IT startup communities in Tokyo

Agata Kapturkiewicz

University of Oxford:
SAID Business School (incoming DPhil student) &
Nissan Institute of Japanese Studies (MPhil in Modern Japanese Studies)
Outline

1. Research problem and its importance
2. Previous studies and theoretical framework
3. Research questions
4. Methods and data
5. Summary of the findings
6. Discussion and conclusion
7. Limitations and avenues for further research
1. Research problem and its importance (1)

- Recent decades: globalization and technological revolution
- Responses to change: fostering of entrepreneurship
- Special attention: startups (new, high-growth ventures focused on Information Technology)
- The method: learn from the success of Silicon Valley
- Source of Silicon Valley’s success: dynamic startup ecosystem (many interlinked and mutually supportive elements: talent pool, capital services, universities…)
- Key element: startup community
1. Research problem and its importance (2)

- Gaps in understanding of startup community
  - Concept present and widely used but not clear in meaning and significance
  - What precise impact on startup companies? Inconsistencies in research findings
  - Scarcity of research at the intersection of entrepreneurship and community studies

- The goal of the research – to open the ‘black box’ of startup communities
  - What they are, how they work, what role they play for various participants involved
  - How they could be improved to more effectively facilitate startup entrepreneurship
1. Research problem and its importance (3)

- Why Tokyo, Japan
  - Mature and well-developed institutional environment sometimes seen as incompatible with startups
  - History of dynamic IT startup entrepreneurship during the time of the Dotcom Bubble era (‘Bit Valley’)
  - Tokyo – the center of IT entrepreneurship in Japan (as well as the political and economic center of the country)
2. Previous studies and theoretical framework (1)

- Empirical studies of startup communities around the world → relatively scarce and heterogeneous in disciplines and approaches but have some common points
  - Case study of Australia – Steinz, Van Rijnsoever and Van Weele (2014)
  - Case study of Boulder City, Colorado – Feld (2012)
  - Previous research on Silicon Valley – e.g. Saxenian (1994, 2006)

- Comparative review of key theoretical concepts
  - Network, community, ecosystem
  - Attention to levels of analysis and to positive/negative evaluations
2. Previous studies and theoretical framework (2)

- Entrepreneurship in Japan
  - Japanese enterprise ‘system’ – e.g. Aoki (1994)
  - Attitudes towards entrepreneurs and entrepreneurship – e.g. Whittaker (1997), Whittaker et al. (2009), Aoyama (2013)
  - Challenges to Silicon Valley-style IT entrepreneurship – e.g. obstacles identified by Brown and Linden (2009)

- Theoretical framework → institutional analysis in the context of organization studies
  - Change in existing institutions or the seeds of new institutions growing?
  - Sako and Kotosaka (2012) – evolutions in labour and financial markets in Japan
3. Research questions

- Empirical questions
  - What are the characteristics of startup communities focused on IT in Tokyo?
  - How have they evolved?
  - How do they interact with startup communities globally on the one hand, and Japan’s mainstream business and startup communities on the other?

- Key puzzle
  - What is the role of startup communities for different participants involved?

- Theoretical question
  - How are the existing theoretical concepts relevant to the phenomenon of startup communities?
4. Methods and data

- Underexplored and undertheorized phenomenon → exploratory research strategy

- Grounded theory → discovering theory from data; focusing on how actors interpret reality

- Research design → fieldwork in Tokyo in January 2016
  1. Interviews
     - 34 semi-structured interviews in English or in Japanese with entrepreneurs, investors, event organizers, journalists, people from co-working spaces...
  2. Participant observation
     - 7 startup events & 7 co-working spaces and shared offices
  3. Content analysis of the Internet and published sources
5. Summary of the findings

- compartmentalization
- change
- contingent role
- startup community
Background - evolution

Result 1: Startup communities in Tokyo do exist now and they did exist before but the degree of continuity is uncertain.

Photo source: commons.wikimedia.org
<table>
<thead>
<tr>
<th>Category:</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-categories:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Turning points</th>
<th>Generations</th>
<th>Working in/with startups</th>
<th>Obtaining finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crises</td>
<td>Veterans</td>
<td>Social acceptance and reputation</td>
<td>Ease and availability</td>
</tr>
<tr>
<td>- Global (Dotcom Bubble, Lehman Shock)</td>
<td>- Dotcom people</td>
<td>Number of people</td>
<td>Amount</td>
</tr>
<tr>
<td>- Local (Livedoor Shock)</td>
<td>- More recent veterans</td>
<td>Quality of people</td>
<td>Sources</td>
</tr>
<tr>
<td>Natural disasters</td>
<td>Novices</td>
<td></td>
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<td>Tohoku triple disaster</td>
<td></td>
<td></td>
<td>- Angel investors</td>
</tr>
<tr>
<td>Technological changes</td>
<td></td>
<td></td>
<td>- Venture capital (VC)</td>
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<tr>
<td>- Mobile (Japanese feature-phones [garakei], smartphones)</td>
<td></td>
<td></td>
<td>- Corporate venture capital (CVC)</td>
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<tr>
<td>- Social Network Services (mixi, GREE, DeNA, Line, Facebook, Twitter)</td>
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<td></td>
<td>- Government</td>
</tr>
<tr>
<td>- Cloud computing</td>
<td></td>
<td></td>
<td>- Others</td>
</tr>
<tr>
<td>New organizational infrastructure and new organizational forms</td>
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<td></td>
<td></td>
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<tr>
<td>- Incubators, accelerators</td>
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<tr>
<td>- Co-working spaces</td>
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<tr>
<td>- Maker spaces</td>
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**Background - evolution**

**Result 2:** Startup communities in Tokyo are changing and this change is mostly perceived to be positive.
Mapping – characteristics and networks

Result 3: In Tokyo there is a diversity of players who associate themselves with the notion of startups and startup communities, and there is a degree of mutual awareness among them.

