

SHINDANSHI
THE JAPANESE BUSINESS MANAGEMENT
CONSULTANT SYSTEM

Do Thi Dong

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February 2010

Vietnam Development Forum

No 10 (E)

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SHINDANSHI

THE JAPANESE BUSINESS MANAGEMENT CONSULTANT SYSTEM

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ACKNOWLEDGEMENT

We would like to express our special thanks to Professor Kenichi Ohno, who gave us the idea of studying the Japanese Business Management Consultant System – Shindanshi, and drove and created incentives for us to complete this report. We learned a lot from him, including ideas, and ways of thinking and working.

Our sincere thanks go to Mr. Kobayashi Toyoharu, former expert from Japan International Cooperation Agency (JICA) and Mr. Hayashida Takayuki, senior project formulation advisor from JICA for providing us first ideas on what shindanshi is and arranging our field trip to explore shindanshi system in Japan.

We also would like to express our thanks to people from Ministry of Economy, Trade and Industry, Japan Small and Medium Enterprise Consultants Association, Small and Medium Enterprise University, Japan Chamber of Commerce and Industry and Japan Financial Cooperation for their warm welcome and information. Without their help, we would not have completed this report.

Our thanks also go to Ms. Azko Hayashida, Research Assistant, GRIPS and Mr. Tran Hoai Vu, PhD student from Waseda University, who brought us to Tokyo and guided us around successfully.

We would like to send our thanks to Mr. Sozo Yamamoto, advisor, Technology Promotion Association (Thailand- Japan) for his effort to prepare for our meetings in the trip to Thailand in November, 2009. Our sincere thanks also go to people those received and provided us with information about shindan system in Thailand.

Last but not least, we are thankful to our colleagues and families for sharing with us emotion, ideas and time to work.

Authors

LISTS OF ABBREVIATIONS

Abb.	Meaning
ASEAN	Association of SouthEast Asian Nations
CCI	Chamber of Commerce and Industry
ISIF	Industrial Structure Improvement Fund
IT	Information Technology
JASMEC	Japan Association of Small and Medium Enterprise Corporation
JBIC	Japan Bank for International Corporation
JCCI	Japan Chamber of Commerce and Industry
JFC	Japan Financial Corporation
JICA	Japan International Cooperation Agency
JODC	Japan Overseas Development Corporation
JRDC	Japan Regional Development Corporation
J-SMECA	Japan Small and Medium Enterprise Consultant Association
MBA	Master of Business Administration
METI	Ministry of Economy, Trade and Industry
MOIT	Ministry of Industry and Trade
MPI	Ministry of Planning and Invesment
MSE	Micro Small Enterprise
OJT	On the Job Training
OSMEP	Office for SMEs Promotion
SME	Small and Medium Enterprise
SMEA	Small and Medium Enterprise Agency
SMEC	Small and Medium Enterprise Consultant
SMEC	Small and Medium Enterprise Centre
SMEU	Small and Medium Enterprise University

SMRJ	Organization for Small & Medium Enterprises and Regional Innovation, JAPAN
TAC	Technical Assistance Centre
TNI	Thai- Nichi Institute of Technology
TPA	Technology Promotion Association

INTRODUCTION

The term “business consultant” has become familiar to not only business executives but also to the Vietnamese population. Up to now, Vietnamese companies recognized the roles of business consultants in giving direction, building strategy, and controlling and managing the sources for taking opportunities and turning these into profit.

However, it is not easy to find a qualified consultant for a particular firm, and even when he/she is found, the consultant may only give to the firm some direction and management, as well as controlling methods. The contributions of consultants to business operation still blur. In many countries, financial institutions do not hire consultants as valid inputs for their firms. The statement of consultants about the enterprise’s situation cannot be considered to be a guarantee for receiving beneficial loans. This is especially true for conditions in Vietnam. That is why business consultancy is still a minor activity in Vietnam.

In the global market, many countries consider Japan to be a symbol of effectiveness and humanity with its outstanding business culture. In Japan, there are many corporations gaining success with consultants. The Government of Japan, who takes the main responsibilities to upgrade small and medium enterprises (SMEs), has made an important decision in developing an effective consulting system for this sector of the economy. In fact, this system has made a great contribution to the success of Japanese companies. In Japan, these consultants are called “shindanshi”. This system is responsible for bringing all the support from the Government to SMEs and helps SMEs to escape from troubles and to build clear and effective directions for development.

The shindanshi system has made an accountable contribution to the success of businesses, especially for SMEs. Up to now, shindanshi is popular not only with SMEs but also with large-scale enterprises all over Japan. So, how was this system developed and operated and under which procedures? Which policies supported this system and where did budgets for this system come from? Are there any other countries where this system has been successfully applied for business development? Specifically, can Vietnam apply this system in order to

improve capability of more than 350,000 SMEs in Vietnam? This report tries to answer these questions.

Of course, under the constraints of language, time and budget, there will be some questions which will remain unanswered in this report. This report hopes to provide readers with an overview of the Japanese shindanshi system. We are waiting for your comments and contributions on how this system can be effectively applied to Vietnam.

CHAPTER 1

THE HISTORY AND DEVELOPMENT OF THE SHINDANSHI SYSTEM

1.1. Objectives of shindanshi

1.1.1. What is shindanshi?

The term “shindanshi” has been broadly used in Japan since 1950. It is a combination of “shindan” which originally means enterprise diagnosis and “shi” which means people who do that work. Based on that, shindanshi can be understood to be a company’s doctor. In English, they are called business consultants. They focus on helping SMEs, and they are therefore called Small and Medium Enterprise Consultants (SMEC). In this report, we use shindanshi and SMEC interchangeably.

A shindanshi is a specialist who diagnoses and gives guidance concerning various management issues of SMEs. A shindanshi has a state qualification which is registered at the Ministry of Economy, Trade and Industry (METI), based on Article 11 of the SME Guidance Law. The SME Law defines SMECs to be private management consultants who may be engaged in business, whether it is public or private. This guarantees that the necessary management resources are available for SMEs.

For Japanese, shindanshi have enough capability to assess the current busi-

ness situation and consult on the best solutions for SMEs. Under METI, there is a system of departments and organizations which support SMEs with rules and provisions and help SMEs find qualified and suitable shindanshi. The shindanshi system is designed to make selection easy by registering specialists as competent consultants so that SMEs can hire appropriate SMECs.

The basic role of SMECs is to help SMEs in drafting their growth strategies and give advice for their implementation and, at the same time, to work in wider fields such as a liaison between SMEs, administration and financial institutions, or as a facilitator of good SME policy implementation.

Box 1.1. The Job of shindanshi

Shindanshi can work at many types of firms and in many positions. The first job they often do is to be a business consultant. They can be a member of a consulting company or work as an individual consultant. Their main work is to diagnose the situation of the firm, probe problems and provide solutions to those problems. Secondly, shindanshi work at firms of different sizes, with the title of expert or manager. They can use their knowledge and skills to help the companies to recognize and solve business problems. Thirdly, they can work at state offices, SME supporting associations, financial institutions or other organizations.

It is very important to emphasize that shindanshi is a title that the Japanese Government has given to qualified business consultants. Beside shindanshi, there are still some people who do not hold a shindanshi certificate, but can work as business consultants for firms if the firm trusts them. Another group of consultants may hold a shindanshi certificate but not register as shindanshi. They are referred to as SMEs Supporters .

1.1.2. The debut of shindanshi

In the late 1940s, SMEs in Japan faced many difficulties in terms of structure, financing and operation and raising of capital for business and management methods. To exist, they needed the government's help not only in terms of financing but also in relation to directions for development. At that time, the Japanese Government recognized the role of SMEs in economic development. It made a decision in organizing a system of business consultants, including business experts who had the experience, knowledge and willingness to help SMEs. They were granted shindanshi certificates by the Government and started to work as business doctors.

The Shindanshi system was managed by the Small and Medium Enterprise Agency (SMEA). All selected people were granted shindanshi certification and given important missions to help SMEs to recognize their own problems and find solutions. Like doctors, shindanshi have to make diagnoses and look for the best solutions and ways to avoid problems.

1.1.3. Objectives of shindanshi

Basically, the shindanshi system has been established to standardize business consultation for SMEs in Japan. However, some people do not tend to become business consultants but still want to have a shindanshi certificate for their own goals. Naturally, the shindanshi system has made a big contribution to business development in Japan, for not only SMEs but also for micro to large-scale corporations.

¹SME supporters are officers and staff members of organizations that contribute to SME development, for example, by providing consultations and information. They come from national or local government, JCCI or small business associations.

²For example, in order to keep their current title, be promoted or to open a new business.

1.2. Benefits of shindanshi

1.2.1. Japanese Government

- The Government uses the Shindanshi, who have a broad knowledge and tackle the needs of more sophisticated and diversified SMEs management, as private consultants (utilization of private capabilities) and only bears the costs of maintaining the registration system and related training.
- Moreover, the Government is expected to play the role of intermediary between companies and public administration, and promote policies for SMEs.
- The system is considered to be the supporting channel through which SMEs can deeply understand the Government's policies and it enhances the connection between the Government and SMEs.

1.2.2. Private companies

- Benefits to SMEs: The shindanshi are reliable for SMEs. These consultants help SMEs solve problems and improve management systems.
- Benefits to large-scale companies: Large-scale enterprises also get benefits from shindanshi because they always have SMEs as the suppliers. The Shindanshi system targets SMEs' supporting activities and it also brings benefits to their large ones. By using the shindanshi system, the large-scale companies make the SMEs improve their abilities and they also send shindanshis to SMEs to help them improve quality.
- Benefits to consulting companies which employ shindanshi: In Japan, it is possible for a person to have a consulting business without a license. Consulting companies can use shindanshi to get publicity for SMEs, of which there are about 4.2 million enterprises (99.7% of the total enterprises in Japan), and the presence of shindanshi may help them to increase customer numbers.
- Benefits to large companies which employ shindanshi: They can help their affiliate companies and subcontractors resolve their managerial problems through consulting shindanshi that are employed by the large companies. They only have to pay a fee so that their staff can get the shindanshi certification. The stable and enhanced management of their affiliate companies and subcontractors will benefit them.
- Benefits to SMEs which employ shindanshi: SMEs can always consult their

own shindanshi. They only have to pay a fee so that their staff can get the shindanshi certification. This means greater managerial strength for managers, etc.

1.2.3. Financial institutions

- Especially, for credit unions and regional banks, the development of regional SMEs leads to their own development. The banks also benefit from shindanshi. Firstly, Shindanshi helps SMEs to develop which leads to opportunities for banks. Secondly, many banks participate in SMEs consulting allowing banks to approach SMEs easier.
- Their stable and enhanced management is tied to their SME customers' managerial conditions, so they need to promote stable and enhanced management of the customers using shindanshi.

1.2.4. People with the shindanshi certificate

- Professional consultants: serving as a business tool, shindanshi are trained to be professionals with official certificates which are necessary for shindanshi to practice.
- Shindanshi inside companies benefit due to maintenance and enhancement of their consulting capabilities. Shindanshi can provide consultation services to enterprises that they are working for and can move to work for other enterprises very easily given their analytical thinking and problem solving abilities.
- Others benefit by improving their qualifications through acquisition of licenses.
- Finally, the certificates are very important in terms of social views in Japan. Certificates can be achieved after a long learning time and they must therefore be reliable.

1.2.5. Japanese economy

In line with other Government departments in Japan, the shindanshi system has representatives in 47 provinces and cities all around Japan and supports businesses and local government. In fact, the shindanshi system has contributed much to the success of SMEs in Japan since the 1950s at both the macro level and also at the level of more detailed SME problems. Besides, this system is the intermediary between government support to SMEs and balances the interest of the private and state owned sectors.

In fact, since the shindanshi system was established by the Japan Government it has always been a consideration in economic planning. The business community is also highly appreciative of the shindanshi system with its theory, knowledge and skills in diagnosis and giving advice for businesses to solve their problems and pursue effective directions for development.

In 2008, authorized training organizations in Japan received 17,934 applications for taking the primary exam to become shindanshi. However, only 5% of applicants, passed both the exams. Among them, a majority will become business consultants. Others work at their own companies in higher positions or turn to the companies which send them to SMEU to be trained [JICA Vietnam, 2/2009]

In summary, shindanshi in Japan works in many fields of the Japanese economy. They make a huge contribution to the success of businesses in Japan, from micro, small, medium to large-scale corporations. They bring not only financial support from government to businesses but also diagnoses, advice and direction for firms. They are highly positioned in the society and that is why the demand to hold a shindanshi certificate is so high in Japan. Their knowledge, skills and experience help companies, banks and governments make highly effective decisions.

1.3. Development of the shindanshi system

1.3.1. Launching of SMEs Agency

In 1948, the Small and Medium Enterprise Agency was established with the responsibility of helping SMEs to solve problems relating to three pillars of SME policy namely Finance, Organization, and Diagnosis and Instruction.

To overcome poor SME management and technology, the government compiled a “SMEs basis diagnosis implementation manual”. The system of using consulting professionals, SMEs diagnosis, was started. At the beginning, the main task of shindanshi was to bring in financial support from government to SMEs and to make SMEs grow in line with other parts of the economy, besides state-owned parts.

1.3.2. Official admission of “Shindanshi” and establishing the SMEC registration system

In 1952, excellent consultants were registered by the Minister of METI, and utilized by local governments to advise SMEs. The national government formed

the SMEs consultant registration system in which the consultants became state officials. Under this registration system, licensed members were considered to be business consultants, belonging to the Japanese Government and working as officers. Their main roles were to help SMEs in exploring and solving their problems. METI had to take responsibility for their capability and skills.

1.3.3. Basic SMEs Supported Law and shindanshi education programs

On 5 July, 1962, J-SMECA was officially established to become an independent office in order to help SMEs solve their problems relating to structure, organization, finance and business operation. Since then, shindanshi training courses started, with the first courses being in the industrial and trading fields.

Industrial and trading courses were started at Tokyo SME University (SMEU), a part of Organization for Small & Medium Enterprises and Regional Innovation (SMRJ). Shindanshi courses normally started in October and finished the following September. In the first year, 52 people successfully completed industrial courses and 24 people commercial courses.

