Exploring the distinctive feature of social enterprise in Japan

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Introduction

While Japan has never had a specific legal form for the social enterprise, there has been substantial argument about this issue. Compared to western countries, the uniquely emergence of social enterprise in Japan has historical, contextual and conceptual background. This paper will silhouette the contour of the social enterprise concept in Japan. What are their discussions mainly focusing on? How organizational form Japanese social enterprises have? What kind of activities carried out by social enterprises? How do they impact on community? We intend to light on the answer through consideration of historical contexts about the emergence of social enterprises and background to the argument about social enterprises. This study makes three pathways to explain the emergence of social enterprise in Japan. First, the social enterprise concept is caught the attention of explicitly the academic circles within the context of “earned income nonprofits.” Second, the notional utility of social enterprise discussed among the researchers and practitioners of the cooperative organization. In the cooperative sector, new dynamics emerged in the 1980’s such as establishing workers’ correctives by married women. Finally, there are some discussions about the social enterprise on the context of business. The community business and the social business has used as the notion focused on the generation of “earned-income” to serve a social benefit across the practice (or consulting), academic and political circles.

Earned income nonprofits approach

It is pointed out that the social enterprise is considered within the context of “earned income nonprofits,” explicitly among the academic circles. The notion of “nonprofit organization” means legally the organization limited profit distribution in Japan. Nonetheless, a number of Japanese people assume that “NPOs” means only the incorporated nonprofits ¹. Both researchers and practitioners have often used the word ‘NPO’ since the mid-1990s. Due to outstanding good work by volunteers in the disaster-relief activities after the 1995 earthquake

¹ In addition, in Japan, the concept of NPOs sometimes includes not only incorporated nonprofit organizations by NPO law but also various voluntary organisations or civil organizations without legal status. This trend reflects the perspective of “NPOs” as civic-based and voluntary organization.
in Kobe, Law to Promote Specified Nonprofit Activities (alias NPO Law) went into effect in December 1998. Previously, the Japanese government had approved establishing the nonprofit states organization to a limited extent. Those traditional non-profit corporations were strictly regulated on carrying out their activities by the government. Thus, before the alias NPO low developed, people often might start their nonprofit business as voluntary association without any legal status. For example, Prop Station try to assist the physically challenged to be independent, to participate in the society, and to work by using computers and networking from 1990 in Kobe. After eight years of activity as a private organization without legal status, Prop Station gained recognition in September 1998 by the Ministry of Welfare as a Social Welfare Corporation.

The alias NPO law has allowed freely obtaining “specified nonprofit corporate” status for the associations based voluntary and citizen participation. In the 10 years following the NPO law, over 35000 organizations have incorporated2. Most specified nonprofits are small scale like a voluntary group at the grass-roots level. Cabinet Office (2008) shows that nearly half of the incorporated specified nonprofits have less than 1 million yen size of annual budget. Only 18.4% cases has grown to over 30 million yen budget size. According to the survey, in average of cases’ revenue, the earned income is bigger revenue source than giving, membership fee, subsidies and grants. For this reason, developed specified nonprofits needed to generate earnings by selling goods and services for financial sustainability. It means that earned income specified nonprofits based on active citizenship have been called “Japanese Social Enterprise” (Kawaguchi, 2004; Sakurai, 2009). Sakurai (2009) also showed that more than two thirds of the incorporated nonprofit organizations in Kyoto prefecture had over 5 million yen gross income in 2005 were “earned income specified nonprofits.”

The welfare reform from the beginning 2000s made it easier for nonprofits and co-ops to enter the human care service. Introducing ‘mixed-form’ market into public care services - for elderly people, disability people and child- facilitated increasing earned income nonprofits in Japan. On the other hand, Ministry of Health, Labor and Welfare (MHLW) has promoted social inclusion in community welfare since the early-2000s and emphasized self-support by disadvantaged people and tried to integrate them into the labor market. Some of them have had work experience through social enterprises. In case of elderly care, the public long-term care insurance system for the elderly was introduced in Japan in 2000. Through the introduction of the system, new care service providers included for-profits and incorporated nonprofits were urged to enter the elderly long term care services - particularly at-home care services. As a result, nowadays, the elderly care market in Japan includes markets for goods and services in

2 Economic Planning Office (Keizai Kikakucho ) Site:
which for-profit, non-profit, cooperative and government providers coexist as ‘mixed-form’ markets (Marwell & McInerney, 2005). At the same time, they were subject to stiff and unaccustomed market competition. Nonprofit service providers suffered new difficulties including financial struggles and increased competition with other service organizations in which for-profit, non-profit and government providers (Suda, 2006).

