

Community Businesses and the “Slow Life”—Exploring New Social Values for the 21st Century

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Introduction

The 21st century will be characterized by diversity and the maturation of society. No longer can society’s demands be fully met by either the uniform public services of the public sector, nor by market-based services of the private sector.

Moreover, new kinds of community issues are emerging that will not be easily dealt with by public administration. And with the aging society pushing up social security costs and straining the nation’s fiscal budget, new social and economic systems must be found to reduce costs.

Since the Law to Promote Specified Nonprofit Activities (NPO Law) was established in 1998, approximately 10,000 NPOs have begun operating in areas as diverse as welfare and education, the environment, and community development. The volunteer sector, to which NPOs belong, are creating jobs and growing as a force in the economy. In this environment, so-called “community businesses”—a new type of economic actor rooted in the community—is becoming increasingly prominent in society.

1. What is a Community Business?

The concept of community business does not have a clear definition accepted by everyone. While the research literature contains a variety of definitions, in this paper we examine community business from the perspective of the social background that necessitates them, and their expected effects on society.

(1) Defining Community

Simply stated, a community business is a business that is operated in the community, for the community, and by the community.

However, the term community has two broad meanings. One meaning denotes a geographic area in which people live, while the other meaning refers to a group that functions as a community based on commonly held values. While the Internet's rapid growth has brought the second definition into common usage, in this paper community refers to a geographic entity.

(2) Business Area and Organizational Form

Community businesses operate across a broad spectrum of areas, including elderly welfare, promoting local industry, promoting employment, supporting education and child care, and environmental preservation. With the introduction of long-term care insurance in April 2000, more businesses have been operating in the area of elderly welfare.

Business organization can take the form of NPO, voluntary group, cooperative, or for-profit company (limited or stock company) depending on the issues being addressed and objectives. The number of NPOs has grown since the NPO Law took effect in December 1998.

Moreover, many businesses become incorporated by necessity—for example, to sign lease agreements or obtain government contracts.

(3) Public Benefit vs. Profitability

The most prominent characteristic of community businesses is the balance they strike between public benefit and profitability. Since community businesses straddle the domains of non-profit and for-profit activity, the balance between public benefit and profitability differs subtly depending on the nature of the business. As a business, they need to earn profits and be sustainable operations, but since the composition of revenue changes depending on the business, the appropriate balance between public benefit and profitability must be judged case by case.

In addition, since the concept of public benefit itself can change depending on the particular era and social conditions, such judgments are transitory at best. Also, community businesses that may have been started as volunteer projects may grow large enough to be transformed into stock companies.

(4) Who Participates in Community Business?

Community business essentially addresses local issues using local resources—people, goods, information, and so forth. As such, local senior citizens and housewives represent important human resources who can effectively participate in community businesses.

The various projects that local housewives operate as workers' collectives to support daily living are a crucial community business. Opportunities for participation are growing, including multi-job arrangements in which ordinary workers take on a second job, internships for students.

2. Social Backdrop and Expected Effects of Community Businesses

(1) Decline of Local Communities

Japan's population structure and household composition have changed radically due to urbanization, the decrease in children, aging, and growth of single-person households. Meanwhile, the mainstay functions of community life—such as mutual assistance, social education, and commerce—have been fading rapidly. To preserve a sense of security amid an aging society, people will need to form new interpersonal relationships based on something other than conventional hometown and kinship ties.

The Hanshin Awaji Earthquake of 1995 was an urban disaster of immense proportions. When the damage was tallied, the vulnerability of the metropolitan infrastructure became clear—not only the physical infrastructure of railways, roads, electric power, telephone, natural gas and water utilities, but the social infrastructure of community life.

Due to rapid aging of the population, the number of elderly persons living alone had increased over the years, making their evacuation, rescue and confirmation of safety very difficult to perform. Secondary disasters following the earthquake such as fires and collapsing houses, along with the pitiful deaths of lone elderly persons living unnoticed in prefab shelters, also contributed to the decline of communities.

The growth of large commercial facilities in the suburbs has accelerated the decline of shopping areas near communities, depriving local residents of services necessary for daily living. Moreover, the decrease in children has forced schools to consolidate or close down, sapping communities of another important source of vitality. The safe environment that young families seek to raise children is disappearing.