1.3.4. Restructure of SMEA and launching J-SMECA

As changes took place from 1963 to 1986, information classes were added to the training programs at SMEU. To strengthen SMEs business foundations and improve industrial structure, some measurement methods were implemented to promote SME modernization. In order to promote SMEs guidance activities of central and local governments more efficiently, 16 kinds of diagnosis implementation manuals (e.g., to modernize organization management, equipment and development) were compiled. SME Center (SMEC) was established in 1963 under the law to provide professional advice for SMEs promoting activities. The SMEC examination by J-SMECA, and SME consultant training programs at SMEU also started in 1963.

1.3.5. Shindanshi education program on information technology

April 1987, the first course in Information Technology started in the training program at SMEU. The course finished on January 1988 and produced 24 graduates. The timing of the next courses on IT changed to take place from April to March of the following year.

1.3.6. Privatization of shindanshi training

Following the changes made in 1993, the SMEs Basic Law was revised in 1999 and the SMEs Guidance Law was revised in 2000. Under those revisions,

the legal status of shindanshi were completely changed. In addition, there was an important turning point in the shindanshi system when the Government started privatizing the business administration consulting system. Under these new conditions, private companies were permitted to participate in the system. At the same time, shindanshi, individually, could consult for SMEs in any aspect, including restructuring, financing and operation. One of reasons for these changes was that demand for using shindanshi increased beyond what the supply side could provide. In order to maintain quality and trust in the system, primary and secondary exams were also revised and upgraded in 2005.

The shindanshi system's revision in 2001 was intended to achieve several goals: (1) increasing shindanshi number for SMEs and other size corporations, from micro to large-sized firms; (2) securing and improving shindanshi's qualities; and, (3) developing the renewal registration system for inactive shindanshi, who cannot work as shindanshi, to upgrade the registration of shindanshi in the future. Those basic changes brought a new shindanshi system with the following new directions for the future:

(1) Change of doctrine: Change from the principle of the Government directing things from top to bottom towards inclusion of the private sector and its utilization of resources.

(2) Change of assisting system. At the beginning, the Government's officers at the General Advising Office helped SMEs by giving diagnoses and instructions to SMEs uniformly. From 2000, under the forces of stronger demand, consultant's actions became more demand oriented. The provision of analysis and guidance by the Government's officers at general consultation offices no longer remained standardized. Instead, there were analysis and guidance on the spot at local or regional consulting centers for SMEs, together with use of private sector's resources, e.g. SMEC provided guidance that met the demands of many SMEs.

(3) Change the shindanshi: Shindanshi can come from not only public sector but also private sector.

(4) Change in priority: This moved from diagnosis of existing conditions to include guidance which emphasized strategy guidance for future growth.

The Shindanshi system works under the control of METI. A detailed description of this system will be presented in the next chapter.

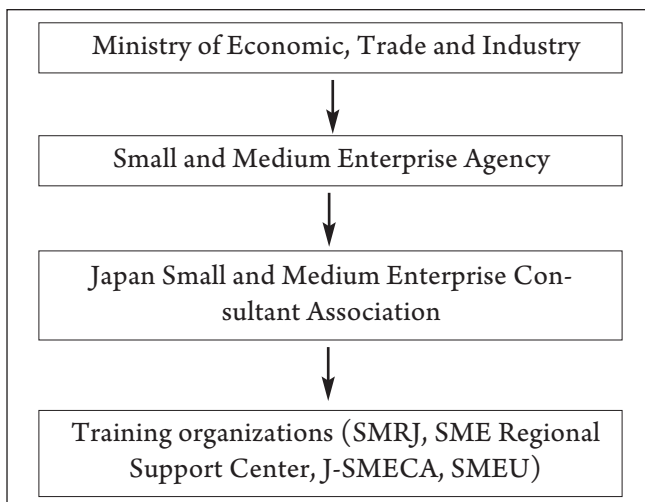
CHAPTER 2

SHINDANSHI SYSTEM

2.1. Organizational structure of shindanshi

The shindanshi system in Japan is operating under the management of the Ministry of Economic, Trade and Industry (METI). All the activities of the system are managed by several functional organizations including the Small and Medium Enterprise Agency (SMEA), Japan Small and Medium Enterprise Consultant Association (J-SMECA), Small and Medium Regional Innovation (SMRJ) and

Figure 2.1. The organization structure of shindanshi system



Source: SMEA, 2009

Small and Medium Enterprise University (SMEU). They and their relationships to each other are illustrated in Figure 2.1. The following paragraphs present the responsibilities of these organizations.

2.1.1. The Ministry of Economic, Trade and Industry

METI is officially given the responsibility of managing the shindanshi system. It is in charge of all the system's activities. METI, formerly the Ministry of Trade and Industry until 2001 when its influence was extended over the economic sector, was established in 1946, right after the end of the World War II. It was responsible for the re-construction of the Japanese economy. Currently, METI is one of the largest ministries in Japan and despite its size, it has proven to be one of the most effective from year to year.

2.1.2. Small and Medium Enterprise Agency

METI is a large ministry with 7 bureaus, 4 agencies, 4 offices, one department and one institute, each consisting of many divisions. Among them, SMEA is in charged of all the activities of the shindanshi system. including planning, announcement of registrations, examinations, results notification, training, certifications, etc, although support activities such as advertising are conducted by J-SMECA.

Before 2006, SMEA had no supervising functions for the shindanshi system and only had supporting functions. Later, the Japanese Government found that SMEA's functions should be more connected to the system's activities so they recommended the establishment of a Supervising Committee which belonged to SMEA for investigation.

The Shindanshi System Supervising Committee was established in 2006. The committee focused on monitoring and assuring the reliability of the system. The Committee has been running for 3 years and improving its activities.

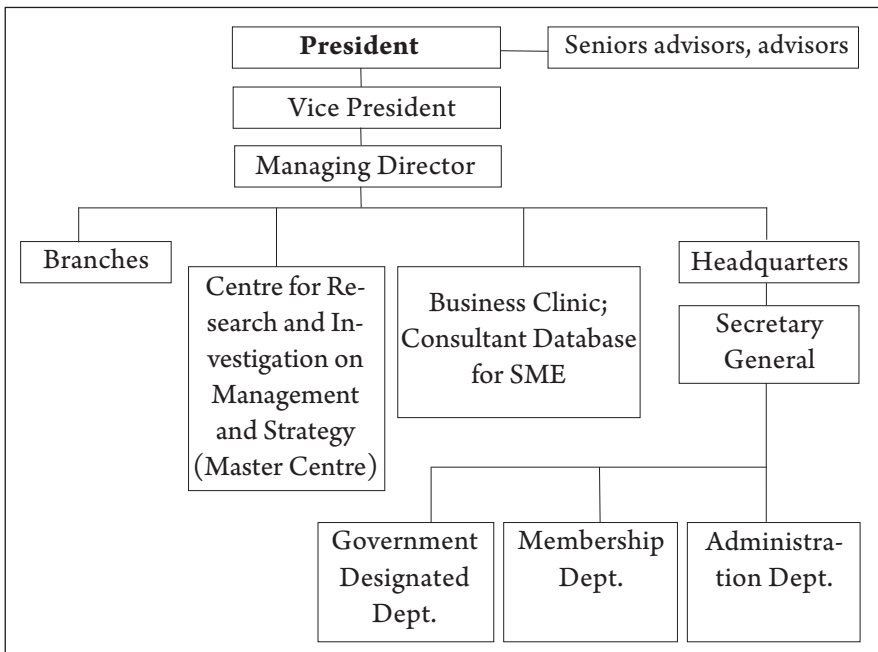
The management mechanism of the Shindanshi System Supervising Committee is very clear. Via information submitted by organizations within the system, the Committee works out solutions to confirm the reliability of the system. Solutions include suggestions to organizations of the system, for example, the Committee checks whether training programs meet requirements on time, whether lecturers are qualified on theory and practice, whether coaches are qual-

ified on practical training, etc. Based on these results, the Committee identifies nonconformance then gives guidance, often disseminated through seminars in which, the Committee concludes achievements and shortcomings. Organizations not performing will be warned or even have functions taken out of their control. There has been no case violation at this level so far, however.

2.1.3. Japan Small and Medium Enterprise Management Consultant Association

J-SMECA was established on 31 October, 1954. The organization’s main mission is to contribute to the development of the business community in particular and of the Japanese economy in general. J-SMECA’s headquarters are in Chuo-ku, Tokyo. The association has branches in 47 provinces and cities. As previously mentioned, J-SMECA is assigned to process all activities of the shindanshi system. J-SMECA has the expertise to develop the enterprises and professionals to cultivate human resources. Figure 2.2. illustrates the organizational structure of J-SMECA.

Figure 2.2. Organizational structure of J-SMECA



Source: J-SMECA, 2009

The unit that has the greatest impact on the activities of J-SMECA is the advisory unit consisting of senior advisors and advisors, who give analysis and advice to the President. There is one managing director, who receives orders and instructions directly from the President and the Vice President. He/she is also in charge of operating activities at headquarters and Branches, The Center for Research and Investigation on Management and Strategy and the Business Clinic (Figure 2.2).

The revision of Japanese SMEs Basic Law and SMEs Guidance Law in 2000 allowed private enterprises to provide enterprise management consultancy services. Under the revised Laws, shindanshi focus not only on business startup consulting and activity improvements but also on business re-engineering and credit assessment consulting.

Due to changes in SMEs law, J-SMECA is assigned two missions as follows:

(1) J-SMECA is the only organization to be allowed to hold shindanshi examinations, training and certification for certificated shindanshis. J-SMECA determines the contents of examinations and all training courses and that is also the reason for the unity of the training courses. Although there are several training institutes that hold shindanshi training, course contents have to follow the key requirements by J-SMECA.

(2) J-SMECA provides enterprises with shindanshi when receiving requests from them.

2.1.4. Training organizations

There are three types of training, including training before certification, university training (like the program in SMEU) and practical training. For the training before the examination, several organizations are allowed to conduct courses, including J-SMECA and several private universities like Hosei University, Nippon University, Nagoya University, and Chukyo University. For university training, the Japanese Government allows five training organizations including SMRJ, J-SMECA and three private organizations namely Jissen Institute Co. Ltd., Keieikyoku Co. Ltd., and Akinai Centre for Practical Study to conduct courses. Information on these training organizations can be found in the Official Gazette of METI.

The Japan Organization for Small & Medium Enterprises and Regional Innovation (SMRJ) was established on 1 July, 2004, through the engagement of the Japan Association of Small and Medium Enterprise Corporation (JASMEC), Japan International Cooperation Agency (JICA), and the Industrial Structure Improvement Fund (ISIF). The main duty of SMRJ is to support SMEs and development of local areas. Under the Government's support, SMRJ helps SMEs in local areas access financial projects for infrastructure upgrading such as industrial parks, wholesaler centers and trading centers.

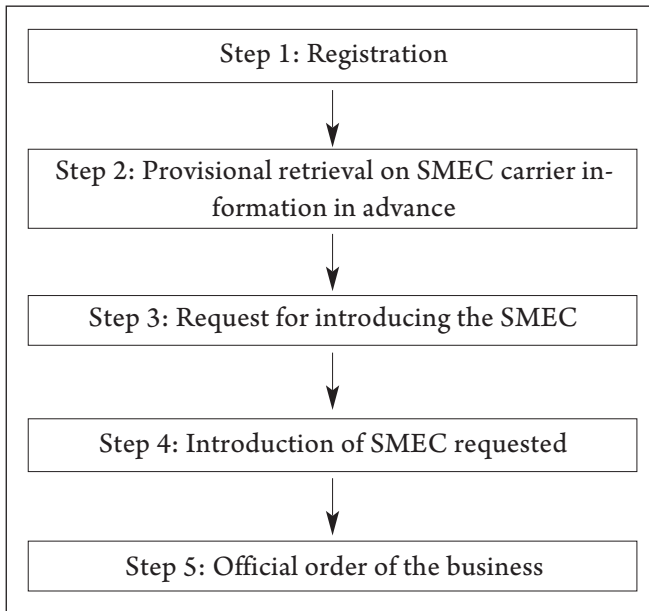
SMRJ provides consultancy services for enterprises that want to receive financial support and to know how to effectively use disbursed money. At the request of local areas, some SMRJ members are sent to SMEs to assess their current situation, make suggestions and propose financial support solutions. SMRJ can also support enterprises that have received financial support before. In addition to that, SMRJ provides consultancy service for other partners, who help SMEs receive tax preferences and improve human resource quality through training.

Regarding practical training, there are 3 organizations in charge including SMRJ, J-SMECA and a Local SME Promotion Centre. In this program, winners of the two exams will go to companies in groups of 8 to 10 people and practice their consulting skills. The content of the training program and relating issues will be presented in Chapter 3 of the paper.

2.2. Activities of the shindanshi system in J-SMECA

Currently, J-SMECA has more than 9,000 members, of which 99% are shindanshi. These consultants work for enterprises in Japan or other countries such as Thailand, Indonesia, Malaysia, Philippine and Vietnam. The rest (1%) are financial and credit intermediaries who sponsor J-SMECA's activities. The below figure illustrates how the process of the Business Clinic of J-SMECA is used.

Figure 2.3. J_SMECA Business Clinic process



Source: J-SMECA, 2009

Step 1: Enterprises register for business clinic. They will be examined by J-SMECA. A user ID and password will be given to those who are approved for the registration.

Step 2: Enterprises search and retrieve outline of SMEC who best meet their requirements.

Step 3: Enterprise fills out the conditions of their request on J-SMECA's website.

Step 4: J-SMECA introduces an appropriate SMEC to meet their requests.

Step 5: The introduced SMEC and enterprise will discuss the contents/conditions of the request and develop a contract agreed upon on by both parties.

