

中小企業再生時における 経営者のリーダーシップ開発

——アシザワ・ファインテック社の経営理念創成事例を中心に——

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Managerial Leadership Development in the Revival of Small- and Medium-sized Enterprises:

Focusing on the Creation of a Corporate Mission Statement at Ashizawa Finetech Ltd.

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Abstract

The corporate mission statement, which underpins leadership and is the mainstay of management strategy and profit planning, is often regarded as a symbolic accessory; hence, it tends to be ignored in the performance of the actual task of management.

This paper seeks ways of nurturing the managerial leadership required to turn around small- and medium-sized enterprises floundering with vague corporate mission statements, management strategies, and profit plans in the context of deliberations for creating a true corporate mission statement at an early stage.

Specifically, in terms of motivating executives, we focus on the relationships among the processes of building a management strategy, preparing a profit plan, and creating a corporate mission statement and discuss the revival of Ashizawa Finetech Ltd. with respect to the efficacy of a “plan-strategy-mission” process for the creation of a corporate mission statement as opposed to the “mission-strategy-plan” process examined in prior research. We also investigate ways of developing managerial leadership for the revival of small- and medium-sized enterprises.

Unlike the “mission-strategy-plan” process considered by prior studies, the “plan-strategy-mission” process can create a corporation’s true mission early on. We found that this

process could develop managerial leadership capable of turning around small- and medium-sized enterprises.

要 約

リーダーシップを支え、経営戦略や利益計画の拠り所となる経営理念は、象徴的な飾り物とされている場合が多く、実際の経営の現場では無視されてしまう傾向にある。

そこで、本稿では、経営理念や経営戦略、利益計画が曖昧な経営不振の中小企業において、本物の経営理念が早期に創成される検討プロセスとの関係から再生に求められる経営者のリーダーシップが開発される方法を探求した。

具体的には、経営者の動機付けの観点から、経営戦略構築プロセスと利益計画策定プロセス、経営理念創成プロセスの関係に着目し、既存研究の「理念→戦略→計画」型とは異なる「計画→戦略→理念」型の経営理念創成プロセスの有効性について、アシザワ・ファインテック社の再生事象を基に議論し、中小企業再生のための経営者のリーダーシップ開発法を検討した。

その結果、既存研究の「理念→戦略→計画」型とは異なる「計画→戦略→理念」型の検討プロセスによって、本物の経営理念が早期に創成され、中小企業再生に有効な経営者のリーダーシップが開発される可能性があることが検証された。

キーワード

中小企業再生 (Revival of small- and medium-sized enterprise)

リーダーシップ開発 (leadership development)

経営理念創成検討プロセス (consideration process for creating a corporate mission statement)

経営戦略 (management strategy)／利益計画 (profit plan)

Introduction

Having a rational management strategy (hereinafter, strategy) and profit plan (hereinafter, plan) that make effective use of management resources is essential if a failing small- and medium-sized enterprise (SME)⁽¹⁾ is to turn itself around.⁽²⁾ However, even a rational strategy or plan and excellent management are

(1) Article 2 of the Small and Medium-sized Enterprise Basic Act defines a small and medium-sized enterprise (SME) as: 1) any entity which is a company whose capital or total amount of investment does not exceed 300,000,000 yen, or a company or an individual whose regular workforce does not exceed 300 persons, and which is principally engaged in manufacturing or sectors other than those specified in Items 2) to 4) below; 2) any entity which is a company whose capital or total amount of investment does not exceed 100,000,000 yen, or a company or an individual whose regular workforce does not exceed 100 persons, and which is principally engaged in the wholesale trade; 3) any entity which is a company whose capital or total amount of investment does not exceed 50,000,000 yen, or a company or an individual whose regular workforce does not exceed 50 persons, and which is principally engaged in the retail trade; or 4) any entity which is a company whose capital or total amount of investment does not exceed 50,000,000 yen, or a company or an individual whose regular workforce does not exceed 100 persons, and which is principally engaged in the service industry. The term “small enterprise” means an enterprise with a regular workforce that does not exceed 20 persons for manufacturing and other sectors, or 5 persons in the case of enterprises which are principally engaged in commerce or the service industry.

nowhere near enough to turn around an SME unless a management leader⁽³⁾ sufficiently exercises leadership.

Furthermore, if management leaders do not have mission statements consistent with their true intentions, strategy, plan, etc., it is difficult to say that they sufficiently exercise the leadership needed to revive the company. In other words, as Kanai describes a mission statement as an indispensable element in leadership engaged in building, maintaining, and transforming an organizational culture⁽⁴⁾, the exercise of real managerial leadership supported by a true, original mission statement⁽⁵⁾ is essential for the SME to undergo a real and sustainable turnaround.

Many have suggested a “mission-strategy-plan” type of deliberation process, in which a clear true mission statement supporting real leadership is first created, then, based on it, strategies and plans for achieving the mission are considered.⁽⁶⁾ Yet, compared with the strategy and the plan, the mission statement is often regarded as a symbolic embellishment.⁽⁷⁾ Actual business practice considers only financial plans that deal with numbers, and mission statements tend to be ignored. Thus, many SMEs that are not doing well do not have clear and true mission statements consistent with a management leader’s true intentions, plans, and strategies, and it is unlikely that these companies give adequate consideration to how they should design a true mission statement at their early stages.

This paper is therefore an attempt to discuss ways to develop effective leadership to turn around struggling SMEs that have vague mission statements, strategies, and plans. In this, we focus on mechanisms and processes by which true mission statements supporting real leadership, strategies and plans are created at early stages, as well as the deliberation process for strategies and plans.

