

Chapter 11: Preparing to Start a Business

In this chapter, you will learn what you need to know and think about when working abroad. The information in this chapter will be useful not only for future entrepreneurs, but also for those who want to live their lives autonomously.

1. Networking

You may want to run a company abroad in the future, but you don't know how to set up a company abroad. While there are ways to go to a foreign country and talk directly to the people who are running the company, this book will show you how to set up a company overseas while staying in Japan.

Have you ever heard of the term "Overseas Chinese"? Overseas Chinese refers to Chinese nationals who have moved abroad while retaining their Chinese nationality, as well as their descendants. Many overseas Chinese are developing their business activities in Southeast Asia.

What about WAOJE (World Association of Overseas Japanese Entrepreneurs) (<https://waoje.net/>)? WAOJE is a network of Japanese entrepreneurs who are active overseas. WAOJE has been established in various countries and has a close relationship with each other to support Japanese people who want to start their own business overseas. WAOJE members can receive information and initiatives of companies that are starting up overseas. WAOJE member companies also offer internship opportunities (<https://waoje.net/internship>) to university students. Please visit the internship site. Get information on countries you are interested in or would like to work in while you are in Japan.

There are also Japanese language free newspapers and online free newspapers published in major cities in Asia such as Hong Kong, Bangkok in Thailand, Phnom Penh in Cambodia, and Yangon in Myanmar. You can also obtain information on company formation from the publishers of these free papers.

2. Study about the Restrictions

Each Asian country has its own laws regarding foreign investment. For example, many Asian countries such as Cambodia, Vietnam, Indonesia, and the Philippines prohibit foreigners from owning land. In some countries, only

nationals of their own country are allowed to establish a company. Each country's corporate tax and corporate tax rates, whether there are exemptions from import duties, and restrictions on prices, exchange rates, and trade also vary from country to country. Those who wish to start a business in Southeast Asia should carefully study the laws of the country they wish to enter.

3. Conduct a PESTLE Analysis

PESTLE analysis is a method of clarifying the advantages and disadvantages of different countries. PESTLE analysis is an acronym for Political, Economic, Sociological, Technological, Legal, and Environmental, and is a method used for macro analysis in business strategy theory. It is a method used for macro analysis in business strategy theory. The seven Southeast Asian countries studied in this book are divided into the above six categories and compared to see the strengths, weaknesses, and future potential of each country.

PESTLE analysis is an analytical method proposed by marketing researcher Kotler more than 20 years ago, and at that time it was divided into four areas of PEST. However, as the social environment has become more complex, two factors, legal and environmental, have been added to PEST analysis, and it has come to be widely used as PESTLE analysis.

In the tasks of this chapter, you will tackle the issue of deciding which of the seven Southeast Asian countries is the best country to develop business in. By comparing the seven countries in Southeast Asia according to the above six categories, you will be able to see the strengths, weaknesses, and future potential of each country. In addition, you will conduct a SWOT analysis to analyze the business you want to start.

Six Factors of a PESTLE Analysis.

1. Political

Changes in the political environment have a huge impact on business. As a simple example, Myanmar, which we studied in Chapter 9, experienced a coup d'etat in 2021. This points out the political instability in Myanmar.

2. Economic

Economic and environmental factors are also important. Consider the economic

growth rate, the number of young workers, and GDP per capita, which is an indicator of wages. Let's look back at the economic growth of each country studied in Chapter 2, Figure 2-1.

3. Sociological

Social factors include the emergence of new cultures, changes in trends, and the occurrence of social problems that impact society. The social and cultural acceptability of a business model is important when opening new markets. For example, Indonesia, which we studied about in Chapter 5, is a Muslim country. When considering the development of a new business in Indonesia, it is necessary to consider whether the business model will be accepted by the Islamic society.

4. Technological

Technological innovation is always in progress. Currently, business through social networking sites is increasing in Southeast Asia. In Southeast Asian countries, Internet-related businesses are expanding more than you can imagine. If you are late to the party, it could be a detrimental to the future of your business.

5. Legal

Legal issues can have a huge impact on your brand as well as your profits. If you are doing business globally, you need to know the laws of each country.

6. Environmental

Today, environmental factors are becoming more and more important. For example, environmentally friendly products and brands attract environmentally conscious consumers. You need to consider whether the materials and packaging of your products have a negative impact on the environment.

4. Conduct a SWOT analysis (analysis of a new business)

Have you ever heard of the term SWOT analysis? If you are a student in the School of Business Administration, you have probably learned about SWOT analysis in your strategy and marketing classes. Let's review it here.

SWOT analysis is an analysis method that visualizes the optimization of management resources by dividing the external environment surrounding the

company, the company's brand, product price and quality into positive and negative aspects.

