

## Fostering Entrepreneurship in an Unlikely Place: ETIC, Japan (1993-2023)

Japan may not be known as one of the most entrepreneurial countries in the world. In 2022, the Swiss-based Institute for Management Development's [World Competitiveness Index](#) ranked Japan 34th out of 64 countries when it analyzed and ranked countries according to how they managed their competencies to achieve long-term business value creation. As for business efficiency, Japan ranked 51st, moving down the ladder from ranking 36th back in 2018. However, there is one organization that has been steadfastly cultivating entrepreneurship for the last thirty years in Tokyo. ETIC, which stands for Entrepreneurial Training for Innovative Communities, has a solid reputation as an organization that supports entrepreneurship. As of today, ETIC has nearly 50 full-time employees and about 100 part-time employees with an annual budget of close to 10 million dollars. In the last 30 years, they successfully supported more than 2,000 entrepreneurs and launched over 100 entrepreneurial projects all over Japan. This is their story.

### The Torchbearers: Haruo, Atsuko and Koji

When Haruo Miyagi entered Waseda University in 1991, Japan was in the midst of an unprecedented economic boom, the so-called bubble era. During his first year of college, an older student unexpectedly introduced Haruo to Tokyo-based entrepreneurs, who were starting their own companies. Haruo didn't know any entrepreneurs in those days and was entranced when he found out about the way they lead their lives. They were pioneers in achieving their dreams and were a different caliber of people, pursuing non-traditional paths. Haruo was not interested in joining his peers who donned a navy suit and sought work at major corporations where lifetime employment and income security were promised upon graduation. He wanted a path different from the dream of many parents whose children studied at Waseda, an elite university in Tokyo. "I thought it was important to share the stories of the entrepreneurs with my peers. I wanted to show what it means to own your destiny," he said.



ETIC in the early 1990s

In 1993, Haruo started to organize a series of study groups, inviting young entrepreneurs to come and speak about their work and vision to the students. The following year, he decided to scale out his activities and organized the first Student Entrepreneur Coordination Conference (*Gakusei Antorepurena Renraku Kaigi*) to gather student entrepreneurs from Tokyo and the surrounding prefectures to learn and network. Over the course of a year, they organized more than 100 conferences, their activities were featured in Japanese newspapers and their work drew the attention of ordinary people. Soon after, these efforts led to a collaboration with the then Ministry of International Trade and Industry (MITI) to co-organize entrepreneurial events targeting college students from all over Japan. In four years, these events exposed more than 5,000 students to the potential of entrepreneurship.

Originally from Hiroshima, Atsuko Suzuki moved to Tokyo in 1991 to enroll in Waseda University where she planned to pursue her interest in philosophy. Although she was in the same class as Haruo, she had not interacted with him. A classmate, knowing that Atsuko already had three years of work experience and that she was eager to start her own business – an unusual move for a woman in those days – introduced her to Haruo. She still remembers the day she first met him. “I thought he was different because he was wearing a suit at school,” she said. Later it became clear that he was taking on jobs outside of the university, working for a television station and teaching at a cram school, which required him to dress formally. Not long after this encounter Atusko began organizing Hauro’s student events while simultaneously working on her own business plan.

Koji Yamaguchi grew up playing baseball and was hoping to pursue a career in the sport when he entered Waseda University in 1994. Upon discovering that his baseball path was no longer an option, he gave up his dream and joined AIESEC, a global student organization that promoted entrepreneurship and internship. There, he hoped to leave behind his only vague ideas about what he wanted to do in college and find a new goal. AIESEC provided Koji with many eye-opening experiences such as dispelling his preconceived image of entrepreneurs as simply the nouveau riche and learning that entrepreneurs are people with vision who pioneer their own path. At AIESEC, Koji ran the internship program and saw with his own eyes how the three to six-month internships provided life-changing experiences for the students by giving them pathways for charting their own lives. Around the same time, the Japanese government started to promote internship programs within Japanese companies, placements which initially lasted only a couple of weeks. Since Koji knew Haruo through co-organizing AIESEC programs, later in his junior year, Koji consulted with Haruo, whose strong network of Japanese startups needed student interns. Together they worked to expand the internship program. Reflecting on this period, Koji said, “I did go to the university but was spending a lot of time at the AIESEC office. I was wearing a suit as I needed to go out and meet with people at corporations about the internship program.”