Satake (2016) argues that, from the standpoint of motivating a management leader to create a true mission statement at an early stage that will support the company’s leadership and not be just some borrowed ideas, a struggling SME that does not have a clear mission statement should create a mission statement only after the company has come up with a plan for dealing with its finances (based a

(2) In this paper, “turnaround” refers to a situation in which management has revived the company after the company had reported operating losses for two or more consecutive periods, its shareholders’ equity was negative (so approaching the insolvency), and it was nearing the business failure that the Financial Services Agency’s inspection manual calls as “a company in danger of defaulting on its debt” in their debtor classification. In other words, it is a situation where management has moved earnings back into the black, escaped from the approaching insolvency, and recovered their independence from creditors.

(3) In this paper, a “management leader” means a Chief Executive Officer or person in a similar position.

(4) Kanai (1986), p. 172.

(5) A “true mission statement” is a mission statement that is not merely formulaic or borrowed from somewhere else, but instead consistent with a management leader’s true intentions, strategies, and plans. We follow Mitsui (2010), who states, “When one says, ‘Our organization has a mission,’ it does not mean that a mission statement exists in written form, but that the mission statement is interpreted and reinterpreted by those who receive it and is reflected in their everyday activities. Without such interaction, a mission statement is mere ‘pie in the sky’ that ‘does not really exist’ ” (p. 97).

(6) For instance, Simons (2000), pp 17-18.

(7) Makitani (2008), p. 1.

management leader's true intentions), and not as a starting point. In other words, a deliberation process in which the mission statement is formulated after the plan, not before the plan, may be effective in developing leadership for turning around the company in question.

To refine our research, this paper also discusses processes for building strategies that will embody the major concepts of the plan. In other words, we will seek ways to develop the managerial leadership for the revival of an SME, by discussing the effectiveness of the “plan-strategy-mission” model of the corporate mission statement creation process, which differs from prior studies. For this, we focus on the relationships among the mission statement creation process, strategy building process and corporate planning process, based on the example of the turnaround of Ashizawa Finetech Ltd., a medium manufacturing company.

To accomplish this, we will first verify what managerial leadership is required for turning around an SME. Next, we will explore the theoretical foundation underlying the “plan-strategy-mission” hypothesis, which is the process model for creating a corporate mission statement that we consider to be effective in developing leadership for turning around SMEs. Then, we will test our hypothesis by using the case study method to analyze the turnaround of Ashizawa Finetech Ltd.

In testing our hypothesis with the case study method, we will use triangulation, which applies different theoretical approaches to one issue, so that we may explore their effectiveness by using the analytical methodology of “pattern matching.”⁽⁸⁾

As a subject for our analysis, we chose Ashizawa Finetech Ltd., an SME in the manufacturing sector, which is regarded as Japan's leading industrial sector, comprising 30.8% of domestic production (equivalent to sales), the highest ratio in the composition ratio.⁽⁹⁾ This company fits the criterion of a corporate turnaround, as it embraced the technological innovation and succeeded in overcoming its insolvency by using the “plan-strategy-mission” process for creating a corporate mission statement set forth in our hypothesis. We chose this company as our research target because we were able to obtain copious knowledge regarding the creation of its mission statement and received cooperation from them in terms of information disclosure and access.

1. Managerial Leadership and SME Turnarounds

1.1. The importance of leadership in corporate turnaround situations

The term “leadership” has many meanings, and its definition varies widely among scholars. This paper defines leadership as being different from management and proves the importance of leadership in corporate turnaround situations.

Kanai (2007) says, “leadership is the process of influencing one's followers to work toward an objective of their own accord.”⁽¹⁰⁾ He furthermore states that under real leadership “people are happy to follow their

(8) For an explanation of “pattern matching,” see Yin (1994), pp.142-146.

(9) Ministry of Economy, Trade and Industry; Ministry of Health, Labour and Welfare; and Ministry of Education, Culture, Sports, Science and Technology (2015), p. 26.

(10) Kanai (2007), p. 42.

boss even if the boss looks strict, because they are truly happy if they carry out their boss's wishes, because they expect they could achieve what the boss wants if they follow the boss, and because they feel the boss cares about them." In this respect, he argues, leadership differs from "management," in which tasks are accomplished through others by relying on budget allocations, personnel authority, and other administrative systems and organizations.⁽¹¹⁾

Kotter (1996) clearly differentiates between leadership functions and management functions by defining leadership as an important process in bringing about successful change, saying, "Leadership is a set of processes that creates organizations in the first place or adapts them to significantly changing circumstances. Leadership defines what the future should look like, aligns people with that vision, and inspires them to make it happen despite the obstacles."⁽¹²⁾ Kotter also asserts that leadership, not management, is the motivating force in bringing significant change to fruition, and points out that the lack of adequate leadership will lower the chances of success, whatever the changes may be, in executing new strategies, reengineering, or any other type of change.⁽¹³⁾

Distinguished from management, which controls and administers budgets and people based on certain rules that are valid in ordinary times, leadership becomes more critical in times of corporate transformation to overcome a crisis or in emergency situations that require a corporate turnaround. Leadership is a process of using personal influence for people to voluntarily take it upon themselves to turn the situation around.

1.2. Managerial leadership required for turning around SMEs

Leadership would become more important in corporate turnarounds and other crisis situations, but managerial leadership has more impact on SMEs than on large corporations. In other words, as stated in Takaishi (2012), if SMEs are to survive and grow, it is essential that managerial leadership makes unceasing efforts toward companywide improvement and reform.⁽¹⁴⁾ This is because, the smaller the workforce, the more the transformational leadership will directly influence employees' initiatives, regardless of how much strategic flexibility exists.⁽¹⁵⁾

In addition, according to Sato (2014), many SMEs do not engage in consensus decision making on various issues, but allow a management leader to make the decisions.⁽¹⁶⁾ The thinking, findings, and decisions that lead to an SME's success are intimately related to the values of the SME's management leader, and especially the stance of SME management leader toward the company is a personal value system itself. Because of these, the values of management leader at SMEs are directly reflected in how the company is run.⁽¹⁷⁾

(11) Kanai (2007), pp. 29-30.

