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TOWARD INCLUSIVE SOCIETY: HOW DO SOCIAL ENTERPRISES PROMOTE THE COMMUNITY PARTICIPATION?

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ABSTRACT

The purpose of this research is to investigate how social enterprises have the community participates in their decision-making and implementation processes. As a result of the case study focusing on two Japanese social enterprises, they took not a formal method like asking local residents to become board members but an informal method like creating opportunities that all local residents can unburden and share worries about their daily lives and giving power for implementing projects to local residents so that they can practice ideas to solve the worries in order to dig out demands of the community and satisfy them accurately. Distinguishing their impacts at individual, community and organization levels, I also show that such informal methods bring necessities for creating stable and sustainable inclusive society.

KEY WORDS

Community participation, inclusive society, opportunity to unburden and share worries, power for implementing projects, Japanese social enterprises

INTRODUCTION

Recent global economic crisis further cause inequality and expose a lot of people to social exclusion¹ in Japan. An unemployment rate has increased and it is expected to achieve the worst record, 5.5%, in fiscal year of 2010 (Association of Economic Planning, 2009). Disparities on average income between residents of the richest region and those of the poorest region expand into \$28,747² (Cabinet Office, 2006). Only about 7% of 7million challenged can find jobs in the mainstream labor market; besides, they suffer sudden layoffs³. According to the Ministry of Health, Labor and Welfare, the number of unfair dismissals of the challenged reached more than 200 after November of 2008 when the economic situation went from bad to worse. This figure is double of the average number of unfair dismissals of the challenged in a year.

To combat such social exclusion and realize "inclusive society" that all people can live at ease, as one of the approaches, "social enterprises" attract great interest and expectation from people in Japan as same as Western countries. How do social enterprises involve the community in their activities so that they dig out various voices and respond them appropriately to enable all people to participate in social and economic activities? In this paper, through the case study on two Japanese social enterprises, I will suggest effective methods of the community participation for both the community and social enterprises themselves.

1. SOCIAL ENTERPRISES IN JAPAN

Before introducing the current situation on social enterprises in Japan, I briefly mention the concept of social enterprises. Since the 1990s, heated discussion on social enterprises have been held on both side of the Atlantic; however, the definition is different between the US and European countries in terms of several points.

In the US, in general, social enterprises are regarded as income activities by NPOs registered as 501(c)(3) tax-exempt organizations in the Internal Revenue Code although academics and leading universities such as Harvard Business School, Stanford University and Columbia Business School include not only NPOs but also FPOs (for-profit organizations) engaging in social purpose businesses, corporate philanthropic and corporate social responsibility in social enterprises (e.g., Dees, 1996, 1998; Kerlin, 2006). A "nonprofit form" and "non-distribution constraint" are important factors for social enterprises and their activities are positioned in the market economy.

On the other hand, in Europe, there are two streams on the definition of social enterprises. One school of thought regards organizations tackling social issues by innovative approaches and aiming at causing great impacts in society as social enterprises (e.g., Grenier, 2003). Another school thinks that social enterprises are organizations belonging in the "crossroads" of cooperatives and NPOs (e.g., Defourny, 2001). Concretely, EMES European Research Network,

¹ In this paper, I define social exclusion as a process that isolates people from society by depriving them of rights and opportunities for participating in social and economic activities and limiting choices of their lives (e.g., Parijs, 1995; Pierson, 2002; Silver, 2007).

² The exchange rate is \$1= 95 Yen.

³ On mental challenged, only about 0.4% of them can get work in the mainstream labor market (Ministry of Health, Labor and Welfare, 2003, 2005).

a leading research group on social enterprises, set the following nine criteria for social enterprises (Defourny, 2001).

- 1) A continuous activity, producing and selling goods and/or services
- 2) A high degree of autonomy
- 3) A significant level of economic risk
- 4) A minimum amount of paid work
- 5) An explicit aim to benefit the community
- 6) An initiative launched by a group of citizens
- 7) Decision-making power not based on capital ownership
- 8) A participatory nature, which involves the various parties affected by the activity
- 9) Limited profit distribution

Thus, a "democratic and participatory governance structure" and "contribution to development and improvement of the community" rather than "non-distribution constraint" are more critical for identifying social enterprises.