Koji leading the Matching Fair for the Entrepreneurial Internship Program in 2000

Looking back, Haruo said, “By holding study groups or asking corporations to offer internships, we connected people and created an impact all around, which led to engendering new values. We didn’t have money, power and authority, but the government asked us to work with them. That made me realize that as long as we were neutral and were not looking for profits, our passion and trustworthiness can be leveraged to make a difference or move things forward. And, it’s something that couldn’t have been done on my own. I learned so much from this experience.”

After five years of attending college while simultaneously creating study groups, organizing conferences, developing internships, and holding down various part-time jobs, he wanted to continue his deeply satisfying work of nurturing entrepreneurship and offering internships after his graduation. This was challenging because he hadn’t figured out a way to turn his projects into a business. One thing that was clear to him; the entity he was going to create would be a nonprofit. Unfortunately, it was hard to incorporate nonprofits in the mid-90s due to a lot of red tape and the requirement to have nearly a million dollars as starting capital.

The incorporation climate became favorable in 1998 after the passage of the NPO law (Act on Promotion of Specified Non-profit Activities) in Japan. This new law made it easier to incorporate nonprofits which Haruo, Atsuko and Koji saw as a timely opportunity to apply for this new status. After submitting the application in 1999, ETIC was formally incorporated a year later, as a nonprofit organization in March 2000. Atsuko became one of the executive directors, where her role was to lead all operational matters including accounting and human resource management while Koji and Haruo in their executive roles focused on creating and implementing the business projects. But it was as a unified team with a shared vision that they met people at corporations and organizations to pitch their ideas.



Co-founders of ETIC (L to R): Koji, Haruo, Atsuko in 2014

### **Driving Change through Social Entrepreneurship**

As new co-founders of a fully incorporated nonprofit, Haruo, Atsuko and Koji shifted their focus to social entrepreneurship wherein individuals could apply their entrepreneurial ideas and skills to solve social issues in Japan. In 2001, only a year after being incorporated as a nonprofit, the ETIC team launched “STYLE,” a pitch contest designed to attract people interested in launching businesses to solve social challenges. The pitch contest provided young entrepreneurs with mentorship from experienced entrepreneurs, a program that greatly increased the likelihood of their success. In 2002, NEC collaborated with ETIC to launch Japan’s first program to support social entrepreneurs which grew into the NEC Social Entrepreneurship School and ran until 2009. Finally, after multiple corporate collaborators joined ETIC to nurture entrepreneurs, in 2010, ETIC created the Social Entrepreneurship School Initiatives, a program which continues today and supports on average eight social entrepreneurs annually. It has evolved into one of ETIC’s main programs over the years. Haruo remembers how venture capitalists were astonished by ETIC’s idea of nurturing entrepreneurs who would tackle social issues.



“STYLE” - The pitch contest for social entrepreneurs in the early 2000s

ETIC grew organically by developing new programs to fill new social needs such as low birth rate and aging population in rural areas all over Japan which led to the development of regional revitalization programs. ETIC collaborated with the Ministry of Economy, Trade, and Industry (METI) to serve as an intermediary organization that connected students and young people to local governments, businesses and colleges. Their mission to support startups in regional areas and to establish internships in local companies would help both parties change their destiny. “Challenge Community Project” started with only five regions in 2004 and expanded to more than 300 regions by 2020.

One of the common characteristics of ETIC’s programs is the mutual change and development experienced by all participants; learning is omni-directional. Not only are students transformed by their immersion in local businesses, the business owners are also changed by their adoption of youthful ideas, skills and experiments. Haruo recalls an encounter with the president of a medium-sized company in Niigata supplying school meals who initially appeared rigid, introverted and struggled to communicate key aspects of his business. However, after taking on a student intern, the young person's passion ignited a spark within the president that helped to transform him. When Haruo revisited him about a year later, he noticed a significant change in the president's demeanor. The once hesitant and reserved individual now exuded confidence and spoke eloquently about his business projects during public speaking events.

Haruo and Atsuko are both in agreement that, although each ETIC project may have different features, they are fundamentally grounded in the same goal, which is to nurture ecosystems while providing the educational and social connective tissue between students, companies and government agencies. It’s a web of connections that nurtures each persons’ mental, emotional and spiritual transformation and enables their entrepreneurial efforts to flourish. As Haruo describes it, “The growth of an entrepreneur cannot be predicted. It is important to value the autonomy of entrepreneurs and not try to control them. They should not try to fit themselves into a certain mold. ETIC serves as the catalyst to realize their full potential.”

