

**UNLOCKING EAST ASIA: A STRATEGIC ANALYSIS OF  
ODOO ERP'S ENTRY INTO JAPAN**



**TANATIT TANSEREESAKUNPAT**

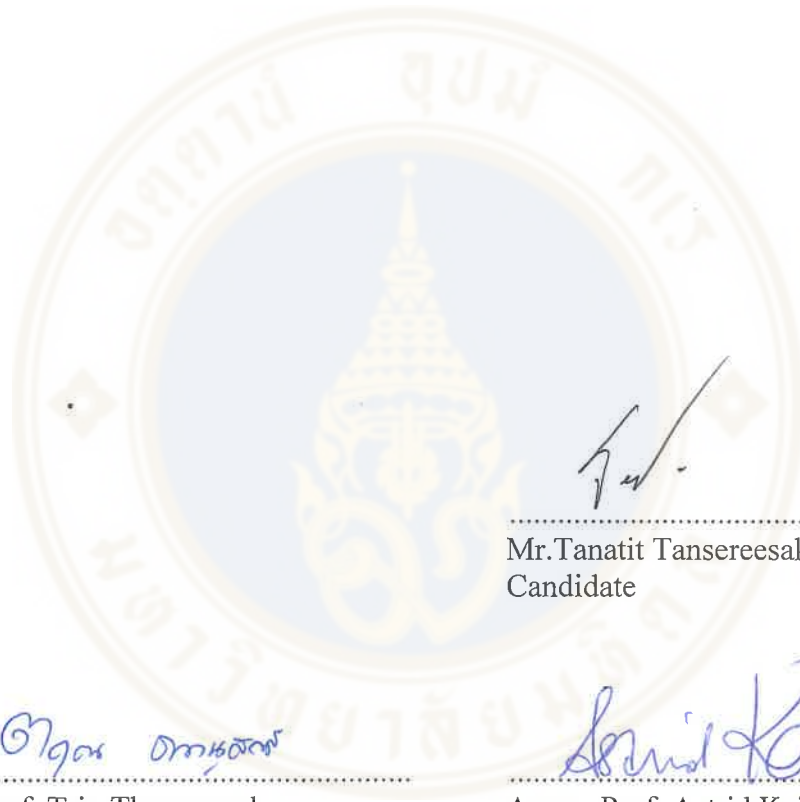
**A THEMATIC PAPER SUBMITTED IN PARTIAL  
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**UNLOCKING EAST ASIA: A STRATEGIC ANALYSIS OF  
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on  
14 May 2024




  
.....  
Mr. Tanatit Tansereesakunpat  
Candidate

  
.....  
Asst. Prof. Trin Thananusak,  
Ph.D.  
Advisor

  
.....  
Assoc. Prof. Astrid Kainzbauer,  
Ph.D.  
Chairperson

  
.....  
Assoc. Prof. Vichita Ractham,  
Ph.D.  
Dean  
College of Management  
Mahidol University

  
.....  
Asst. Prof. Panita Surachaikulwattana,  
Ph.D.  
Committee member

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Tanatit Tansereesakunpat

## **UNLOCKING EAST ASIA: A STRATEGIC ANALYSIS OF ODOO ERP'S ENTRY INTO JAPAN**

TANATIT TANSEREESAKUNPAT 6549100

M.M. (GENERAL MANAGEMENT)

THEMATIC PAPER ADVISORY COMMITTEE: ASST. PROF. TRIN THANANUSAK, Ph.D., ASSOC. PROF. ASTRID KAINZBAUER, Ph.D., ASST. PROF. PANITA SURACHAIKULWATTANA, Ph.D.

### **ABSTRACT**

This study examines key strategies for positioning Odoo, an Enterprise Resource Planning (ERP) software, in Japan. It begins by exploring the unique characteristics of Japan's ERP adoption trend, highlighting resistance to change and the slow adoption of digital transformation, particularly among small and medium-sized enterprises (SMEs). Despite these challenges, there is competition globally. Furthermore, the study goes deep down into the role of ERP distributors in Japan and analyzes the country's IT adoption trends, emphasizing the importance of customization, affordability, and demonstrating value to potential customers. The findings suggest that Odoo's modular features, affordability, and scalability make it well-suited for addressing the needs of Japanese SMEs. To successfully position itself effectively in Japan, Falinwa, a consulting firm specializing in ERP solutions, is advised to focus on tailored marketing strategies targeting Japanese SMEs. These strategies should emphasize Odoo's ability to customize and localize its solutions, budget-friendly nature, and the flexibility to choose specific modules tailored to customer requirements. Moreover, showcasing success stories and tangible benefits of Japanese customers using Odoo can enhance credibility and build trust among potential Japanese customers. Overall, the study provides valuable insights and recommendations for Falinwa to position Odoo in Japan effectively.

**KEY WORDS: FALINWA/ ODOO ERP/ JAPAN ERP ADOPTION/ MODULAR ERP/ ENTERPRISE RESOURCE PLANNING**

32 pages

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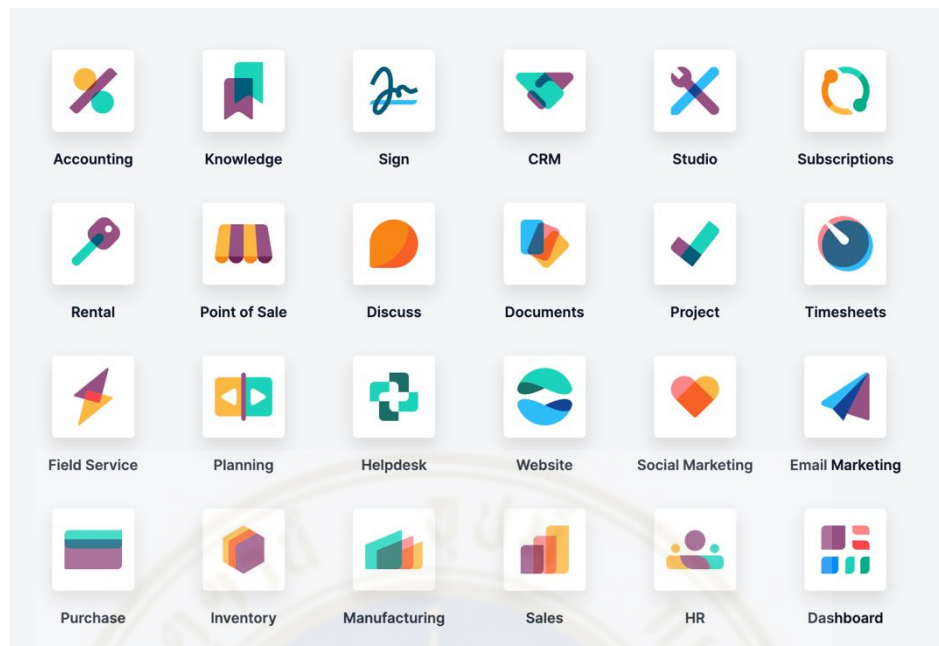
# CHAPTER I

## INTRODUCTION

### 1.1 Background

Odoo, formerly known as OpenERP, stands as a comprehensive suite of open-source business applications, offering a diverse array of functionalities to meet the varied needs of companies worldwide. From customer relationship management (CRM) and eCommerce to accounting, inventory management, point of sale, project management, and more, Odoo contains a wide range of seamlessly integrated functional business apps that collectively form an enterprise resource planning (ERP) solution. Founded in 2005 by Fabien Pinckaers, Odoo has since evolved into a versatile and customizable platform, available in two editions: Community and Enterprise. The Community edition, offered as open-source and free, caters to businesses seeking a cost-effective solution with essential features. On the other hand, the Enterprise edition provides additional apps, infrastructure, and professional services tailored for larger organizations with complex requirements.