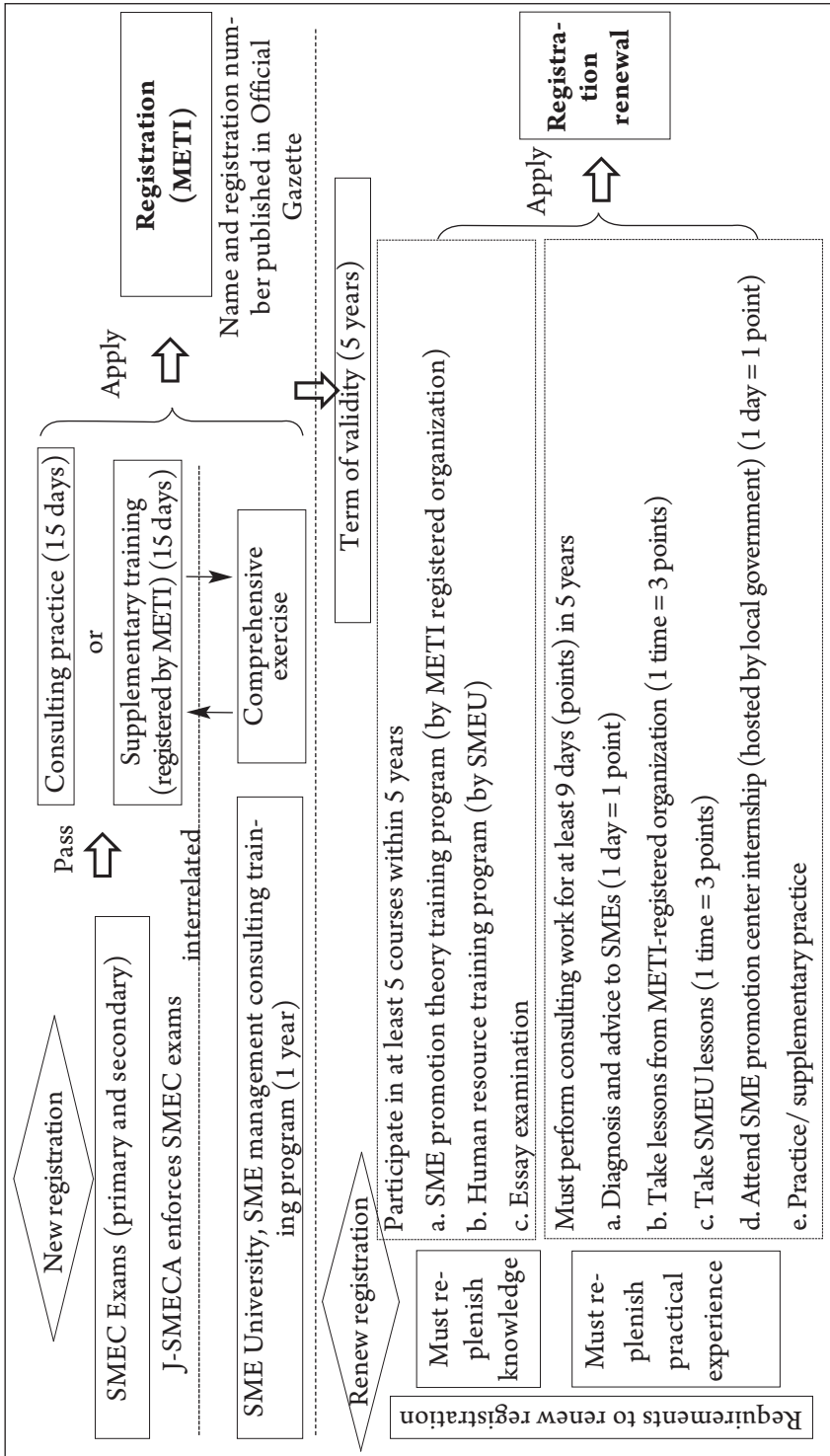
The registration of using business clinics is free for both enterprise and shindanshi. The service fees are normally decided by both of them after the meeting.

2.3. Registration scheme

2.3.1. Previous SMEC registration scheme (up until 2005)

According to the previous registration scheme, there are two ways to receive shindanshi certificates (see Figure 2.4). For the first way, after registration and passing the two exams, one of the two options can be followed: either participation in a 15 day practical training course or a 15 day supplementary training course. Both of them are held by organizations registered by METI. After taking the course, applicants will be issued a certificate and their name and registration number will be posted on the Official Gazette of the Japanese Government.

Figure 2.4. Previous SMEC registration scheme (up until 2005)



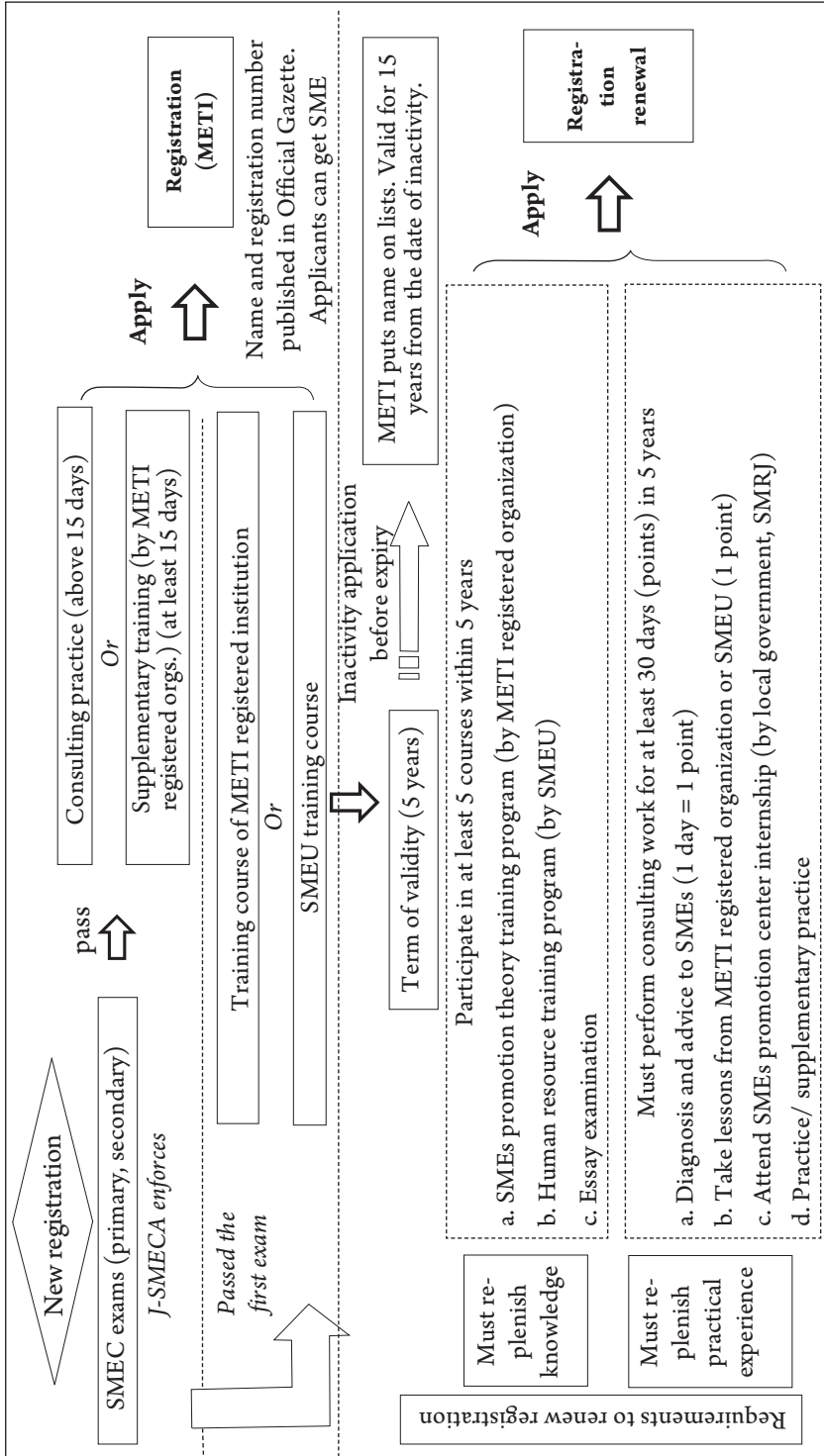
Source: SMEA, 2009

For the second way, in order to have shindanshi certificates, candidates do not have to take any exam but should participate in a one year training program. The content of the training program is comprehensive and includes all the subjects of the two exams. In addition, students also participate in practical courses in which they are requested to perform their consulting ability. Before finishing the training program, students are required to complete one comprehensive exercise. After graduating from SME University, they then become certified shindanshi. Similar to the above way, their name and registration numbers are posted on the Official Gazette of the Japanese Government.

Shindanshi certificates are valid for 5 years. After 5 years, if shindanshi like to maintain their certificates, they have to ask for an extension. There are two requirements for an extension. Firstly, shindanshi have to participate in at least 5 training courses in 5 years (see course content in Figure 2.4). Secondly, shindanshi have to improve consulting capacity by completing at least 9 working days (approximately to 9 points) (Figure 2.4). If one shindanshi satisfies the two requirements and submits a renewal registration, his or her certificate will be considered for renewal.

Although the shindanshi system has been carefully studied, some shortcomings have been revealed. For example, it is hard for candidates to pass the two exam whereas students of SME University just take a one year training program then they can graduate. Besides, in the primary exam, taking 8 subjects in the short time leads to stress for candidates and thus reduces the chance for them to perform better. For those reasons, J-SMECA proposed a new registration scheme which considered and has officially been applied since 2006.

Figure 2.5. New SMEC registration scheme (from 2006)



Source: SMEA, 2009

2.3.2. New SMEC registration scheme (from 2006)

The new registration scheme (applied from 2006) is illustrated in Figure 2.5. According to this, there are two ways to obtain shindanshi certificates. For the first way, like the former scheme, after passing the two exams, candidates participate in a 15 day practical training course and then they are certified. For the second way, after passing the primary exam, candidates can join the one-year shindanshi training program in SMEs University. After graduating from this university, they are certified. Similarly to the previous scheme, their name and registration number are posted on the Official Gazette of the Japanese Government.

There are some revisions in the new scheme. Firstly, candidates are not required to take all the subjects at once but they can take the course one subject at a time in 3 years, whereas in the previous scheme, 8 subjects had to be taken at once. In the case of a candidate failing in one subject, he or she is allowed to re-take the exam.

Secondly, the primary exam becomes compulsory for all candidates who want to be shindanshi. In contrast to the previous scheme where taking the two exams was optional, in the new scheme, all the candidates are required to take the primary exam. After passing this examination, candidates can choose either take the secondary exam or attend the one year training course in SMEs University.

A third revision relates to certificate renewal where its term of validity in some special cases can be longer than 5 years. Suppose one shindanshi has been certified for 3 years and he or she has taken all the requirements of maintaining consulting competence, he or she can participate in 3 courses in 3 years and complete consultancy work. For contingent reasons, this shindanshi can not perform consulting work for 6 years. In this situation, the shindanshi can stop shindanshi work and save the two remaining years until the ninth year. The advantage for the shindanshi is that, after 6 years of taking another job, he or she can inform SMEA that he or she will use the remaining time of validity of the certificate. The maximum time for inactivity here is 15 years.

The last revision relates to the requirements for certificate renewal. The first requirement of renewal is the same as the previous scheme while the second requires more experience. Shindanshi have to complete at least 30 days as consultants (approximately 30 points) over 5 years.

2.4. Budget of shindanshi

The overall budget of the shindanshi system is allocated into three items as follows:

- (1) Salary payment.
- (2) Shindanshi registration and examination.
- (3) Training.

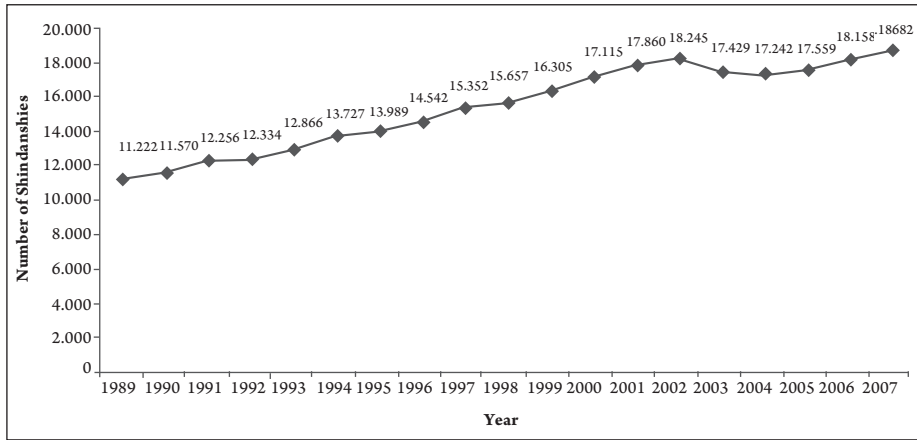
Of the above, the first two items are paid for by the Japanese Government's State budget amounting to about 30 million Japanese Yen (JPY) annually and sometimes up to 40 million JPY. For the last item, two thirds of the budget to train 200 shindanshi is subsidized by the Japanese Government through SMRJ, accounting for approximately 3.17 million JPY. The remaining costs are paid for by companies.

Shindanshi certificates are trusted by Japanese. It is hard to confirm whether shindanshi certificates or Master of Business Administration degrees are preferred since each have their own advantages and disadvantages. It is, however, recognized that MBAs are mainly acquired through training on theory, whereas shindanshis are considered to be based upon working experience as candidates pass practical training courses.

2.5. Results of the system

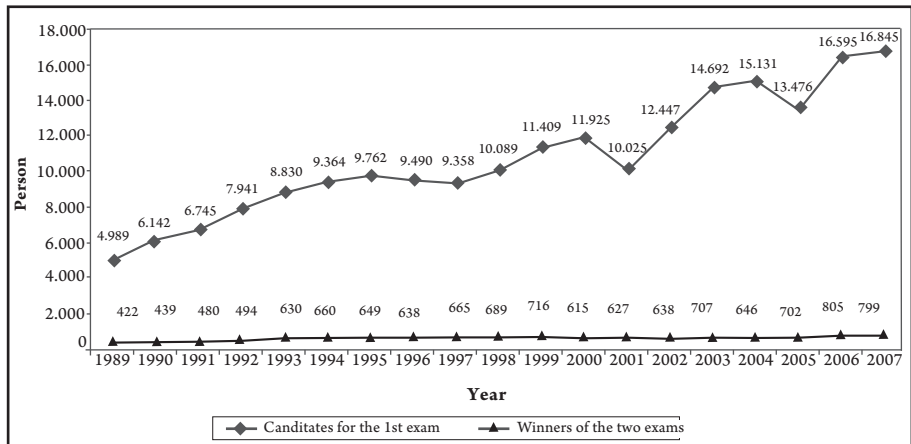
The shindanshi system has provided Japan with more than 18,682 SMEs consultants so far (Figure 2.6). In the period from 1989 to 2002, the number of shindanshi had increased annually. However, this sharply reduced in 2002 since there was a fall in the number of renewed shindanshi due to the changes in requirements for certificate renewal and registration (Figure 2.7). The number of candidates for the primary exam and successful applicants of the second exam are presented in Figure 2.7. These numbers tend to increase overtime.