In the case of Japan, there is no clear recognition about "what are social enterprises." Generally speaking, like the US, social enterprises tend to be regarded as income activities by NPOs; on the other hand, like European countries, they seem to dedicate themselves to bringing benefits to the community because many Japanese social enterprises select out a nonprofit form rather than a cooperative⁴, limited company and stock company as a legal status and most of them are established by citizens.

In the sense, the Law to Promote Specified Nonprofit Activities allowing incorporation of NPOs enacted in 1998 encourages growth of Japanese social enterprises which are occupied in various fields from care service for the elderly and challenged, education, raising children, environmental preservation to community development⁵. However, even if Japanese social enterprises choose a nonprofit form as a legal status, they can not receive any tax benefits to themselves and donations to them unlike 501(c)(3) tax-exempt organizations in the US and registered charities in the UK⁶. There are neither distinct legal frameworks like Community Interest Company in the UK nor institutions and laws related to social enterprises like Social Cooperative and Social Enterprise in Italy, Social Finality Enterprise in Belgium and Collective Interest Cooperative Society in France (CECOP, 2006). Due to lack of special laws for social enterprises and no common understanding on social enterprises, most of them always suffer difficulty of fundraising to pursue their social economic activities (see: Nakagawa,2008)⁷.

⁴ In Japan, in general, housewives have led development of cooperatives. Due to this background, I guess that Japanese social enterprises seldom select a form of cooperative as a legal status (see: Publication Team for Creating Participatory Welfare Society, 2000).

⁵ As of December of 2008, the number of incorporated NPOs is 36,300 (Cabinet Office, 2008).

⁶ If NPOs want to receive tax-deductible status, they have to satisfy several requirements. Because of difficulty of satisfying them, the number of NPOs getting tax-deductible status is only 92 out of 36,300 incorporated NPOs (National Tax Administration Agency, 2008).

⁷ For example, the number of municipal governments lending money to social enterprises is only 3 out of 721 (C's, 2003). In recent years, "NPO banks" exclusively lending money to social enterprises have appeared; however, the number is still limited, about 10.

2. PREVIOUS DISCUSSION ON METHODS FOR THE COMMUNITY PARTICIPATION

As Janoski(1998), Paton (2003) and Smith and Lipsky (1993) suggest, asking local residents to become board members and giving voting power to them is the most characteristic and straightforward method to grasp needs of the community and satisfy them through activities of social enterprises including NPOs. Therefore, numerous studies investigate the way of composing and managing the board in terms of not only improvement of organizational efficiency (e.g., Bradshaw et. al., 1992; Brown and Iverson, 2004; Callen, 1994; Callen et. al., 2003; Donaldson and Davis, 1991; Fama and Jensen, 1983; Letts et. al., 1998) but also development of democracy at a local level (e.g., Abzug and Galaskiewicz, 2001; Green and Griesinger, 1996; Murray et. al., 1992). Evers (2001) indicates that involving various people such as users, volunteers and representatives of local governments in the board is helpful for social enterprises to act for achieving multiple objectives to build inclusive society. According to Bucolo (2006), French social enterprises which aim at work integration of people excluded from the labor market called "WISEs (Work Integration Social Enterprises)" have really local residents, users and volunteers participate in the board to encourage democratic culture in the community. On the other hand, Iecovich (2005) conducting a survey to 161 NPOs in Israel found that Israeli NPOs tend to select board members on the basis of whether and what candidates have professional skills and knowledge rather than whether they manifest diversity of the community. Murray et al. (1992) and Robinson and Shaw (2003) also suggest that over-emphasis on special knowledge and skills on how to structure the board could prevent social enterprises digging out diverse demands and attracting ideas and opinions of the community. In order to change such a tendency and create the sphere of civil society in the community, Iecovich (2005) suggests that NPOs have to make guidelines on selection and recruitment of board members so that they can reflect various voices in terms of age, gender, ethnicity and nationality in their activities.