(12) Kotter (1996), p. 46.

(13) Kotter (1999), p. 19.

(14) Takaishi (2012), p. 1.

(15) Takaishi (2012), p. 10.

(16) Sato (2014), p. 9.

(17) Sato (2014), p. 19.

Therefore, managerial leadership at SMEs, unlike at large corporations, is not subject to varying degrees of strategic flexibility but tends to have a direct and significant influence on corporate transformation, or corporate revival. In other words, because the values of SME management leaders are directly reflected in how they run their companies, leadership is more critical for them than it is for those at large corporations. Leadership means here the behavioral process in which sincere leaders clarify their thinking about how to revive the company, consistently with the strategy and plan, in conformity with such perceived—or sometimes hidden—factors as their outlook on life, value systems, management philosophy, vision and beliefs, to communicate it enthusiastically for motivating people.

2. Leadership Development and the Process of Creating a Corporate Mission Statement

2.1. The need for a mission statement in leadership

For leadership to carry significant influence, a mission statement should not be merely a statement of superficial values or principles, but should be widespread as fundamental presuppositions of behavior. A mission statement is considered to be an indispensable element in leadership of top management involved in building, maintaining, or transforming an organizational culture.⁽¹⁸⁾

In addition, Itami and Kagono (2003) point out that resolving the leadership dilemma requires a philosophy and a mission statement.⁽¹⁹⁾ “Leadership dilemma” refers to the following problems. Although executives and other leaders need to take appropriate action in response to circumstances, they risk giving other stakeholders the impression of being calculating or opportunistic, which will have a negative effect on trust in their judgment (it is the source of their leadership). Moreover, great efforts are required in calculation to take appropriate action for each situation, which makes leaders exhausted.⁽²⁰⁾

Therefore, resolving these problems also requires a philosophy, mission statement, vision, and basic principles. Good executives possess a mission statement as basic principles giving faith, a firm grounding and the ability to respond to circumstances with flexibility. They take a stance that creatively resolves any contradictions between reality and the mission statement as basic principles.⁽²¹⁾

Satake (2007) states that if the level of “idealized influence” (refers to activities that pursue ideals) and the level of “inspirational motivation” (refers to goal setting, planning, and strategy building activities) representing mission behaviors which are the low-level standards of Multifactor Leadership Questionnaire (MLQ5-X Short Form) developed by Bass and Avolio (1995) and others and used to measure transformational leadership considered to be effective in corporate transformation and corporate turnarounds, are greater than the three other factors of “attributed charisma,” “intellectual stimulation,” and

(18) Kanai (1986), p. 172.

(19) Itami and Kagono (2003), p. 388.

(20) Itami and Kagono (2003), pp. 387-388.

(21) Itami and Kagono (2003), pp. 388-389.

“individualized consideration” , leadership with strong corporate growth ability and good performance is present. However, when corporate growth ability is weak and performance deteriorates, there is no clear true mission statement, strategy, or plan, and the level of “idealized influence” and “inspirational motivation” is lower than that of the other three factors.⁽²²⁾

As the foregoing indicates, in the absence of a clear mission statement, it is unlikely that managerial leadership required to turn a company around is adequately exercised. Real leadership as exercised by a management leader for the purpose of genuinely and continuously turning around an SME does not consist of empty words or something that has been borrowed from elsewhere. Rather, a true mission statement consistent with a management leader’s real intentions, strategies, and plans are required.

2.2. Managerial motivation and the deliberation process for formulating plans, building strategies and creating a mission statement

As discussed above, full-fledged exercise of leadership on the part of management leaders requires an underlying mission statement. However, as we mentioned in the introduction, mission statements are often regarded as symbolic embellishments compared with strategies and plans. In the actual practice of management, it is only numerical plans that are discussed, while a mission statement tends to be treated as a mere formality or lip service, or even ignored. As a result, many struggling SMEs do not have a clear and true mission statement consistent with a management leader’s real intentions, plans, and strategies. In addition, it does not seem that there is sufficient amount of discussion in those companies on how to create a true mission statement at early stages.

We will therefore examine from the standpoint of managerial motivation the process of creating a true mission statement at an early stage (that is, the deliberation process for increasing “idealized influence”) in struggling SMEs that do not have mission statements, in relation to “inspirational motivation” in goal setting, planning, and strategy building.

According to NAA⁽²³⁾ (1964), the planning process focuses on a company’s future and puts

(22) Satake (2007) regards “idealized influence” as the act of enthusiastically imparting a management leader’s explicit or implicit outlook on life, value system, management philosophy, vision, beliefs, and the like, and considers it to be a factor that directly influences a company’s ability to grow. (Developing managerial leadership to increase growth ability and turn around an SME requires consideration of ways to increase this “idealized influence,” which means consideration of a methodology for formulating a true mission statement that has not been borrowed from elsewhere.) According to Satake (2007), “inspirational motivation” is a factor correlated with corporate growth ability: It is the act of setting appealing goals and standards that employees can easily comprehend and trying to give them a sense of accomplishment, and it is the act of communicating closely with employees to induce them to want to work hard. In addition, Satake (2007) takes the scores for transformational leadership (TL) and corporate growth ability and classifies the leadership attributes of the CEOs of the companies surveyed into (1) the transformation success type, (2) the lucky type, (3) the unproductive effort type, and (4) the irresponsible type. Noting that companies with high growth ability are those for which the CEO’s “idealized influence,” which is a building block in transformational leadership (i.e., the factor of having a mission), scores relatively higher than the other factors, He argues that the greater the score for mission, the more positive the impact on corporate growth ability.