One of Odoo's key strengths lies in its high degree of customization. This flexibility extends further with over 40,000 community apps available, thanks to its open-source development model, making Odoo's business app store the largest in the world. Additionally, Odoo integrates seamlessly with each department involved in business processes, boasting faster processing times and more efficient operations for businesses (Gómez-Llanez et al., 2020).



**Figure 1.1 Odoo's ERP main modules**

Source: Odoo.com (Retrieved on March 30, 2024)

Odoo ERP serves a wide range of industries, including manufacturing companies, distribution companies, and retailers, offering a comprehensive suite of features such as website building, accounting, planning, invoicing, inventory management, marketing automation, human resources management, and CRM. Despite competing against industry giants like SAP or Oracle ERP, Odoo stands out for its user-friendly interface, cost-effectiveness, and flexibility in scaling with businesses' growth and evolving needs. With its user-friendly interface, modular design, and extensive feature set, Odoo has become a reasonable choice for businesses of all sizes and industries, especially small and medium businesses seeking a cost-effective solution for their business management needs.

Established in 2009, Falinwa is a small but dynamic international consulting firm specializing in ERP solutions, finance, information systems, and business intelligence. Despite its small size, Falinwa has made significant progress by leveraging its experience and expertise to deliver value to clients. Led by Nicolas Rousseau, Falinwa strategically adopted Odoo as a key tool in its operations. Rousseau's background in corporate finance played a crucial role in Falinwa becoming a certified Odoo Gold partner in China, France, and Indonesia. Falinwa's mission is centered around analyzing business

models to provide tailored Odoo ERP solutions, positioning itself as a trusted advisor to help businesses accelerate their digital transformation journey.

In an attempt to expand into Japan, Falinwa faces significant challenges due to its lack of knowledge about the ERP adoption trend in Japan itself, unfamiliarity with Japanese business practices, and limited understanding of the intricacies of paperwork required for company registration in Japan. These obstacles present barriers to entry into the Japanese market, requiring Falinwa to find more detail and information from all connections, including the support from Master's students at the Toulouse School of Management. Despite these challenges, Falinwa is determined to leverage its extensive Odoo ERP knowledge and successful implementations across various countries. Falinwa believes that, by utilizing its knowledge and experience, it can establish itself as one of Odoo ERP 's main distributors in Japan and be able to create another well-established branch in Asia.

## **1.2 Problem statement**

Falinwa, with branches established across China, France, Indonesia, Singapore, and Vietnam, has a strong presence in Asian markets. Despite its familiarity with Asian culture and business practices, Falinwa perceives Japan as an intriguing market due to its developed economy and potential for growth. However, the company faces a significant challenge since it lacks any knowledge of Japanese culture, business processes, paperwork requirements and ERP adoption trends in the country. This lack of information is a big obstacle to Falinwa's intention to expand its operations into Japan.

Moreover, Falinwa recognizes the presence of nine Odoo ERP distributors already operating in Japan, signaling potential competition. While this indicates a thriving ERP adoption trend in Japan, it also emphasizes the need for Falinwa to differentiate itself and plan out a niche within this competitive segment. Thus, the main challenges for Falinwa revolve around effectively understanding the complexity of the Japanese business system and ERP market, as well as how Japanese ERP trends evolve, to tailor ERP solutions to meet the unique needs and preferences of potential Japanese customers.

### 1.3 Research Question

"What is a suitable way for Falinwa to establish a presence in Japan as one of the ERP software providers and to position its main tool, 'Odoo ERP' software, to cater to the unique ERP needs of Japanese businesses?"

### 1.4 Research Objectives

This study seeks to understand the Japanese ERP adoption in Japan and business culture to equip Falinwa before expanding into the country. Moreover, it aims to provide Falinwa with an overview of basic company regulations information and other potential factors surrounding the establishment of an ERP solution business, particularly with Japanese small and medium businesses.

The objectives are as follows:

1. To explore and provide Falinwa with the current ERP adoption trend of the firms in Japan.
2. To provide Falinwa with an overview of types of company in Japan and the difference between each type.
3. To assess recommendations to Falinwa regarding to positioning plan for Odoo's ERP in Japan market to align with Japan's ERP adoption trend and initial steps to establish Falinwa's branch in Japan.

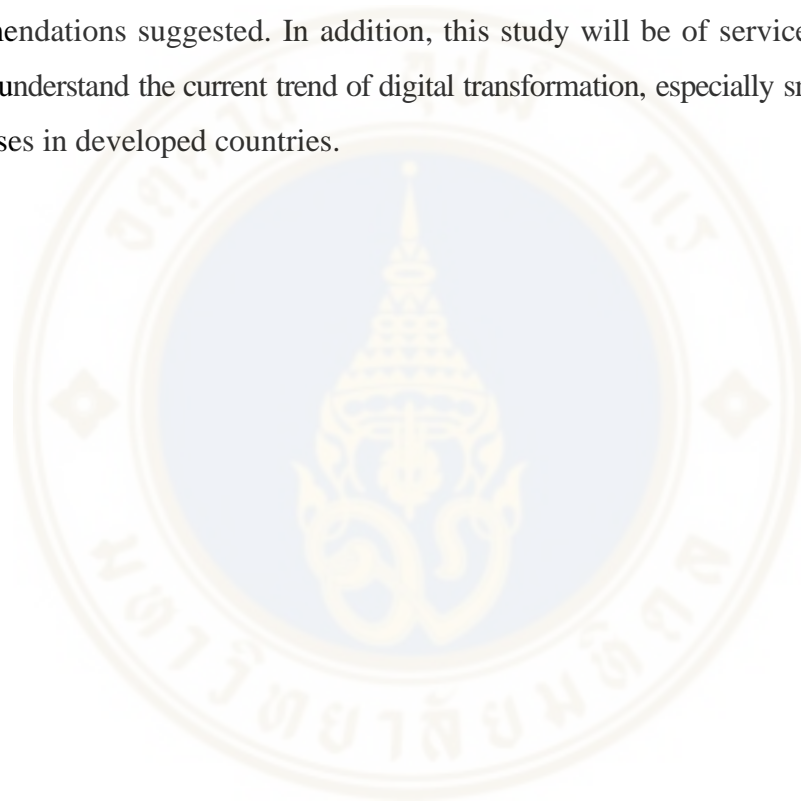
### 1.5 Research Scope

This consulting internship project is a collaboration between the Toulouse School of Management, Université Toulouse Capitole I, and Falinwa, conducted as part of the UE9 International Project Management & Consulting Projects course in the Master 2 International Management program. The consulting assignment took place in Toulouse, France, where Falinwa's headquarters are located. The scope of the project involved researching the Japanese ERP market and related information, collected from trusted online sources such as government agencies and business consulting firms. The data collection period was from January 3, 2024, to March 31, 2024. The goal of the

study is to provide support to Falinwa for its upcoming expansion into Japan, scheduled to take place in Q2 2024.