In times of disaster or otherwise, for people to live in communities with a sense of safety and security, communities need to be reinvigorated based on relationships of trust. Community businesses, which are based on personal interactions and relationships, offer promise as agents to revive communities.

(2) Decline of Local Economies and Job Environment

Thanks to economic globalization, capital flows move freely around the world in search of higher investment returns. But as a result, disparities and distortions have grown among local economies. In Japan's smaller cities, downtown shopping districts have been shuttered shut, jobs have been lost, and local economies are floundering.

In manufacturing, factories have been transferred overseas due to cheaper labor costs, deindustrialization is advancing at home, causing large numbers of unemployed. Company towns that depend on a single employer are fighting for survival.

Moreover, the prolonged recession has forced even large companies to restructure by shedding older workers, and their reemployment has become a major social issue.

Which will be the growth industries to replace steel and automobiles as the driving force of the economy? With goods and services already abundant, what people want now are services that better meet their individual needs. This is where new economic activity will occur, transcending existing industrial categories and creating new jobs.

Volunteer activities, which have not been regarded as a part of the national economy, have the possibility of becoming income-paying jobs as community businesses expand their operations. Community businesses can create new jobs and employment opportunities, and promote the local economy's circulation and autonomy.

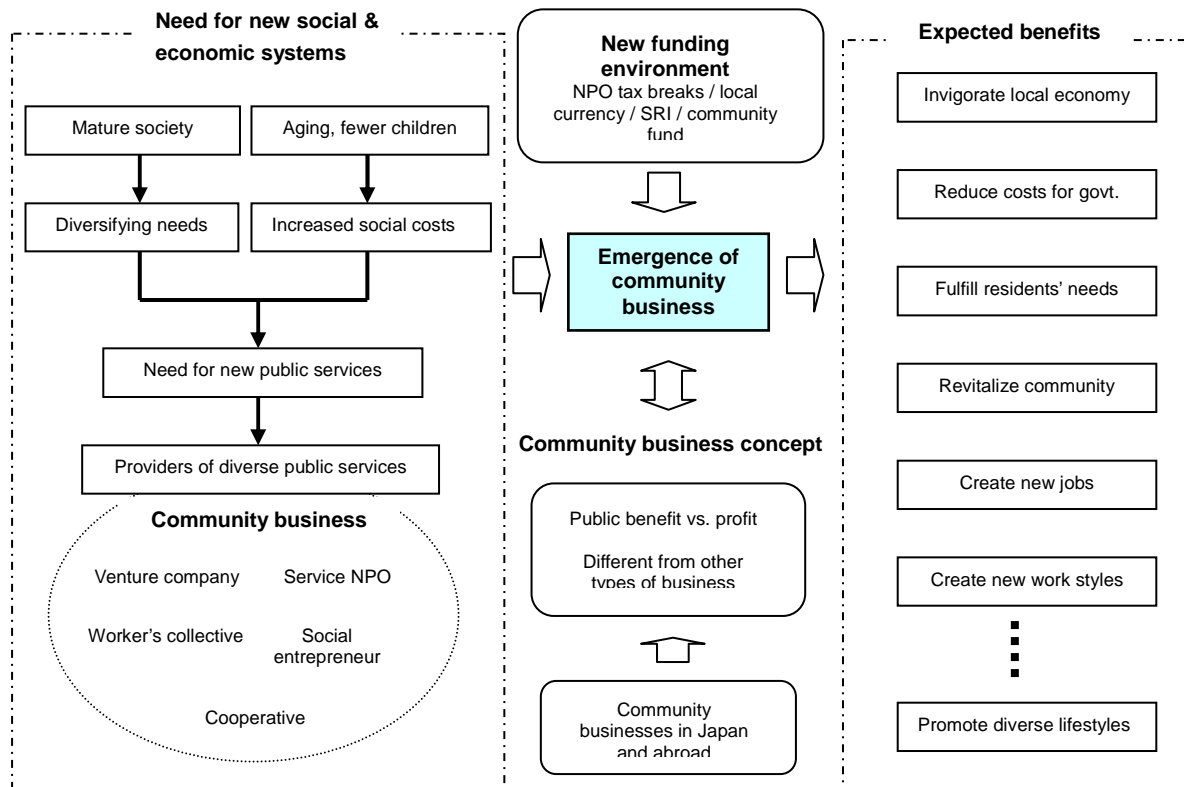
(3) New Work Styles

Work styles are diversifying in Japan. While forms of employment used to be centered around full-time, regular employees and part-time workers, the introduction of flex time and discretionary work systems has given rise to diverse work styles with varied work hours, work places, and employment durations.

