Sociological Study of Social Enterprises Which Promote Sustainable Community Regeneration

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Abstract
Against the backdrop of the inexorable progress of globalization, such as urban poverty, the decline of inner city areas, and cutbacks in local welfare services, have grown more severe in Japan. Some citizens have started to set up organization and tackle with these problems by business method, which is called “Social Enterprises (SEs)”. SE is a nonprofit organization with strong entrepreneurial spirit and sense of social mission.

In this paper, I pick up two case studies, one is inner city problem in urban area and the other is depopulation problem in rural area. I made clear that SEs have connected many people to create social capital which revitalizes community resources. They find new value in community resources which seemed to be not so attractive to community by creative way. Although many SEs have faced financial difficulties, they try to empower both communities and individuals.

1. Background
Against the backdrop of the inexorable progress of globalization, certain problems, such as urban poverty, the decline of inner city areas, and cutbacks in local welfare services, have grown more severe. To tackle these problems and promote sustainable urban regeneration, it is important that the civil sector (including voluntary organizations and nonprofit organizations) enter into partnerships with the public and private sector and form new styles of governance. However, many voluntary organizations have faced financial difficulties. Especially in Japan, the institutional infrastructure that supports the civil sector is still underdeveloped by comparison with Europe and the United States, and the civil sector has not yet fully developed.

Recently, growing attention has been paid to the potential for voluntary organizations to embark on business activities and evolve into “Social Enterprises (SEs)”, which try to achieve financial independence. SE is a nonprofit organization with a strong entrepreneurial spirit
and sense of social mission. The rise of SEs has coincided with globalization and the subsequent restructuring of NPOs at the local level.

The roots of social entrepreneurship are grounded on the relationship between the public, private, and civil sectors. For example, in the United States, where neoliberal policies prevail, SEs operate in line with market principles and are supported mainly by private foundations and individual donations, reflecting the culture of citizen participation. This is different from the European model, by which SEs are mainly supported by government policies and typically collaborate with the public sector, including the national government and the European Union.

In Japan, NPOs have assumed an important role in promoting sustainable urban regeneration and offering public services in the 1990s, a decade marked by government and market failure. Although SEs are still in their infancy in Japan, it is valuable to elucidate their social significance and potential, determining what kind of social capital is needed to create a business network for solving community problems and how resources can be managed to ensure financial independence. Namely, it is important to clarify which cultural and social context makes the activities of social enterprises possible, and what goals they are pursuing.

Many studies in the United States have focused on issues of organizational management and the innovation function of SEs (Leadbetter1997) and the role of social entrepreneurs as innovator (Dees1998; Schneiderand Teske1992). In Europe, meanwhile, the social enterprise network “L’Emergence des Enterprises Sociales” has conducted a large-scale study of SEs in the aim of dealing with the problem of social exclusion (Borzaga& Defourny eds., 2001). European researchers emphasize the importance of solidarity among SEs in the context of the Social Economy.

However most studies thus far have neglected to look closely at the relationship between SE activities and the community and how this relationship affects the style of community governance. Only a few studies exist about social capital and networks created by social entrepreneurs (Aldrich&Zimmer1998; Johannisson1995; Rogers1995). SEs have great potential for solving the problems caused by globalization, such as social exclusion and poverty.

The purpose of this paper is to make clear the possibility of SEs that promote sustainable urban regeneration in Japan. Thus this proposed study will consider the following three questions:

1) How do the social enterprises organize the network of individuals and organizations,
“social capital” as they are called, to facilitate their activities?

2) How do they manage community resources, including land, buildings, and housing, to make profits sustainable, while balancing between their business and social mission?

3) How do they empower community and individuals through their activities?

This study examines how social entrepreneurs manage local resources (which community organizations and networks are utilized), which techniques are used to successfully launch and run enterprises, and how activities empower individuals and communities on the basis of interview surveys conducted on two typical Japanese community problems.

Using these issues as examples, it attempts to shed light on the kinds of social infrastructure that make social enterprises viable.

This study will also identify urban policies and institutions that support SEs and their governance capabilities at the local and national levels. The findings will be used to stimulate a policy debate on the development of SEs in the field of urban regeneration. So firstly, I want to see the situation of SEs in Japan and then take 2 examples to see their activities and impact on community and individuals.

2. Social Enterprises in Japan

It is said that because of strong centralization in Japan, citizen’s motivation to solve the problems by themselves is very weak. They have a character of dependence on central-local government. That is the one of the reason why the civil sector is not fully developed yet in Japan compare to Europe and the US. But people have strong interest in the new movement of civil sector “community business” and “social business”, which citizens solve problems sustainably by using the business methods.