### **1.6 Expected Benefit**

The results from this research study would benefit Falinwa and other companies in understanding the basic characteristics and regulations around the Japanese firms' ERP adoption and positioning the company according to the opportunities and recommendations suggested. In addition, this study will be of service to readers who want to understand the current trend of digital transformation, especially small and medium businesses in developed countries.



## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Japanese management style and ERP implementations:**

Japanese companies have struggled with adopting ERP systems because of their unique culture and way of doing business. While ERP systems are popular in other countries, Japanese firms face obstacles like valuing loyalty to employees and sticking to traditional ways of managing processes. Huang and Palvia (2001) studied these challenges and found that Japan's focus on process management clashes with the changes ERP systems bring. Unlike in North America and Europe, where technology is more widely accepted, Japanese companies are cautious about disrupting their existing processes with ERP systems. This reluctance to change poses a problem for the growth of the ERP market in Japan. Huang and Palvia (2001) suggested that in the future, smaller companies and adding e-commerce features to ERP systems could change how ERP systems are used in Japan.

Yoshihara and Okabe (2015) did a remarkable study about Japanese companies and ERP implementation. The main finding found a significant tension between the traditional managerial style of Japanese companies and the philosophy of ERP systems, which are based on Western best practices. Japanese companies, known for their emphasis on individual company practices, face obstacles in aligning with the global trend of using ERP for efficient business performance. While ERP offers benefits such as standardizing business practices and enabling the effective use of business data. Japanese companies struggle to fully leverage these advantages due to their existing managerial style. Japanese companies prefer to use their domestically developed systems due to the internal accumulation of managerial resources over time, which are tailored to their specific business practices and not standardized like in ERP systems. The actual use of ERP in Japanese companies involves modular installation, with a gradual increase in adoption rates over the years, especially among large and medium-sized companies. This limited use of ERP reflects the resistance to fully adopting the standardized

practices promoted by ERP systems. The study also recommended the suitable characteristics of the ERP program in Japan as follows:

- Weak data-business process relationship: Japanese firms prefer flexibility in managing data separate from business processes.
- Module-based ERP: Incremental adoption of modules based on specific needs is favored over comprehensive systems.
- ERP modeling Japanese practices: Companies seek systems that are customizable and align with their unique business processes.

Additionally, Miyamoto, Kudo, and Iizuka (2011) conducted a survey involving 266 ERP users in Japan to gauge their satisfaction and willingness to use the system. Using a web questionnaire, they collected data from individuals knowledgeable about IT and analyzed it using structural equation modeling. Interestingly, they discovered that companies were not always enthusiastic about upgrading their ERP systems due to the high costs. In their another study (2012), Japanese companies were having a tough time setting up ERP systems but undertook research to assess user satisfaction and technology acceptance regarding ERP systems in Japan. Their findings emphasize the importance of user satisfaction and technology acceptance in determining the success of ERP projects in Japan, underlying the need for user-centric implementation strategies.

Shanks et al. (2000) conducted a study comparing ERP system implementation in Australia and China, highlighting the role of culture in shaping critical success factors (CSFs). While some CSFs are universally important, others are influenced by national culture. The study found that factors like top management support and a balanced project team were crucial in both countries. However, cultural differences, such as greater power-distance and collectivist nature in Chinese culture, affected aspects like focus on technical issues and training versus project champion enthusiasm and change management. While this study did not directly address Japan, China's cultural traits may serve as a representative example of Asian behavior in ERP implementation, underscoring the importance of understanding cultural nuances for successful adoption.

Another study done by Xue et al. (2005) about ERP implementation failures in China explores why major international ERP vendors like SAP and Oracle have struggled to dominate the Chinese market. By examining the historical and social-cultural perspectives of ERP implementations in China, the study identifies eight factors contributing

to ERP failures: language issues, cultural differences, and technical challenges. The research emphasizes the need for ERP vendors to address these cultural barriers before entering foreign markets to increase the chances of successful implementation.

## **2.2 Odoo ERP and its usefulness to Small and Medium Enterprises (SME)**

Enterprise Resource Planning (ERP) systems play a crucial role in modern business management by integrating various functions and processes into a unified system. Odoo is an open-source enterprise resource planning (ERP) software suite designed to streamline business processes and operations. It offers a wide range of integrated applications covering various business functions, including sales, CRM (customer relationship management), inventory management, accounting, human resources, and more. Originally known as OpenERP, Odoo provides a modular approach, allowing users to select and customize the specific modules that meet their business needs. This modular design enables scalability, flexibility, and cost-effectiveness.

The study by Terminanto et al. (2017) explored how implementing Odoo's sales and CRM modules at PT Ecosains Hayati improved operational efficiency. They found that using Odoo led to a significant 63% boost in the sales division's quotation process efficiency and reduced the number of actors involved by 50%. By integrating data storage across divisions, coordination and efficiency improved. Customizing Odoo across 26 out of 41 module menus effectively met the sales division's specific needs. User Acceptance Test results showed that Odoo's features aligned well with the sales division's requirements, making the quotation process faster. Overall, users understood Odoo well, with a usability score of 3.7, indicating a successful implementation that met user needs.

Moreover, the study of Gómez-Llanez et al. (2020), Odoo, as an open-source ERP system, offers a range of advantages such as multiplatform compatibility, integration with open-source tools, and localization options for different countries. Its functionalities include modules for purchasing, warehouse, production, and commercial management, making it suitable for businesses of all sizes, especially Small and Medium Businesses (SMEs).



### **2.3 SME needs differ from larger companies.**

Zach's study (2014) provides the context of small and medium-sized enterprise (SME) characteristics in the implementation of Enterprise Resource Planning (ERP) systems. Especially, SMEs operating on a make-to-order (MTO) basis face distinct challenges due to their size and operational nature. Limited resources, both in terms of finances and expertise, pose obstacles to the seamless setup of ERP software. Standard ERP systems, primarily designed for larger enterprises, often lack the flexibility required by MTO businesses, leading to compatibility issues and decreased competitiveness in the market. Moreover, the absence of in-house experts further complicates the implementation process for SMEs. That's why SMEs need to collaborate with external experts such as ERP vendors or consultants to ensure successful integration. The statement was repeated again in another study about how small and medium-sized businesses (SMEs) handle implementing ERP systems. He found that the type of ownership is a big deal for SMEs. Owners often have a unique role compared to big companies. Also, things like having limited resources, being less mature as a business, and using old systems all play a part. These factors mostly affect the process of ERP implementation.

### **2.4 ERP partner**

An ERP partner, also known as an ERP distributor, acts as a key intermediary between ERP software providers and businesses within a specific market or region. They facilitate the distribution and sales of ERP software, provide consultation, and needs assessment services to help businesses choose the right solution, and offer support throughout the implementation process. They will additionally help ERP partners assist with training, customization, maintenance, and upgrades, ensuring that businesses have access to the expertise and resources needed to successfully implement and utilize ERP systems.