On the basis of these discussions, asking local residents to become board members seems to be a typical important way for social enterprises to become a "neighbor" of the community. However, if social enterprises prepare the only method for the community participation, they may overlook marginalized serious voices since a limited number of people can become board members. According to Arrow (1974), organizations which attach importance to sharing information and benefits among everyone tend to make a decision on the basis of consent, not someone's authority. Gomez and Zimmerman (1993) also suggests that organizations not having an authoritative figure take bottom-up approaches and horizontal relationships in their decision-making and implementation processes. Considering these theoretical perspectives, as Nyssens (2006) suggests, we have to focus on not only a formal level having an authority but also an informal level not having an authority and think about what kind of methods of the community participation is useful to promote social inclusion in the community.

3. PROFILE OF TWO SOCIAL ENTERPRISES FOR THE CASE STUDY

To seek effective methods of the community participation through investigating a formal level given an authority and an informal level not given an authority, I pick two Japanese social enterprises, i.e., Network Salon for Support for the Community Life in Kushiro city and Tree of Dream in the Okhotsk Area in Abashiri city, as targets of my case study. Both cities are situated in Hokkaido, the northernmost island and the largest prefecture in Japan (see: Fig.1 and Fig.2) and face many serious problems.

Figure 1 – Location of Hokkaido



Source: Dean and Sue Zemke (2008a)

Figure 2 – Location of Kushiro city and Abashiri city



Source: Dean and Sue Zemke (2008b)

For instance, although Kushiro city is the fourth biggest city of 19thousand people in Hokkaido, the number of population has decreased since 1980. Because of closing the coal mine which is one of the key industries of the city, the job-offers-to-applicants ratio is always under 0.5% and the number of families receiving social security per one thousand families is 41.4. It is 3.5times as many as that of the national average.

Abashiri city also undergo decrease of population and the number dropped below 40thousands in 2007. Tourism, the key industry of the city, has been dull and the number of travelers of surrounding the city fell about 9.2million which is the minimum record for past ten years. Due to such severe economic conditions, the youth leave from the city to get jobs while the elderly remain there.

The reasons why I selected out these social enterprises are the following. Firstly, as I mentioned in the above, a lot of people will face social exclusion in these cities. Secondly, population of the cities is sparse, i.e., population density of Kushiro city is 136.85 and that of Abashiri city is 87.66; therefore, it is difficult to develop "club culture." Thirdly, despite such unfavorable conditions on geography and insufficient institutions about Japanese social enterprises, two social enterprises implement various projects for social inclusion in the community. By looking into these social enterprises in unfavorable institutional and geographic conditions, I could show transferable methods about how social enterprises have the community participates in their decision-making and implementation processes to be able to grasp and satisfy demands of the community beyond difference of institutions and geographic conditions.

From July of 2008 to March of 2009, I implemented observation and semi-structured interviews with former and current CEOs, secretary-generals, some members and users of the social enterprises.

In the following including Table 1, I introduce profile and establishment processes of the social enterprises.

3.1. Network Salon for Support for the Community Life

Meeting of two mothers who have challenged children in 1991 triggered establishment of Meeting for Mother Goose, the previous body of Network Salon for Support for the Community Life. After talking about how to raise children with health nurses of Kushiro municipal office and mothers regardless of whether they have challenged children or not for about two years, they established Meeting for Mother Goose to carry out continuative activities even if their children reach school age and go to different elementary schools.

The most remarkable record is publication of a book entitled "Enjoyable Raising Children for Everyone." The book covering various knowledge and information about ways of raising children, caring sick children and getting a certification of the challenged from the municipal office on the basis of experience created a great sensation among many parents because it was really written by actual mothers, not experts; therefore, it had great conviction and encouragement. Through sold out of two hundreds books for only four months, members began to think about what they can and should do for that all people can continue to live at ease in the community and have interests in other issues except for raising children. In April of 2000, to implement projects for solving diverse problems of the community, Network Salon for Support for the Community Life was born from Meeting for Mother Goose providing services for challenged children exclusively.