(23) NAA stands for the National Association of Accountants, a U.S. society of accountants.

management's thinking into action, helping them to enhance insight and incorporate constructive ideas.⁽²⁴⁾ Rather than setting a mission statement as a starting point, the process of considering plans to solve the present financial and other problems which are management leader's real intentions may quickly and spontaneously bring to mind a mission statement that reflects a management leader's real intentions as well as strategies in the form of long-term objectives consistent with plans. In other words, this viewpoint signifies a "plan-strategy-mission" deliberation process that incorporates a management leader's concerns. This shows that a true mission statement that is not borrowed from elsewhere but reflects a management leader's real intentions consistently with a plan and strategy and can be created at an early stage within the natural flow of this deliberation process.

Miyata (2004) uses Maslow's five-tier hierarchy theory of needs to show the levels of ideals. When seasoning this with the concept of the ideal-seeking system proposed by Ackoff (1971), it would be more realistic for struggling companies with "deficiency needs" to start by examining plans as what Ackoff calls (1) short-term "goals" to resolve the present financial matters that they are facing—in Maslow's terms, to try to fulfill "physiological needs" and "safety needs"—, rather than to start by deliberating a mission statement, which is a high ideal equivalent to what Maslow calls "the need for self-actualization." It will be more effective and accepted by such management leaders after which strategies are examined as (2) long-term "objectives" and the "plan-strategy-mission" deliberation process for creating an ideal mission statement.

3. Case Study: Ashizawa Finetech Ltd.

Let us now discuss the effectiveness of the "plan-strategy-mission" type of deliberation process for creating a corporate mission statement through a case study of Ashizawa Finetech Ltd. We obtained our data by reviewing documents and conducting open-ended interviews with the president of the target company.

3.1. Company background and track record of overcoming crisis situations

Ashizawa Finetech Ltd. was established on December 16, 2002 as a wholly owned subsidiary (spin-off) of Ashizawa Ltd., with Naotaro Ashizawa as president and representative director. The company's business lines include the development, manufacture, and maintenance of industrial-use grinding and dispersing machinery, in particular, grinding and dispersing machines (bead mills⁽²⁵⁾) that produce submicron and nano-sized particles. It is an SME, with 110 employees (82 males and 28 females, including both full-time

(24) NAA (1964), pp. 21-22.

(25) According to the company's website, a bead mill is a machine that uses beads to finely grind or disperse particles (or fine particles) into micrometer or nanometer-sized particles. A compartment called a grinding chamber is filled with beads (the grinding medium), which are circulated by rotating a shaft in the middle of the chamber. For wet grinding, the raw material (particle matter) is mixed with a liquid to form a slurry, which is then pumped into the grinding chamber, where the friction of the beads grinds it more finely and disperses it. The beads and slurry are separated when

officers and part-time workers), 90 million yen in capital, and sales of 1.983 billion yen in the fiscal year ending March, 2012.

The company was established (spun off) to separate the equipment manufacturing and real estate leasing businesses of Ashizawa Ltd., and to help Ashizawa Ltd. survive a business crisis. For these purposes, all employees of Ashizawa Ltd. were dismissed (and all those who wanted their jobs back were rehired by Ashizawa Finetech), and the company has specialized in machinery production. It commenced operations in April 2003.

Ashizawa Ltd. was established as a sole proprietorship in 1903. It was located in what is now the Tsukishima district of Tokyo's Chuo Ward, where such equipment as pressure vessels and boilers were manufactured. In 1915, four steam locomotives were designed and manufactured. In 1935, it became a registered company and Ashizawa Iron Works was established as a limited partnership. In 1946, production of mixers and wet grinding machines began, forming the basis of Ashizawa Finetech's current business. In 1951, it was incorporated as Ashizawa Iron Works Ltd.

After starting production of spray dryers and rotary kilns in 1963, its goal was to become a product manufacturer through its own design. In 1965, it acquired the technology for particle mixers from G. Gruen of what was then West Germany. Then, in 1967, it acquired technology for ceramic spray dryers from Dorst, and in 1968, it acquired technology for cyclone dust collectors from Siemens. Furthermore, in 1969, it succeeded in developing a tornado reactor, and with the help of Japan's Science and Technology Agency it applied for patents on this equipment in 15 countries. In 1984, it changed its name to Ashizawa Ltd. Since its inception, its business had been focused on machinery manufacturing.

However, in 1997, Ashizawa Ltd. built a Tokyo facility costing 6 billion yen on its former plant site in Koto Ward. This was the start of a new real estate business, which would lease out the facility, under a long-term contract, to Nippon Express Co., Ltd. as its largest distribution center in Tokyo. When Naotaro Ashizawa became the fourth-generation president of the company in 2000, his father, the third-generation president Naohito Ashizawa, became chairman, which meant that the son, Naotaro, was actually in charge of the company.

President Naotaro Ashizawa was born in Tokyo in 1964. After graduating from Keio University's Faculty of Law in 1987, he went to work for Mitsubishi Bank, Ltd. (now the Bank of Tokyo-Mitsubishi UFJ, Ltd.). He joined Ashizawa Ltd. in 1991, and became vice president and representative director in 1995. As mentioned previously, he was promoted to the presidency of Ashizawa Ltd. in 2000, and when Ashizawa Finetech Ltd. was founded on December 16, 2002,⁽²⁶⁾ he became its president and representative director.⁽²⁷⁾

He says that when he became president, he had little experience in technology, and he had no confidence in leading employees (many of them are technology experts), as did his father, Naohito, who succeeded in

they exit the grinding chamber using a screen or by centrifugal force. For dry grinding, the raw material (particle matter) is injected into the grinder by constant feeder, and the particles and beads are separated using a screen located at the exit of the grinding chamber.