That's why ERP partners like Falinwa have crucial roles in the ERP implementation process, and Odoo needs key partners like Falinwa to distribute its ERP effectively. In the study by Sarker, Sahaym, and Bjørn-Andersen (2012), the collaboration between ERP vendors and partner organizations is crucial for creating personalized solutions for customers. It also emphasizes the importance of collaborating to avoid problems when implementing software packages. The study suggests that when both the ERP vendor and partners are more engaged, it leads to more successful value-creation projects.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

This chapter describes the approach and procedures used for conducting the study, which includes five main steps: defining the problem, developing a framework, collecting data, creating research tools, and analyzing the data. Each step is crucial in ensuring the accuracy and validity of the research results.

#### **3.1 Research Design**

The Toulouse School of Management (TSM) has assembled a diverse group for a project, including members from various cultural backgrounds (from left to right): Miss Zineb Merghich from Morocco, Mr. Alban Lion from France, Falinwa's representative – Ms. Sara Mabsout, Mr. Abhijith Abhijith from India, and Mr. Tanatit Tansereesakunpat from Thailand. This diversity is expected to provide a wide range of perspectives and experiences for the project's success.

Before meeting with Falinwa, the team gathered up to discuss the scope of findings as part of the UE9 International Project Management & Consulting Projects course. This consulting project took over two months in Toulouse, France. Progress was tracked through biweekly meetings with the company, leading up to a final oral presentation and submission of the report.



**Figure 3.1** The photograph of the team taken at Falinwa's HQ (Toulouse, France)

### **3.1.1 Problem Definition**

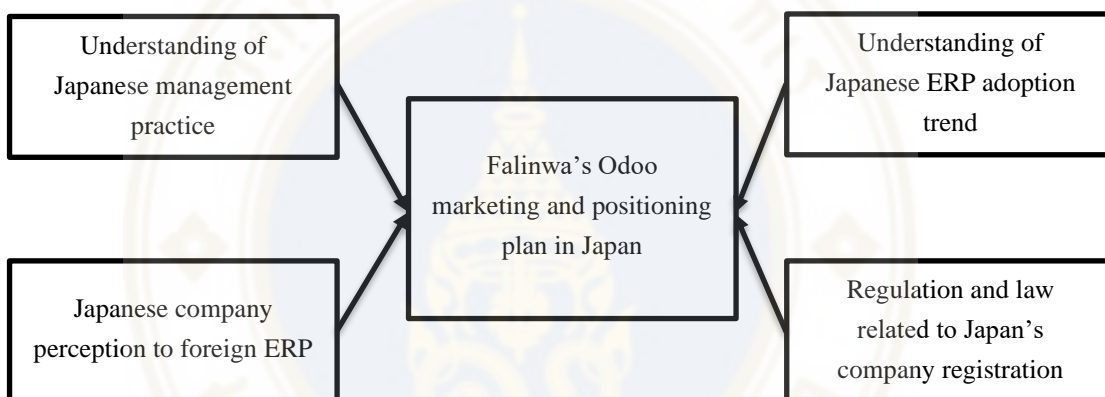
The company has provided the team with a research topic and problem details related to the challenges of finding initial information for setting up a business in Japan. Falinwa has already identified the establishment of 9 Odoo ERP distributors in Japan. The company aims to understand the current trends in the ERP adoption in Japan, Korea, and Mongolia, but it focuses mostly on Japan since Falinwa's management team perceives Japan as the most intriguing market among the three. The research will provide recommendations to Falinwa on how the company can position itself in the Japanese ERP market and the initial steps to practically establish Falinwa's branch in Japan.

### **3.1.2 Framework Development**

Although Odoo is a well-known ERP software globally, the ERP market in Japan is crowded with dominant players like SAP and Oracle. Nonetheless, the team believes that there is still ample opportunity for Odoo as an open-source ERP in Japan's Small and Medium Enterprise (SME) sector, which constitutes the largest portion of the country's workforce.

With Falinwa's interest in expanding into Japan, Korea, and Mongolia, the team decided to prioritize efforts at Japan following the initial meeting, as it appears to be the most prominent market among the three countries. They aim to provide Falinwa with recommendations in two main areas: company registration basic regulations and how to position Odoo ERP software effectively in Japan. This decision was reached after thorough reviews and discussions within Falinwa.

The team has created a conceptual framework to guide the entire research study. This framework visually represents the key relationships the study will investigate. By utilizing this framework, the team intends to adopt a structured data collection, analysis, and interpretation approach, facilitating a deeper understanding of the research problem.



**Figure 3.2 Research Framework**

### 3.1.3 Data Collection

The team primarily relied on secondary sources, such as internet articles and online forums, to gather information on Japanese ERP adoption characteristics and company registration regulations. One notable resource we utilized was the EU-Japan Centre for Industrial Cooperation, an independent non-profit organization based in Brussels, Belgium. This center serves as a valuable source for EU-Japan trading regulation information and acts as the initial point of contact for entities interested in exporting products and services to Japan. Additionally, we accessed information from the Japanese government authority known as JETRO (Japan External Trade Organization), which offers direct support for Japan's external trading endeavors. JETRO provides a guidebook in English for investors seeking to invest in Japan. The goal of these efforts was to help Falinwa identify Japan's ERP adoption trend and the basics of company

types in Japan to support them in strategizing their first move into Japan, which happened in Q2 2024.

### **3.1.4 Data Analysis**

3.1.4.1 The research's data analysis phase involved gathering information from various secondary sources like internet articles, online forums, and authoritative sources such as the EU-Japan Centre for Industrial Cooperation and JETRO (Japan External Trade Organization). The main focus was on understanding Japanese ERP adoption characteristics and company registration regulations to provide insights into Falinwa's expansion strategy into Japan. The analysis revealed key trends, challenges, and opportunities in the Japanese ERP adoption landscape, highlighting factors such as cultural differences, language barriers, and the preference for modular ERP adoption among Japanese companies as potential customers. Additionally, insights into the registration process for foreign businesses in Japan were obtained from authorities facilitating external investment. By condensing and organizing the information into a digestible report, the data analysis aimed to equip Falinwa with an action plan to expand into Japan and effectively tailor its approach to the Japanese business environment.

3.1.4.2 The team had to rely on online information to analyze the characteristics of Japanese adoption trends. Information on regulations, laws, recommendation for new investors can be accessed without payment needed since it is provided by government's authorities and agencies like JETRO. Information on market research such as Statista.com which offer surface-level information about Japan ERP market share and trend for free, more in-depth insights often require payment.

3.1.4.3 For profiling the three interested countries, Japan, Korea, and Mongolia, Japan is the most focused market by Falinwa, which is assigned to Tanatit and another member, Zineb.

3.1.4.4 To formulate recommendations at the end of the presentation for Falinwa, we synthesized all the available information gathered throughout the project. This included insights from our personal interactions with real Japanese companies and recommendations from the information and studies we found.

## **CHAPTER IV**

### **RESEARCH FINDINGS AND DATA ANALYSIS**

In this chapter, the study presents the outcomes of the group brainstorming sessions, which include:

1. Key regulations and law related to company registration and company type in Japan
2. Assessing key characteristics of Japan's ERP market adoption to strategize the plan for positioning Odoo ERP in Japan

#### **4.1 Key regulations and law related to company registration in Japan**

Understanding the regulations and laws related to company registration and corporate structures in Japan is important for preparing Falinwa's business strategy. The insights from extensive research and data gathering, the team outlined the key legal aspects governing company registration and business types in Japan as follows:

##### **4.1.1 Type of Company in Japan**

Foreign companies looking to establish a presence in Japan typically opt for one of three modes of entry: representative office, branch office, or subsidiary company. Representative offices serve as preparatory hubs, handling tasks like market research and information collection, but are barred from sales activities and property ownership. They do not require formal registration and operate under the authority of the foreign company's head office.