Under the circumstances, “Takurojo,” in Japanese means ‘the house where elderly people live,’ as innovative and alternative care facilities for the elderly have only recently spread in Japan. Compared to the normal elderly-care facilities, they are smaller and more home-like buildings. Occupancy of a Takurojo is about 9 to 15, less than 20 users per day. They are often private residences with some modification. The elderly people feel at home in the comfortable atmosphere, and they can maintain their physical ability to live their daily life, even if they are demented. In addition, although the normal elderly-care facilities tend to have only mono-function, Takurojos are multifunctional. They combine several kinds of facility, such as day services, short-stay services and home-help services. Furthermore, some Takurojos have come to be used in different ways according to the community’s demands; for instance, residential place for disabled people, day nursery and daytime place for junior high school students. While some Takurojos were addressed by for-profits, most of them are nonprofits. “Takurojo Yoriai,” which is one of the pioneers of Takurojos, was started in 1991 in a small house to provide daycare service for elderly people with dementia. Then the entrepreneur of this facility has expanded both the building and the activity.

Some researchers adopted the discussion of social enterprise in US and recognized the emergence of earned income NPOs as “commercialized nonprofits.” However, they are rather simplifying the phenomenon. The reason for refutation is because Japanese earned income nonprofits are mainly discussed about specified nonprofits. As said above, specified nonprofit status has an explicit social mission, a significant internal governance structure, and strict accountability rules. In fact, Sakurai(2009b) found that specified nonprofits providing the home nursing care service under the public long-term care insurance system for the elderly tend to less take a commercial behavior than other organizational type providers even other nonprofit organizational types.

**Nonprofit-cooperative approach**

Second context of the notional utility about social enterprise is the discussions among the cooperatives’ researchers and practitioners. Largely theoretical and practical induction on the cooperative perspective is from the research of Western European countries. Some representative books which the research outcomes of EMES (L' Emergence des Enterprises
Sociales en Europe) group have been translated into Japanese, and introduced cooperative activities in the UK and Europe countries from the perspective of social enterprise. Whereas the notion of “social economy” is almost unfamiliar to Japanese people except a limited number of researchers, the “nonprofit-cooperative (Hieiri Kyodo)” as the more widespread concept have been used almost interchangeably with social economy among academic and practice circles. This term have been used as representative of the comprehensive third sector organizations or civil society organizations and have a different connotation from the concept of social enterprise. The emerging new cooperatives that have social mission and provide social services got researchers attention within social enterprise context. Initiated by cooperative researchers and parishioners, “the social enterprise study group” has organized periodic study meetings from 2005.

In Japan, there are traditional cooperative movements all over the country such as consumer co-ops, farmer co-ops, credit co-ops and so on. In this cooperative sector, some new types of cooperative have emerged in the 1980’s. The representative types of workers’ collectives have provided personal social services such as nursing care or child-care. Workers’ collectives were mainly established by married women because they are difficult to get a fulltime job at the time. These organizations provide social services, specifically, long-term care for elders and handicapped people, elderly and handicapped transfer service, childcare. For example, “Tasukeai Yui,” is social welfare corporation, established in 1991 as a voluntary organization. It now provides comprehensive care service for elderly people and disability people in Kanagawa Prefecture. In 2003, Japan had 580 workers’ collectives and 16,149 members, those sales revenues amounted to 12.7 billion yen (Workers’ Collective Network Japan, 2004). The number of the organizations were increased 3.5 fold compared to 10 years ago. Japan has never developed of legal systems for support of the workers’ collectives. For this reason, in 2003, most workers’ collectives hadn’t legal status (nonjuridical organization). Of the incorporated organizations, while some workers’ collectives were established as for-profit, many are established as nonprofit organizations (NPO Low) (same as above).

There are also the work-oriented cooperative workshops for disability people as the other type of new cooperative movements. Shiga Prefecture independently introduced a new legal form called “social workshop” in this type organization from 2005.