Figure 2.6. Number of shindanshi annually (1989 – 2007)



Source: SMEA, 2009

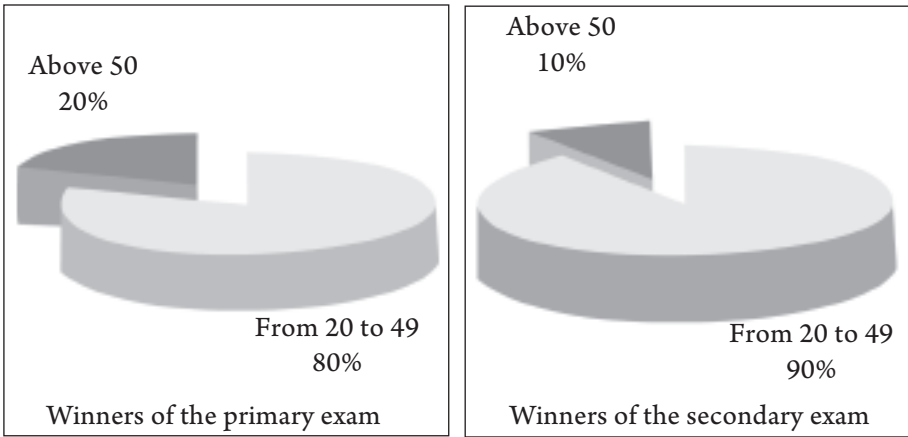
Figure 2.7: Number of candidates for the primary exam and successful applicants of the two exams



Source: SMEA, 2009

According to SMEA, among 2,776 candidates who passed the primary exam, there were 799 people who became winners of the secondary examination, accounting for about 6.25% of the total applicants. The age structure of the winners is illustrated in the following figure.

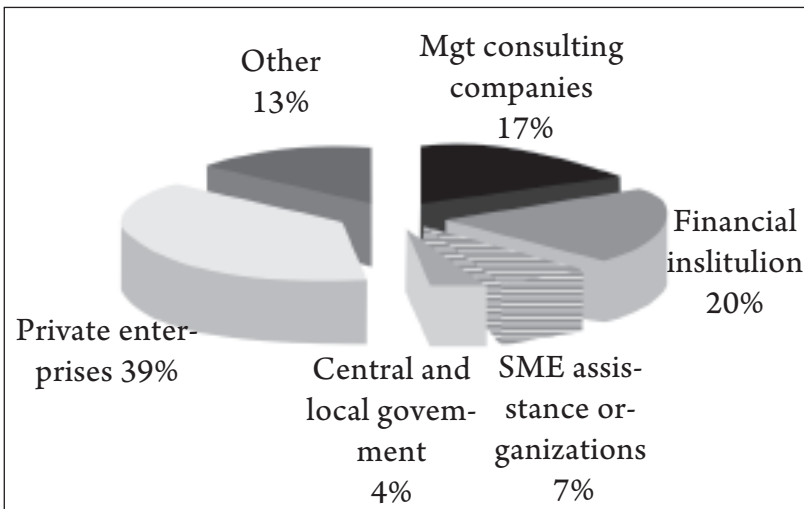
Figure 2.8: Ages of winners of the primary and the secondary exams



Source: SMEA, 2009

In 2008, there were 18,682 candidates for the primary exam. These candidates work in various types of organizations as Figure 2.11 illustrates.

Figure 2.9: Candidates by organization type



Source: SMEA, 2009

As Figure 2.11 shows, the largest group of employees come from private enterprises (39%). The second largest come from financial institutions (20%) and the portion of employees coming from consulting companies accounts for 17%. The remaining groups make up about 24%.

CHAPTER 3

SHINDANSHI TRAINING PROGRAM AND CERTIFICATES

“Company success depends on people. Human resource development is the foundation of business management”. This timeless concept can be applied to all countries and has brought success for Japanese enterprises. For SMEs in Japan, their success could not have been achieved without good human resource management. However, SMEs in this country have limited resources when they first start, and often face difficulties when develop human resources on their own.

Since 1948, the Japanese Government has recognized the importance of SMEs in economic development and has tried to help SMEs by identifying difficulties and finding ways to overcome these. The essential thing that government did was to develop human resource for SMEs and their supporting organizations. Such policies were fundamental and occupied the most critical place among SMEs policies.

In this regard, the Japanese Government established a research institute in 1962 that became the predecessor of Tokyo SMEs University. After some restructuring, SMEU now belongs to SMRJ. Up to 1980, there had been a system of SMEU with branches in various regions of Japan where the main mission was to provide training for SMEs human resources through special experts. Since then, training programs, teaching methods and other facets of SME consultant training have become more and more effective.

3.1. Introduction to SMEU system

As presented in Chapter 2, SMRJ is an independent public organization responsible for implementing the government’s policies to support SMEs. The main mission of SMRJ is to offer solutions and support ambitious SMEs and regional development. Together with local governments, SMRJ supports local SMEs by examining financial projects for upgrading facilities, such as the construction of joint-industrial parks, wholesale complexes and shopping centers. Consultation is also

provided prior to, during and after the provision of loans. In relation to partnerships between local governments and private enterprises, local governments along with SMRJ, have been working with these partnerships to provide SMEs with expert advice and financing. Also, SMRJ offers financing to SMEs that have implemented upgrading programs in the past, and wish to modernize their facilities.

One of the most important functions provided by SMRJ is to train human resources in business management for SMEs all around Japan. This function is implemented through the training courses at SMEs Universities (SMEUs). Keeping in mind the concept that “company success depends on people; human resource development is the foundation of business management”, the Japanese Government launched the former SMEs University in 1962 as a Research Institute, and it has since become the Tokyo SMEs University. At present, there are 9 branches of SMEU all around Japan (listed in Table 3.1).

SMEUs are not the same as other universities. They do not grant 4-year university degrees but instead they provide upgrading education and more practical business courses. SMEU are considered to be Upgrading Training Institutes.

Table 3.1. SME University Branches in Japan

No	Campus	Location	Year Established
1	SMRJ Headquarters	Toranomon, Minato-ku, Tokyo	1962
2	SME Tokyo University	Yamato-shi, Tokyo	1962
3	SME Kansai University	Kanzaki-gun, Hyogo	1980
4	SME Nogata University	Nogata-shi, Fukuoka	1985
5	SME Asahikawa University	Asahikawa, Hokkaido	1986
6	SME Hiroshima University	Nishi-ku, Hiroshima	1988
7	SME Seto University	Seto-shi, Aichi	1989
8	SME Sendai University	Sendai-shi, Miyagi	1991
9	SME Sanjo University	Sanjo-Shi, Niigata	1992
10	SME Hitoyoshi University	Oniki, Hytoyoshi, Kumamoto	1995

Nguồn: Đại học SME Tokyo, 2008

SMEs University play a role as part of the SMRJ mission to provide managers and experts for SMEs. They act as training facilities for people interested in and connected to SMEs. SMEs Universities are not post-secondary institutions and do not offer degrees or diplomas.

In addition to providing SMEs managers and experts, SMEs University also provides a high-level practical training to those who assist SMEs. Training consists not only of formal lectures, but also focuses on practical training, exercises, and group debates, with the overall purpose of improving participants’ problem solving abilities. (All courses are taught and conducted in the Japanese language).

Since 1980, SMEs Universities have established regional branches in order to contribute to local SMEs, and training programs have been continually strengthened. There are 9 SMEs University Campuses. Among them, Tokyo SMEs University is the flagship one, while the other eight campuses are located in Asahikawa, Sendai, Sanjo, Seto, Kansai, Hiroshima, Nogata, and Hitoyoshi. Each is equipped with accommodation facilities. Each campus reflects the unique characteristics of its locality in its choice of courses and aims to create a unique, innovative training program for trainees of the SMEs University to nurture core SMEs in their region. Up to February 2008, Tokyo SMEs University, the system's flagship campus, has produced 156,000 graduates.

Tokyo SMEs University has developed courses that allow participants to study each subject area. Gradually, as participants apply themselves, they are offered the chance to overcome their skill deficiencies.

SMEUs also provide some options for students who tend to take courses in developing their capability in working with SMEs. These programs are focused on three areas: (1) improving business practice knowledge for students; (2) bringing to students methods to solve SMEs' business strategy and tactical problems; and, (3) providing expertise in human resources to SMEs, both in terms of knowledge and skills. Of course, there have been many turning points before the existing programs and methods of training came into being, as Table 3.2 illustrates.

Table 3.2. Milestones in shindanshi education

1962	5 July, Japan SME Advisory (SMEA) center was officially established. Shindanshi course began; opening in October and finishing in September of the next year. 52 students commenced the industrial courses and 24 the commercial courses. The 76 graduates, in total, were called "inspectors".
1963	16 August: SMEA is recognized as a special corporation.
1969	20 May: in order to connect with revisions in the ministries, SMEs inspectors were renamed as SMEs Consultants (SMEC), or shindanshi.
1980	1 June: SMEs Training Institutes were reorganized as SME Universities
1987	New information technology shindanshi course introduced. Training period started from February 1987 to January 1988 with 24 students for the first intake. In second intake, the training period changed, starting in April and finishing in March of the next year. The pattern of beginning the commercial and industrial courses in October and the IT course in April lasted until 1993.
1993	A training section of commercial course was added to the training program. This section starts in April annually.

1994	A section starting in April was added to the industrial course. The pattern of offering 5 courses a year (2 industrial, 2 commercial and an IT course) continued until 1999.
2000	The courses in different fields: industrial, commercial and IT were integrated. In October, the first joined course opened. From this point, two general courses were held per year, in April and October.
2001	16 April: regulations on consultation of SMEs Guidance Law came into effect. Three departments were abolished (namely, SMEs supporting Program, Program of Inspection of Private sector, Registration Division). - The Small Business Advisory Program moved to a system for certifying private sector consultants; - Private sector examinations were replaced by National examinations; - Registration procedures moved from the private sector to the government.
2006	1 April: laws and under-law documents relating to implementation of the SMEs supporting programs and regulations on registration and examination of SMEs' administrative consultation took effect. 16 April: new SMEs management consultant programs were applied.

SMEA, 2009

Those who complete the courses for consultants at the SMEU will be considered to have met the provisions of the Law on Supporting SMEs, Article 11, Paragraph 1, Clause 2 (a person acknowledged as possessing skills equivalent to or above those who qualified for registration by examination). They will receive certification from METI and be registered as SMEC - shindanshi.

**Table 3.3. Number of shindanshi graduating from SMEU
Tokyo (before integration)**

Field	Intake	Completed	Accumulated number of shindanshi
Industry	Term1 (10/1962) to term 45 (3/2001)	2557	4731
Commerce	Term 1 (10/1962) to term 46 (3/2001)	2513	9978
IT	Term 1 (2/1987) to term 14 (3/2001)	415	1558
Total		5485	16267

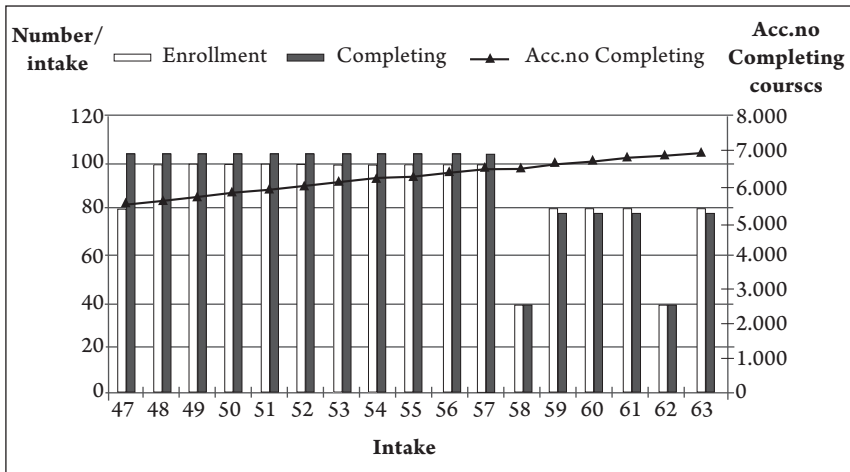
Note:

- Before 1993, enrollment capacity: Industrial (70). Commercial (70) and IT (3)
- From 1993: enrollment capacity: Industrial (40). Commercial (40) and IT (3)

Source: Tokyo SME University, 2009

After consolidation, the shindanshi training program tended to educate shindanshi through multiple functions. Since October 2000, all shindanshi students have had to study most business management subjects in SMEU. The quantity of multi-function shindanshi has been increasing as described in Figure 3.1.