Alternatively, foreign companies may establish branch offices requiring registration under Japan's Companies Act. Branch offices facilitate ongoing business transactions and can commence operations once necessary information is registered. While lacking independent legal status, they function as extensions of the foreign parent

company, which remains liable for all branch office activities. Despite this, branch offices can open bank accounts and lease real estate in their own name.

Finally, foreign companies may opt for subsidiary companies, requiring a choice between legal entities like joint-stock corporations (Kabushiki Kaisha) or limited liability companies (Godou Kaisha). Subsidiaries operate as separate entities from their foreign parent companies and must register under Japan's Companies Act. Although providing governance advantages, subsidiaries need separate financial liabilities. Both branch offices and subsidiary companies offer essential avenues for foreign companies seeking to conduct business in Japan, each with its own set of considerations. (JETRO, 2022)

**Table 4.1 Type of companies in Japan recommended for foreign businesses**

Type of Office	Japanese Term	Description	Advantages	Disadvantages
Representative Office	-	Entry point for market research and communication.	<ul style="list-style-type: none"> <li>- Initial market entry for market research.</li> <li>- Establishes market contacts.</li> </ul>	<ul style="list-style-type: none"> <li>- No direct business operations.</li> <li>- Cannot lease real estate or open bank accounts in its name.</li> <li>- Limited to acting on behalf of the head office.</li> </ul>
Branch Office	-	Can engage in direct business operations, including leasing real estate and opening bank accounts.	<ul style="list-style-type: none"> <li>- Can engage in direct business operations.</li> <li>- Able to lease real estate and open bank accounts under its name.</li> </ul>	<ul style="list-style-type: none"> <li>- Foreign company remains responsible for all debts and revenues.</li> <li>- Requires registration and is subject to taxation on profits generated within Japan.</li> </ul>
Subsidiary - Joint-stock Corporation	株式会社 (Kabushiki Kaisha or KK)	Incorporates as a joint-stock corporation, typically with publicly traded shares.	<ul style="list-style-type: none"> <li>- Adds credibility to the company's image.</li> <li>- Ability to raise additional capital through stock options and selling shares.</li> <li>- Protects shareholders from personal liability.</li> </ul>	<ul style="list-style-type: none"> <li>- Involves expensive incorporation process.</li> <li>- Stricter regulatory requirements compared to a G.K. or Limited Liability Company (LLC).</li> </ul>

**Table 4.1 Type of companies in Japan recommended for foreign businesses (Cont.)**

Type of Office	Japanese Term	Description	Advantages	Disadvantages
Subsidiary - Limited Liability Company, (LLC)	合同会社 (Godou Kaisha or G.K.)	Offers limited liability protection with less formalities than a joint stock corporation	- Less expensive to incorporate compared to a joint stock corporation - Provides limited liability protection for shareholders. - Simplified compliance requirements.	- Cannot raise additional capital through selling shares. - Don't have the same prestigious reputation as a joint stock corporation.

Source: JETRO, 2022

#### 4.1.2 Japan's Company Act (2006)

The Companies Act of Japan came into effect on May 1, 2006, marking a significant shift in the legal framework governing businesses in the country. The Act replaced previous legislation, including the Commercial Code and the Law of a Limited Company or Yuugen-Kaisya (YK), to provide a comprehensive regulatory framework for companies operating in Japan. (Matsuzaki, 2013)

Matsuzaki (2013) provides the provisions of the Companies Act, in his guidebook "All about Starting a Business in Japan", concerning the establishment and operation of companies in Japan:

##### 4.1.2.1 Abolition of minimum capital requirements:

Matsuzaki (2013) summarized in his guidebook "All about Starting a Business in Japan" that The Companies Act abolished the restrictions on the minimum initial capital required to establish a company. Previously, the Commercial Code and the Law of Yuugen-Kaisya imposed minimum capital requirements, hindering the establishment of new ventures. Now, companies can be formed with as little as one yen as initial capital, promoting entrepreneurship and innovation. However, certain safeguards, such as restrictions on dividends when equity falls below a specified threshold, were introduced to protect creditors and loaners (as cited in The Companies Act, 2006).



#### 4.1.2.2 Abolition of a limited company or a Yuugen-Kaisyu (Y.K.)

Matsuzaki (2013) summarized in his guidebook “All About Starting a Business in Japan” that under the Companies Act, the category of limited companies (Y.K.) was abolished. Previously, a limited company was closed to limited investors on a small scale compared to joint stock companies (K.K.). The Companies Act merged Y.K. into K.K., eliminating the distinction between the two types of companies. Existing Y.K. firms were given the option to transition to K.K. or remain as Exceptional Y.K. (as cited in The Companies Act, 2006).

#### 4.1.2.3 Simplification of company establishment procedures:

From Matsuzaki (2013), summarized in his guidebook “All About Starting a Business in Japan” that the Companies Act aimed to simplify the legal procedures for setting up a new company to encourage entrepreneurship. Notably, the Act abolished the restriction on the same or similar corporate names, allowing greater flexibility in company naming. Additionally, the Act deregulated the purposes of a company's business, easing restrictions on business fields. These measures aimed to streamline the process of company formation and reduce barriers to entry for new businesses (as cited in The Companies Act, 2006).

#### 4.1.2.4 Elimination of certificate of capital deposition requirement:

From, Matsuzaki (2013), summarized in his guidebook “All about Starting a Business in Japan”, previously, a certificate of capital deposition issued by a bank was required to register a company under the Commercial Code. The Companies Act eliminated this requirement for companies established by incorporators, simplifying the registration process. Instead of a certificate of capital deposition, a copy of a bank book suffices to verify the initial capital of a company, saving time and resources for incorporators (as cited in The Companies Act, 2006)

#### 4.1.2.5 Flexible organization design:

The Companies Act allows for more flexible organization designs within companies, enabling a wider variety of organizational structures. Companies have greater freedom to select organizational types, fostering innovation and adaptability in the business landscape (Matsuzaki, 2013)

These provisions of the Companies Act reflect a concerted effort to promote entrepreneurship, enhance regulatory efficiency, and adapt to the evolving needs of businesses in Japan. The changes outlined in the Companies Act highlight Japan's efforts to make its business landscape more welcoming to both local and foreign investors, especially small and medium-sized enterprises (SMEs).

#### 4.1.3 Difference between K.K. and G.K.

Matsuzaki (2013) provided information into the differences between K.K. and G.K. in his guidebook, emphasizing the simple nature of G.K. over K.K. regarding its simplicity and flexibility. It offers a less intricate option for businesses seeking ease of operation. Conversely, K.K. or Kabushiki Kaisha, tends to be more complex, with a greater number of regulations and procedures.