This has occurred against the backdrop of a decline in the productive population. To secure the necessary labor force, employers are providing a more flexible job environment for workers, particularly women raising children and elderly persons.

Moreover, these work styles are not simply aimed at earning income and building the economic base, but to provide job satisfaction and achieve self expression for workers. Community businesses are helping to realize such new work styles.

Figure 1 Concept of Community Business



Source: NLI Research Institute

3. Government Policies for Community Business

According to a survey conducted in August 2002 by the Nikkei Research Institute of Industry and Markets (*Status of Policies for Community Business in Prefectures and Ordinance-Designated Cities*), approximately half of the local governments surveyed (23 prefectures and six ordinance-designated cities) have established policies to support community business. These policies consist of proliferation and enlightenment activities (19 governments), conducting surveys (15), subsidizing expenses (13), providing knowledge (12), and providing locations (4). Moreover, the objectives include fostering local industry (26), creating jobs (25), supporting NPOs (9), and supporting community building (7). Government oversight and support thus vary depending on the business area. Below we look more closely at the situation in Hyogo prefecture, where community businesses are thriving.

Community business in Hyogo prefecture has grown against the backdrop of reconstruction support following the 1995 Hanshin Awaji Earthquake. At the time, since government support was inadequate to help out disaster victims, local residents started up their own volunteer projects to promote recovery.

According to a report by the Kobe Institute of Urban Research (*The Present Issues and the*

Future Directions of Community-Business for Supporting and Activating the Local Community, September 2002), the most common categories of community business are welfare for disabled and elderly persons, community development, and long-term care services, while the most common form of organization is the voluntary organization. The most common size is 10 to 50 million yen in annual revenue. Over half were established after the 1995 disaster.

In Hyogo prefecture, the government office dealing with community business is the Employment Section of the Industrial and Labor Affairs Division. Support programs are divided into three types depending on the funding source. Programs funded by the reconstruction fund covering the ten-city and ten-township disaster area consist of the “Support Net for Community Business in the Disaster Area” (fiscal 2000), “Program to Support Take-off of Community Business in the Disaster Area” (fiscal 1999), “Support Center for Fulfillment at Work” (fiscal 2000), and “Business Consulting Program for Community Business.” Other programs include the “Community Business Creation Support Program” (fiscal 2001) funded from the prefecture’s general budget, and “Community Business Support Program Drawing on Businessmen’s Abilities” (fiscal 2002) funded from the national emergency employment opportunity creation program budget.

As with any business, sustainability is a critical issue for community business. However, the local government has little knowledge of how businesses perform after take-off. Support programs will need to address two critical issues: (1) fostering new business, and (2) ensuring the sustainability of community business (tracking progress). In the future, surveys should also be conducted to gather information on failures, and the emphasis should be on improving results under present policies rather than devising additional new support policies.

4. Support Policies and Issues for Community Business

The first issue in fostering community business is the need to clarify and communicate the concept of community business. This is especially important in developing public policies to support community business. In addition, clarifying the concept will increase the prominence of community business.

The second issue is how to mobilize local residents committed to resolving community issues. As with any business, the existence of a core group of key persons is critical for starting up a community business.

A third issue is financing for start-ups and ongoing operation. Despite low risk, community

businesses have difficulty obtaining financing, especially since they have no real estate properties to put up as collateral.

(1) Human Resource Development

Whether starting up or sustaining a community business, the most crucial factor for success is the existence of persons who are passionate about tackling community issues, and also have the necessary business skills. Lacking either the motivation or skill, the community business stands little chance of success.

To secure and train human resources, the first priority is to gather information on available human resources in the community. In particular, many retired persons have amassed considerable knowledge and skill from their career, while others can be trained in management seminars and provided close guidance.

While community business is characterized by the use of local human and material resources, another important resource is local information. For local information to be effectively used, the government can play a coordinating role to promote information exchange and networking among business operators. An important part of information exchange is providing analysis of successes and failures, developing business models, and other useful data tailored to the local situation.