(26) Ashizawa Finetech Ltd. started operations in April 2003.

(27) Naotaro Ashizawa also serves as president and representative director of Ashizawa Ltd.

getting the company out of subcontracting and transformed it into today's equipment maker.⁽²⁸⁾ He also recalled, "For a long time, the company had barely been making any profit. Not only did the company not have a development department, but its sales force and quality control were weak. We were in a situation where we were unable to satisfy demands of domestic users with high technological level."⁽²⁹⁾ Furthermore, he said, "If things continued, the company would fail. Before that happened, we needed to go back to our founding spirit and work with our employees to revive the company."⁽³⁰⁾ According to him, "The company held about 12 billion yen of interest-bearing liabilities, so it became insolvent during the fiscal year ending March, 2000. Its main bank abandoned it due to its increase in leverage ratio."⁽³¹⁾

He considered plans and strategies for overcoming this situation and started to create a mission statement when he set up a new company in 2002. The following year, he unveiled a mission statement that was said to be the "Gold Standards." Then he proceeded to steadily expand the company's production and delivery performance and improved its financial performance.

In short, he embarked on a true expansion of the company's key equipment manufacturing business, growing production deliveries from less than 100 units in fiscal 2003 to 1,027 units in fiscal 2012. Financial performance improved as well, from sales of 1.34 billion yen, operating profit of -115 million yen, current profit of -134 million yen, net assets of 353 million yen, and an operating profit ratio of -8.8% in the fiscal year ended March, 2003, to sales of 1.268 billion yen, operating profit of 35 million yen, current profit of 37 million yen, net assets of 383 million yen, and an operating profit ratio of 2.8% in the fiscal year ended March, 2004 (following the inauguration of the mission statement), and then to sales of 3.608 billion yen, operating profit of 612 million yen, current profit of 495 million yen, net assets of 1.342 billion yen, and an operating profit ratio of 17.0% in the fiscal year ended March, 2013. The crisis was overcome.

3.2. The Deliberation Process for Creating a Mission Statement

3.2.1. Building a strategy

Let us now review the strategy that the company built in the 2000s after it formulated its plan.

Unlike his competitors,⁽³²⁾ after considering his plan, the new president of Ashizawa Ltd., Naotaro Ashizawa, opted for a specialization strategy, similar to what Porter calls a "differentiation focus strategy" and Kotler calls a "niche" in his classification of competitive positions and strategies. He separated the equipment manufacturing business and the real estate leasing business, and he then dismissed the entire

(28) According to an interview on Sept. 19, 2014, and a speech he gave on May 17, 2014, at the Lecture on Measures for Assisting SMEs: With an Emphasis on Effective Use of Subsidies, which was sponsored by the SME Research and Assistance Organization of the Chiba University of Commerce's Institute of Economic Research.

(29) Nikkan Kogyo Shinbun, Feb. 20, 2013, p. 12.

(30) Nikkan Kogyo Shinbun, Feb. 20, 2013, p. 12.

(31) According to an interview on Sept. 19, 2014, and a speech he gave on May 17, 2014, at the Lecture on Measures for Assisting SMEs: With an Emphasis on Effective Use of Subsidies, which was sponsored by the SME Research and Assistance Organization of the Chiba University of Commerce's Institute of Economic Research.

workforce of Ashizawa Ltd. (all those who wanted their jobs back were rehired by the new company). The new company focused on the business of manufacturing industrial-use particle equipment, such as grinders and dispersers (bead mills) that reduce particles to the submicron or nano size, and promoted them for the domestic market.

In order to extricate the company from the situation that he described, which was, “If things continued, the company would fail. Before that happened, we needed to go back to our founding spirit and work with our employees to revive the company,” and, “The company held about 12 billion yen of interest-bearing liabilities, so it became insolvent during the fiscal year ended March, 2000. Its main bank abandoned it due to its increased leverage ratio,” he devised a plan that included applying for and obtaining ISO 9001 certification.

He also examined a strategy to increase the company’s profitability and grow its profits, which served as the resource for repaying its interest-bearing debt. He then considered a mission statement. The result was that the company’s operating ratio of -8.8% from its core business in the fiscal year ended March, 2003, improved to 2.8% the following year and continued rising to reach 17.0% in the fiscal year ended March, 2013. This was not with a strategy of pursuing scale, but a strategy of improving profitability.

In other words, the company devised a plan to resolve its immediate financial problems, then figured out a strategy. The company employed this “problem-plan-strategy” process to pursue its specialization strategy as a niche player in the equipment manufacturing business.

3.2.2. The substance of the mission statement

Naotaro discovered a drawing of a locomotive in the Ashizawa Ltd. archives. This reminded him of the enthusiasm that the company’s founders had for manufacturing (*monozukuri*) and made him realize the need for a mission statement, which he embarked on contemplating and creating in 2002.

Then, in 2003, referencing the Credo⁽³³⁾ of The Ritz-Carlton Hotel Company LLC, he articulated a mission statement and long-term vision titled the “Gold Standards,” with the “commitment” to “expand with our Fine Particle Technology the possibilities of a better future for mankind and our planet, by sharing and realizing our clients’ visions of manufacturing innovative materials”, and the “mission” being “to realize our client’s visions with the world best grinding and dispersion technology”, “to generate effective and efficient use of natural resources in pursuit of eco-friendly operations”, and “to thrive an enduring company that is able to affect, develop, excite and retain enthusiastic professionals.”