Figure 3.1. The quantity of shindanshi by term, since October 2000



Source: Tokyo SME University, 2009

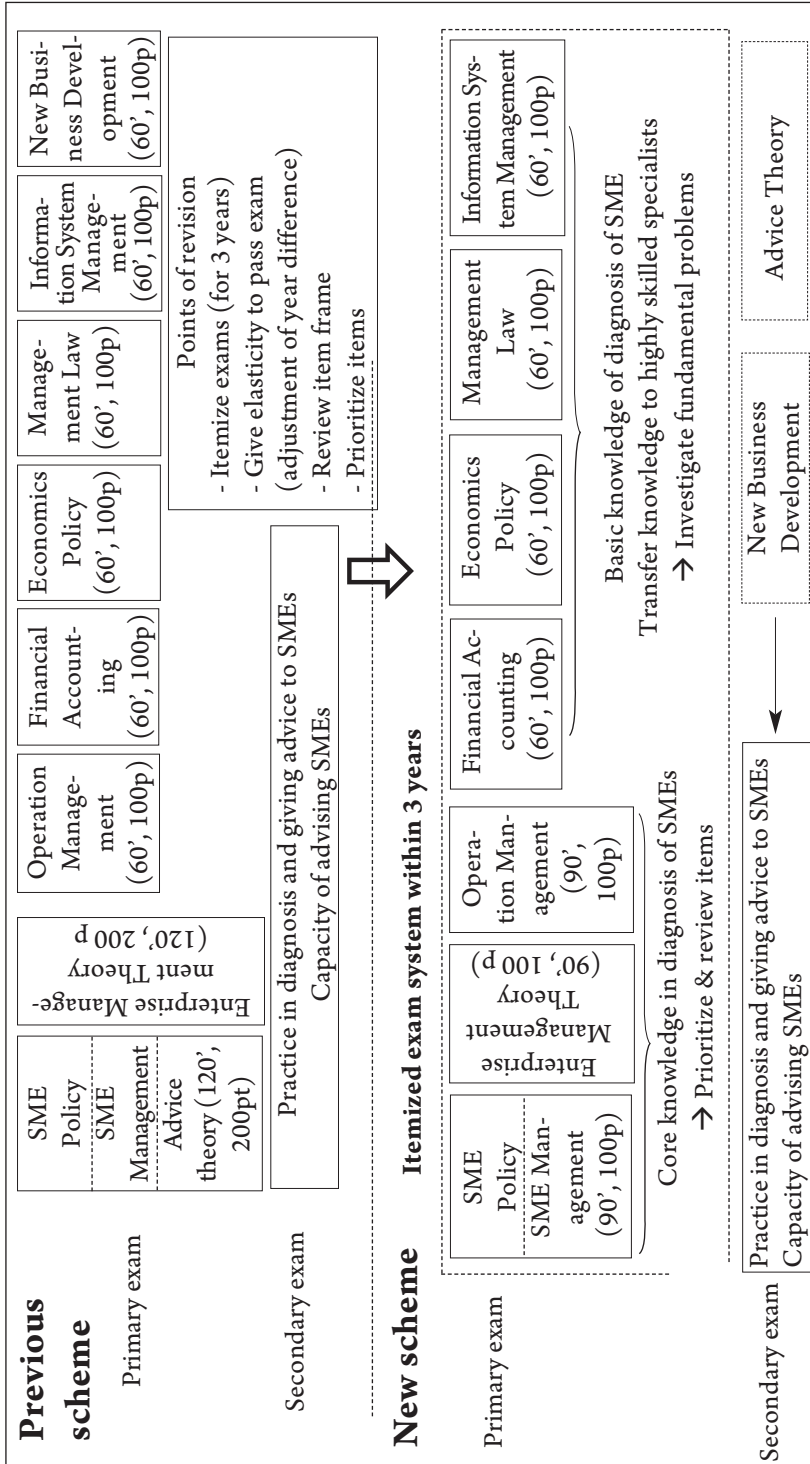
3.2. Entry examinations for shindanshi training programs

3.2.1. Overview of shindanshi examination

Along with the innovation in the registration scheme in 2005, the nature of the primary examination changed too. Figure 3.2 expresses the changes in this national exam.

Previously, in the primary exam, there were 8 subjects taken at different times and with different scoring standards (table 3.4). Examinees had to take those subjects once (for example 3 days or one week). Normally, success applicants will be chosen by total grade. They must pass at least 500 points in total.

Figure 3.2. Summary of the review of national SMEC – shindanshi examinations



Source: SMEA, 2009

**Table 3.4. Subjects in the primary examination
(before consolidation)**

Subjects	Exam time (minutes)	Maximum grade
SMEs policy	120	200
Enterprise management theory	120	200
Operation management	60	100
Financial Accounting	60	100
Economics Policy	60	100
Management Law	60	100
Information System Management	60	100
New Business Development	60	100
Total	600	1000

Source: SMEA, 2009

In the secondary exam, examinees took a written test and an oral test on providing practical advice to SMEs. Although those subjects in both exams were considered so good, J-SMECA still decided to change the system and the new scheme has been applied since 2006. Table 3.5 shows subjects in the newly applied primary exam system.

Table 3.5. Examination Subjects – new version

Subject	Exam time (minute)	Maximum grade
SMEs Policy	90	100
Enterprise Management Theory	90	100
Operation Management	90	100
Financial Accounting	60	100
Economics Policy	60	100
Management Law	60	100
Information Management	60	100
Total	510	700

Source: SMEA, 2009

Compared with the previous one, the new examination system has some differences, such as:

- The total time for taking the primary examination has been extended to 3 years. Examinees can take subjects one by one within 3 years. In previous scheme, all exams need to be taken in the one examination period.
- Examinees can re-take exams for failed subjects. The passing points for each subject and in total can be reviewed each year.
- In the past, examinees had to take 8 subjects in the primary exam. Now, they only have to take 7 subjects. Among them, the SMEs Policy subject also requires little theory. For other subjects, shindanshi candidates have to complete the study course at SMEU or J-SMECA courses in order to pass the second exam.
- In the new scheme, in the secondary exam, there are only oral tests instead of both written and oral tests. Details of the tests can be found in Chapter 4.

3.2.2. Overview of SMEU curriculum

The 2005 revisions also brought some changes to the shindanshi training programs where previously, students at SMEUs had to take 8 subjects. The new program's duration is 12 months and includes both theory and a consultant practice of at least 15 days. The changes in the training program are listed here:

- All shindanshi candidates have to take and pass the first exam, even if they intend to study at SMEUs.
- The length of study time at SMEU is not fixed at one-year of study but based on study hours. Students have to take two courses in SMEU: (1) Business Consulting I with 262 theory hours and 120 practice hours; (2) Business Consulting II with 84 theory hours and 192 practical hours. They have to work in groups of more than 10 people for Business Consulting I and no more than 8 people for Business Consulting II.
- The new curriculum is focused on attaining skills which have been taught after the university period.
- Skills will be evaluated based on the practical components.

- After studying at SMEU, each group (which consists of 8 or 10 students) has to write a report on an SME. This report has to present the current situation of that SME, its problems and applicable solutions which have to be certified by the company.

3.3. New SMEU curriculum

According to the Japanese Law on Supporting SMEs, Article 7, Paragraph 2, Clause 1 and 2, the shindanshi training courses implemented by SMRJ have to follow the curriculum and methodology approved by METI. Based on the successful applicants of the primary exam, shindanshi training programs tend to educate consultants to have good knowledge and practical skills. They try to achieve these objectives by giving more practical opportunities for students. They send students to SMEs to work there as consultants to solve firms' problems. After finishing those training courses, students can register with METI as shindanshi and work as consultants.

Those courses are designed for who pass the primary exam. They are trained to have both theoretical and practical skills in giving consultation to SMEs – to become shindanshi.

Table 3.6. New shindanshi training program at SMRJ/SMEU

Course	Business Consulting I	Business Consulting II
Course Content	Must be adequate for learning how to apply required knowledge in order to become an SME Management Consultant (focused on theory)	Must be adequate for learning how to apply required knowledge in order to become an SME Management Consultant (focused on practical)
Training Curriculum and hours	Theory 246 hrs (or more) Practical 120 hrs (or more) Total 366 hrs (equiv. to 61 days, 6hrs/day)	Theory 84 hrs (or more) Practical 192 hrs (or more) Total 276 hrs (equiv. to 46 days, 6hrs/day)
	Total 107 days, 642 hrs (6hrs/day)	
Number of SMEs per group (groups are created to give consultation)	At least 2 companies	At least 3 companies
	Number of companies with: 5	
Number of students per group (groups are created to give consultation)	Maximum of 10	Maximum of 8
Number of instructors assigned per group	At least 1	
Prerequisites for teachers and practical training instructors	Must be an SME Management Consultant with over five years experience whose main practice is business consulting (include SME management consultants who have been involved in business consulting as employees for over 5 years), or those with specialized knowledge, skill or academic experience related to SME management, lecturing, training, or instructing on SME management methods or technology.	
Debriefing session in practical training	Includes submission of a completed report on the proposed consulting and advice for SMEs.	

Source: SME University Tokyo, 2009

3.4. Shindanshi certificate renewal

3.4.1. Requirements for renewal

As previously presented, shindanshi certificates are valid for 5 years, within which holders should take some upgrading training courses and practice their consultant skills to meet the requirements for renewal. Closer to the deadline date, they must send the documents to prove that they are qualified enough to renew the certificate to J-SMECA. J-SMECA conducts a SME renewal training program as a designated organization based on the ordinance of SMEC registration and examination.

Documents for a renewal certificate must consist of:

(1) Evidence of taking at least 5 courses organized by J-SMECA. This requirement needs to ensure that shindanshi have enough updated knowledge on consulting and the Government's policies on SMEs. Each course takes 4 hours and shindanshi can take 1 course per year.

However, shindanshi have another option, instead of taking classes, to meet the requirements. They can write an essay on how to help specific SMEs run their businesses and overcome problems. This essay review is intended to help SMECs to acquire new knowledge and apply the knowledge and skills in helping SMEs. Essays replace the 4 hour course that J-SMECA provides.

(2) Evidence of practical engagement in business consulting for SMEs for at least 30 days (in the previous scheme it was only 9 days). This requirement is to make sure that shindanshi have been applying their knowledge and skills in diagnosing and advising companies. Since meeting the new requirements is so difficult, some shindanshi, who do not work as real-shindanshi, will not apply for renewal certificates. That is one reason for the some of the reduction in the number of shindanshi in this period.

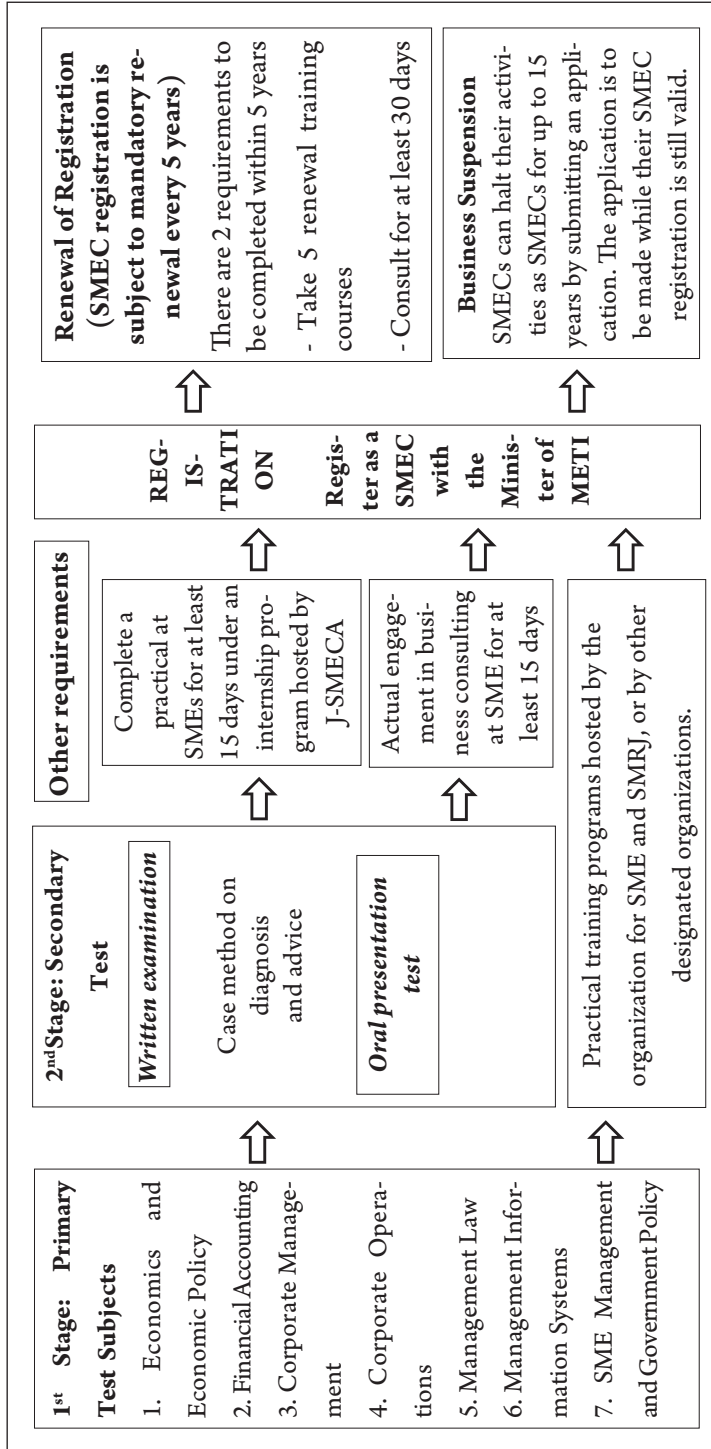
3.4.2. Inactivity certificate

In addition, since 2006, requirement of shindanshi certificate renewal

changed. Holders can deactivate their certificate up to 15 years. In this case, the holder has to register with J-SMECA before their certificate expires provided the following requirements are adhered to:

- Participation in advisory theoretical courses in order to update knowledge;
- Joining practical courses to refresh thinking; and,
- Practicing diagnosis and advice for at least 15 days in the first three years of validation.

Figure 3.3. Process from examination to registration of shindanshi certificates



Shindanshi examination The SMEC examination is conducted based on the SME Guidance Law Article 12. J-SMECA is nominated by the Minister of METI and carries out the 1st stage and 2nd stage of the exam. 1st stage: Applicant's competency is checked against SMEC standards. Includes written examination (and a? multiple choice test) covering 7 subjects related to corporate management. 2nd stage: Applicant's practical ability to be an SMEC checked. Includes written examination (consultation report) and interview on management consulting.

Consulting practice The consulting practice offered for the successful applicants from the SMEC examination is carried out for 15 days as a group study. One group consisting of less than 6 trainees, supervised by the instructor, shall be in charge of 3 SMEs and do field studies, data analysis, report writing and presentation. J-SMECA conducts consulting practicals based on the ordinance of SMEC registration and examination.

Renewal training on consulting theory and the latest Government SME policy/essay review

Renewal training/ **4 hours renewal training:** Lecture and workshop style training focuses on Essay review to help SMECs to acquire consulting theory and the latest government SME policy. SMECs are expected to sit for 5 training programs during a 5 year registration period. **Essay review:** A successful essay review can substitute for one SMEC renewal training session. Theme of the essay review will be chosen from SMEs renewal training syllabus.