(2) New Financing Methods

In the event that operating costs exceed business revenue, community businesses will have to seek financing from a combination of sources including loans from financial institutions, subsidies from the government, and grants from foundations.

Ordinarily, businesses obtain financing for starting up and operating from financial institutions in the form of loans. Community businesses, however, generally have difficulty obtaining loans because of their poor credit rating and lack of real estate assets to put up as collateral.

However, in recent years, with the growth of volunteer programs and NPOs to invigorate local economies and communities, several new financing methods have emerged.

The Labour Bank has established a loan program designed for NPOs (“Support Loan for NPOs”). Another method is where unions collect funds so that a separate registered lender can extend loans (Mirai Bank, Women’s Citizen Credit Cooperative, and Hokkaido NPO Bank). Other examples are a volunteer organization that screens candidates to which a collaborating financial institution extends loans (Citizen’s Bank), and an organization that

provides grants and subsidies funded by donations from individuals, organizations, companies and foundations (Kanagawa Children’s Future Fund).

5. A Business Model

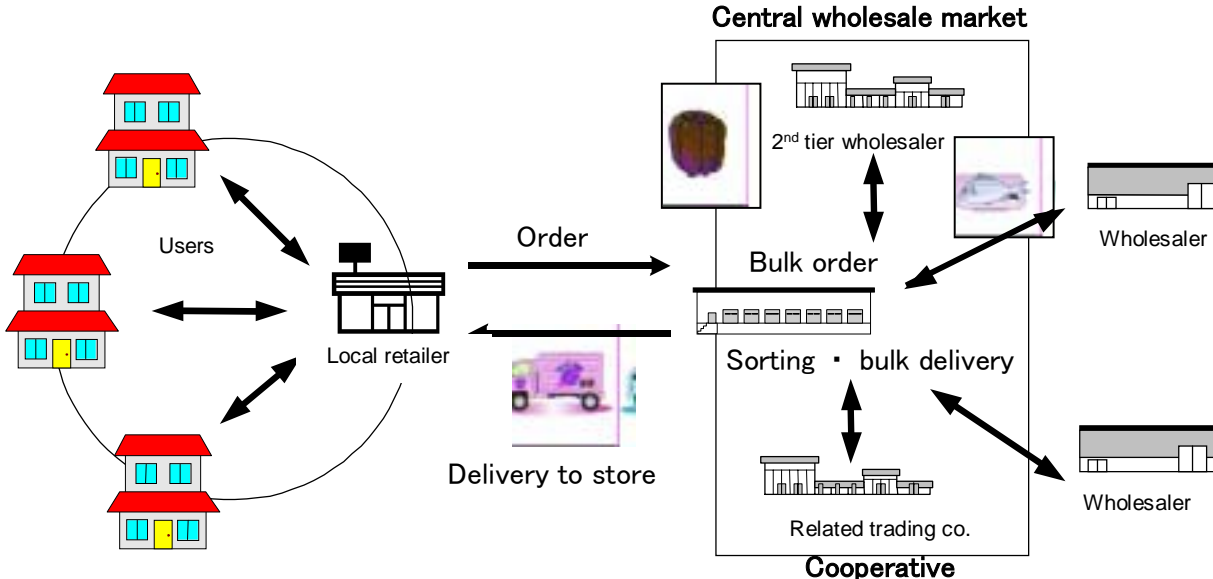
Below we introduce a community business model being developed by the Funabashi Council to Improve Distribution for Daily Living Support called “Handshake Project Funabashi.”

This project, centered around the Funabashi Central Wholesale Market, is a local delivery system in which shops and elderly users participate. While other delivery systems to support daily living of elderly persons exist elsewhere, this project has several unique features from the perspective of community business.

Funabashi City is a typical Tokyo suburb with a population of 560,000 (as of October 2002), 230,000 households, elderly ratio of 14.1%, ratio of daytime to residential population of 81.7%, and tertiary industry ratio of 75.3%. In the future, as baby boomers retire and the community ages rapidly, more elderly persons will become part of the daytime population.

Anticipating that elderly persons will have diverse needs and require a large volume of services, Handshake Project Funabashi is being developed as a community-led daily living support system, and has important differences from conventional public services.