Photo source: en.wikivoyage.org
### Mapping – characteristics and networks

**Result 4:** Startup communities in Tokyo are compartmentalized.

<table>
<thead>
<tr>
<th>Category:</th>
<th>Compartmentalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-categories:</td>
<td></td>
</tr>
<tr>
<td>Tangible / intangible</td>
<td>Inclusive / exclusive</td>
</tr>
<tr>
<td>Properties:</td>
<td></td>
</tr>
<tr>
<td>Events</td>
<td>Language and culture</td>
</tr>
<tr>
<td>VC ‘mura’, incubators and accelerators</td>
<td>Type/role/specialization</td>
</tr>
<tr>
<td>Co-working spaces and shared offices</td>
<td>Age</td>
</tr>
<tr>
<td>Tokyo as a city/region</td>
<td>‘Bridge’ communities</td>
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</tbody>
</table>
Key puzzle – the role

Result 5: The role of startup communities in Tokyo is contingent.
<table>
<thead>
<tr>
<th>Core category:</th>
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</thead>
<tbody>
<tr>
<td><strong>Startup community</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td><strong>Properties:</strong></td>
</tr>
<tr>
<td><strong>Loose meaning (ecological level)</strong></td>
</tr>
<tr>
<td>↓</td>
</tr>
<tr>
<td>An agglomeration of multiple tangible startup communities in Tokyo as a city/region</td>
</tr>
<tr>
<td><strong>Specific meaning (organizational level)</strong></td>
</tr>
<tr>
<td>↓</td>
</tr>
<tr>
<td>A tangible space or organization (e.g. event, co-working space, VC ‘<em>mura</em>’)</td>
</tr>
</tbody>
</table>

**Core category - the levels of analysis resolved**
6. Discussion and conclusion (1)

Previous empirical studies and old definition

- Old definition $\rightarrow$ ‘local informal' networks of entrepreneurs that support and encourage each other by sharing their resources and passion, thereby facilitating learning and innovation’ (Steinz, Van Rijnsoever & Van Weele, 2014)

- ‘Boulder Thesis’ $\rightarrow$ ‘1) Entrepreneurs must lead the startup community; 2) The leaders must have a long-term commitment; 3) The startup community must be inclusive of anyone who wants to participate in it; 4) The startup community must have continual activities that engage the entire entrepreneurial stack’ (Feld, 2012)
6. Discussion and conclusion (2)

New definition based on the case study of Tokyo

- **Startup community** (of a given city/region): a loosely coupled agglomeration of multiple, tangible groups, focused on supporting entrepreneurial activities of their participants. The groups can be organized around specific actors or activities, and their role is contingent on the goals and the stage of development of different types of participants.
6. Discussion and conclusion (3)

Other contributions of this study

- More conceptual clarity about the phenomenon of ‘startup communities’
  - Distinction between different levels of analysis on which startup communities function (organizational, ecological)
  - Clarification of relationship to theoretical concepts of networks, communities and ecosystems (networks and ecosystems – loose meaning; community – specific meaning)

- Better understanding of the evolution of conditions for startups and entrepreneurship in Japan
  - Change in labour and financial markets (Sako & Kotosaka, 2012) is continuing to happen and new institutions capable of facilitating startup entrepreneurship might be growing
  - Improvements in 4 problematic areas identified by Brown and Linden (2009): ‘acquiring management and marketing skill,’ ‘finding customers,’ ‘recruiting engineers’ and ‘securing venture capital financing’
6. Discussion and conclusion (4)

Hypotheses for improvement (abridged wording) → 3&4 more likely?

- **Hypothesis 1**: No specific improvement is necessary.

- **Hypothesis 2**: It would be good to strengthen existing exclusive and supportive startup communities and to help with the creation of new ones of that type. They are suitable in the context of Japan.

- **Hypothesis 3**: There is not enough collaboration and information exchange happening between communities. It would be important to reduce ‘blind spots’ between tangible startup communities.

- **Hypothesis 4**: It is uncertain if startup community in Tokyo in its loose meaning is ‘more than a sum of its parts,’ and if participants have any feeling of belonging to it. It would be good to create more interconnectedness and shared identity in startup community on a level of a city/region of Tokyo.
7. Limitations and avenues for further research

- Major limitations
  - Study done in only one city and in only one point in time
  - Study did not examine any of the tangible startup communities in detail

- Possible avenues for further research (my future PhD project)
  - Focused research of specific tangible startup communities (e.g. ethnographic study)
  - A multiple case study project (cross-country comparison or comparison within one country)
  - A single case study examined at more than one point in time
  - Study attempting to measure the success and effectiveness of startup communities (e.g. by designing Key Performance Indicators)
Thank you for your attention!

Agata Kapturkiewicz

akaptur@gmail.com
References used in this presentation


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