the people he employs, and they do not disclose any information about their clients. All visitors are made to feel welcome in a humble, serene Japanese garden setting.

### 3.2 | Itochu (伊と忠)

Founded in 1895, Itochu, a manufacturer of traditional Japanese sandals, employs 150 people. The techniques and

values for crafting each sandal with care and precision to ensure complete customer satisfaction have been passed down from generation to generation. The company started expanding its business and diversifying its products in 2007. The firm now also sells accessories and gift items that evoke traditional Kyoto, including purses made of traditional Japanese fabric, intricately decorated boxes, traditional Japanese fans, and scarves.

The president of Itochu, Tadahiro Ito, is 47 years old and brimming with new ideas. With three other graduates of Kyoto University, he has formed a team to carry on Japanese traditions and create a new vision for Kyoto. Although Itochu is primarily known for making traditional Japanese sandals, Mr. Ito has expanded to selling other accessories and gift items that evoke Japanese tradition. He emphasizes, however, the importance of knowing “who Itochu is” and balancing the old and the new.

While many companies may implement changes in response to a fad, the owners of *shinise* ask, *Would this change align with who we are and what we are about? Would this be in our best interest?* Mr. Ito also described the challenge of balancing efficiency with effectiveness and explained that he would not consider efficient ways to manage his business or manufacture his products that would, in any way, diminish the company's values. Itochu's values are evidenced in its “view-point” statement, which but can be translated as “Have a heart to love good, old things. Have the courage to abandon bad customs. Know how to tackle what matters seriously. Understand failure is the beginning of the next step. Believe in infinite possibilities. And continue to move forward” (Itochu, n.d.).

### 3.3 | Sasaki Shuzou (佐々木酒造)

Sasaki Shuzou, a sake brewery, was founded in 1893 and has 18 employees. It is located in an area of Kyoto where Toyotomi Hideyoshi, a general and politician during the warring era in Japan, which lasted from the middle of the fifteenth century to the beginning of the sixteenth century, built his residence specifically because of the region's good water (Sasaki Shuzou, n.d.). The current owner is Noboru Sasaki, 48 years old. Although the eldest son is usually considered to be the natural heir to a *shinise* business, Mr. Sasaki is the youngest son in his family. His two older brothers decided to pursue other professions. (One of them, Kuranosuke Sasaki, is a well-known actor in Japan.) Mr. Sasaki modestly stated that he felt that his company was too young to be considered a *shinise*. In Kyoto, companies are not considered fully mature until they have 300 years of experience.

During the interview, Mr. Sasaki stressed the importance of continuing the family business of making high-quality sake, which he refers to as authentic, and of passing down the secret of making it. Like the owners of the other *shinise*, he noted that it was much more important to continue the values of the business rather than to grow it. He also stressed the need to negotiate what to keep and what to change.

Mr. Sasaki is open to bringing in technology to make sake more efficiently—as long as technology and innovative methods are used only to maintain the quality and taste of the traditional sake made by his firm.

Mr. Sasaki is also leading a group of young company presidents in the area to share ideas on promoting eco-sustainability. As Kyoto is bordered by three mountains, rain-water does not quickly run to the ocean, and the city enjoys an abundant and pristine water supply. Cognizant of the fact that pure water gives life to good sake, Mr. Sasaki is committed to protecting the environment. His interest in this arena shows that old companies like his are not ignoring current issues.

### 3.4 | Common themes emerge

The information that was collected during the interviews at the three companies and by observing their work was transcribed, translated into English, and analyzed to identify common threads. Six key concepts emerged.

*Shinise value trust among all stakeholders.* Throughout their existence, these companies have gained and maintained absolute trust from their customers by consistently delivering high-quality products. Customers not only come to buy the best of the best, but also trust that they will be treated with care and respect. As Mr. Takahashi from Hyotei noted, “It takes a lot of work, steadfastness, patience to cultivate genuine trust with customers and the community. It takes many years of continuous hard work. We avoid any behavior to attract quick attention or to boast our success.” According to Mr. Ito, “We have achieved trust from our customers by offering value in our products, but more importantly, something that has not changed for all these years is the heart of service.”