Actual engagement in business consulting

To renew SMEC registration, SMECs are expected to engage in actual business consulting for more than 30 days, on top of the mandatory 5 SMECs renewal training program on consulting theory and the latest Government policy. J-SMECA offers opportunities for SMEs to receive consulting advice and offers SMECs opportunities to consult businesses in order to satisfy renewal criteria.

Source: J-SMECA, 2009

CHAPTER 4

RELATED ORGANIZATIONS

4.1. Organizations related to the shindanshi system

4.1.1. METI and its divisions

Up to now, METI manages the shindanshi system through functional organizations such as J-SMECA, SMEC, SMRJ or SMEU. METI makes laws and rules for the system's operation and manages the number and the quality of shindanshi.

Technical Cooperation Division

This division of METI implements technical support. One of their functions is to manage human resource training for industries and this is connects to the shindanshi system. Technical Cooperation Division, in partnership with JICA, has established the Technician Assistant Center (TAC), which uses many shindanshi to support their clients. In fact, members of TAC have helped Thailand, the Philippines and Malaysia develop shindanshi systems to support industry there.

In Vietnam, TAC has been helping Hanoi Industrial University implement a four-year IT training program. Some IT shindanshi joined this program as

Japanese experts and have worked there for a long time.

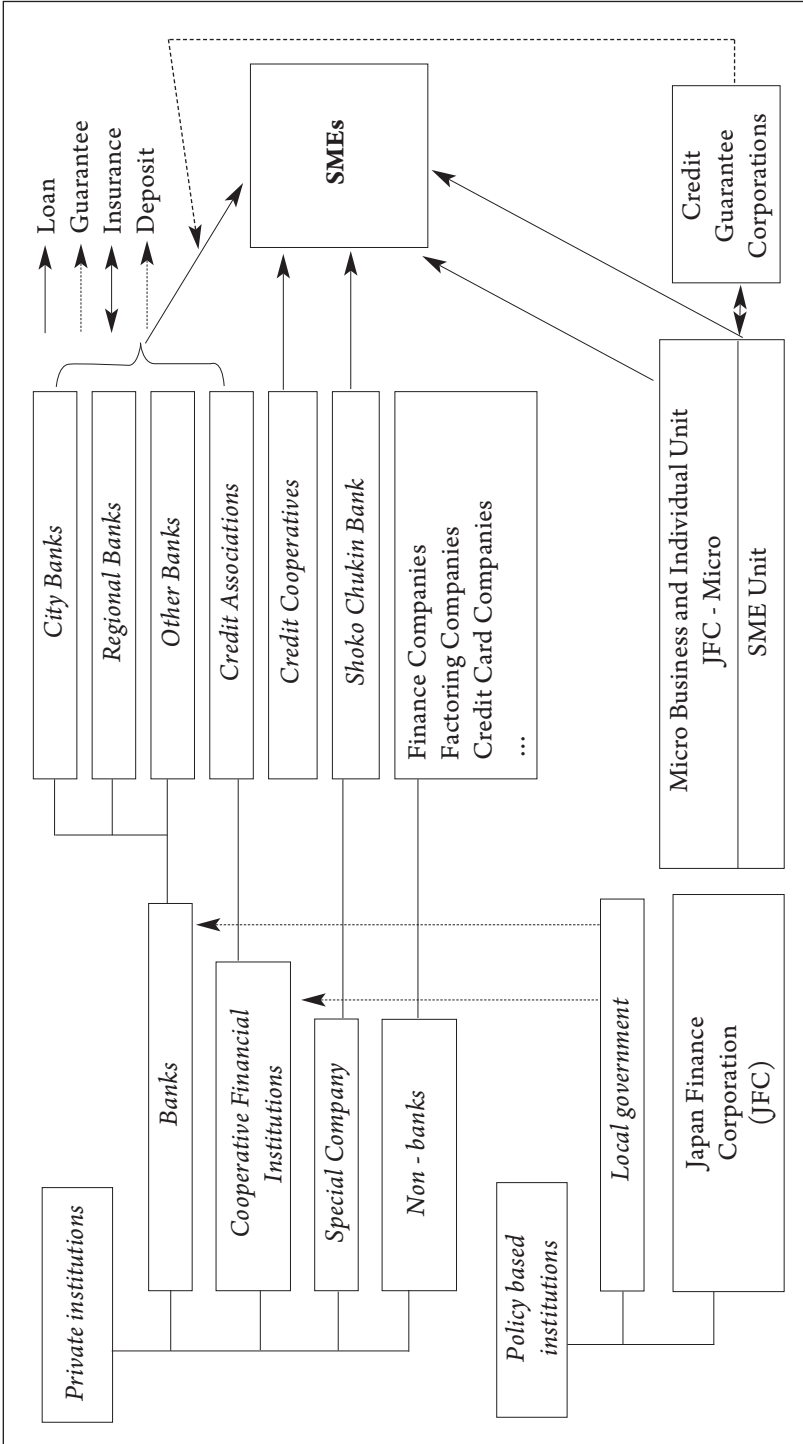
International Cooperation Division, Asia Pacific Department

The Asia Pacific Department plays an important role in promoting shindanshi in the Asia Pacific region. The Shindanshi system now really brings benefits, not only for Japanese corporations but also for firms around Asia that have business relations with Japanese partners. Many countries try to learn about this model from Japan and the International Cooperation Division takes responsibility to diffuse this model into other countries. Certainly, the success of the shindanshi system depends much on the success of the development of supporting industry. If Vietnam applies this model, its domestic goods value may be raised, said Mr. Kimihiro Ishikawa, deputy director of Technical Cooperation Division.

4.1.2. Local government and financial institutions

In Japan, local governments and many financial institutions support SMEs and are being supported in return. They are working together and obtain mutual benefits from doing so, along with SMEs, as Figure 4.1 illustrates:

Figure 4.1. Financial Institutions for SMEs



Source: JFC, 2009

The chart shows that, at the moment, SMEs are receiving financial support from many financial institutions. Banks and financial companies provide loans not only for SMEs, but also for other size corporations, micro and large-scale enterprises. However, in order to get financial support from banks and other financial institutions, they need to demonstrate the profitability of their own business. In this case, the statement of shindanshi on enterprise's situation is guarantee for the loan.

One of financial institutions which supports a lot of SMEs and MSEs in Japan is the Japan Financial Corporation (JFC). JFC was founded on 1 October, 2008, from the merger of four financial institutions, namely National Life Finance Corporation, Japan Finance Corporation for Small and Medium Enterprises, Agriculture, Forestry and Fisheries Finance Corporation and the Japan Bank for International Cooperation. In the future, Okinawa Development Finance Corporation is expected to joint the group.

Table 4.1. SME finance by JFC

	Micro Business and Individual Unit	SME Unit
Predecessor	National Life Finance Corporation (NLFC)	Japan Finance Corporation for SME (JASME)
Operations	-Business loans for MSEs - Other loans for individuals	- Business loans for SMEs - Securitization support - Credit insurance
Target Clients	Mainly MSEs	Mainly Medium Enterprises
Maximum loan amount	72 million JY (special loan)	720 million JY (special loan)
Employees	4721	2074
Amount of Business Loans Outstanding	6791 billion JY (at 31.3.2009)	5814 billion JY (at 31.3.2009)

Source: JFC, 2009

JFC's lending for SMEs and MSEs depends much on reports from shindanshi. Shindanshi are the guarantees for SMEs and MSEs in borrowing the loans from JFC and other banks. Shindanshi ascertain whether a company or a project is profitable or not and based on their conclusions, banks or other financial institutions will make a decision whether to lend or not.

That is why it can be concluded that shindanshi and JFC have a closed relationship and mutually beneficial relationship in order to support loans for SMEs and MSEs.

4.1.3. Japan Chamber of Commerce and Industry

The Japan Chamber of Commerce and Industry (JCCI) is a network of comprehensive local economic organizations made up of the representatives of some 1.43 million member businesses nationwide, embracing everything from large and medium sized corporations down to small firms. JCCI employees work in 516 branches all around Japan as instructors, helping firms in business development. JCCI instructors have similar roles and functions to shindanshi. However, they do not substitute but rather, they complement the work of shindanshi.

4.2. Comparing shindanshi with JCCI management instructors

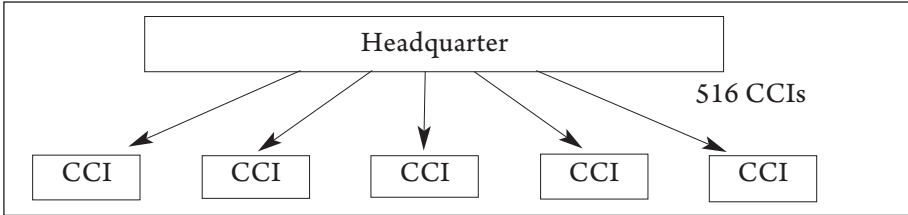
4.2.1. Introduction to the JCCI management instructor system

Organizational structure

JCCI has a system of consulting experts for enterprises (Figure 4.2). The system expands to the 47 provinces of Japan and all 516 districts and cities of Japan.

There are now 5,500 consultants working in this system. Table 4.2 illustrates the allocation of chambers of commerce and industry (CCI) based on each region.

Figure 4.2. Organizational structure of JCCI management instructor system



Source: JCCI, 2009

The number of consultants are different from CCI to CCI based on the number of enterprises which are members of JCCI in each region. Currently, the Tokyo Branch has 150 consultants, the most consultants among the CCIs, since there are more than 80,000 member businesses of the CCI Tokyo Branch. The remaining CCIs are fewer in number. Some even have just one or two experts given the small number of enterprises in their branches.

Table 4.2. Allocation of CCIs by region

Region	Number of CCIs
Hokkaido	42
Tohoku	46
Kanto	102
Hokuriku- Shinetsu	49
Tokai	49
Kinki	71
Chugoku	51
Shikoku	27
Kyushu	79
Total	516

Source: JCCI, 2009

Although the number of CCIs is large, their activities are clear and do not overlap. Through local CCIs, consultants can access enterprises and process the consulting work. The consulting work is carried out in three aspects: business startup, activity improvement and technology or information dissemination consultancy. Besides, consultants also support the socio-economic development of the local area. By understanding the current situation of enterprises in the area, consultants propose ideas to adjust enterprises' policies.

Responsibilities of management instructors

Management instructors of CCIs either work in CCIs or in companies from which officers accept requests for assistance from companies. There are four main responsibilities of these management instructors. Firstly, the small-scale enterprises in local areas are guided to access the credit intermediaries to do business. An enterprise is considered to be small-scale when it either has less than 20 employees in the manufacturing sector or less than 5 in the service industry. Credit intermediaries can provide finance through two schemes: financing based on the collateral of valuable asset deposits such as land or machines and financing without deposits. For the non-deposit scheme, the decision of providing credit relies upon the suggestion of management instructors.

In order to access the Government's financial support, enterprises are examined by management instructors in terms of their: (1) balance sheet; (2) implementation of responsibility for the State and the community; (3) business potential, etc. Based on the above information, assessment of the feasibility and potential of the business is made by the management instructor. If the business has prospects, management instructors can suggest the provision of non-deposit credit through a letter of introduction. Recommended enterprises then take the letter to the Japan Development Bank and complete borrowing procedures. The amount of credit varies from enterprise to enterprise but does not exceed JPY 1 billion. In the period from 1973 to 2007, there have been 4,640 enterprises financed via this scheme.

Secondly, management instructors support enterprises in their local area to improve business results. Using this function, management instructors act as "doctors" by examining the "health" of enterprises. Through so-called "health

checking”, enterprises consult management instructors in changing, adjusting and improving their business strategies in order to achieve better results.

Thirdly, enterprises consult management instructors in relation to accounting systems. In Japan, small and micro-small enterprises often are not completely certain about the accounting system and how to conform to enterprise law and therefore management instructors can guide enterprises in reporting on their businesses correctly.

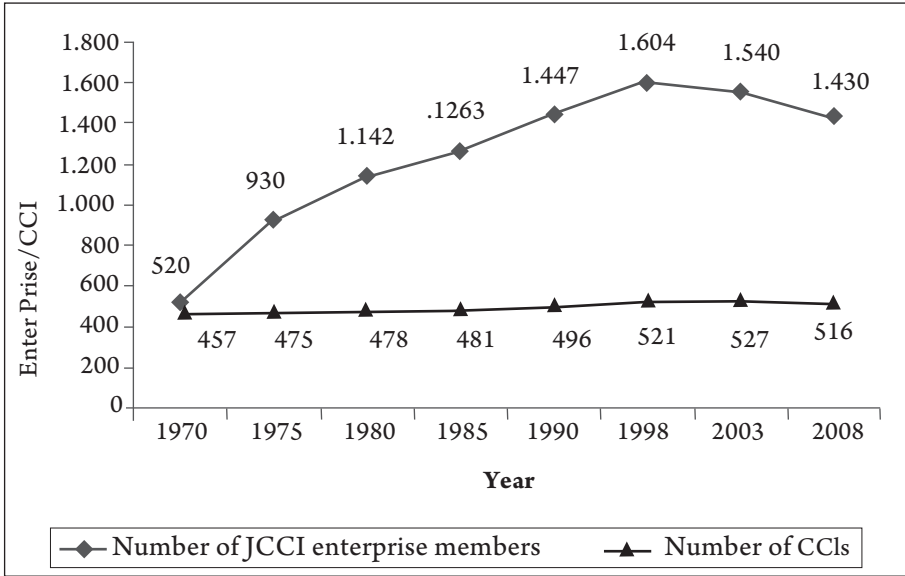
Fourthly, management instructors act as a link between the Government and enterprises, often referred to as cells of the economy. On one side, management instructors help enterprises understand and meet the requirements of Government policies. On the other side, based on an understanding of the current situation of enterprises in local areas, management instructors give policy recommendations to Government.

Requirements of management instructors of JCCI

In order to be a management instructor of JCCI, one individual needs to satisfy six primary requirements as followings:

- Having graduated from a university that is accredited to the School Education Act and acquired at least two years of management or guidance experience in the commercial, manufacturing, or mining sectors within the past five years.
- Having acquired at least five years of management or guidance experience in the commercial, manufacturing, or mining sectors within the past seven years.
- Having qualified as a certified public accountant, a junior accountant, or a registered accountant under the Certified Public Accountant Law.
- Having qualified as a certified public tax accountant under the Certified Public Tax Accountant Law.
- Being a registered small and medium sized enterprise consultant (SMEC)
- Having completed a management instructor training course.