By 2010, ten years after it was incorporated, ETIC's small office in Shibuya was brimming with staff: they had 24 full-time employees with an annual budget of approximately 10 million dollars. Their hallmark internship program Entrepreneurs Internship Program (EIP) started in 2017 was on track to achieve 1,200 companies accepting interns with 2,800 students participating by 2013. Some of the startups that accepted interns also became very successful. Mixi, the social networking site founded by Kenji Kasahara in 1999, became a publicly traded company in 2004. DeNa founded by Tomoko Namaba, a startup which offers mobile and online services, had an IPO in 2005.

## The Great East Japan Earthquake

On March 11, 2011, Tohoku, in Northeastern Japan, was struck by a major earthquake and tsunami, a disaster which led to the meltdown at the Fukushima nuclear power plants. This catastrophic event resulted in the death and injuries of more than 21,000 people, and forced more than 300,000 people to evacuate their homes. The direct financial damage from the disaster was estimated as close to 200 billion dollars which included over 400,000 homes which were completely or partially destroyed. Three days after the disaster, ETIC launched a project to support the survivors of the disaster with their day-to-day living and efforts to rebuild the region. During the emergency relief phase, ETIC focused first on the most vulnerable people, who were the elderly and children, among the survivors.

Over the course of the relief phase, ETIC's support slowly evolved into the "Right-Arm Fellows Program". When many young and competent urbanites expressed their interest in helping out the recovery of Tohoku, ETIC saw an opportunity to meet the needs on the ground by becoming the matchmaker that identified, verified and sent the appropriate skilled person to assist heads of local nonprofits and owners of small-to-midsize businesses. Using grant money to carry out the program, ETIC sent 262 right-arm fellows to work on 154 projects in Fukushima, Miyagi and Iwate prefectures over a six-year period. Here too, mutual transformation was realized as more than 70% of the fellows ended up staying in Tohoku after the completion of their fellowship, and some started their social ventures in their new homes.



Koji explaining the Right-Arm Fellows Program in 2011

The Tohoku disaster also created new challenges for Koji who played a pivotal role in the recovery efforts. His deep commitment and concern inspired him to co-organize a three-year leadership exchange program in collaboration with Japan Society, a nonprofit based in New York. This unique exchange brought leaders from Tohoku to meet with and learn from, like-minded and resilient leaders in the United States, who lived through the aftermath of their own local natural disasters and economic crises. The exchange took Tohoku leaders to several cities, including New Orleans, Detroit, Wilmington (Ohio), and New York City. And the program's impact inspired one leader from Tohoku to initiate the Onagawa Data Project based on the work of The Data Center in New Orleans, a fully independent, neutral nonprofit which empowers civil society leaders to make informed decisions based on reliable data.



Reconstruction of widespread destruction in Tohoku

While the leadership exchange program was satisfying, Koji realized that he could not only focus on nurturing entrepreneurs to create major change in society, but also needed to involve mainstream organizations and engage them as stakeholders in order to accelerate the social change that ETIC envisioned. With these insights in mind, Koji started to involve big corporations and local governments in the recovery work in Tohoku.

In 2016, with lessons from the Tohoku recovery effort still fresh in everyone's mind, ETIC established the "Local Venture Council" to foster startups in regional areas that will create new economic activities. The Council does this by engaging with local governments all over Japan to share and learn from each other's challenges and to solve common issues that they face. From 2016 to 2021, the Council helped create 274 new businesses, generated more than 4 million dollars as revenues combined and matched 400 people to new jobs.



Local Venture Council gathering in 2019

To nurture deeper engagements with corporations, ETIC launched “and Beyond Company” in 2018, a coalition with more than 10 corporations to work on projects for social good. The coalition’s goal was to come up with projects that were not constrained by the businesses that the member companies were involved with. The coalition typically met in the members’ offices (moved online since 2020) once a month to discuss new business ideas and projects in a congenial space where everyone supported each other and felt safe about discussing free-flowing ideas regardless of which company they worked for. The meetings foster creativity and an entrepreneurial mindset and as of 2023, have 17 corporations actively involved in starting new social good projects.