As of February of 2009, 123 staff engages in various services such as providing home care service for the elderly, challenged adults and children, managing group homes for the elderly and challenged, creating jobs and providing vocational training for the challenged and the youth, and providing education for children of single-parent families and so on in more than 20 offices. The revenues achieve more than \$3.2million.

3.2. Tree of Dream in the Okhotsk Area

Tree of Dream in the Okhotsk Area established against the background of miserable experience of the former male CEO. He lost his daughter having a serious defect, Amane, two months and a half after her birth in spite of desperate efforts to save her life. After he returned to work, his boss gave him a cruel word, "You found that it is a mistake for men to take childcare leave, didn't you?" because the public did not agree that men take childcare leave as of 1999.

In order to change such inconsiderate society, he established Meeting for Amane which demands rights that men can take childcare leave and elderly care leave in December of 1999 on the Internet. The movement caused empathy of people and then, Tree of Dream in the Okhotsk Area was born by about 50 people including the challenged and their families and experts in January of 2003. Because of financial difficulties, there were not enough welfare service for challenged adults and children, the elderly and mothers having infants in Abashiri city. Therefore, they launched various services like providing home care service for the elderly, challenged adults and children, managing a group home for the elderly and challenged, creating jobs and providing vocational training for the challenged, supporting raising children and providing education for

care-givers and so on so that all people, regardless of whether they are the challenged or not, men or women and the elderly or children, can live with great dignity and respect in the community.

As of March of 2009, 36staff and 259volunteers work for service of Tree of Dream in the Okhotsk Area. The revenues reach about \$1.2million.

Table 1 - Profile of the target social enterprises

Organizational Name	Network Salon for Support for the Community Life	Tree of Dream in the Okhotsk Area
Location	Kushiro city, Hokkaido	Abashiri city, Hokkaido
Year of establishment	2000	2003
Legal status	Nonprofit form	Nonprofit form
Revenue	\$3.2million	\$1.2million
Number of staff	123	36
Number of volunteers	0	259
Main service contents	Home care service for the elderly, challenged adults and children, Keeping and caring children, Group homes for the elderly and challenged, Creating jobs and providing vocational training for the challenged and the youth, Education for children of single-parent families, Managing a cafe for talking about raising children	Home care service for the elderly, challenged adults and children, Keeping and caring children, A group home for the elderly and challenged, Creating jobs and providing vocational training for the challenged, Education for care-givers, Managing a cafe for talking about community development

4. FINDINGS

I analyzed the data derived from observation and interviews to grasp how social enterprises involve the community to realize social inclusion and what kind of impacts are brought by involvement of the community.