SWOT analysis is an acronym for Strength, Weakness, Opportunity, and Threat. When developing strategies and plans for business, SWOT analysis can be used to analyze the external and internal environment of a business to identify new business opportunities and clarify issues.

Figure 1: SWOT Analysis Framework

		Positive Factors	Negative Factors
Environment	Internal	S (Strength)	W (Weakness)
	External	O (Opportunity)	T (Threat)

When conducting a SWOT analysis, it is important to

- 1) clarify the objectives,
- 2) organize the assumptions, and
- 3) understand the advantages and disadvantages.

Now, let's conduct the external environment analysis [O/T] of SWOT analysis.

The external environment corresponds to the market and social conditions. It may change slightly depending on the industry and the subject of analysis, but here are some general items to consider.

- ✓ Market size and growth potential
- ✓ Competitive landscape
- ✓ Business and economic conditions
- ✓ Political situation
- ✓ Laws

Next, let's do an internal environment analysis [S · W]. Internal environment analysis analyzes the "S: Strengths" and "W: Weaknesses" of the internal environment. Here are a few general items:

- ✓ Recognition and brand strength
- ✓ Infrastructure
- ✓ Price and quality
- ✓ Resources
- ✓ Location
- ✓ Services
- ✓ Technical capabilities

The next step is to multiply the four items and analyze them in order to incorporate them into the actual plan (Table 1).

	Strength	Weakness
Opportunity	<p>Opportunity x Strength</p> <p>Leverage your strengths into opportunities for significant growth</p>	<p>Opportunities x Weaknesses</p> <p>Take measures to reinforce weaknesses and take advantage of opportunities</p>
Threat	<p>Threats x Strengths</p> <p>Leverage strengths to avoid threats or take</p>	<p>Threats x Weaknesses</p>

	advantage of opportunities	Understanding weaknesses, avoiding threats, and minimizing impact
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This book does not call for a rigorous SWOT analysis, but you should understand the weaknesses of your planned business and think about what you should do to avoid or minimize the impact of threats. Also, think about how you can use the strengths of your business to take advantage of opportunities. It is a good idea to think about "opportunities x strengths" when you are trying to grow your company or business in the future.

5. Explore the Different Business Needs in Each Country

Chapters 3 to 9 of this book are arranged in order of GDP per capita (USD). In Chapter 3, China, especially Shanghai, has a much higher GDP per capita than the average for China as a whole, and businesses that require advanced technology are being developed. On the other hand, Vietnam, Cambodia, and Myanmar are mainly labor-intensive manufacturing industries with inexpensive labor, and their workers are not required to be highly skilled. In fact, more than 400 Japanese companies are clustered in industrial parks in Myanmar. Japanese companies are expanding their business in Myanmar to take advantage of the cheap labor force. Mr. Haga, who appeared in Chapter 9, Myanmar, is involved in car rental business as a means of transportation for business travelers, and Mr. Iwatani has found a business need in Japanese restaurants to support the dietary needs of expatriates and has started a business in the biggest city of Yangon.

6. Build Start-up Capital

If you want to start a business, you will need a large amount of capital. How do people who have established their own companies in Southeast Asia prepare their start-up capital? In the case of men who started their own businesses in their 20s, many of them obtained part of their start-up capital from investors. Several of the men in this book started their businesses in their late twenties, the early establishment period of their lives. They were unable to establish their companies with only their own funds, so they obtained part of their opening capital from investors. For some people, in addition to their own funds, their parents provided part of the funds. On the other hand, many women, as mentioned earlier, started their businesses in their late 30s or 40s. Therefore, when they decided to start

their own business, they already had sufficient reserves.

Those who have started their own businesses in Southeast Asia have stated that it is relatively easy to set up a joint stock company. In fact, even though they were young, in their mid-twenties, they were able to get investors to fund their start-up. Depending on the country and the type of business, you may need 5 to 6 million yen in Japanese yen to start a joint stock company. Nowadays, some entrepreneurs are using crowdfunding. There are various ways to start a business in each country, but you should not hesitate to start a business just because you are young.

In other countries, there are networks that connect aspiring entrepreneurs with investors. When you live in a country, you can get a lot of information about investors. When the author interviewed people in Bangkok, many of them said that it is not so difficult to find investors.

7. Develop Relationships with Investors

When the author conducted interviews in Asian countries, many entrepreneurs talked about the problems they had with their investors. For example, if a Japanese entrepreneur wants to prioritize business expansion, but the shareholder who acquires more than 51% of the shares wants to prioritize dividends, the entrepreneur has no choice but to follow the opinion of that shareholder, resulting in a conflict between the entrepreneur and the investor.

Some of the business owners in this book bought their shares from investors at a high price, while others started new businesses after selling their shares to investors. One entrepreneur even started his own business with a 60% equity ratio so that he would not have problems with investors. When setting up a company using funds from investors, it is necessary to discuss the terms and conditions thoroughly and get advice from others before entering into a partnership.