Figure 2 Handshake Project Funabashi



Source: Funabashi Council to Improve Distribution for Daily Living, *Handshake Project Funabashi: Study Group on the Feasibility of the Business Model*.

The central wholesale market gathers agricultural and marine products from producers, which it delivers to local retail shops through its proprietary network. Moreover, it operates distribution and information systems, and can offer value-added functions such as bulk purchasing and delivery. In the project, the central market will be the chief resource of the daily living support system, with the delivery system being built on top of the existing market infrastructure.

According to the project plan, elderly groups that are active in the community will participate in delivering services and goods to actual users. As can be seen from the project's infrastructure, retail shops will serve as the connecting link between the NPO of elderly persons and central market.

Handshake Project Funabashi will effectively recombine existing community resources to build a new system, and as such represents a unique model for community business.

On the business end, the project leader is the central market's cooperative of second-tier wholesalers. Instead of handling different merchandise lines, these wholesalers will offer a comprehensive service tailored to the lifestyles of elderly persons. While profitability is sometimes compromised in community business, this project is expected to be viable because managers at the second-tier wholesalers will commit their extensive expertise to operating the project and ensuring its success.

At the user end, the project leader is an NPO of elderly persons acting on their own behalf. A key feature of the project is its flexible structure in which elderly persons will not only use services but actually help provide them. Some persons will need to use care services immediately, while others may still be healthy and able to work. But eventually, everyone will need to use services. In the project, participants will be able to adapt usage to changes in their ADL (activities for daily living).

It is often said that healthy elderly persons have too much time and money on their hands. But the opportunity to work can be more than simply a way to kill time or earn money. It can give people a sense of mission and motivate them to contribute something meaningful to society. Community business must be able to fulfill not only business goals, but mission goals. The Funabashi project does both: skilled management by second-tier wholesalers will ensure business viability, while the NPO of elderly persons will give participants a sense of mission.

In the rapidly aging society, Handshake Project Funabashi represents a key infrastructure component to give elderly persons peace of mind and enable more active participation in society. But more than this, it offers a model for cohort support so that elderly persons can help each other, while addressing the urgent issue of cost reduction as local fiscal budgets grow tighter. Moreover, as more people spend more time in the community, they will

increasingly focus on the possibilities for improving the community. Handshake Project Funabashi, in promising not only to deliver goods and services to homes, but to build new relationships in which elderly persons support each other, offers the possibility of actually reconstructing the community.

Conclusion

In 1986, a “slow food” movement began in Italy. It protested the proliferation of fast food throughout the world, and sought to preserve traditional local cooking. The movement has recently spread to Japan, where people are becoming conscious of food safety, and demanding that food labels show where the place of origin. To enjoy food of reliable quality, we need to support high-quality producers, and ensure that Japan’s traditional food culture is transmitted to the next generation. Thus the slow food movement, which is spreading globally, actually reconfirms the value of local communities.

Since the terrorist attack of September 11, 2001, criticism of the opposite trend of globalism has been on the rise. Economic globalization may be inevitable, but it is exacerbating the North-South problem and poverty on a global scale.

On the other hand, community business is rooted in the local community, using local resources to address local issues. In reconfirming the importance of our local community, the “slow” concept behind slow food has important implications. Community business can be characterized as a slow business—one that does not simply pursue profit, but rather emphasizes the self expression and social contribution that derive from slow work.

Recently, local currencies have sprouted up in communities across Japan. Local currencies are used to exchange goods and services in a diverse range of non-market areas such as education, welfare, and the environment. These exchanges draw together people to interact with each other, develop shared values, and build communities. Local currency might be likened to slow money, in contrast to the dollar, euro and other global currencies.

A life defined by slowness and centered around community might be described as the slow life, which characterizes, of course, a slow society. The slow life is challenging our society’s focus on economic growth, which views growth rates as a barometer of happiness. Community business offers us the possibility of a new type of society with new values in the 21st century.

The author is indebted to the Tokyo Local Autonomy Research Committee for being allowed to attend discussions

of the Community Business Research Group (July 2002 to March 2003), and to the Funabashi Council to Improve Distribution for Daily Living, for being allowed to attend discussions of the Local Delivery Network Business Research Group (October 2002 to February 2003).