4.1. The methods of the community participation

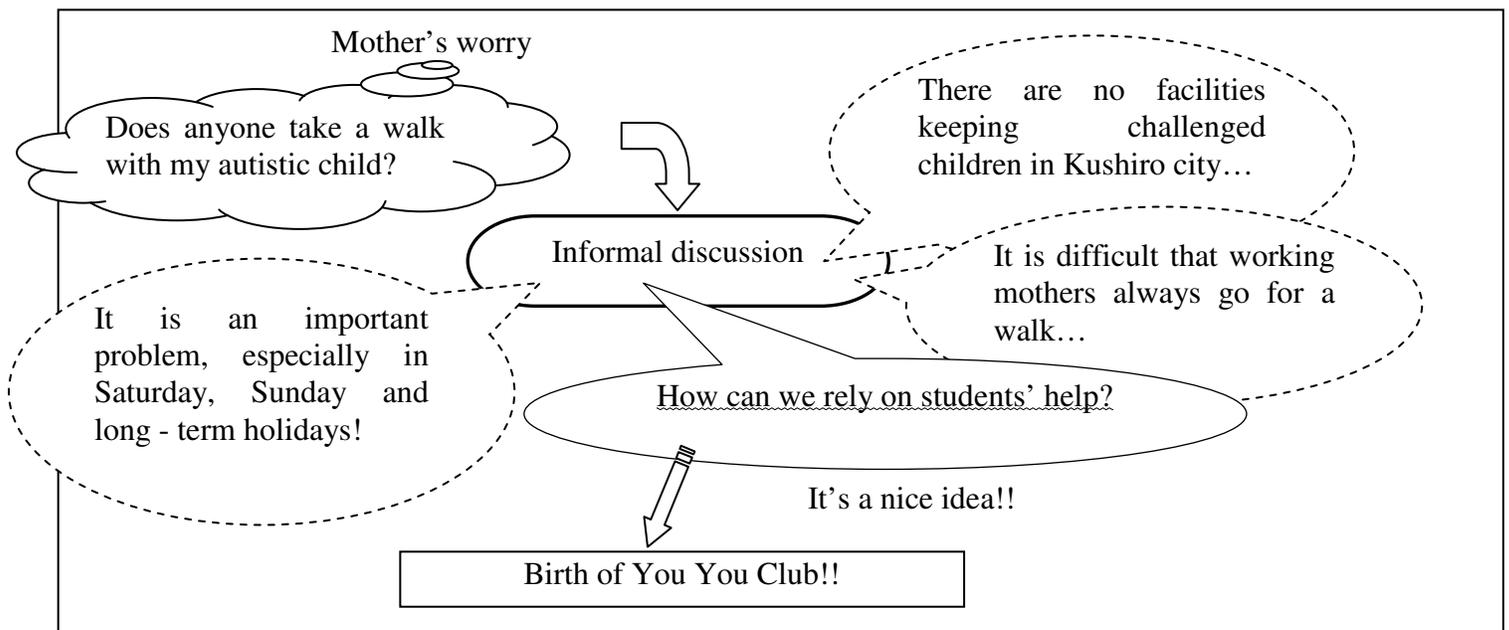
The boards which seem to be the typical way to involve the community are composed of users, users' families, representatives of staff and municipal officers and so on in two social enterprises. However, both of them do not regard the boards as opportunities which can dig out needs of the community and reflect them in their activities because they consider that the formal method can neither grasp marginalized serious voices accurately nor deal with them promptly. The former CEO of Network Salon for Support for the Community Life says, "The formal procedure is not useful for tackling social exclusion in the community since all people having critical problems do not necessarily raise voices to the board."

Instead of the board, they use the following two methods of the community participation in order to seek and fulfill diverse demands of the community. The first is to create informal opportunities that all local residents can unburden and share worries about their daily lives. For example, Tree of Dream in the Okhotsk Area not only set a suggestion box but also hold an informal consultation in the office. Service for support for raising children was created against the background of a voice of a certain mother who came to the office to consult her worry about how to raise children. As a result of the hearing in the community, Tree of Dream in the Okhotsk Area found that many mothers have same worries; therefore, it established this service.

Network Salon for Support for the Community Life held a series of workshops in addition to an informal consultation in the office. This workshop was not given any authorities on establishment and implementation of new projects. However, thanks to the rule that nobody declare their titles, all people respect feelings and opinions of others and discussion does not necessarily aim at draw conclusion, not only local residents but also public officers could gather there and indicate a variety of problems on the community life from individual views.

The second way is to give power for implementing projects to local residents so that they can practice ideas to solve the worries. The project of You You Club of Network Salon for Support for the Community Life that students care for the elderly and challenged was produced and is led by a working mother who was in need of someone to take a walk with her autistic child after school. She came up with the idea that she has students take a walk with her child as a part-time job in a consequence of several informal discussions with local residents and staff in the office (see: Fig.3). As of March of 2008, more than 140 people use this service to ask for taking care of not only challenged children but also the elderly.