*Shinise emphasize collaboration rather than competition.* In many businesses in both the United States and Japan, competition is considered a natural part of running a business. The *shinise* leaders were striking in their collaborative attitude, even with their industry competitors. They prize, respect, and maintain healthy horizontal relationships to sustain the greater goal of continuing *shinise* values. Mr. Takahashi from Hyotei put it well: “If we competed and tried to defeat competitors, we would not be able to exist. We work and collaborate with other similar restaurants so we can maintain and continue the values that we embrace. Sometimes we share apprentices. We are in complex, interconnected relationships. It’s like synergy. We never say anything negative about other restaurants. It’s possible for us to succeed because we respect and work with other restaurants.”

Mr. Sasaki of Sasaki Shuzou feels a sense of camaraderie with other *shinise* owners who have inherited their family businesses, and he is in frequent communication with them. They get together to discuss ways to maintain *shinise* values, especially those cultivated in the traditional Kyoto culture: valuing the old while being open to the new, being a compact city with an international outlook, and remaining

organic while keeping apace with technology. His circle of *shinise* owners are also leading other businesses in promoting eco-friendly business practices. “We need to collaborate and make a bigger impact in showing the world the quality of our products—genuine, good-quality products,” said Mr. Sasaki.

*Shinise achieve employee performance excellence through mentoring and coaching rather than formal training.* All three companies do not have any formal employee training programs. They have always had apprenticeship programs, but they seem to be informal types of on-the-job learning. In Japan, people often say, *Show your back to your people*. Although it may initially sound like a strange concept, it means if you are working hard, your employees will see your back as opposed to seeing your face. In other words, *shinise* leaders lead by example: by working hard, and not by telling people what to do. “We have all learned from looking at the backs of people who knew what they were doing. It’s a natural process,” said Mr. Takahashi. “There are many things we cannot teach; we just learn by watching and observing carefully. That’s how we learn all the subtle but important things. They become a part of you.”

*Shinise make most decisions based on “intuition” and “feel” cultivated over the years rather than on performance measures.* This would be counter-intuitive to many businesses that rely above all on hard facts and numerical evidence, especially in the United States. “When you’ve been doing business for many years, you know what’s right and what you’re supposed to do in your gut. We see numbers and data, but at the end of the day, what we trust is what we know,” said Mr. Takahashi.

*Shinise continually discern what to change or innovate and what to keep.* Although the fact that these firms eschew fads may lead some to think that *shinise* only hold onto old values and ways, they actually are always looking for opportunities to innovate. What sets them apart, however, is their focus on discerning whether the change is in their best interest. For Mr. Sasaki of Sasaki Shuzou, technology upgrades in his brewery must never compromise the quality of his product. “I have incorporated the use of some machines, but the only reason for doing so is to consistently produce the original, traditional taste of the sake that is ours,” he said. “I will refuse to make any changes to make things more efficient if it takes away what we have protected for all these years. We do our best to keep the taste.”

However, such devotion to tradition does not prevent him from considering new avenues of production. “I do have an interesting story of innovation,” he said. “We realized that the hands of people who handle fermented rice to make sake had a smooth skin. So, a cosmetic company took interest in working with us to create skin-care products. We agreed only because it seemed fun.” Although profit certainly may come later, Mr. Sasaki feels that fostering an attitude of fun and curiosity is ultimately what drives success.