These statements, along with more detailed explanations, were printed on a folded paper with the title of

(32) An analytical comparison using a positioning map with sales from each company’s earnings report on the horizontal axis and the corresponding operating income ratio on the vertical axis for the fiscal year ended March, 2015 (for Ashizawa Ltd., the fiscal year ended March, 2013) shows that Ashizawa’s competitors—Mitsubishi Heavy Industries, Toyota Industries, Komatsu (U.S.GAAP reporting), Daikin Industries, Kubota (U.S. GAAP reporting), IHI, JTEKT, NSK, Hitachi Construction Machinery (IFRS reporting), and NTN—are pursuing a scale-oriented strategy. Note that the numbers for Ashizawa Ltd. include Ashizawa Finetech Ltd.

(33) “Credo” means a set of beliefs. The Ritz-Carlton Credo sets forth such things as the corporate direction and the services that would be provided to customers, so it can be considered a mission statement.

“Boarding Pass,” and distributed to all the employees. This clarified the management leader’s resolution and determination vis-à-vis not only its customers, but society and its employees as well. First, the mission statement laid out the resolution with respect to the customer value, starting with the heading, “Our promise to customers,” under which it said, “‘Customers first’ has always been our basic stance,” and, “We raise the quality of our products and services to the highest in our industry and bring customer delight beyond satisfaction. We will promptly accommodate customers’ changing requests and partner with them to create new values.” The next section, titled “Our promise to society,” stated, “For the world and for the future,” and “We will make the proper decisions, based on what is best for all (we will work for all, not just for the individual, and for society, not just for the company) and on what is best for the future (we will work for the future, not for the present).” In the section titled, “Our promise to our employees,” it stated, “Employees are assets,” and “We will respect each other’s autonomy and will do our utmost to help each other in developing skills and contributing to the company.”

Furthermore, the cover of this folder listed the 13 “Basics”⁽³⁴⁾ as action guidelines and judgment criteria for imbuing employees’ behavior with the company’s mission in order to achieve the “Gold Standards.”

Thus, the company’s mission statement is an expression of the importance of employees and other stakeholders and is interwoven with the three typologies of Toba and Asano (1984): self-discipline, norms, and policy.

3.2.3. Creating a mission statement and the turnaround process

Next, we analyze the company’s creation of a mission statement and its turnaround process using the theory of enterprise risk management (ERM) in bankruptcies and turnarounds discussed by Ota (2009).

The creation of Ashizawa Finetech’s mission statement followed the opposite order of the “mission-strategy-plan” model examined in prior research and instead used a “plan-strategy-mission” model in which the plan came first, then the strategy, and then the mission. What Ota calls the “urgent turnaround (turnaround situation as emergency response)” was attempted in 2004. In the fiscal year ended March, 2003, sales were 1.34 billion yen, operating profit was -115 million yen, current profit was -134 million yen, net assets were 353 million yen, and the operating profit ratio was -8.8%. The company turned profitable for the year 2004 (operating profit of 35 million yen, current profit of 37 million yen, net assets of 383 million yen, and an operating profit ratio of 2.8%), and it maintained profitability thereafter, so that by 2013, it reported sales of 3.608 billion yen, operating profit of 612 million yen, current profit of 495 million yen, and an operating profit ratio of 17.0%. Meanwhile, its debt shrank, and net assets reached 1.342 billion yen. This was an attempt for a “real turnaround,” and a “stable turnaround (sustained turnaround).”

In short, when Naotaro Ashizawa became president of Ashizawa Ltd. in 2000, the company had no clear mission statement or effective strategy or plan for turning itself around, it was in the throes of insolvency

(34) The following “Basics” are explained: (1) customers first, (2) environmental improvement, (3) setting priorities, (4) dealing with complaints, (5) human resources, (6) interpersonal relations, (7) 100% culture, (8) improvement, (9) self-enlightenment, (10) human resources development, (11) praise and criticism, (12) teamwork, and (13) appreciation.

from some 12 billion yen of interest-bearing debt it had taken on in the pursuit of its real estate business, and it was drowning in red ink. The situation could be considered what Ota calls the “verge of bankruptcy,” or the A Zone (conservative risk management). So, the company came up with short-term goals and a plans to eliminate its deficits, obtained ISO 9001 status in 2001, introduced long-term objectives and a strategy for accomplishing them in 2002, established Ashizawa Finetech and started creating a mission statement in 2002 as well, and unveiled its mission statement in 2003.

In 2004, the company obtained EcoAction 21 certification⁽³⁵⁾ and turned profitable on a fiscal year basis (operating profit of 35 million yen, current profit of 37 million yen, net assets of 383 million yen, and operating profit ratio of 2.8%). This means that the company was trying to move into a situation of urgent turnaround (turnaround as emergency response), or the B Zone (creative risk management domain).

From 2005 on, the company continued to be profitable and it reduced its interest-bearing debt, so that by 2013, it achieved sales of 3.608 billion yen, operating profit of 612 million yen, current profit of 495 million yen, an operating profit ratio of 17.0%, and net assets of 1.342 billion yen. This can be analyzed as a step-by-step turnaround toward the sustained “C Zone” stage, which is what Ota calls a “real turnaround” or “stable turnaround.”

Most prior studies have treated the “mission-strategy-plan” process as the norm, and many authors have argued for it. Although this deliberation process may be valid under normal circumstances, the “plan-strategy-mission” process for creating a mission statement advocated in this study is effective for companies in crisis mode. We can also say that this process led to the turnaround at Ashizawa Ltd. (including Ashizawa Finetech Ltd.),

In other words, in 2000, this company, which did not have a clear mission statement or an effective strategy or plan for turning itself around, was in an all-zero situation: zero plan, zero strategy, and zero mission statement. However, after Naotaro Ashizawa became president, the company first clarified its workplace problems and the issues that required urgent attention, and in 2001, it formulated a business plan and obtained ISO 9001 status. In 2002, it restructured so that it could realize its long-term objectives by splitting off its real estate leasing business and dismissing all of its employees. After the new company was established, it rehired those who wanted their jobs back and considered a differentiation focus strategy, thus transitioning to become a company with a plan and a strategy, but no mission statement.