In addition, senior (or elderly) cooperatives have been established in several prefectures for

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4 Most founders of new co-ops had participated in traditional co-ops -in particular consumer co-ops. Therefore Kawaguchi (2007) states that the consumer co-op is the godmother in third sector.
enhancing elderly people, especially as day worker, chance of getting a satisfying job. As mentioned above, implementing a mandatory the public long-term care insurance system to elderly care helps the new type cooperatives to achieve financial sustainability. Not only that, traditional cooperatives also began to provide elderly care services. Under the social long-term care insurance system, care service provided cooperatives become accessible to more people whether the cooperative’s member or not.

Social business approach

The third pathway to explain the emergence of social enterprise in Japan is some discussions about social enterprise on the context of business - community business, social business, social entrepreneurship and CSR.

The term of community business originally derived from the UK since the early 2000 has been used across the practice (or consulting), academic and political circles. Sawayama (2005) defined the Japanese community business, from review of several earlier studies, as following six subjects; 1) Community business is placed the midway between nonprofit activity and commercial work. 2) It is assumed that they engaged in overcoming community problem from the point of view of community benefits. 3) The local citizens are perceived as workers of the business. 4) It has going concern assumption and focused. 5) Therefore, it is not denied that lunching their business as for-profit. 6) We do not consider their organizational form and legal status. The social achievements of community businesses include in four kinds; regenerating local shopping streets, promoting tourism in rural areas, encouraging environmental businesses and tackling social exclusion. Some community business has succeeded to create new jobs for local workers. “Ogawa no Sho” which is established in 1986 at the small village in Nagano prefecture, employ more than 80 local people included more than 30 elderly people. The main product of the company is “Oyaki” -the traditional Nagano’s steamed or baked bread. It racks up annual sales of 750 million yen in 2007. Although legal forms of community business in Japan are various as said above, most of them are incorporated nonprofits. Community business is difficult to differentiate from earned income nonprofits on the conceptual aspect. Hashimoto (2007) suggest that we have nothing to reason of using the term of “community,” from the reviewing papers written about community business in Japan.

Moreover, the notion of “social business” has often used as similar meaning of community business in the sense of the business model that bring some social and economic benefits to the region or society. Therefore, the notion of social business has started to overtake the community business among researchers and policymakers (Hashimoto, 2007; Kawaguchi, 2004; Keizai Sangyosho, 2008; Sawayama, 2005). As Haugh (2007) stated, the main purpose
of a social venture is the pursuit of economic, social, or environmental goals, or a combination of these, to alleviate social exclusion and unemployment. In Japan, a wide-spread social business define is almost equally described in three aspects (Tanimoto, 2002; Tanimoto ed., 2006; Keizai Sangyosho, 2008). 1) Social achievement. They have a mission to address the social issues in its business. Social enterprises can operate their businesses only by supporting their social mission from the community and stakeholders. 2) Business. They create a new comprehensive business to realize their social missions. Social enterprises take various legal forms to set up an organization. 3) Innovation. They develop new social goods and services, and develop the system addressing the social issues through general business. It is important to realize a new social value through social business. The Ministry of Economy, Trade and Industry (METI) has encouraged community business and social business. Recently, METI launched the research meeting of “social business” in September 2007 and organized “the social business forum Japan” in 2008. It has been shown that in surveys of social business by METI(2008) close to a half (46.7 percent) of the organizations incorporate specified nonprofit status, whereas only one fifth (20.5) percent of those with for-profit status. Therefore it seems that the social/community business organization having the form of for-profit are very limited and many of those are other organizational type - nonprofit, co-op or without legal status.

Some authors consist that the corporate social responsibility (CSR) is should be included in the notion of social enterprise after the example of the spectrum approach of social entrepreneur (Tanimoto, 2008). However, as Defourny & Nyssens (2008) mentioned, it becomes difficult to assess the real weight of social concerns in the mission of the enterprise in this perspective. It is considered that we should distinguish between CSR and social enterprise in Japan. In addition, recently, attention on the topic of social entrepreneur in Japan has been attracted from a report about practice cases in UK and US (Machida, 2001; Saito, 2004; Watanabe, 2005). While the studies of social entrepreneurship in Japan are in its relative infancy, it seems that the two major streams of thought are formed as Dees & Anderson (2006) distinguished. Some of studies stand on the “Social enterprise” school of thought that specializes in earned income for nonprofits (Jinza, 2005; Kawamoto, 2007), others are based on the “Social Innovation” school of thought that recognizes social entrepreneurs as the change agents in the social sector (Hattori, 2002; Ohmuro, 2003; The Tokyo Foundation; 2002). In both school, the focal point of the studies is not the organization but the practitioner.