Figure 3 - Process of birth of the project of You You Club

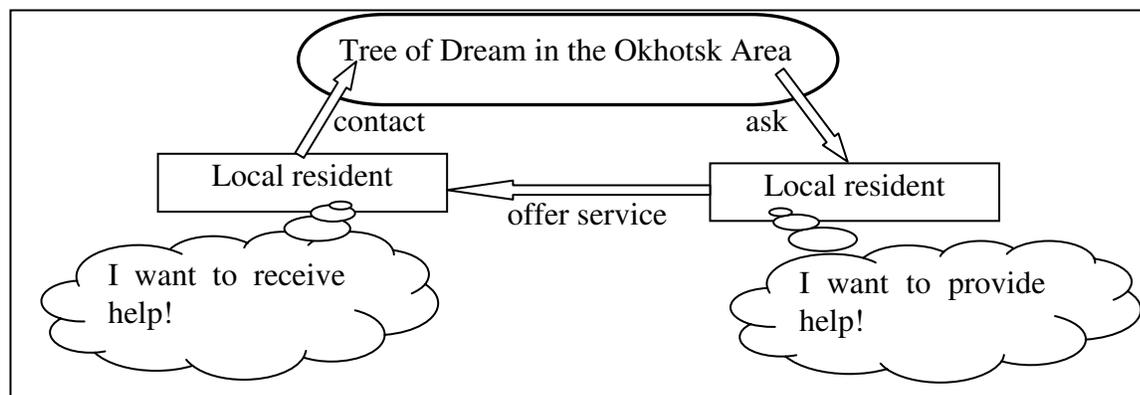


Source: Hioki (2008)

The project of establishment of group homes was also produced as same procedure of the project of You You Club. It was suggested and is led by two mothers who hope that their challenged children can continue to live in the community even if they die. The group homes which were born on the basis of exchange of ideas and opinions of local residents and staff are utilized by about 45 people. Network Salon for Support for the Community Life raises funds, finds places and distributes their staff so that local residents can execute their projects smoothly.

In Tree of Dream in the Okhotsk Area, local residents, not its staff, take main roles for carrying out projects, too. Concretely, as Fig.4 shows, local residents who need help contact Tree of Dream in the Okhotsk Area and receive service from other local residents registered as volunteers of Tree of Dream in the Okhotsk Area. Thanks to this system, provision of multiple services which is shown in Table 1 of page 9 is realized regardless of time and location.

Figure 4 - The flow on service provision of Tree of Dream in the Okhotsk Area



Source: Tree of Dream in the Okhotsk Area (2008).

4.2. Impacts of the community participation

What kind of impacts is brought by the above methods of the community participation? Distinguishing the impacts at an individual level, a community level and an organization level, I introduce them below.

Impacts at the level of individuals

Firstly, local residents became independent active citizens. According to the CEOs and staff of two social enterprises, many local residents had passive dispositions and thought that they have to accept their worries and problems of the community before. However, by participating in informal opportunities to be able to unburden and share worries about their daily lives and receiving power for implementing projects to solve the worries from the social enterprises, local residents became felt that their worries and problems are solved when they raise voices and take action to solve them by themselves. The project of establishment of group homes of Network Salon for Support for the Community Life was really borne by mothers who were convinced that their worry is solved by only their voluntary and serious actions through seeing efforts of the mother who established the project of You You Club.

Secondly, local residents gained self-confidence. For example, a certain boy who received ill-treatment from his parents began to engage in the project of keeping and caring children in

Togetsu-sou that the elderly, the challenged, the unemployed, children receiving ill-treatment from parents and welfare families live together in one house which Network Salon for Support for the Community Life purchased. Through the warm words of "Thank you" from many parents, he was able to sure that he has the significance of existence and began to have a dream about his own future.

Impacts at the level of the community

Each local resident became realized that he/she is a "member" of the community and had responsibility to keep the safe community life. Therefore, in case they do not see a certain people these days, they visit his/her home in order to see how he/she is getting along. Thanks to this voluntary security network, a miserable occurrence of lonely death can be avoided in Abashiri city.

Cooperation among people who have different occupation is also realized since all people engage in projects as a member of the community, not a person having a certain title. A Kushiro municipal officer has been thought about what we can and should do for junior high school students of single-parent welfare families so that they can go to high schools for a long time because the municipal government has not tackled this problem due to financial difficulties. By participating in Network Salon for Support for the Community Life as a member of the community, not a public officer, the person could establish the project entitled Let's Go to High School and help junior high school students with their study under cooperation with local residents who are good at study and/or have a teacher's certificate.