8. Understand the Living and Income Differences Between the Target Country and Japan

The value of money differs between Japan and other countries such as Cambodia and Thailand. Therefore, it is not possible to simply assume that you have less

income. Housing costs vary greatly from country to country and district to district, so it is difficult to generalize.

9. High Level of Satisfaction

Throughout the interviews, as mentioned before, we met very few people who expressed dissatisfaction with their current lives. Although their current income is low when converted into Japanese yen, many of them are not dissatisfied with their current income because they can expand the scale of their business at their own discretion. In addition, many of them answered that the more money they receive, the better, but that the satisfaction from their work is greater than the financial satisfaction. This is an answer that only an entrepreneur with a dream to grow his business can give.

In terms of medical facilities, one respondent said that in Hong Kong, the medical system from the British colonial era is well-established, and you can receive very extensive medical care at a very low price. In Bangkok, there are several general hospitals that provide services in Japanese, and in Phnom Penh, Cambodia, a hospital with Japanese doctors is open for business.

As for schools, there are full-time Japanese language schools (elementary and junior high schools) in almost every capital city in Southeast Asia. For example, there is a full-time Japanese language school (elementary and junior high school) in Yangon, Myanmar. In addition, some people send their children to boarding schools in Japan. Therefore, it can be said that there is no need to worry too much about living and educating your children in the countries introduced in this book.

10. Notes

The Japanese entrepreneurs featured in this book are successful, and they enjoy a high level of satisfaction compared to their Japanese counterparts. However, not all Japanese working abroad are successful, although they are not mentioned in this book. Some of them complained that their salaries were lower than their peers in Japan, while others said that they decided to work abroad as an escape from their situation in Japan. It is important to keep in mind that not everyone who chooses to start a business overseas will be successful.

11. The Future of Asia: Coexistence and Co-prosperity

It is said that the composition of the world's countries will change drastically by 2030. In the developed countries of Western Europe, including Japan, the pace of aging is accelerating. On the other hand, emerging economies, especially those in Southeast Asia, continue to make remarkable progress. In anticipation of future changes in the social structure of Japan and the world, large Japanese companies are focusing on developing and expanding their Asian markets. However, there are not many Japanese companies that are consciously hiring and training human resources for overseas markets. Students also do not have much awareness that they will be working overseas in the future.

The development of human resources in emerging countries is a major issue for managers who are developing local businesses. In Japan, especially in large companies, employees are meticulously trained, but it is extremely difficult to find human resources in emerging countries who are trained in this way. Japanese entrepreneurs need to develop human resources.

In addition, we must not forget that in business development, we must develop products that accept local preferences and respond flexibly to local culture and customs.

When Japanese people compete in the Asian market, we must not forget that we must not only pursue profits, but also aim for harmonious development with the local society. In other words, coexistence, and co-prosperity. Asia is a region of vastly different ethnicities, religions, and customs. If you are thinking of working in Asia, you need to learn about the business customs and regulations of each country from the time you are in Japan.

Lastly, Asia is closer and friendlier than you might think. Airfares are not that expensive either. If you have never been to Asia or Southeast Asia, please consider visiting one of the countries in Asia. We are sure you will have new encounters.

12. Summary

In this chapter, we took the career planning we learned in Chapter 10 one step further and learned about the preparations and considerations for starting a

business. In the exercises, please challenge yourself with PESTLE analysis and SWOT analysis to review what you have learned so far.

Tasks

1. Which country or case studied in Chapters 3 to 9 interested you the most in terms entrepreneurship or position in Southeast Asia? Also, briefly explain the reason for this.
2. Conduct a PESTLE analysis of the country where you would like to start your own business, and analyze its strengths, weaknesses, and future potential. Use the table below as a guide.
3. Think about what kind of business would be best to establish in the country you selected in Task 2 and conduct a SWOT analysis.

Use the templates before to help you structure your answer.

PESTLE Analysis

Country:

<u>P</u>olitical	
<u>E</u>conomic	
<u>S</u>ociological	
<u>T</u>echnological	
<u>L</u>egal	
<u>E</u>nvironmental	

SWOT Analysis

Business Name	
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Business Outline	
Opportunity x Strength	
Opportunity x Weakness	
Threat x Strength	
Threat x Weakness	

English Supplementary Reading

Hill, N. (1987) Think and grow rich. New York: Fawcett Books.

Vaynerchuk, G. (2018) Crushing it! How great entrepreneurs build their business and influence--and how you can, too.

Bonney, G. (2016) In the Company of Women: Inspiration and Advice from over 100 Makers, Artists, and Entrepreneurs. Artisan Division of Workman Publishing. NYC.