**Table 4.2 Summarize the difference between Joint-stock Corporation and a Limited Liability Company.**

<b>Characteristic</b>	<b>Kabushiki Kaisha (K.K.) - Joint-stock Corporation</b>	<b>Godou Kaisha (G.K.) - Limited Liability Company</b>
<b>Public Trading of Shares</b>	Can offer shares to the public, enabling them to raise funds by selling ownership stakes in the company.	Do not have shares traded on the market, limiting access to capital through public investment.
<b>Size of Companies</b>	Generally medium to large corporations	G.K. mostly are smaller to medium-sized businesses
<b>Setup Costs</b>	Higher setup costs with more complex registration procedures and regulatory compliance.	Lower initial setup costs due to simplified registration processes
<b>Registration Tax</b>	Higher registration taxes	Lower registration taxes
<b>Notarization of Documents</b>	Need notarized documents, adding an extra step and potentially increasing administrative burdens.	Do not require notarization of documents for company formation
<b>Annual Requirements</b>	Must conduct regular shareholder meetings	Not obligated to hold shareholder meetings annually
<b>Liability for Investors</b>	Shareholders benefit from limited liability	Investors have limited liability
<b>Tax Implications</b>	Subject to corporate tax regulations	Subject to corporate tax regulations
<b>Share Transfer Approval</b>	Rely on shareholder approval for share transfers,	Require unanimous approval for transferring ownership interests

According to Table 4.2, international Small and Medium Enterprises (SMEs) aiming to establish a presence in Japan may find it beneficial to choose simpler and more cost-effective procedures when setting up their company. Opting for structures like a Limited Liability Company (LLC) or G.K. can help reduce the financial burden of registration processes and simplify compliance requirements, making it a safer and more straightforward choice for these businesses.

## **4.2 Assessing key characteristics of Japan's ERP adoption trend to strategize the plan for positioning Odoo ERP in Japan**

Evaluating the fundamental characteristics of Japan's ERP adoption trend is essential for Falinwa to formulating effective strategies to position Odoo ERP successfully in the country. Considering insights from gathered resources and information, The team assessed and outlines Japan's ERP market characteristics as follows:

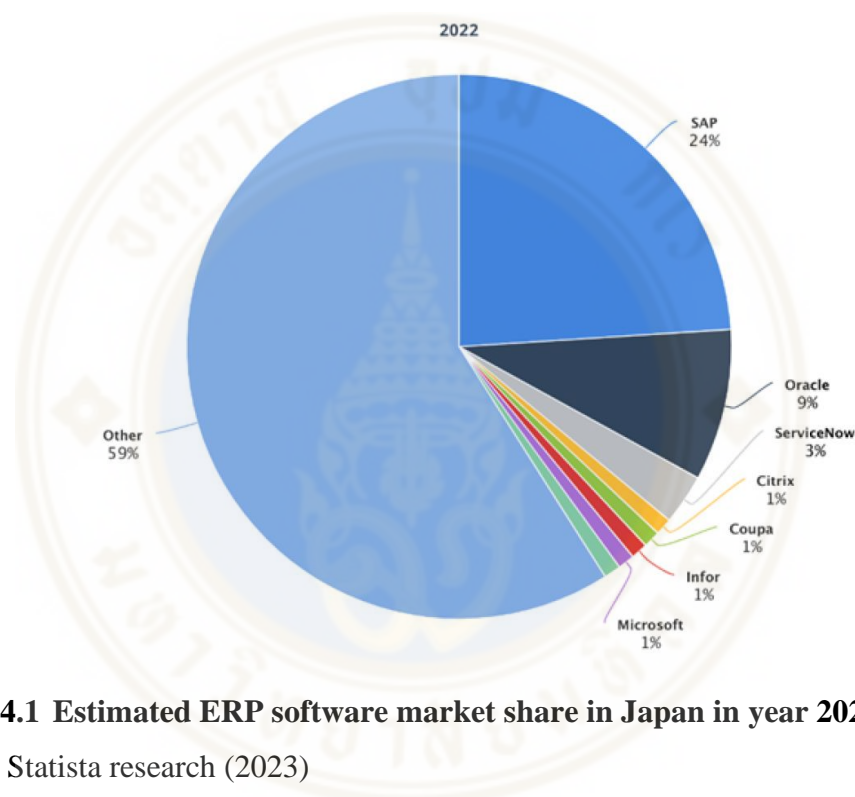
### **4.2.1 The ERP market adoption in Japan has faced a big resistance**

- As we learned from the literature review by Huang and Palvia (2001), Japanese firms prioritize loyalty to employees and obey the traditional management processes, which can hinder the adoption of new technologies like ERP systems. While ERP systems are popular in other regions, the cautious approach of Japanese companies towards technological disruption has slowed down the growth of the ERP market in Japan.

- Yoshihara and Okabe (2015) discovered that Japanese companies, which typically focus on their unique business practices, struggle to keep up with the worldwide shift towards using ERP systems for better business efficiency. While ERP systems offer benefits such as standardizing business practices and enabling effective use of business data, Japanese companies struggle to leverage these advantages due to their existing managerial style fully. They often prefer to rely on domestically developed systems tailored to their specific business practices over time.

#### 4.2.2 Japanese firms prefer the highly customizable and modular installation of ERP.

- According to Statista research (2023), the ERP market share in Japan is led by SAP and Oracle. However, more than half of the market share, at 59%, utilizes smaller-name ERP systems or their own in-house developed software, especially in the SME sector. This trend is due to a lack of resources to invest in large-scale ERP systems, and smaller companies may have different needs and preferences than larger corporations.



**Figure 4.1** Estimated ERP software market share in Japan in year 2022

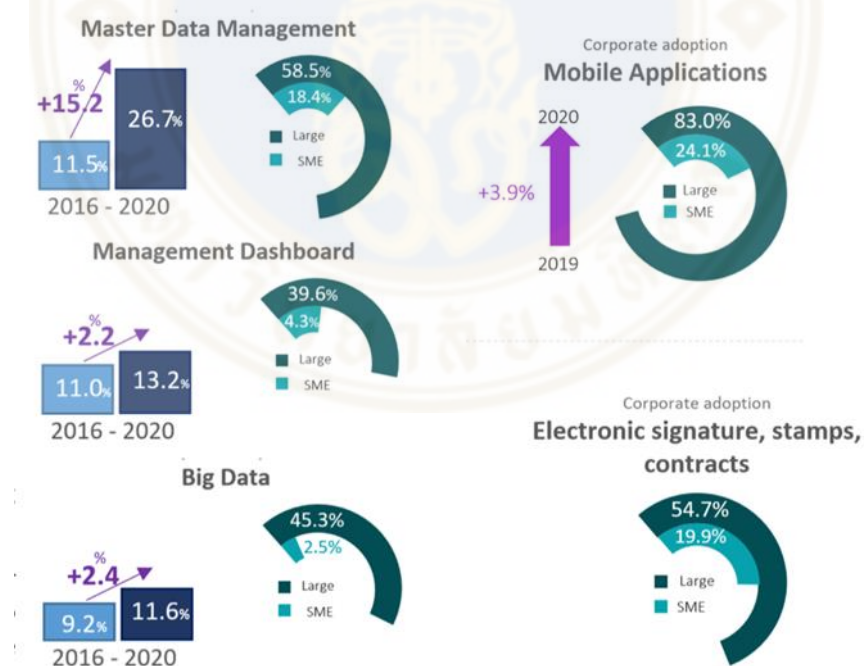
Source: Statista research (2023)

Retrieved from: <https://www.statista.com/outlook/tmo/software/enterprise->

- Yoshihara and Okabe (2015) suggested that the actual use of ERP in Japanese companies involves modular installation, with a gradual increase in adoption rates over the years, especially among large and medium-sized companies. Also, Japanese companies prefer highly customizable ERP, which can follow the specific business practices of Japanese companies, which need flexibility more than standardization. This limited use of ERP reflects the resistance to fully adopting the standardized practices promoted by major Western ERP systems.