The “and Beyond Company” meeting in 2023

In 2013, just two years after the Tohoku Earthquake, Tokyo had been selected to host the Olympics Games scheduled to begin in May 2020. The last time Japan hosted The Games was in 1964. With 2020 approaching, the Tokyo Metropolitan Government was deep into preparations for the Olympics, while the memory of the devastating Tohoku disaster was still fresh in people's



minds. Fusing the lessons of Tohoku with ETIC's successes in corporate and government partnerships, Haruo saw the opportunity to leverage the Olympics as a platform for social change where ETIC could showcase the reconstruction and recovery of Tohoku to the world. However, plans didn't pan out as expected. In March 2020, the Covid-19 pandemic created havoc around the world prompting the Tokyo Metropolitan Government to postpone the Olympics until 2021. And as if pushed forward by unseen tectonic shifts, ETIC announced the complete transformation of the organization. Change was in the air.

## **The New Beginning**

From humble beginnings of a college study group focused on entrepreneurship, ETIC grew into an impassioned nonprofit adorned with a diverse portfolio of projects and a solid track record of bringing together students, companies, government agencies, and skilled mentors from all over Japan to support the growth of entrepreneurs and social entrepreneurs. As ETIC's expertise and reach grew, so did its operational challenges, a classic sign of growing pains. Larger projects and ballooning headcount pressed Haruo, Koji and Atsuko into stretches of relentless work. With little deviation from their original roles, Haruo and Koji continued to focus on project management, while Atsuko led human resources, and administered all financial matters. As the three co-founders steered the nonprofit to address more social needs, they devoted themselves to an unsustainable workload. By 2016 they were supervising more than 40 business projects, their 50 staff members became overworked, organizational silos emerged and ETIC itself became hierarchical. These by-products of rapid growth were in direct opposition to ETIC's ultimate goal to unleash each individual's entrepreneurial mindset in order to bring about social change and mutual transformation. Clearly ETIC could not continue on its current path.

When a staff retreat was organized in 2016, the leadership team heard an outburst of complaints about the state of the organization. ETIC collectively recognized the need for a better way to manage their organization. Haruo agreed with this direction because he understood that ETIC could not become a better organization if the organization itself did not practice what it preached and provided to others; to own your destiny, unleash each person's entrepreneurial capacity, and find *ikigai* in your work. Collectively, they were at a breaking point and needed to change how ETIC carried out its important work. Their deliberate soul searching for the right path, their introspective period to look for a new way as an organization started.

In 2017, Haruo took the first steps toward exploring ways to change their organizational behavior by looking for a new framework or model. One model that appealed to him was the Teal organization, a concept outlined by Frederic Laloux in his book *Reinventing Organizations: A Guide to Creating Organizations Inspired by the Next Stage of Human Consciousness*. When the Japanese translation came out in January 2018, Haruo read it and recognized its potential for re-framing ETIC. He purchased copies of the book for the entire staff and in April 2018 he started a new study group to discuss leveraging Teal concepts for the evolution of ETIC as an organization. Laloux, a former consultant with McKinsey, described organizations as living organisms that are capable of self-management. In a self-managing organization, each employee would make their own decisions without being told directly by their superiors what to do or having to go through an approval process. Instead, if employees need help with decision-making,

they can seek out advice from other colleagues and they hold themselves accountable for any promised deliverables and outcomes.

Reading the book prompted them to dig deeper into the current layers and future aspirations of ETIC. Starting in 2018, they took exploratory steps to reinvent the organization and began by first organizing an internal training program on “listening.” These sessions provided space for each staff member to talk about any topic they wanted to discuss with the agreement that everyone listened to each other without judgment, criticism or interruption. The objective of the training was to nurture a culture that supported each individual and that encouraged everyone to express their negative feelings including anxieties, anger and concerns. An important feature of Teal organizations is that employees acquire the skill to understand that negative feelings are created due to the gaps between their future self that they have in mind versus their current reality. The important thing is to listen to these feelings and nurture a culture that is adept at problem-solving to close those gaps and to reach the desired future state.

These new practices lead to gradual change in ETIC’s organizational culture. Formerly, the staff tended to ask their managers to solve problems that they faced, but after learning to listen, express their honest feelings and identify their gaps, staff started to resolve challenges on their own. A big organizational shift was underway.