Then, in 2003, it articulated its action guidelines and judgment criteria, called “Basics,” and the “Gold Standards” mission statement consistent with both the plan and the strategy, thereby becoming a company with a plan, a strategy, and a mission. The urgent turnaround and real turnaround (stable, or sustained turnaround) followed.

(35) EcoAction 21 is a set of guidelines formulated by the Ministry of the Environment whereby all businesses adopt goals for effectively and efficiently dealing with environmental issues. It describes how businesses should set up programs to deal with environmental issues, conduct those programs, constantly improve the programs, and disclose the programs’ accomplishments to the public.

The system that inspects, certifies, and registers businesses conducting these programs based on the EcoAction 21 Guidelines is called the EcoAction 21 Certification and Registration Program (<http://www.ea21.jp/ea21>).

3.3. Managerial Leadership Development

As we see it, what Ota (2009) terms a sense of crisis increased at Ashizawa Finetech as the company tackled its immediate and pressing financial problems and clarified the issues it faced. After it formulated a plan and built a specialization strategy, the company contemplated and articulated its mission statement to share what Fukumoto (2005) terms “ideals” and “vision” with the entire workforce. Based on this process, the president Naotaro developed leadership, and with this leadership as a focal point, came a synthesis of strategy, finance, and organization, which resulted in the company’s turnaround.

In other words, President Naotaro Ashizawa steadily demonstrated his leadership through the following process. In the company, he clarified its workplace problems and issues from a financial standpoint, strengthened what Ota (2009) terms a sense of crisis, and then formulated a turnaround plan that would extricate the company from a situation in which it was burdened with about 12 billion yen of interest-bearing debt, was insolvent, and had been abandoned by its main bank due to its high leverage ratio. In addition, he reorganized the group by splitting off its real estate leading business, dismissing all of its employees, and then rehiring those who wanted their jobs back after the new company was up and running. He opted for a “differentiation focus strategy” or “niche strategy”, split off its real estate business, and considered a strategy of specializing in the manufacture of industrial-use grinding machinery. He then proceeded to contemplate and articulate a “Gold Standards” corporate mission statement and “Basic” action guidelines/judgment criteria, and shared what Fukumoto (2005) calls ideals and vision with the entire workforce. Then, with this leadership underpinned by the mission statement as the core, he led the company through an urgent turnaround, a real turnaround, and a sustained turnaround through strong synthesis of strategy, finances, and organization.

Also, if we analyze what the president did at the company using the Leadership Diamond Model of Koestenbaum (2002),⁽³⁶⁾ we see that he acquired and exercised the leadership needed to turn the company around by the following process.

After Naotaro Ashizawa became president, he first grappled with (1) reality. That is, the company was confronting a situation in which, “For a long time, the company had barely been making any profit. Not only did the company not have a product development department, but its sales force and quality control were weak. We were in a situation where we were unable to satisfy domestic users’ demands for a high technological level,” “If things continued, the company would fail. Before that happened, we needed to go back to our founding spirit and work with our employees to revive the company,” and, “The company held about 12 billion yen of interest-bearing liabilities, so it became insolvent during the fiscal year ended March, 2000. Its main bank abandoned it due to its increased leverage ratio.” So, he examined a plan to extricate the company from this situation, and he obtained ISO 9001 certification.

Then, he split off from the real estate leasing business by forming a separate company and dismissed the entire workforce of Ashizawa Ltd. At the new company, he considered hiring back those employees who

(36) According to the Leadership Diamond Model, leadership needs to be improved by enhancing the four factors named (1) reality, (2) vision, (3) ethics, and (4) courage in a balanced way.

wanted their jobs back and derived a strategy of specializing in the equipment manufacturing business, or what Porter calls a differentiation focus strategy and what Kotler calls a niche strategy in his classification of competitive positions and strategies. He then clarified a (2) vision: a long-term vision and “Gold” corporate mission embracing a commitment “to expand with our Fine Particle Technology the possibilities of a better future for mankind and our planet, by sharing and realizing our clients’ visions of manufacturing innovative materials.”⁽³⁷⁾

After that, he explained the company’s (3) ethics, by contemplating and articulating 13 “Basics,” or action guidelines and judgment criteria, encompassing the company’s promises to its customers, to society, and to its employees, as well as the “Mission” (that is, “to realize our client’s visions with the world’s best grinding and dispersion technology”, “to generate effective and efficient use of natural resources in pursuit of eco-friendly operations”, and “to thrive an enduring company that is able to affect, develop, excite and retain enthusiastic professionals”).

Also, by having employees and other stakeholders share this corporate mission statement, long-term vision, and action guidelines and judgment criteria, they were instilled with a spirit that does not shrink from problems and danger, i.e., (4) courage. As a result, the company implemented a challenging plan and strategy and succeeded in regaining profitability in 2004, after the mission was put in place, and the company has achieved sustained growth since then. These were the achievements of leadership, which was developed throughout this process.

In other words, the company’s reason for existence was embodied in its corporate mission, which was to provide high customer value through specialization in the “world best grinding and dispersing technology,” which was the proprietary technology from which the company profited. The mission statement says, “We raise the quality of our products and services to the highest in our industry and bring customer delight beyond satisfaction. We will promptly accommodate customers’ changing requests and partner with them to create new values.” Thus, this mission statement consistent with the company’s plan and strategy solidified the management leader’s commitments and beliefs, facilitated the exercise of the leadership required for a real and stable turnaround, and successfully implemented the challenging plan.