The point to notice on the discussion about social business and community business is ignorance of the governance structure to achieve their social mission. Almost all authors hardly take into account the existence of social governance scheme such as profit nondistribution or multiple stakeholders governance when they discuss the issue of social business. Another controversy related to the focus on social enterprise from social business approach is their
assumption of social enterprise exclude the organizations that provide social service under the institutional system such as mixed market of the public long-term care insurance system for the elderly. As we mentioned above, introducing the mixed market to the public welfare system encouraged specified nonprofits and cooperatives emerging. It should be noted that excluding these types of organizations fail to narrowly estimate the active area of social enterprise.

Conclusion: The recognition of the Japanese social enterprise notion

These explanations for the emergence of social enterprise lead to several topics about the distinctive feature of the Japanese one as bellow. The notion of social enterprise is used Japanese to characterize a new trends in third sector, whereas the notion tends to imply specific sector in Europe. There is not comprehensive discussion on social enterprise in Japan, but three approaches depend on each context; those are earned income approach, nonprofit-cooperative approach and social business approach. Earned income approach deals with earned income nonprofits, especially specified nonprofit corporation and has stressed the financial continuity and development of those citizen-oriented nonprofits. Intended activity on this approach is providing social services which are expected to reflect community needs in quasi market. The provision of social care to elder and/or disabled people, specified in a series of long-term service is the most general activity undertaken by earned income incorporated nonprofits (Sakurai, 2009). In nonprofit-cooperative approach, the discussion centers on the integration between nonprofit and cooperation, or to put it another way, the social cooperation. This scholars focuses on the encourage employment creation for the people excluded from labor market, especially married women (“Syufu” in Japanese), elderly people and handicapped people. In social business approach, there is much concern about the social business organization and social entrepreneur accompanied with social innovation as developing social goods and services and a new business. With the broad intention for the area of their activity, community development (“Machizukuri” in Japanese) including employment creation and providing social service are typical one. Each approach - earned income, nonprofit-cooperative and social business -presents important argument points.

It is useful to understand the notion of social enterprise in Japan from the social construction theory. In this theory, an empirical phenomenon explains from the formulations as a socially constructed reality with multidimensional viewpoint or discourses rather than being treated as an independent entity. From the view of the theory, the notion of Japanese social enterprise can be seen as an integral of those discussions, thus, that is regarded as the earned income civic organizations having a significant internal democratic governance structure to avoid pursuing those profits undertake a social business including social innovative purpose. We can be seen that three approaches don’t treat different types of organization, rather only argue different
aspects of Japanese social enterprises. From both academic and practical perspective, all arguments are important and are given equal significance. Even in this identification of Japanese social enterprise may include several organizational types - nonprofit, co-op, and forprofit - and the hybrid and/or proximity of three sectors, but each organization have the strength or the weakness depend on their legal status. Nonprofits, especially specified nonprofit cooperates have a social mission and significant internal democratic governance structure, but they often face a difficulty when they attempt to raise funds through the financial and capital markets. Likewise co-ops have a good democratic governance structure, but their social mission often is not made explicit. Unless social enterprises of forprofit organizational type have the strength that a quickness of making decision and a easiness fund raising, pursuing social mission may be unstable because there are a lack of democratic governance system.

Japan has never had a specific legal form for the social enterprise and they choose legal form from among nonprofit, cooperative and for-profit in present day conditions. There is a lack of support policies for social enterprise, despite national and local government is the key actor in creation and growing social enterprises in Japan. Introducing ‘mixed-form’ market into social welfare services made it easier for nonprofits and co-ops to enter the business and, at the same time, they were subject to stiff and unaccustomed market competition. Government should introduce not only a specific legal form for the social enterprise, but also a policy of financial and management support to stimulate social enterprise activity.

In the past a decades, social enterprise in its various contexts has disputed as one of the most salient forms of third sector organization in Japan. Will Japanese social enterprise discussion become cover as wide a range of these subjects as possible in future? In other words, should a lack of public consensus be seen as the absence or weakness of the topic of social enterprise in Japan? We should consider the problem from a structural perspective because Japan had been used to well import and redefine some notions related third sector organizations, such as “NPO” and “nonprofit-cooperation”. In fact, the restrictive meaning of the social enterprise notion compared to Europe, different from United States, imply that formation of a unique notion.

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