In 1960~70’s, there were many volunteer activities which support aged, handicapped people and also resident movement to tackle with environmental pollution, rapid urban redevelopment etc. Most of the movement was to resist local government policy and tried to solve the problems caused by rapid economic development, what we called “new social movement”.

But in this stage, volunteer activities were understood as not related to profit but to charity or social activities.

This situation has changed at the middle 1980s after becoming a period of low economic growth. Government budget, especially welfare cost was cut and the system which independent individuals compete for profit in market economy was set up at that time. This neoliberalism tendency becomes strong in 1990’s.
Social Enterprises in Japan

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<td>Florence(Tokyo)</td>
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<td>Support for sick children</td>
<td>Help parents whose children become sick etc.</td>
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<tr>
<td>G-net(Gifu)</td>
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<td>Community Regeneration</td>
<td>Human training for community industries and internship for students</td>
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<td>Forest Practice (Tokyo)</td>
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<td>Create jobs for handicapped</td>
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<td>Kunma(Shizuoka)</td>
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<td>Kamonohashyi project(Tokyo)</td>
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<td>Solve the problem of child</td>
<td>Support for children’s independence by IT business</td>
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The concept of NPOs was imported from the US and it has been recognized widely since the end of the 1980s. Accordingly movements toward institutionalization is growing in Japan. The Great Hanshin-Awaji Earthquake occurred in 1995 spurred this movement. Over 1.5 million volunteers who gathered for the earthquake created a major movement that may be called the “Volunteer Revolution”. According to these situations, a rapid progressing infrastructure is being formed as a system aimed to create civil sector. This includes the enactment of “The law of Concerning the Promotion of Specific Non-Profit Organization Activities (the NPO law)” in 1998.

Then many NPOs started to accept outsourcing from the local government. In the course of such business, however, the tendency of the local government to outsource NPOs as inexpensive labor became stronger. The big themes are how to achieve financial independence of NPOs.

Recently, there has been a growing attention for voluntary organizations to start up enterprise activities and evolve into social enterprises in Japan. The movement of SEs has expanded greatly to create new strategy for solving the community problems.

Japan, many studies in Japan are focusing mainly on comparative study of SE and introduce organizational structure to Japan. Tanimoto et al. (2006) compares SEs between UK ,the US and Japan using innovation cluster to analyze the organizational relationship around the SEs. He has also started up the network of SE, what is called “Social Innovation Japan (SIJ)”. There are some research about social-institutional background which promote the emergence of SEs (Tukamoto 2003, Nakagawa 2005 )

Considering of these studies, I think the main sociological theme about social enterprises are following three points.
1) mechanism of social capital, which SEs create in their activities
2) management of community resources,
3) empowerment of individual and community,

To examine these points, I look at two issues. One is a SE working in urban area, and the other is in rural area. Both of them are trying to solve typical problems in each area, homeless and depopulation.

3. Case study in urban area

3-1. The problems in Kotobuki-cho (inner area problems)

Kotobuki area is situated at the central part of Yokohama where the total population is 3600,000. The size of Kotobuki area is about 60,000m², population is about 3,500, that of foreigners is about 500, but there are many people who is not registered as residents, so actually it is said that the number of inhabitants are approximately 6,500. Contrast to Minato-Mirai where is recognized as the light side of the Yokohama, Kotobuki area is recognized as a dark side of the city.

Kotobuki-cho is one of the famous ‘Doya town’ (There are 3 big Doya towns in Japan). ‘Doya’ means cheap accommodations for day-laborer. About 70 landlord (most of them are foreigners) own 120 Doya accommodations and rent it for as the price of about ¥66,000 per a month. The characteristic of Kotobuki is that the size of room is only for single person so people can get their certificate of residence to get public welfare assistance. Over 50% is aged over 60 and among them, 80% are receiving public welfare assistance. That is a kind of slum which representative the poverty in Japanese society.

Originally Kotobuki area was occupied by the American army until 1955, and they use the
place as putting war materials. After the army had evacuated, many people from Northern and southern Korea came to this area and become land owners. After that, it became a kind of abandon area where local government can do nothing with and the market didn’t pay attention to there.

During rapid economic development, so many people came to Kotobuki as dock-day-laborers and cheap houses were built for them. That became “Doya town”. But after serious economic recession in 1990’s, the number of unemployment is increasing rapidly and many of them have no choice to get public welfare assistance or become homeless. Following to this situation, vacant rooms were increasing in this area. The number of vacant rooms is 1600 of 8000 now. To tackle this situation, the project “Yokohama Hostel Villedge” have started in 2005. In this project, joint-stock company “Funnybee” was set up as a Social Enterprise contracting with Doya owner. They manage and clean the vacant rooms lending to mainly foreign travelers. Their purpose is to change the image of Kotobuki and promote urban regeneration.