In addition, constant dedication to the community by the social enterprises triggered birth of many social enterprises around two cities. The former CEO of Tree of Dream in the Okhotsk Area participates in at least three new social enterprises to give advices about how to create a circle of mutual help in the community on the basis of his experience.

Impacts at the level of the organization

First effect is that social enterprises can carry out real useful projects for social inclusion in the community because they can grasp demands of the community accurately and get affluent human resources, local residents, by the above methods of the community participation. Before establishment of Tree of Dream in the Okhotsk Area, there is no service for keeping and caring challenged school children. However, now, the number of people using service on keeping and caring challenged school children of Abashiri city is the same as that of Sapporo city having 1.9million people, the capital city of Hokkaido. Therefore, an officer of the welfare department of Hokkaido prefectural government says that Abshiri city is the best place for all children to be able to live at ease.

Second effect is that the social enterprises can achieve economic sustainability. Implementation of diverse social purpose projects contribute to not only increasing revenues but also getting government subsidies more easily because governments are convinced of their lots of efforts and track records for social inclusion. For example, the project of Togetsu-sou of Network Salon for Support for the Community Life and the project of Peer Counseling that mothers having challenged children can get advices from other mothers having challenged children on the basis of their actual experience of Tree of Dream in the Okhotsk Area are carried out by government subsidies. Such financial support in addition to a lot of human resources enables the social enterprises to achieve their objectives that they do not decline any requests from local residents. A certain child who suffers pervasive developmental disorders had been rejected from many

service providers because they were not able to handle the child's violent action in a home and a school. The parents were at a loss and asked Tree of Dream in the Okhotsk Area to care their child. Tree of Dream in the Okhotsk Area received the child and discussed what to do for the child again and again with parents, local residents, the school and experts. In addition, Tree of Dream in the Okhotsk Area gave concrete instruction on treating the child to the family and the school repeatedly so that the child can continue to live with dignity in the community. As a result, the child begins to recover calmness and get along with others.

CONCLUSION

In this paper, I investigated how social enterprises have the community participates in their decision-making and implementation processes to dig out needs of the community and respond them accurately. Traditionally, asking local residents to become board members and giving voting power to them seems to be a typical method of the community participation. However, as a result of my case study focusing on two Japanese social enterprises, they involved the community by using more informal ways, i.e., creating informal opportunities that all local residents can unburden and share worries about their daily lives and giving power for implementing projects to local residents so that they can practice ideas to solve the worries, not a formal way like inviting them to the board. I also found that such informal ways produce necessities for achievement of social inclusion in the community such as raising independent active citizens, broadening and developing the sphere of civil society in two cities and bringing economic benefits to the social enterprises.

Why do the social enterprises take such methods to involve the community? As the reason, I guess that the social enterprises regard themselves as "managers" for building inclusive society in the community, not mere welfare service providers. As previous literature suggests, social exclusion is caused by social structure, institutional configuration and individual attitudes (e.g., Adler Institute on Social Exclusion, 2008; Bonner and Luscombe, 2008; Honneth, 1996; Silver, 2007). Only providing service to marginalized people can not get rid of these sources; therefore, the social enterprises will engage in not offering welfare service exclusively but promoting the community participation in their attempts and raising human capital and social capital in the community.

This includes an important suggestion about how social enterprises reconcile achievement of economic purpose and social purpose because it is said that some social enterprises begin to give up social purpose in order to get government contracts and subsidies and win competitions in markets favorably with others these days. For example, Bode et. al. (2006) indicates that some Belgian, German and Irish social enterprises tend to hire skilled workers to achieve their economic sustainability in spite of having a mission, providing work to people excluded from the mainstream labor market. However, the result of my research suggests that only social enterprises which continue to dedicate themselves to the community can win approval from various people and achieve their own sustainability.

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