Let us now examine the situation in the context of the theory of transformational leadership (TL) discussed in Satake (2007), which used the Multifactor Leadership Questionnaire (MLQ 5-X Short Form) developed by Bass and Avolio (1995).⁽³⁸⁾ We also analyze how Naotaro Ashizawa developed leadership as TL in the company’s mission statement deliberation process, using Maslow’s five-tier hierarchy theory of needs and Ackoff and Emery’s ideal-seeking system.

(37) Ashizawa Finetech Ltd. website (<https://www.ashizawa.com/english/company/index.html>)

(38) The Multifactor Leadership Questionnaire (MLQ 5-X Short Form) consists of five factors (subscales) for gauging transformational leadership: attributed charisma, idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Each factor is rated on a Likert scale of 1-5, and the ensuing analysis includes factor analysis, t tests, correlation analysis, and multiple regression analysis. The results show the values for idealized influence and inspirational motivation to have a significant correlation with corporate growth ability. (The level of idealized influence directly impacts on corporate growth ability.)

Idealized influence (II), which is one of the subscales in TL, refers to a management leader's task of the corporate mission. Inspirational motivation (IM) refers to a management leader's tasks that entail goal setting, planning, and strategy building. Therefore, when Naotaro Ashizawa became president in fiscal 2000 (ended March, 2001), at which time the company was teetering and had no clear mission statement and no plan or strategy that would turn it around (zero plan, zero strategy, zero mission), the company had low II and IM scores (which indicate the level of TL). It can be said that the TL score was so low as to be virtually nil.

However, the following year (2001), the company examined a plan for fixing its problems because, "For a long time, the company had barely been making any profit. Not only did the company not have a product development department, but its sales force and quality control were weak. We were in a situation where we were unable to satisfy domestic users' demands for a high technological level," "If things continued, the company would fail. Before that happened, we needed to go back to our founding spirit and work with our employees to revive the company," and, "The company held about 12 billion yen of interest-bearing liabilities, so it became insolvent during the fiscal year ended March, 2000. Its main bank abandoned it due to its increased leverage ratio." It also acquired ISO 9001 certification. From this, we can extrapolate that the company's IM increased, so that its IM level changed from "low" to "medium."

In 2002, the IM score rose further, so we could regard the company's IM as having moved from "medium" to "high," as it has contemplated and articulated its strategy as long-term objectives and achieved the status of having a plan and a strategy but no mission. NAA (1964) states that in focusing on a company's future, the planning process puts management's thoughts into action, as well as helps to enhance insight and encourage constructive ways of thinking.⁽³⁹⁾ We can surmise that as the company formulated its strategy (long-term objectives) based on its plan (short-term goals), there was probably a situation facilitating the management leader's desire to consider and pursue a corporate mission as an "ideal," in order to fulfill what Maslow calls the needs for self-actualization and what Miyata calls the religious needs. We can consider this as the change-over from "low" to "medium" in the level of II (which refers to mission), among the factors in TL. Thus, the IM score moved to "high" and the II score moved to "medium," resulting in the TL score changing to "medium."

Furthermore, in 2003, the year after the plan and strategy were examined, the company purposefully devised and spelled out a corporate mission statement consistent with the plan and strategy under the title of "Gold Standards," along with the 13 "Basics" as action guidelines and judgment criteria for putting this mission into action. (The mission statement consists of the company's commitment "to expand with our Fine Particle Technology the possibilities of a better future for mankind and our planet, by sharing and realizing our clients' visions of manufacturing innovative materials," and its mission "to realize our client's visions with the world best grinding and dispersion technology", "to generate effective and efficient use of natural resources in pursuit of eco-friendly operations", and "to thrive an enduring company that is able to affect, develop, excite and retain enthusiastic professionals.") Our analysis thus considers the company as

(39) NAA (1964), pp. 21-22.

having developed the managerial leadership that it needed: the company had a plan, a strategy, and a mission, and its II score moved from “medium” to “high,” thus raising its TL score.

As we have seen so far, when Naotaro Ashizawa became president in 2000, the company had about 12 billion yen in interest-bearing debt and was facing a crisis. At that time, he remarked that he had little experience in technology and had no confidence in attracting employees (many of them are technology experts), but the following year, he examined a plan for tackling the company’s urgent problems and obtained ISO 9001 certification. Then, in 2002, he split off from the real estate leasing business, dismissed the entire workforce of Ashizawa Ltd. (with the new company rehiring all those who wanted their jobs back), and developed what Porter calls a differentiation focus strategy and Kotler calls a niche strategy to specialize in the equipment manufacturing business. In 2003, he articulated the corporate mission statement, and in 2004, the company succeeded in its urgent turnaround (turnaround as emergency response) by returning to profitability. Since then, Naotaro Ashizawa has been exercising leadership that is accomplishing a real turnaround, or stable (sustained) turnaround.

Our analysis thus shows that this company clarified a true corporate mission through a “plan-strategy-mission” deliberation process, and this process has developed managerial leadership, underpinned by a true corporate mission.

Conclusion

This paper discussed how to develop the managerial leadership needed to turn around an SME by investigating the deliberation process for creating a real mission statement, not one borrowed from elsewhere, that supports management’s leadership and serves as the backbone of the company’s strategy and plan at struggling SMEs with no clear corporate mission, strategy, or plan.

Unlike the “mission-strategy-plan” deliberation process advocated in prior research, this paper proves that effective leadership can be developed to turn around these companies using a “plan-strategy-mission” deliberation process for creating a corporate mission statement, in which the profit plan for problem-solving is formulated first, the examination of strategy follows, and then the mission statement is articulated. This is an effective way to create a true mission statement in the early stages that is directly linked to profitability, and it is likely to reflect a management leader’s real intentions.

However, one of the issues in this study is that this argument requires conducting case studies of other companies for further refinement. Also, how to incorporate the numbers and wording used in the plan and strategy into mission statements and how to express these ideas is a topic that we would like to explore in the future.

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