3-2. Background and methods of SEs

From mid 1990’s, volunteer group, the name is “Patrole on Thursday” started projects to help homeless becoming independent and building self-sufficiency. They got NPO status in 2001, and provide clothes, medical care, food, work and housing to support the inhabitants of Kotobuki-cho. In that process, volunteers give not only material support but also mental support to encourage homeless’s situation.

But it is very difficult for NPO to be financially independent, so they started a local restaurant “Sanagi-syokudou” as a trading arm in 2002. To run this restaurant, stuffs could get food materials from convenience store for free because there are many excess of food from the store. So they use these materials and cook it for selling ¥300 as a set menu. Now this restaurant has a function not only for supplying food but also creating a communication of residents, supporting life (that is to say, “subsistence”).

But in 2004, the restaurant faced deficit problems. To get over this crisis, they start new project and set up another trading-arm. “Yokchama Hostel-villedge” is the project which changes vacant Doya-rooms to hostel and get some income from lending rooms.

Joint-stock company “Funnybee” was set up by young people. The reason why they set up not NPO organization but joint-stock company is because they don’t want to do merely charity activities but also to make profits from this project.

The main projects are 1) hostel project; they manage vacant rooms lending to foreign tourist and student as a cheap accommodation, Yokohama Hostel villelde was opened a
reception as a hub of activity, 2) promotion project; young architect made promotion movie and try to change the image of Kotobuki-cyo, 3) event project; they produce the many kinds of events for voting in this town, lecture meeting, 4) tour project; they plan tour to know about the situation of Kotobuki.

The numbers of stuff are 6 now, including 1 full-time stuff and the other employees are as volunteers at this moment. The proceeds of “Funnybee” are ¥8,000,000/2006 and they reinvest a part of these profits to activities of NPO, and the other project.

3-3. Management of community resources

Community resources of this SEs are mainly vacant rooms renting from Doya-owner, also some rooms bought by local real estate company for this project. Furthermore there are very important human resources to build up social capital in this area. Especially in urban area, local relationship is not so strong, rather a network of professionals, local company have very important role to promote the activities of SE.

For example, professionals, like architect, medical doctor, social worker made some projects and propose to local government (urban planning, culture), researcher (urban planning, sociology), neighborhood organizations(Jichikai, chonaiakai), also local private company (owner of Doya, real estate company, ex-company employee), to achieve the aim of project. In the process, many student volunteers, cultural foundations, artists participate to play an important role in this project. Within them, there is a key-person who brings out talent of these people and connects to each other. He used to be a entrepreneur in over the world and had experience of urban regeneration but now he became a homeless.

3-4. Process of empowerment

The poverty in Japan don’t rarely related to the lack of money or food, but to the lack of social relationship. Vicious circle is made by jobless, hopeless at first stage, then loses of family and become homeless in the end. Many people who live in Kotobuki don’t have hope and can’t find a meaning of life. To tackle these problems, SE has asked foreign tourists and youngsters to visit Kotobuki-area through the hostel project and change the image of this area. Furthermore they ask doing jobs (e.g. cleaning of rooms) to people who become unemployment and try to build up the community where each people admit and empower their existence. This is, in other words, the most human’s fundamental mutual support “subsistence”. In this case, SE is attempting to genrate new civil society where each person’s life is respected and supported by each other.

In urban area, social capital was made by the network of professionals, local enterprises,
and local residents in order to support self-reliance of homeless people. That is a kind of theme-oriented activities. Their business method is to set up a trading arm and get profits from that stock company (social enterprise). In this meaning, the role of SE is to create new network and relationship between outside and inside Kotobuki area to promote community regeneration.

4. Case study in rural area

4-1. Problems in Kunma

City of Hamamatsu is situated at northern-western part of Sizuoka prefecture, and total population is over 800,000. Kun-ma is a part of Tenryu area of Hamamatsu, and total population is approximately less than 1,000. There are 23 villages and 87% of the land is covered by forest.

During rapid economic development in 1950’s, the population of Kunma was decrease rapidly because people want to get better job and living outside the village. So there are serious problems of depopulation and high rate of aging, also decline of wood price in this area. There are so many aged people living in this area, but not enough medical and welfare service for the aged people.

To tackle these problems, many housewives try to set up SE (Dream Future Kunma) managing a local restaurant and selling home-made foods to get some profits, and they reinvest profits to provide welfare service. They produce a profit nearly ¥90,000,000. Most of the profit is getting from self-project mother’s local restaurant.

Mother’s restaurant(trading arm) and local food
4-2. Background and methods of SEs

There are strong mutual support in the place of Kunma where “dream-future Kunma” is acting in. Furthermore, there are so many women’s activity groups, for example ‘Kanzawa life-change group’, ‘women’s regional organization’ etc…. Because depopulation was becoming more serious rapidly in 1970’s, Life-change group had tried to regenerate the area through making traditional miso, preservation food, using traditional recipes.