**EXHIBIT 2** Differences between US businesses and *shinise*

	US Businesses	<i>Shinise</i>
History	Post-colonial evolution	Timeless
	Emergence through legal framework	Socio-cultural evolution
	Entrepreneurial	Path dependent
Structure	Formal procedures and blueprints	Tradition
	Structured through rational corporate/ commercial laws, rules, trade associations, and professional bodies	Enshrined in family precepts, intuition, and traditions
	Diverse ownership structures, including family, partnerships, and incorporations	Predominantly family
Values	Values and purpose have evolved	Sustained original value and purpose
	Values competition	Values trust and humility
Performance Measures	Diverse ownership structures, including family, partnerships, and incorporations	Predominantly family
	Training/apprenticeship	Natural mentoring
	Profitability	Continuance
	Growth	Continuance
	Efficiency/quality	Quality
Business Planning and Succession	Professional management, Carnegie conjecture	Have overcome Carnegie conjecture in passing on the business to offspring

Mr. Takahashi also elaborated on how he decides what to change and what not to change, which is a common concern for all *shinise*. “Some things we never change, such as the way we take care in selecting the best ingredients and preparing everything with thoughtfulness. We will never change our commitment to extend ultimate service to our patrons. We do experiment in creating something new, however. For example, we started serving soy sauce with a hint of tomato. It's not traditionally Japanese, but it has been well received. We also have quite a few apprentices from other countries and exchange new ideas.”

*Shinise are more concerned with the continuance of their values and competence than with growth.* Although Itochu has shown some interest in expanding and diversifying its business, the firm's core competence remains solid. “I look for good ideas and opportunities for innovation, but I would never change anything that would not be in alignment of who we are,” said Mr. Ito. “I struggle with efficiency and effectiveness. Efficiency should never be considered if it hurts the effectiveness, which in our case is conveying our value”

“I would not be interested in making this company bigger,” said Mr. Sasaki. “We have enough profit, and we are satisfied. We would rather keep making the best sake and see people enjoy it.” Mr. Takahashi agreed with this philosophy. “It's important to know who we are and what we value,” he said. “We select the best of the best ingredients and put utmost care in what we make. Growth and expansion are not our interest.”

All six themes that emerged from the interviews are interrelated with mutual causality. For example, the firms succeed by not competing, but it is also true that they have already gained trust from customers and the greater community. A *shinise* exists and operates on absolute trust, values continuance of the

quality of its products, relies on centuries-old wisdom, and serves the community at large.

#### 4 | COMPARING *SHINISE* AND AMERICAN ORGANIZATIONS

**Exhibit 2** provides a summary of the main differences between *shinise* and U.S. firms. When considering the general differences between these enterprises, one of the main ones concerns historical evolution. As the United States is a relatively young nation, the history of business organizations and small family enterprises there traces only as far back as the mid-seventeenth-century colonial period (Stancliffe, 1917). The institutional basis for the evolution of these organizations has been variously attributed to Schumpeterian notions of entrepreneurship, the Protestant work ethic, and modern capitalism (Jones & Wadhvani, 2006). Although work ethic and entrepreneurship may have led to the emergence of business enterprises, Schumpeter submitted to the notion of “gales of creative destruction”—that is, radical innovation that disrupts the competitive equilibrium of existing markets, processes, and organizations (Schumpeter, 1942, 1947). According to this view, the swift demise of existing enterprises leads to the birth of new ones.

Evidence of the idiosyncratic entrepreneurial context in Japan is inconclusive at best (Hirschmeier, 1964; Ranis, 1955). It appears that *shinise* have evolved from and thrived through value-driven cultural contexts among the different Japanese dynasties (Teikoku Data Bank, 2018). Although there is little evidence of disruptive competitive dynamics among *shinise*, their long-term survival has been significantly

affected by various natural and man-made calamities over the centuries.

In terms of structure, the U.S. business environment is governed by elaborate legal and institutional frameworks. Business enterprises and transactions often rely on contracts that have little, if anything, to do with the social and cultural aspects of the greater community. It is unusual, and in many cases illegal, to transact business without some form of legal framework. Although there are legal structures that have helped legitimize, manage, and support *shinise* transactions and relationships over the centuries, such structures are less pronounced and often play a subsidiary role to embedded traditions and values.