The next step toward organizational reinvention involved building on the new problem-solving ability by encouraging self-management among staff. This required transforming ETIC from being an inadvertently hierarchical organization to becoming an intentionally self-managed organization. They had been working on an organizational change since 2018, and on May 31, 2021 a public announcement was made that ETIC would become a self-management organization. Haruo stepped down and Koji and Atsuko gave up their management positions, but remained within ETIC with new job titles as Co-Founders/Senior Coordinators. To Western ears, the title “Coordinator” may sound like an entry level position. However, in ETIC’s context, this job title reflects their approach to work and the pride they feel in calling themselves “Coordinators.” In this key role, “Coordinators” are the ones who identify the unmet needs of the entrepreneurs, they provide the necessary resources and connections for entrepreneurs to thrive, and they accompany entrepreneurs on their journey.



Haruo (right on the front row) with staff and program participants in 2016.

In Japan, ETIC is one of the few widely respected organizations that decided to adopt the Teal organization model. When ETIC announced its organizational change, there were, naturally, voices of support as well as skepticism. Similar to an experiment taking place in real-time, no one knows how this change is going to unfold for ETIC or how it will impact its survival as one of the leading incubators and accelerators for entrepreneurs in Japan. Their organizational transformation was a bold move; one that entrusted the current projects and future development of the organization into the hands of each staff member. In a way, the change was a heartfelt gift from Haruo, showing his confidence and trust in the entrepreneurial potential and power of the staff and the extensive ecosystems that ETIC had built over the years. Reiterating his unwavering commitment to omni-directional transformation, Haruo noted that the process of organizational change itself was social innovation.

Atsuko maintains a reality-based, open-minded attitude about working in a transformed ETIC.

“We are still undergoing the trial and error process after we made the decision to become a self-managed organization. We are taking on the challenge of running the organization together without relying on hierarchies. The most significant change is that each individual in the organization has a higher sense of responsibility, and at the same time, more discretion. This shift has increased the joy factor in each individual’s work.”

### **The Quiet Radicals**

When asked how she would compare ETIC to a movie, Atsuko sees similarities between the organization and the *Star Wars* movie series. “There were no wars or fighting but I feel that we were always exploring. There are so many kinds of life forms and planets unfolding over many generations, many layers in many locations.”

As ETIC continues to explore its own “life form” and how it can impact the growth of other “planets,” one clear outcome is that entrepreneurship has certainly emerged as a viable career and lifestyle choice in Japan over the past three decades. Haruo is pleased to witness the changes in individuals, companies, governments, and even regions. He said, “I think the Japanese society is more receptive in accepting new values and pursuits. While ETIC’s mission to nurture entrepreneurship was considered unique in the past, I believe ETIC has reached a critical juncture to step up to assume a more significant role. From a counter-culture existence, I think we need to become a driving force for positive change in society.”



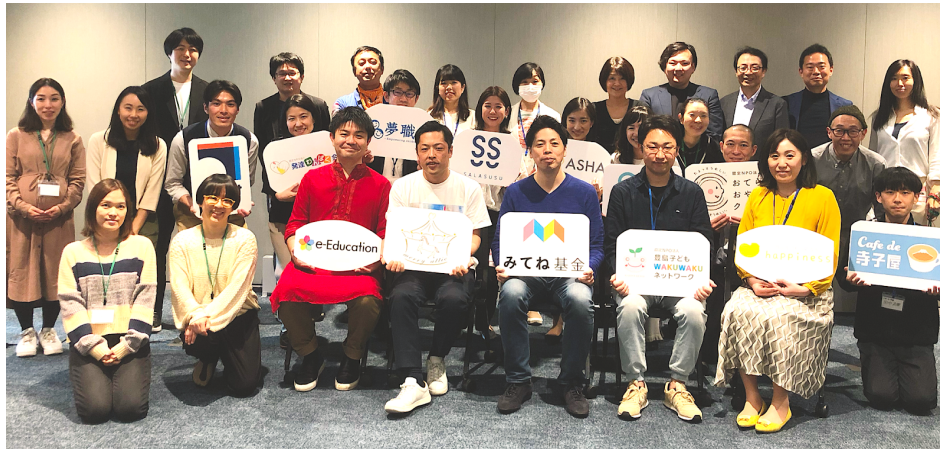
ETIC staff retreat in 2023

Despite their admirable, wide-ranging progress, Koji acknowledges that they are still in the midst of a steadfast journey, and therefore defining success can be a challenge. However, he is certain that the network ETIC has built over the years, including entrepreneurs and program alumni, is a valuable asset that will continue to nurture new growth in uncharted directions. He is satisfied that the ETIC community has expanded, and they have established mutual trust among its diverse members; students, regional leaders, rural communities, the national government, and companies. Quite a few company founders remain close to ETIC and continue their engagement to support entrepreneurship while bringing about social impact.