From the mid-1980’s, many problems became very serious and many residents talked about solution within the voluntary groups. To cope with these problems, they tried to set up “Kunma area regeneration council meeting” constituted by all household (306 households in this area) in order to get grants from the local government. In this regeneration project, they need ¥160,000,000 to make food products and build facilities under the condition, so they should prepare ¥42,000,000 by themselves. Fortunately, the director of council meeting is a leader of property ward, so he decided to sell co-owned forest in this area to get enough money for carrying the project.

To build and manage the facilities, two groups were setting up. The one is a ‘village of water wheel’ group which makes many kinds of local foods to commodity by using reserved fund (total cost is ¥1,000,000, each person saving ¥3,000 a month). The other is a ‘mother’s shop’ which sell foods from ‘village of water wheel’ and also furthermore they serve hot meal in the restaurant. But at first stage, they didn’t have enough money to manage the restaurant, so they collected some money (total cost is ¥650,000, each person invest ¥50,000) from 13 members.

As “regeneration council meeting” group own the building, they pay a rent ¥2,000,000 per a year from their profits, and furthermore build a new factory, replacement of machine, expanding their business and getting more profits. But there happened a serious problem. In 1995, they got surplus funds ¥12,000,000 from ‘village of water wheel’ group, and ¥8,000,000 from ‘mother’s shop’ restaurant. Because they didn’t get a legal status as a non-profit organization, they were imposed a big amount of penalty tax. Taking this reflection, they discuss about getting legal status ‘limited liability Company’. But it is not enough amount of profit to provide all household so they tried to get NPO legal status using the NPO law enacted in 1998. To set up new organization “Dream Future Kunma” which all 306 household were participating, they dispersed “regeneration council meeting” and got NPO legal status in 2000.

Further more, by getting grants and out-sourcing from central-local government, they started educational program, another projects such as providing day services to elderly
people. There are so many vigorous seniors who can’t receive welfare service of the public nursing care insurance. Day service activities provide assembly places for elderly people and also special food service. That is to say, SEs can provide welfare services by reinvesting the profits from self-project.

4-3. Management of community resources

The biggest regional resources are local vegetables and miso (local foods), what is local product and co-owned forest to start these activities. In rural area, traditional mutual support in the community is very important resources to create social capital. In Kunma area, there are many groups based in local activities to set up new NPO organization and they made some network with another organization such as Japan Junior Chamber, resident’s association. The factors of social capital are resident’s will to change local situation, especially high level of housewife’s energy is very strong in this area. They had strong motivation to regenerate the area by telling local culture to outside despite of opposition to their activities from conservative people. Their various networks make business project possible and promote community regeneration. The role of men who support their wives was also very important. Conversely the role of local government is limited only to give grants and facility infrastructure, citizen have strong initiative to do this project.

4-4. Process of empowerment

Working in “Dream Future Kunma”, housewives can’t get enough income to be independent. But there are strong influences on their life. Women can have opportunity to exercise their abilities by making new relationship and changing their community. They said that it is very exciting for them.

Also they are evaluated from outside and can get more rewarding through their business. I can say that the activities of SE empower women’s social consciousness and abilities to contribute social activities.

As stated above, NPO was set up to regenerate the area and every household joined to the organization based on regional community in rural area. That is a kind of regional-oriented activities. They run the profit-oriented restaurant and sell the traditional products and reinvest profits to regional welfare services. In this case, SEs also play a important role to attract many people from outside, also change people’s consciousness and empower their ability.

5. Conclusion

SEs are still in their early stage in Japan, it is clear that they play a very important role to
solve many social problems.

I analyzed the activities of SEs which tackle with typical problems of urban and rural areas in Japan. I made clear how each SEs find and utilize the local resources, making social capital to promote sustainable community regeneration. Furthermore, how they have affected community and people through their projects.

From these examples, I could say that some citizen feel strong responsibility to solve the problems in terms of business method. They use business methods not only to create profits which keep sustainability but also create new social capital to empower the community.

In Japan it is very difficult to solve various problems only by central and municipal governments. SEs are one of methods by which citizens can make partnership and solve these problems.

Through two case studies of social enterprises, I can conclude the role of SEs in Japan as follows:

1) Linking independent latent regional networks is very important to create social capital which regenerates communities;
2) Rediscovering regional resources which are inherent to the region and developing a new tool by adding a new value to such resources;
3) Helping communities to attract people and restoring vitality in those who are suffering hardships.

Sustainable regeneration of communities by SEs means recycling local resources by finding a new value in them and utilizing such resources in a creative way. It is crucial that such regeneration includes a method to create new social capital and empower both communities and individuals.

References
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