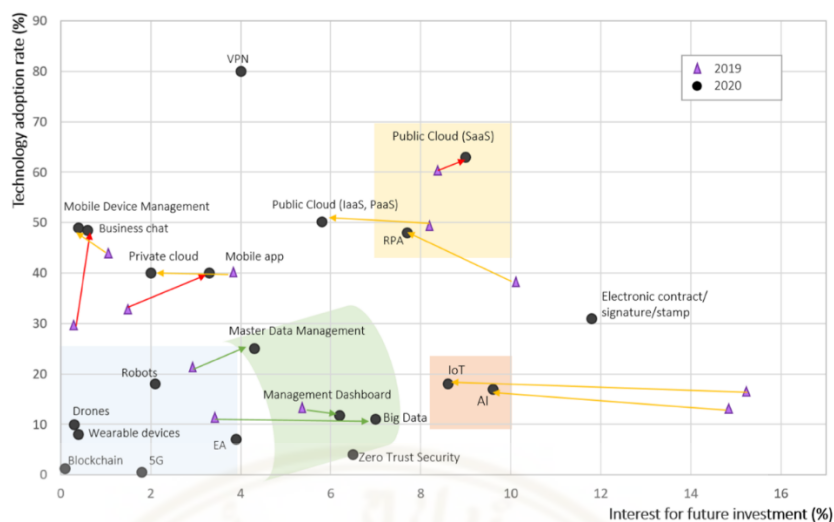
#### 4.2.3 The trend of ERP adoption in Japan is growing, but the adoption rate among Small and Medium Enterprises remains low.

- From Lena Broeckaert (2022) “DIGITAL TRANSFORMATION IN JAPAN - Assessing business opportunities for EU SMEs”, The author analyzes the trend of digital transformation in Japan in detail. It is stated that during 2016 – 2020, despite a growing market, Japanese firms, SMEs, still have low adoption at 18.4% for Master data management and 4.3% for management dashboards. This trend undermines SMEs' ongoing efforts to improve the digitalization of their systems and infrastructures to support their business operations effectively. Also, dashboard visualization and big data are still rarely used. Another notable trend for SMEs is the increasing interest in main technologies aimed at enhancing back-office support tools, including electronic approval and contracts and stamping systems, with an overall adoption rate for SMEs at 19.9%, and mobile application adoption, which is only adopted by 24.1% in the SME customer segment.



**Figure 4.2 MIS data adoption trend in Japan from 2016 – 2022**

Source: Broeckaert (2022, February). Digital Transformation in Japan - Assessing business opportunities for EU SMEs



**Figure 4.3 Digital transformation adoption rate in Japan during 2019 -2020**

Source Broeckaert. (2022, February). Digital Transformation in Japan - Assessing business opportunities for EU SMEs

The figures suggest promising opportunities for Odoo to enter Japan and capture the low adoption segment, particularly considering the relatively low adoption rate of digital transformation among Japanese SMEs. With many Japanese companies still enhancing their digital capabilities and embracing modern technologies, Odoo's flexible and customizable ERP solutions could effectively address the evolving needs of these businesses.

#### 4.2.4 Japanese firms predominantly use Japanese language as their primary language.

- Yoshihara and Okabe (2015) also highlighted the language barrier as a significant issue hindering Japanese businesses' adoption of ERP systems. They noted that many Japanese businessmen lack sufficient English proficiency to utilize English effectively in management tasks since Japanese is mainly used in most firms. Consequently, this language barrier can reduce the quantity and quality of effective communication, particularly following the adoption of international ERP software. According to Yoshihara and Okabe (2015), this language issue, along with the predominant use of Japanese in Japanese firms, poses significant setbacks for Japanese companies as they impede their progress in performance improvement initiatives.

## CHAPTER V

### CONCLUSION AND RECOMMENDATION

#### 5.1 Conclusion

To achieve the objectives of the consulting internship, our team has conducted a comprehensive assessment of the key laws and regulations regarding company registration in Japan, as well as the unique characteristics of the ERP adoption trend in the country. In the later part, we will outline future market positioning objectives for Falinwa to pursue, which will be detailed in the recommendation section.

Foreign companies interested in investing in Japan have various options, from establishing a small representative office to forming a full-fledged commercial entity like a joint-stock company or a Limited Liability Company. While the challenges and financial commitments vary based on the size and goals of the business, the Japanese government has tried to streamline the process for entrepreneurs. For instance, the Company Act of 2006 aimed to simplify procedures by reducing requirements such as starting capital and necessary registration documents, demonstrating Japan's commitment to welcoming foreign investment and fostering a more business-friendly environment. In Falinwa's case, being a small enterprise<sup>1</sup> with a limited budget and knowledge, it is advisable to navigate the language barrier by seeking assistance from a reliable Japanese business consultancy firm. This intermediary can facilitate the establishment of a subsidiary under the Limited Liability Company scheme or Goudou Kaisha (G.K.).

Another critical aspect of our analysis focuses on identifying the unique characteristics of Japan's ERP adoption trend. Notably, the Japanese firms resist change, particularly among small and medium-sized enterprises (SMEs). Despite the growing transformation digital transformation trend, many SMEs remain hesitant to adopt the technology due to differences in business practices and concerns about flexibility.

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<sup>1</sup> In Japan, small size business the company with headcount less than 20 persons.  
Source: Ministry of Trade and Industries Small and Medium Enterprise Agency, Chapter 1 General Provisions Art.2, Available at [https://www.chusho.meti.go.jp/sme\\_english/outline/08/01\\_01.html](https://www.chusho.meti.go.jp/sme_english/outline/08/01_01.html), Accessed on 30/03/2024.

Furthermore, limited financial resources may hinder SMEs from investing in a comprehensive ERP system. This is where Odoo, with its modular approach, presents a compelling solution to address the specific needs of Japanese SMEs. It is recommended that Falinwa emphasize this advantage when targeting Japanese customers.

## 5.2 Recommendations

The recommendations provided to Falinwa have two key aspects: facilitating the company registration process and devising a market positioning strategy tailored to the Japanese firms.

To simplify the process of registering a company in Japan, Falinwa should seek assistance from specialized business consultancy agencies, which are widely available. The selected agency should have expertise in dealing with Japanese regulations and bureaucracy, especially when setting up a subsidiary. JETRO also provides lists of recommended experts based on the services those businesses desire.<sup>2</sup> We recommend that Falinwa should opt to establish a subsidiary in Japan under the Limited Liability Company (LLC) scheme. This cost-effective option offers the same commercial opportunities as a joint-stock company. Setting up a representative office or branch company won't work for Falinwa, as it wouldn't allow the company to conduct commercial activities as intended. With a reliable Japanese agency, Falinwa can ensure a smoother and more efficient registration process, allowing the company to focus on its main goal: marketing Odoo to Japanese firms.

