

The Japanese businesses breaking the mould

by Oliver Haenlein on August 12th, 2016

Social enterprise and innovation have been slow to develop in modern Japan. Entrepreneurialism in itself flies in the face of modern Japanese business culture, and a World Bank report showed that between 2000 and 2007 the number of newly registered businesses as a percentage of all registered corporations was amongst the lowest in the world, at under 5%. The UK, by comparison, sat at well over 15%. Things are beginning to change though, and the country is beginning to experience a wave of disruptive grassroots social projects.

The country experienced catastrophe and suffering on an epic scale in the wake of World War II, however its economic recovery was so rapid and remarkable that it's known as the Japanese 'miracle'. Big business became the order of the day as firms like Sony and Honda boomed, creating a corporate culture that has reigned ever since. This left an entrepreneurial vacuum in the country, and created a David and Goliath situation for aspiring social entrepreneurs.

This has begun to shift. Catastrophe, the very same thing that helped create Japan's corporate culture and rigid 'salaryman' structure in the first place, is now triggering a new era of social innovators. Estimates suggest that after years of negligible social activity, there are now up to 200,000 social projects and enterprises in the country.

The corporate mindset

Hiroshi Murakami, partner at the [Japan Institute for Social Innovation and Entrepreneurship \(JSIE\)](#), explained that Japan's development has been moulded by a number of significant historical events that left society and business in chaos, like The Meiji Restoration, a revolutionary period when the country was thrown open to the world after centuries of isolationism, or World War II.

"Opportunity for rapid economic growth was provided at those times, and preference was given to stabilised and growing companies. Government incentives and export policies were geared towards them and everything nurtured what already existed."

However, the firm grip of big business may be loosening. Japan has experienced decades of economic stagnation, highlighted by the fact that it now has the world's largest public debt.

Meanwhile, Murakami says, people are recognising that social enterprise provides an effective response to natural disasters. Japanese people are returning from stints abroad having seen how waves of startup social businesses and projects are prospering in the West.

The corporate mindset will be hard to change though, explains Murakami, since it has combined well with a number of societal, cultural and philosophical Japanese tendencies.

Japan's society is still relatively conservative, says Murakami, with beliefs around gender and hierarchy, for example, adhering well to a market of large, traditional firms. "In Japan and some other east Asian countries there is a Confucian-based society where the notion of rights is non-existent," she says. "People don't recognise their rights and feel like there's a certain point beyond which they shouldn't go."

This is joined by a culture of collectivism that is less conducive to entrepreneurialism, but well suited to the life of a salaryman. "If you do something pretty individualistic you may be criticised or excluded, which incentivises people not to act in a certain way," says Murakami.

Masaharu Okada, executive director of the [Yunus & Shiiki Social Business Research Center \(SBRC\)](#) at Kyushu University, which is based on the ideas of Nobel Peace Prize winner and Grameen Bank founder Muhammad Yunus, believes that Japan also has less of a donation or volunteer culture, which has hindered social projects up to now.

"Japanese people do not like to donate money to such social activities. Many think that everybody should be creative and work hard to stand on their own feet."

[Yunus & Shiiki Social Business Research Center](#)

He believes the Japanese approach to positive societal change has traditionally been more personal and localised: "When someone needs help, they will help directly with money or with their hands – people help each other. They do not want pay a donation to Red Cross Japan which will take a 25% cut of the money. They would rather meet people face to face and find out a way to help them."

The change makers

Clearly, social innovation has had a lot to contend with in its quest for progress in Japan. But natural disasters like the 1995 Kobe earthquake, or the great 2011 Tohoku

earthquake and tsunami, which devastated much of the coastline in north-eastern Japan leaving hundreds of thousands of people homeless, have given birth to a new interest in social enterprise. Entrepreneurial change makers and innovators are integrating social solutions into their business models and breaking down the status quo.

Natural disasters in the 1990s gave a boost to not for profit organisations. In 1988 a law was passed to give them financial status, tax exemptions and legitimacy, thanks to the great numbers of volunteers who stepped forward in the wake of the disaster. This created more opportunity for positive social progress, and tremendous growth can be seen ever since: Japan Cabinet Office figures show that NPO numbers have rocketed from 23 in 1998, to 26,394 in 2005, to 50,902 this year.

Kesenuma Knitting

[Kesenuma Knitting](#) produces hand-knitted cardigans and sweatshirts in Kesenuma, a port town razed to the ground by the Tohoku earthquake. The women of the area lost their jobs, so the enterprise recruited them to knit high-quality clothing, often collaborating with designers to make expensive, value-added items – some of the sweaters retail at over ¥1.5m (\$1,400). The scheme is a model example of sustainable economic empowerment.

The project's founder Tamako Mitari explains: "Kesenuma is still suffering from the effects of the 3/11 disaster, and it will take years for the community to completely recover. We want our organisation to be a system that contributes financially to the local community.

"To be involved in work that results in products truly appreciated by others is at the very core of human dignity. We hope to weave these feelings of satisfaction into the Kesenuma community. We hope to develop not just the Japanese domestic market, but to gain recognition worldwide. We would like the name Kesenuma to be globally recognised for superbly designed, high quality knitwear."

Hiromi Murakami, whose JSIE foundation runs programmes and summits to foster social business success, says: "Part of the task is raising awareness. So if awareness is raised, more money flows into social businesses, and it will accelerate. People see what is happening in the US and in the West with social enterprise, individuals are exposed to a different perspective. And there will be more disasters: another big one might be coming soon, and these situations are favourable for entrepreneurs, as they know what needs to be done."

Edo-era business had a social conscience

Masharu Okada, from SBRC, Kyushu University's social business hub, believes that a move towards social enterprise in Japan will actually be a return to the principles of authentic Japanese business, before it was influenced by Western free-market economics. "In the Edo era, (economist and philosopher) Kinjiro Ninomiya said that 'business without morals is a crime'. Merchants said that business should be a three-way win, meaning that the seller is happy, the buyer is happy and society is happy. Basically, Japanese business was always thinking of social impact or social good. What has hindered the progress of smaller social innovation? That is western-style market-oriented business which was introduced to Japan."

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