In 2020, Kenji Kasahara, the founder of Mixi, started The Mitene Fund with his own money to support organizations that work with families and children on issues related to poverty, neglect, abuse, and health. ETIC provides organizational support for the fund which has supported 91 nonprofits with a combined value of 12 million dollars.

Shintaro Yamada, the founder of the popular online marketplace Mercari, used to organize student conferences with Haruo during their college days. He now supports the Makers University U-18, a program that is designed to nurture next generation innovators and entrepreneurs under 18. He started the D&I Foundation with 30 million dollars in 2021 to give scholarships to female high school students interested in STEM. Over the two year period, 1,100

scholarships have been awarded by the foundation under the leadership of a long-time ETIC staff member with management expertise, who has taken on the role of Executive Director.



The Mitene Fund in 2023

It has been nearly two years since Haruo stepped down from his role as ETIC's CEO, but he has been busy pursuing new questions and learning about the history and wisdom of Indigenous peoples and cultures all over the world. He said, "During the Jomon period in Japan, which lasted for thousands of years, there were no wars. It was a society that respected mutual aid and did not admire those who held power or wealth. This is the opposite of the capitalist world, and it should have more presence in the world today. I hope that Japan's traditions and lessons from the past can be shared proudly with the world and serve as a catalyst for co-evolution. For example, ETIC's projects for young people are funded by donations from program alumni. It is a system of mutual aid where everyone contributes their own resources to make things happen. It was something that happened organically outside the measurement of capitalist values. I believe that it would be great for others to embrace these ways of doing things."

As the person who used to oversee the financial health of ETIC, Atsuko also voiced her interest in finding ways beyond the economic rationality that dictates the way we live and work today. She said, "Pursuing economic rationality alone is not enough to move forward. It's okay to have people who pursue economic rationality to the fullest, but I think that if we create ways of living and doing business that are not based solely on profit and efficiency, the world can become more livable and workable for all."

ETIC seemed to have weathered a dominant social condition: gender inequality. One of the many unique aspects of ETIC is their ability to attract and retain competent female staff. According to the [2023 World Economic Forum Gender Gap report](#), Japan is notorious for its overall gender inequality ranking 125 out of 146 nations. Today within ETIC, the gender ratio of the full-time staff is 1 and 4 between male and female. Over the years, Atsuko said that she had never felt any discomfort or sense of disadvantage as a woman within ETIC. The only time that she needed to take some time off was after she gave birth to her two children. Being the oldest female staff member with children, Atsuko added that she made sure that there were programs that provided support to working mothers with young children within the organization. Nowadays, her concern is how to lead the way as the oldest female staff member. Currently, there are hardly any role

models for her and she wonders how she can transition into being one of the eldest women at work in the organization.



“Social Impact Initiatives for 2020 and Beyond” Conference in 2016

What is the implicit significance of ETIC’s transformation, which effectively dismantled its internal hierarchy while continuing to pursue a unique path as a nonprofit organization? Even in Japan, the often-celebrated narrative of entrepreneurship is associated with the so-called “Hero’s Journey,” a Western concept, where a solo individual, often male, builds an organization from the ground up by overcoming a variety of competitors in order to emerge “successful”, “wealthy” or having acquired more freedom at the end of the journey.

In contrast, ETIC is writing a different narrative and is trying to unlock a different kind of future. Haruo said, “What we did may look like a new challenge. However, we are just respecting the entrepreneurial capacities of each staff member. The point is not to control anything and trust the autonomy of the ecosystems. We want to draw out the potential of each person. There are infinite and diverse possibilities just like the way we say there are eight million deities in Japan. That means there are many gods and each of them has its own value. And each of them is wonderful. Maybe these are notions that are unique in Japan and something that we can share with the rest of the world.”

When asked to describe the spirit of ETIC, Koji paused for several minutes and recited a quote by Saicho, the monk who started the Tendai sect of Buddhism in the 8th century; “By lighting up your own corner of the world, you light up the whole world.”



ETIC staff gathering in 2020

Co-authored by [Fumiko Miyamoto](#) and [Ajay Revels](#)