Secondly, in terms of market positioning, Falinwa should focus on three key areas to effectively capture the attention and interest of Japanese customers:

1. Customization and Localization Efforts: Falinwa should emphasize Odoo's capability to customize and localize its ERP solutions to align with Japanese businesses' unique needs and preferences. Currently, Odoo's interface already available in Japanese, Falinwa can utilize this opportunity to promote the ERP system more effectively in the market. Additionally, hiring local staff or Japanese-speaking personnel for sales and

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<sup>2</sup> JETRO. (2022). Experts Finder (Directory for doing business in Japan) | can be access through [https://www.jetro.go.jp/en/invest/setting\\_up/directory/](https://www.jetro.go.jp/en/invest/setting_up/directory/)



technical support is crucial. This addresses the language barrier issue highlighted in our research, as Japanese businessmen may feel more comfortable communicating technical issues in their native language.

Based on recommendations regarding to hiring Japanese by JETRO (2022), there are 4 recommended channels for foreign businesses to hire Japanese locals as employees:

- Japan's government-run employment agency: "Hello Work" is Japan's government-run employment agency, providing free support for both job seekers and companies seeking workers across all industries, mainly for entry-level and minor-experienced candidates.
- Regional Public Organizations and Universities: Beyond government agencies, regional public organizations, and universities agency offer free employment services aimed at facilitating job matching. These services can be particularly beneficial for companies seeking local talent.
- Private Sector Employment Agencies: Privately-run employment agencies in Japan come in various types, including executive search firms and those operating on a contingency fee basis. These agencies offer tailored recruitment solutions, with fees typically collected upon successful job placements.
- Media Posting: Print media such as newspapers and magazines, along with online job portals, serve as effective platforms for companies to advertise job opportunities and vacancies. These channels enable companies to reach a broad audience of potential candidates.

2. Tailored Marketing for SMEs: We learned from our research that larger companies already have access to prominent ERP software solutions. Therefore, Falinwa should concentrate on tailored marketing strategies for small and medium-sized enterprises (SMEs), highlighting Odoo's affordability, scalability, and modular features. It's crucial to emphasize Odoo's suitability for SMEs, especially given the slower progress of this segment in digital transformation adoption due to various factors. Falinwa can showcase Odoo's strengths in addressing these businesses' unique needs and constraints, including its budget-friendly nature and the flexibility to select specific ERP modules tailored to the customer's requirements. Particularly, electronic contract management, management dashboards, and mobile apps are currently in high demand in the Japan.

3. **Demonstrate Value and ROI:** Since Falinwa's main customer segment is Small and Medium Businesses (SMEs), one of the main factors for SMEs to adopt ERP is limited available budget. Falinwa should emphasize the value proposition of Odoo's ERP software by showcasing its ability to deliver cost savings, productivity gains, operational efficiency, and competitive advantage. This can be achieved by presenting success stories and case studies from Japanese customers who have realized tangible benefits and return on investment (ROI) with Odoo. By providing concrete examples of how the ERP software has positively impacted businesses, Falinwa can establish credibility and trust among potential customers in Japan.

### **5.3 Limitation of This Study**

Several limitations were identified, which are summarized below.

1. The information on the 9 Odoo ERP partners in Japan, potential competitors for Falinwa, is very limited. Apart from their names and websites, the team could not gather any useful information to help Falinwa predict the competitiveness intensity among Odoo partners in Japan.

2. Many crucial pieces of information from reliable sources are hard to obtain. The team needs to rely on publicly accessible information to assist Falinwa in making a market positioning plan, including understanding Japan's ERP software adoption and assessing Odoo's capabilities as an ERP system.

### **5.4 Future Work**

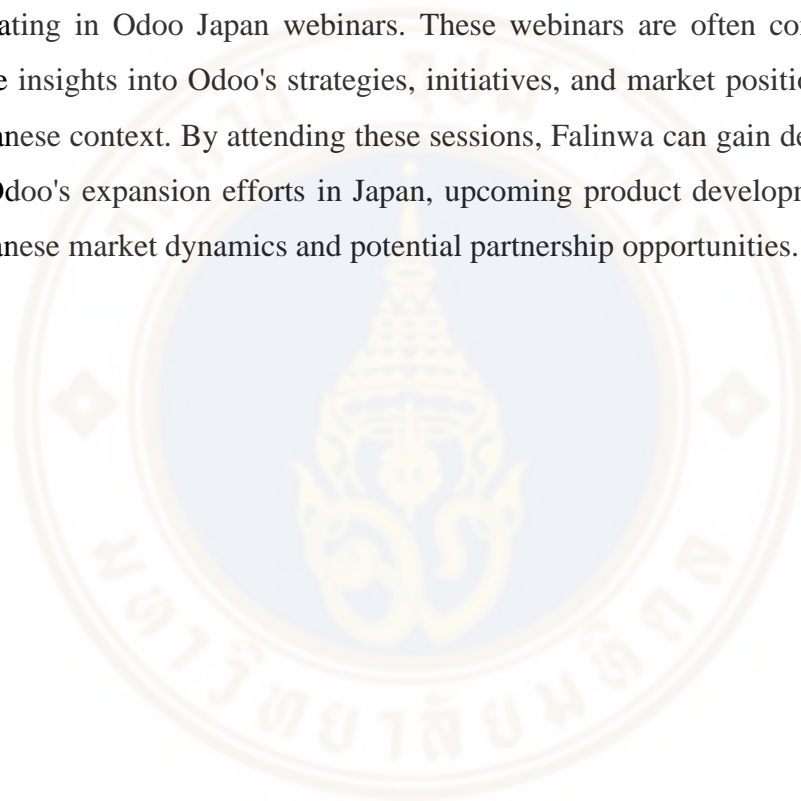
Considering the limitations of this study, it is recommended that further actions be taken in the future.

1. Falinwa should consider hiring a consulting firm or business agency to guide them into Japan regarding company registration and staff hiring processes. This should involve hiring a reliable partner with expertise in Japanese regulations and business practices. Additionally, Falinwa should prioritize hiring local or Japanese-speaking personnel to handle sales, customer support, and technical assistance, ensuring effective communication and understanding of Japanese market dynamics. This could also

involve partnering with headhunters and professional hiring agencies to facilitate efficient work and hiring processes.

2. Falinwa should establish partnerships and collaborations with local businesses, technology providers, and industry associations to expand Odoo's reach and credibility among Japanese firms. This may involve participating in industry events, sponsoring local initiatives, and offering joint solutions with complementary service providers.

3. Falinwa can enhance its understanding of Odoo's plans in Japan by participating in Odoo Japan webinars. These webinars are often conducted to offer valuable insights into Odoo's strategies, initiatives, and market positioning specific to the Japanese context. By attending these sessions, Falinwa can gain deeper knowledge about Odoo's expansion efforts in Japan, upcoming product developments tailored to the Japanese market dynamics and potential partnership opportunities.



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<b>Company Category</b>	<b>Staff headcount</b>	<b>Total capital investment amount</b>	<b>Main industry</b>
Medium-sized	≤ 300	≤ ¥ 300m	Manufacturing, Construction and other
	≤ 100	≤ ¥ 100m	Wholesale trade
	≤ 100	≤ ¥ 50m	Services
	≤ 50	≤ ¥ 50m	Retail trade
Small	≤ 20	Na	Other than commerce and service industries
	≤ 5	Na	Commerce, Services

Note: SME definition according to Japanese Ministry of Trade and Industries (METI)

Source Broeckaert. (2022, February). Digital Transformation in Japan - Assessing business opportunities for EU SMEs