Figure 4.1. Number of JCCI enterprise members and CCIs



Source: JCCI, 2009

Results of the management instructor system

From 1970 to 2003, the number of consulted enterprises continuously increased. Due to the reduction of JCCI enterprise members, the number of enterprises receiving advice has reduced since 2003 (see Figure 4.1).

From 1973 to 2007, the management instructor system has supported 4,640 enterprises to access financial credit. On average, there have been 137 enterprises receiving advice annually on business development. In addition, the system also assures the “health” of thousands of JCCI members as mentioned previously.

4.2.2. Comparing shindanshi with JCCI management instructors

The below table illustrates the similarities and differences of the two systems.

Table 4.3. Shindanshi system versus the JCCI management instructor system

	Shindanshi System	JCCI Management Instructor System
Mission	Help Japanese enterprises operate more effectively	
Objectives	<p>Enterprises consult shindanshis</p> <ul style="list-style-type: none"> ▪ Credit accessibility ▪ Improvement of activities ▪ Link Government and enterprises, then contribute to the information dissemination and policy implementation 	<p>Enterprises consult JCCI management instructors</p> <ul style="list-style-type: none"> ▪ Credit accessibility ▪ Improvement of activities ▪ Adherence to accounting system ▪ Link Government and enterprises, then contribute to the information dissemination and provide policy recommendations
Year of establishment	1948	1922
Scale	18,682 certified shindanshis. The number of shindanshis in J-SMECA is 9,000	5,500 management instructors working in CCIs.
Nature of the system	A system of training, certifying and maintaining SME consultants' competence	A system of business management consulting
Requirements of consultants	<p>There are two ways to be shindanshi:</p> <ol style="list-style-type: none"> 1. Passing the two exams and then taking a practical course. 2. passing the first exam and joining the training program in SMEU 	To meet the six requirements above (section 4.2.1).

Chapter 4: Related Organizations

Advised enterprises	SMEs	Small and micro small enterprises
Service fee	Enterprises have to pay	Free of charge
Use of consulting conclusion	Financial credit accessibility	

Source: JCCI and SMEA, 2009

CHAPTER 5

SHINDAN SYSTEM IN THAILAND

5.1. Japan's support to develop the shindanshi system in ASEAN countries

Recognizing the significant contribution of the shindanshi system to the development of the business community in Japan, the Japanese Government has implemented some projects to deploy the shindanshi system in some countries in the Association of SouthEast Asian Nations (ASEAN) region, in the process of supporting economic development of ASEAN countries. In 1999, right after the end of the Asian financial crisis, the business management consultants system, known as the “shindan system” was implemented in Thailand through a 5 year project funded by the Japanese Government. The project showed that the shindan system in Thailand has achieved expected outcomes.

Indonesia was the second country in the ASEAN region to import the shindanshi system from Japan. Through the aid of support programs, starting in 2003, by the Japanese Government, SMEs in Indonesia have been involved in various initiatives for industrial human resource development and technology dissemination through consulting, including the administration of the training courses for consultants, discussion in preparation for the establishment of the national certification system, and the establishment of a division in charge of consulting within local government. The system of management diagnosis consultants, especially for SMEs, was officially born in Indonesia in 2006 with the support of

JICA. Up to now, the shindanshi system in this country produced more than 300 shindanshies whose contribution to the development of business community is significant.

The Japanese Government formulated a plan to support the shindanshi system in the Philippines. On 9 September, 2006, a Joint Statement on the Occasion of the Signing of the Agreement between Japan and the Republic of the Philippines for an Economic Partnership was signed by the Prime Minister of Japan, Mr. Junichiro Koizumi and President of the Philippines, Mrs. Gloria Macapagal Arroyo. Item vii of this statement related to SME development and denoted that Japan would implement the SME Counselors Project to help the Philippines to develop its own shindan system. The SME Shindan for Philippine SME Counselors Project was then piloted in five provinces in the country namely, Albay and Laguna in Luzon, Iloilo and Leyte in the Visayas and Cagayan de Oro in Mindanao. Besides the Philippines, the Government of Japan also supported Malaysia to improve business management consultancy services by organizing training courses.

5.2. Introducing the shindan system in Thailand

As mentioned previously, the shindan system in Thailand was established in 1999, after Asian financial crisis. At that time, the Japanese Government focused on supporting Thai enterprises to recover from crisis. Among supporting projects funded by the Government of Japan, there has been one targeting the business management consultants system. The project's objective was to enhance enterprises' internal resources. Although Thai people have their own word to describe enterprise evaluators or consultants, they call the imported system "shindan" in recognition of Japan's help.

In Thailand's Shindan system which was started with a 5- year project, from 1999 to 2004, 115 experts have been sent from JICA and Japan Overseas Development Corporation (JODC) to Thailand to complete 5 shindan classes. Learners could take either full-time or non-working hour courses, which could be taken either after-hours or on Sundays. After taking all courses, fulltime learners would be recognized as shindanshi. The training program for non-working-hour learners was divided into independent courses. Learners had to take all the courses to become shindanshi. Often, only a minority of these learners became shindanshi.

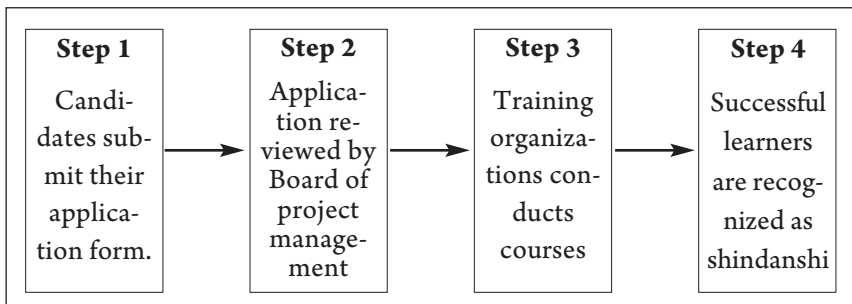
After 2004, the Government of Japan thought that Thai people could run and improve the shindan system by themselves and so they stopped funding the system. Since then, many training organizations have held shindanshi courses by

mobilizing finance from learners. In contrast to Japan, where training organizations have to ask for permission from METI, training institutions in Thailand do not have to ask for permission from any state management office. Moreover, there has not been any standardized program for them to follow. That is also the reason for the diversification of shindan training programs. At the beginning stage, the shindan program was designed to take 1,044 hours. However, it later became shortened to 600 and even 300 hours. Nowadays, some organizations hold short shindan course which takes learners about 60 to 70 hours to accomplish. One short course focuses on only one subject area, such as marketing, finance or production, etc.

When referring to the shindan system in Thailand, the first thing that should be mentioned is the difference between the shindanshi concept and the meaning of business consultants. If in Japan, shindanshi is a specialist who diagnoses and gives guidance concerning various management issues to SMEs, then in Thailand, shindanshi refers to an enterprise evaluators. If one enterprise in Thailand wants to improve their business performance, they have to hire one shindanshi to assess the current situation of their business and then one consultant to propose solutions for improvement. Of course, some shindanshi, although not many, have the ability to give recommendations for improvement. Besides, shindanshi in Thailand refers to widely qualified people who are masters in many fields, especially general management, marketing, finance, production and human resource management, where as one consultant may understand only one of these fields.

The second thing that should be mentioned about the shindan system in Thailand is that it is not a system, but a combination of courses that aimed at creating enterprise evaluators. The application and training process is described in Figure 5.1.

Figure 5.1 - Application and training process



Source: As described by experts of TPA, Thailand

Step 1: Candidates who find themselves able to meet requirements for participation in the shindan program can apply to attend shindan courses. Candidates can be employees of state management offices involved in SME promotion and development, members of consulting companies, functional managers, business owners, etc. Applicants are required to have bachelor degrees and at least 2 years of experience in business management. Applicants also have to commit to spend enough time to attend, as well as to finance the courses.

Step 2: Applications will be reviewed by the Management Board or the manager of the relevant training organization.

Step 3: Learners take courses at training organizations. Details on shindan curricula will be presented in 5.3

Step 4: After completing courses, learners will be recognized as shindanshi.

Overall, the shindan system in Thailand is much simpler than the shindanshi system in Japan. The differences between the two systems are shown in the table 5.1.

Table 5.1 - Comparing the shindanshi system in Japan and Thailand

	Shindanshi system in Japan	Shindan system in Thailand
Shindanshi concept	A specialist who diagnoses and gives guidance concerning various management issues to SMEs	A specialist who diagnoses enterprise related situations
Classification of shindanshi	Three types of shindanshi exist: in industry, commerce, and IT.	Only one type of shindanshi
Registration scheme	Primary and secondary exams	No exams

Recognition of training organization	- Training organizations have to ask for permission from METI to hold shindanshi courses.	- Training organizations do not have to ask for permission from any state management offices.
Standardized program	J-SMECA uses standardized training curricula which training organizations have to follow.	Training organizations can have their own training curricula.
SME University	Shindanshi training programs are conducted at the SME University within 1 year.	Establishment of SMEU is proposed in the Action Plan for Thai SMEs Promotion in 2007- 2011. However, SMEU will not focus on shindanshi training but on entrepreneurs development. The shindanshi training program is now conducted in Thai Nichi Institute of Technology (TNI), at the University of Commerce and Bangkok University.
Certification	METI issues shindanshi certificates.	No certificate
Capability maintenance training	Every shindanshi has to participate into capability maintenance training course after receiving a certificate.	No capability maintenance training is necessary after being recognized as a shindanshi.
J-SMECA	There is a consultant association which coordinates and links shindanshi for the purpose of knowledge, experience and information sharing. Inside J-SMECA, there is one business clinic for supporting enterprises.	There is neither a consultant association for shindanshi, nor a business clinic.

Source: The authors constructed based on interviewing Thai experts

5.3. Shindan training program in Thailand

As mentioned above, the training time of the original shindan program in Thailand was 1044 hours, which was later shortened to 600, and even 300 hours. Some organizations conduct short shindan courses, each focusing on one field such as shindan in marketing management, shindan in human resource management, shindan in production management, etc. Famous shindan training organizations in Thailand are TNI, Bangkok University, and University of Commerce.

So far, there has been no standardized shindan training program in Thailand. Each training organization has their own requirements for applicants, lecturers, curricula, training times, etc. All of them, however, have the same teaching methods which combine theoretical and practical lessons. Shindan programs can be long-term, e.g. TNI conducted shindan program within MBAs that focused on enterprise management. Programs can also be medium – term with 300 hours, or even shorter with 60 to 70 hours. Figure 5.2 illustrates the shindan program provided by TNI.

Figure 5.2 - Shindan program in TNI

Shindan training program (MBA in executive enterprise management)			
<p><i>Criteria to select learner:</i></p> <ul style="list-style-type: none"> - Must have bachelor degree in engineering, science, economics or business management; - Must be over 25 years old; - Must have at least 2 years of experience in 	<p><i>Curriculum: 42 credits in total</i></p> <p>Plan A: (thesis program) consists of 10 subjects (30 credits) and one thesis (12 credits)</p> <p>Plan B: (term paper program) consists of 13 subjects (39 credits) and one term paper (small research, 3 credits)</p> <p>Lists of subjects:</p> <ul style="list-style-type: none"> - 10 compulsory subjects (Managerial Accounting and Finance, Strategic Marketing, Production Management 1, Produc- 	<p><i>Teacher:</i></p> <ul style="list-style-type: none"> - Lecturers are classified into 2 groups: internal and external lecturers. Internal TNI lecturers are assigned to teach compulsory subjects while the external lecturers, who are mostly experts in various fields such as production, human resources, accounting, and marketing, are invited to teach for various elective subjects or to be guest speakers for special topics. 	<p><i>Teaching method:</i></p> <ul style="list-style-type: none"> - Classroom lecture, - Factory visit, - Case study analysis, - OJT, - Guest speaker, - Student group study - And presentation

<p>business management;</p> <p>- Must afford tuition fee of at least Bath or Baht? of 200.000 per 2 years;</p> <p>- Commit to spend enough time to attend courses.</p>	<p>tion Management 2, Human Resources Management, Information Technology, Business Case Study Analysis, Practical Enterprise Diagnosis and Development (Shindan), Practical Strategic Management, and Thesis or Term Paper</p> <p>- Others (electives) (Business Counseling, Toyota Production System, Venture Business Planning, Business Development and Evaluation, Overseas Seminar, etc.)</p>	<p>- Criteria to select teachers include university qualifications, shindan services and evaluation experience, direct industrial working experience, and teaching experience, which is the most important criteria.</p> <p>- TNI teachers can improve their capabilities by taking short courses, as co-researchers, observing teaching, as academic reviewers and through article writing, as student advisors on the job training (OJT), for student theses and term papers, and by attending factory visits.</p>	
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Source: TNI, 2009

In addition to studying in class, learners also need to study in enterprises. Each learner has to pass a total of 4 to 6 factories within 7 to 10 days of OJT. For example, in TNI, a specified number of factories should be visited for each study unit, as follows:

- Production management 1: 1 factory
- Production management 2: 1 factory
- Shindan: 2 factories
- Business counseling: 2 factories

Each learner also needs to spend 5 to 6 days visiting 5 to 6 best practice factories (one company per day).

Evaluation of learner performance is dependent on each subject. For exam-

ple, for the shindan subject, learner performance is assessed through mid-term exams, data collection skills, analysis skills, suggestion skills, report and presentation skills, team work projects, and evaluation by factory.

5.4. Results of the shindan system in Thailand and future plans

According to TPA, the 5 year Shindan project in Thailand produced more than 450 shindanshi who are said to be working effectively. Since 2004, short, medium and long-term shindan programs are conducted by training organizations. The programs are attractive to learners in Thailand.