A third difference between *shinise* and U.S. businesses relates to their espoused values. Business values in the United States have evolved over time through social construction—from competitive practices in the seventeenth century to an increased concern for employees, the environment, and social responsibility in the current millennium. *Shinise* values are based on honesty, excellence, tradition, and an intimate relationship with the natural environment. These values have sustained *shinise* even in times of natural disaster, civil strife, and social change in Japan.

A fourth difference can be observed in the way business performance is conceived and measured. The primary motive for most U.S. businesses is profit maximization. Although some organizations exist to meet for nonprofit aims, businesses have to generate and distribute profits in order to survive. Financial and market performance metrics are key to evaluating success or failure. Other soft objectives, such as social responsibility and ethics, are often measured subjectively. The business model of a *shinise* is rooted in continuance. Profit is a secondary and occasionally an unintended objective that is generated as a result of consumers' appreciation of the organization's excellence and dependability. A fundamental *shinise* principle holds that fair practices that rule out price gouging, deceptive pricing, price discrimination, and other forms of deception lead to high profit.

In U.S. entities, there is a contractual agency relationship between the employer and the employee. Levels of specificity regarding terms, duration, compensation, and employee development are clearly documented. *Shinise* often hire for life, and employees' lives are more tightly connected to these organizations than they typically are in many American firms. Senior employees act as mentors to instill timeless values in and transmit expectations to younger employees. Competence in doing one's job is developed through in-depth experience with the company's products and customers, and this is gradually passed on to younger cohorts. This medium of institutionalization ensures that values and traditions are not lost, arbitrarily changed, or miscommunicated.

Finally, business planning and succession are managed in a uniquely different way in *shinise*. After 300 years of

commerce, few businesses in the United States are still run by their founding families. Pressure to survive, grow, expand into new markets, or diversify often leads founding families to cede control to professional managers. Many *shinise*, however, are still family-controlled. One study of 90 such firms found that 70% of them had retained some form of family control (Iwasaki & Kanda, 1996). Another study using average profit-to-sales performance data found that *shinise* performance was 5.5%, compared to 2.7% for the average Japanese companies (TenHaken, 2008).

The longevity and superior performance of *shinise* may partly be attributed to a resolution of the Carnegie conjecture in the *shinise* traditions. According to this concept, "the parent who leaves his son enormous wealth generally deadens the talents and energies of the son, and tempts him to lead a less useful and less worthy life than he otherwise would..." (Carnegie, 1962). Subsequent empirical findings have supported the Carnegie conjecture (Holtz-Eakin, Joulfaian, & Rosen, 1993). Among *shinise* firms, however, although it is common practice to pass on their businesses to competent family members, they are also open to bringing in competent people from outside the family. This continues family control of the organization while ensuring competent management.

## 5 | CAN SHINISE CONCEPTS WORK IN THE WEST?

Although the United States is a much younger country than Japan, several examples of old American companies stand out. Some businesses that have survived for many years, such as JP Morgan, Bank of New York, and DuPont, have undergone significant transformation. The U.S. business environment has also changed considerably from an emphasis on extraction and manufacturing to service industries and dispersion of ownership (Berle & Means, 1932). In recent years, hollowing out and outsourcing have been major concerns. Meanwhile, mainstream business strategies have continued to emphasize operational efficiency, minimization of costs, acquisition, the development and deployment of resources to sustain competitiveness, and strategic alignment to achieve industry superiority and environmental alignment.

A few small American enterprises that have proven their durability can be compared to *shinise* in terms of size, ownership, and values. They include Nourse Farm (established in 1722), Laird and Company (founded in n.d.), and George R. Ruhl & Son, Inc. (dating to n.d.).

One of the oldest continuously operated family businesses in the United States, Nourse Farm was founded by two brothers, William and Ebenezer Nourse, in 1722. Over the years, the business has evolved to include the manufacture of cast-iron plows (a Nourse plow is housed at the Smithsonian Institution's National Museum of Natural History), apple growing, dairy farming, and berry specialization.