In 2008, companies in Thailand fell into, and have been badly damaged by the second financial crisis which is believed to have arisen from the United States. One of the solutions proposed to help SMEs in Thailand recover from the slowdown, as well as develop with stability, is to improve the business management consultants system. Improvement of the shindan system is one of priorities in the SME promotion plan formulated by the Office for SMEs Promotion (OSMEP) in Thailand. By coordinating JICA's and Thai state offices' activities, a pilot project to study SMEs' business management consultant needs and the capability of consultants will be implemented in Chiang Mai and Slantani. A training program then will be provided for consultants there and it is expected that if the pilot is successful, the project will expand to other provinces in Thailand.

Regarding the shindan system in the SME promotion plan by OSMEP, the most important item is the establishment of "Shindan House", an organization manages and controls all activities of the shindan system in Thailand, including formulating registration schemes, conducting standardized training programs, supervising training activities, establishing business management consultant associations, certifying, and other activities. "Shindan House" in Thailand will be the same as J-SMECA in Japan. Its ultimate goal is greater effectiveness of the shindan system.

5.5. Implications for countries which would like to develop shindan systems

According to some Thai experts, the shindan system in Thailand is still in its beginner stage. Its activities are simpler than the original shindanshi system in Japan. Although the system is simple, it has still contributed significantly to the development of the business community in this country. When talking about is-

sues that countries should pay attention to when building a shindanshi system, from the experience of Thailand, some experts noted the following:

At first, the registration scheme and certifying system needed to be clearly defined. Registration schemes should be understood as comprehensive mechanisms which include activities such as registration, exam organization, training and certification.

Secondly, the policy on cooperation between training organizations and factories should be very clear. The policy should clearly state the job that shindanshi learners will take, the positions that he or she will hold as well as the time he or she will stay in the factory. Training organizations need to share, with factories, information about objectives, processes and the schedules of training programs, as well as the benefits that factories will gain when letting learners take internships in their organizations. Factories also need to show their commitment and responsibility in cooperation and their honesty by providing real data.

Thirdly, the shindanshi training program needs to be customized to conform to the host country context. For example, in Japan, the training program does not focus on things like 5S, Kaizen, Just In Time, etc. since Japanese are familiar with these management techniques. However, emphasis on these tools will really be necessary for other countries.

Fourthly, shindan classes should be in small size, preferably with less than 30 learners. This will make it easier to share ideas and thus bring about higher quality learning outcomes. In addition to that, learning schedules should be changed to ensure that theoretical and practical lessons are mixed, instead of taken in turn.

CHAPTER 6

SHINDANSHI SYSTEM

SUCCESS FACTORS AND ITS

APPLICABILITY FOR

VIETNAM

Finally, one of major challenges faced, which, if changed can also contribute to a long-term solution for many countries, is enterprises' viewpoints on business management consultants. So far, in many countries, enterprise managers do not often trust consultants. Doubts about the capabilities and honesty of consultants are a major obstacle for development of the shindan system.

6.1. Success factors

The shindanshi system has contributed significantly to the remarkable development of the business community in Japan in particular and the Japan economy in general. The reasons for that can be broken down into several key success factors as follows:

Chapter 6: Shindanshi System Success Factors and its Applicability for VN

Firstly, the shindanshi system focused on the interests of all stakeholders and actually creates value for them. The stakeholders of the shindanshi system include the Japanese Government, local authorities, large enterprises, SMEs, banks and financial institutions and SME consultants. The system has made local authorities pleased since they need business doctors to “diagnose” and “provide treatment” for enterprises in their areas.

Enterprises can also receive benefits from the shindanshi system of which, shindanshi can be an employee or an outside consultant to the company. Besides, the system can also be useful to bankers and financial institutions because it reduces procedures for financial ability assessment and thus, saves time during the financing process. Finally, for shindanshis, consultancy is their occupation and career. The shindanshi system makes their job official and provides them with chance to maintain knowledge and upgrade their skills. Shindanshis, thus, directly receive benefits from this system. In summary, the shindanshi system creates value for all stakeholders and they, thus, try to make the system better.

Secondly, the Japanese Government has provided remarkable support to the system. The annual costs of registration and examination are paid by the Government. This costs around JPY30 million and can sometimes reach up to JPY40 millions. Besides, the government also pays for a part of the training costs, accounting for about JPY3.17 annually. The Government also shows their support in designating METI in general and SMEA in particular to be in charge of the system. The commitment of Government to the success of the system makes it orderly and effective.

Thirdly, the shindanshi system has a long history and within that, a long time to develop, improve itself and confirm its stability (see Chapter 2 for further details).

Fourthly, the shindanshi system is supported by Japanese laws. One clear decision of the Government is institutionalizing the system was to make all the relating activities of the stakeholders function together and as all the activities are regulated, the system can be more effective.

Finally, the success of the shindanshi system results from the good performance of the key organizations including SMEA, J-SMECA, SMRJ, SMEU and other organizations. The reliability of these organizations’ activities has cre-

ated strong belief in the system by other organizations and thus, all the stakeholders have tried to improve their activities.

6.2. Applicability for Vietnam

6.2.1. Need for the shindanshi system in Vietnam

Thanks to reforms in enterprise establishment procedures in Enterprise Law in 1999, the number of newly reiterated enterprises in Vietnam has rapidly increased. In the period of 2000-2005, there have been 160,000 newly established enterprises, accounting for 3 times the total number of registered enterprises in the decade from 1990- 1999. As of June 2008, Vietnam has nearly 400,000 enterprises of which 95% are SMEs (MPI, 2008). These enterprises significantly contribute to the development of Vietnam's economy. The simplification of the registration of enterprises has encouraged business households (it is estimated there are more than 2 million in Vietnam) to change to companies. The number of enterprises in Vietnam, thus, is expected to be much higher. .

According to the Vietnam SMEs Association, the majority of SMEs in Vietnam are now facing difficulties. For example, it is hard, even impossible, for them to access finance. Besides, they also find difficulties in accessing technology, markets and managing effectively, etc. These problems are inherent to SMEs in Vietnam, especially at present, when the impact of the economic crisis and slowdown has made SMEs' activities decline, and inflation has made their costs uncontrollable, reducing their market share and capital. A supporting system, thus, is important to solve inherent difficulties. In this situation, one system like shindanshi, with the main function of diagnosing and suggesting solutions to enterprises is important for their development.

In Vietnam, business management consulting activities have not been carried out in systematic way. Vietnam has not had any law to designate the requirements for management consultants or to ensure consulting activities are reliable. Any firm who wants to provide consultancy services can register for this function, regardless of their level of competence. They can find customers and process consulting orders as long as they pay tax to the State. Similarly, any individual, who thinks he or she has the competence to be a business consultant can

sign and process consultancy service contracts. Consultants and consultancy companies do not participate in any official network but they form some associations such as the Milk Provider Association, Construction Association, etc., in order to create conditions for experience and information sharing. These associations' activities are not regular and thus, do not bring much benefit to their members. Since the business management consultancies are not well developed, service providers can not convince SMEs to use the consulting service.

The continuous development of the Vietnamese economy results in an expansion of activities and an upgraded level of professional management of enterprises. The support of the State and consulting experts will always be important, and even the key to the success of Vietnamese enterprises. For that reason, such a system like shindanshi is necessary in Vietnam.

6.2.2. Conditions for applicability in Vietnam

Vietnam has been looking towards various models for its socio-economic development. With some resemblance between Vietnam and Japan and the support of the Japanese Government, the shindanshi system model can be examined and applied in Vietnam. However, it should be done with some adjustments in order to be fully effective, as the following suggestions provided by the authors demonstrate:

Firstly, stakeholders should be motivated in the right way. The shindanshi system in Vietnam should be designed in a way so that stakeholders easily recognize the benefits they receive from the system. Their benefits are presented in the following box.

Box 6.1. Benefits to the shindanshi system stakeholders

Vietnamese Government

The shindanshi system is a supporting system for enterprises, which is needed by the Government of Vietnam. The Government can boost the development of the business community and the economy through this system. Similarly, the local authorities can benefit from consultants

since they come to diagnose, assess and suggest solutions to problems in enterprises. The ultimate goal of this process is to make enterprises more effective.

Enterprises

Differing from the shindanshi system in Japan, the beneficiaries of the shindanshi system in Vietnam should be enterprises of any size across all economic sectors. The reason for this is that in Vietnam, the management skill in all enterprises has not been professional enough and has not reached the level of those in developed countries. Organizations can use shindanshi as internal consultants for improvement of internal activities. These experts are in charge of diagnosing, assessing and then giving solutions to problems of the enterprises. It is noted that the consultancy companies also benefit from this system since they own certified consultants. The certificate, on one side, proves the competency of the shindanshi. On the other side, it is a guarantee to the customers. The consultancy companies, thus, can be proud of their qualified employees and be confident about their competitiveness in the market.

Financial institutions

The assessment of one enterprise's current situation should be used for financing deals. After diagnosing enterprises' situations, shindanshi can make conclusions that should be used by financial intermediaries in financial decision-making. They, thus, can benefit from the system for the following two reasons: Firstly, the information channel between financial intermediaries and enterprises is established. Based on that, financial intermediaries will know which enterprises need finance, and how much. Secondly, financial intermediaries can reduce the procedures involved in enterprise financial capability assessment before providing credit. The credit process, consequently, should be simplified but still restrict risks.

Business management consultant

Business management consultants directly benefit from the shin-

shindanshi system for the following reasons: Shindanshi certificate makes their jobs official. For them, consulting is recognized by the Government and hence, it is easy for them to look for job offers. Organizing and maintaining the shindanshi system will make shindanshi certificates more valuable. It is believed that shindanshi have to learn hard, both in theory and in practice and pass very competitive examinations in order to receive the certificate. It is also believed that the performance of shindanshi must be excellent. The shindanshi system creates a mechanism which pushes consultants to update and upgrade their knowledge and skills so that they can always meet the requirements of the system itself. This means that the system should have some requirements such as annual or even semi-annual supplementary training. Through these training courses, the knowledge and skills of shindanshi will be upgraded and consequently their consultancy capability will be improved..

Source: Suggested by author group

The above benefits to stakeholders are proposed for the system. Motivation identification is important as benefits will decide the level of participation of stakeholders and accordingly the success of the system.

Secondly, the organization and management of the shindanshi system should be put into law, especially the Law on Enterprises. The legislation will define the framework for all stakeholders' interests and responsibilities. The law should be made before or during the process of deploying the shindanshi system. This process is expected to take about 2 years.

Thirdly, the shindanshi system should be conducted under the support of the Japanese Government. Since the system has been functioning well for more than 50 years in Japan, Japanese understand how the shindanshi network can work best, the advantages and disadvantages of the network and also the prob-

Chapter 6: Shindanshi System Success Factors and its Applicability for VN

lems to be faced in the setting up of the system. The support from Japanese Government will help Vietnam to reduce, even eliminate mistakes in the implementation process and hence, allow the shindanshi system to quickly establish its functions.

Vietnam needs to study the shindanshi system and expose the requirements of details related to: (1) what the Japanese should support; (2) how the Japanese should support; (3) who should be supporters; and, (4) to whom Japanese support should be provided to. One coordinating organization should be established for contact e.g. on the Japanese side, JICA is in charge of this responsibility.

Fourthly, the Government of Vietnam can play a very important role in the shindanshi system by conducting the following activities:

- Allocating a budget for shindanshi registration, examination and training. The Government should consider the budget a long term and necessary investment for the development of the business community in particular and the whole economy in general. In contrast to the shindanshi system in Japan, the Government of Vietnam should pay all the costs for shindanshi registration, examination and training for at least 3 years. After the society recognizes the benefits of the system, the enterprises will pay at least two third of the training costs and the Government can pay the costs of shindanshi registration and examination. The Government may also ask for grants from the Japanese Government for system implementation.

- Finding or establishing some key organizations for the shindanshi system such as:

- One organization for managing the shindanshi system like SMEA. This organization should be put inside the Ministry of Industry and Trade and have close relationships with other ministries such as the Ministry of Planning and Investment, the Ministry of Finance, and the Ministry of Education and Training. This organization receives support from the Japanese Government and manages the system.
- One organization for managing shindanshi examinations.

- One organization for managing shindanshi training programs. The Government of Vietnam may assign some famous business management training organizations such as the National Economics University and some other business management universities to be in charge of conducting the program. Since shindanshi training is an advanced program, it should be designed carefully.

Finally, the applicability of shindanshi system needs a precise action plan and should be conducted at a small scale at the beginning. The prior trainees and training program should be recognized. For example, at first, the Government of Vietnam should carry it out with financial intermediary officials and then with other cases. For the first few courses, the Government of Vietnam should ask for help from the Japanese Government to implement shindanshi registration, examination, training and certification. When the system runs smoothly, the Government of Vietnam can then take it over.

CONCLUSIONS

The Japanese economy has quickly developed since the end of World War II. From a damaged economy, Japan caught up with European countries and then rose up to be the second largest economy in the world, after the US. In history, Japan is the only country which could maintain an annual high growth rate of about 13.5% in the long period between 1955-1973. Since 1970, Japan has become one of the three largest economic centers in the world. Although the economic growth rate has fallen since 1974, Japan is still the second largest economy in the world. In 1950, the GNP of Japan was USD 20 billion, increasing to USD 402 billion in 1973, USD 2,828 billion in 1980 and to USD 4,664 billion in 2005. Income per capita increased from USD 23,796 in 1990 to over USD 38,500 in 2008. This can be put down to the Japanese Government's clear support policies for business, including the shindanshi system.

With 18,682 business consultants, the network has expanded to all 47 districts and cities of Japan and has significantly supported enterprises. Through the assessment of shindanshi, enterprises have had the chance to access finance, understand their current situation, and recognize solutions to improve business activities. It can not be denied that the shindanshi system has remarkably contributed to the development of the business community in particular and of the Japanese economy in general. The development of the shindanshi system and its functions within the economy have started a movement in many Asian countries such as Thailand, Malaysia, Indonesia, the Philippines and Vietnam.

In 2008, the income per capita of Vietnam reached the level of over USD 1,000 for the first time. Although many Vietnamese still live under the property line, this number is really an achievement for Vietnam and marks an important milestone in economic development, especially in the current gloomy context of the world economy. In the years ahead, Vietnam needs to innovate to continue to achieve its economic development objectives. With the benefits of shindanshi, hopefully, Vietnam can find support from Japan. The shindanshi system can provide good leverage to create a stable environment for the business community and furthermore help Vietnam achieve more rapid leaps ahead in economic development.

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