Currently managed by the eighth and ninth generations of the Nourse family, the 140-acre farm in Westborough, Massachusetts, has become a historical and tourist destination (Nourse, n.d.). The farm also operates a community-supported agriculture program, whereby consumers purchase a share of the upcoming harvest at the beginning of the growing season. Under Massachusetts agricultural preservation restrictions, Nourse Farm cannot be developed for commercial purposes and, therefore, is likely to carry on its farming traditions (Nourse, n.d.).

Established in 1780, Laird and Company of Scobeyville, New Jersey, is the oldest licensed distillery in the United States, producing apple-based spirits while remaining under family control since its founding. Evolving in tandem with the United States, Laird has been associated with various U.S. presidents, including George Washington and Abraham Lincoln (Laird, n.d.; Johnson, 2013). Despite significant challenges, such as Prohibition and the Second World War, Laird has stayed true to its tradition of producing apple spirits while branching out to related products, such as vodka, wine, whisky, and bourbon. In 1993, Larry Laird, the current owner, bought out external investors and restored the company to family ownership (Borzykowski, 2014).

Established in 1789 by Conrad Ruhl as a flour and feed mill, George R. Ruhl & Son., Inc., is located in Hanover, Maryland, and has remained under family control for seven generations. In the 1800s, the company closed its milling business to focus on flour distribution. It survived not only the aftermath of Baltimore's great fire in 1904, but also a wave of consolidations and other competitive pressures (Ruhl, n.d.). The company sells more than 2,000 products, include baling equipment (Dominguez, 1994). Ruhl has stayed true to its founding values of delivering quality products and service at a reasonable price.

These three long-lived family businesses appear to share some of the characteristics of *shinise*. They have all demonstrated a strong sense of resilience and responsiveness to environmental setbacks. They continue to sustain their authentic original products even when confronted with significant business challenges. Their response to those difficulties has often involved the identification of new products and processes without completely moving away from their original industries. Their leaders profess the need to maintain quality and an overarching sense of duty and community over profits. For their part, the customers of these firms have rewarded such commitments with their loyalty. The three companies have resisted expansion or consolidation with bigger firms. Located outside major metropolitan areas, they all have strong ties to their local communities.

Throughout the history of commerce, a proliferation of conflicting perspectives and concepts have both intrigued and frustrated business practitioners around the world. This is in contrast to the embedded timeless concepts and core

values of the *shinise*, which have helped ensure their survival and above-average returns while simultaneously providing ultimate customer value and mutual trust.

The premature demise of businesses large and small can dislocate families and destroy not only individual lives, but also entire communities. A *shinise* spirit helps assure corporate longevity. The past few decades have witnessed significant corporate upheaval and malpractice, the loss of jobs, disturbing product recalls, and the erosion of trust in corporate entities. The *shinise* spirit can be used to leverage core values that emphasize ultimate service to the customer, uncompromising quality, harmony, and mutual trust and concern.

The *shinise* of Japan have shown that organizations can achieve superior performance without obsessing over short-term profits. Yet some of the main characteristics of these organizations run counter to standard Western business principles. The *shinise* leaders' trusting of their own intuition over quantitative data would probably not sit well with most Western notions of how to operate a successful business. Winning without competing and succeeding without defeating the competition are also difficult concepts for many to consider.

Although it could well be argued that these practices work only within the Japanese culture, a recent study revealed that practices identified in the theoretical longevity model are not culturally specific to Japan (TenHaken & Kanda, 2015). Another argument, in fact, could be made that it is time for American and other Western businesses to reexamine the beliefs and principles that they have taken for granted as "the only way." It could well be time for them to open themselves to others.

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**How to cite this article:** Krahnke K, Wanasika I, Soltwisch BW. The spirit of *shinise*: Lessons from long-lived Japanese companies. *GBOE*. 2018;38: 6–14. <https://doi.org/10.1002/joe.21895>