

An Analysis of Japanese Social Innovation: Comparison Study on U.S. and Japanese Social Innovation

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1

Abstract

The concept of innovation has been evolving. In the past, innovation was translated into Gijutsu-kakushin (technological reform), and the scope was limited to technology. However, today the scope of innovation has been expanding and it also includes "service innovation" as well as "social innovation."

Social innovation is still a very new concept in Japan. After 3.11 (Great East Japan Earthquake), it is said that Japanese people changed their mind and turned to social values rather than monetary values. Especially, young people re-set their mind and started new businesses targeting creation of social benefits or social values. They are a part of social innovation. However, such cases are still limited in Japan.

The author this year won some research fund and conducted her study on the U.S. social innovation activities as well as, on a limited basis, on Japanese social innovation activities. This study compared social innovation activities in these two countries: the U.S. and Japan. The study may give some implications for Japanese policy makers to work out some policies and measures to promote social innovation in Japan.

2

Content

- 1. Background
- 2. Definition
- 3. History
- 4. Why social innovation NOW?
- 5. U.S.: long history, success cases
- 6. Japan: initial stage
- 7. Validation
- 8. Future direction

3

Objectives

While social innovation is attracting public attention in Japan, the country's activities lag behind social innovation in the U.S. This study attempted to do the following:

- Identify success factors for social innovation in both the U.S. and Japan
- Work out measures to promote social innovation in Japan and suggest policy recommendations for the Japanese government

4

Background

- Social innovation is a hot issue
- U.S. & EU: In the 1980s, under small government, budgets for social activities were reduced → motivated socially innovative people
- Japan: Collapse of the bubble economy → lost decades → serious natural disasters (Hanshin and East Japan) →→ shift in the Japanese values system
- Today, Japanese tend to place more emphasis on social values rather than on economic values.

5

Definition: Innovation

Innovation: a source of economic change

Technological innovation: a source of business and economic cycles

Schumpeter distinguished between five different types:

- (1) New products
- (2) New methods of production
- (3) New sources of supply
- (4) The exploitation of new markets
- (5) New ways to organize business



Joseph Alois
Schumpeter

6

Definitions by Japanese gov.

MEXT's "The 3rd Science and Technology Basic Plan" (2006–2010):

- Innovation generates new social and economic values through advanced scientific findings and technical inventions combined with human insights.

Japanese government's "Innovation 25" (2007)

- Innovation is not just confined to technological revolution. It creates new values and brings about drastic social changes by incorporating new concepts and systems that are completely different from conventional ones.

7

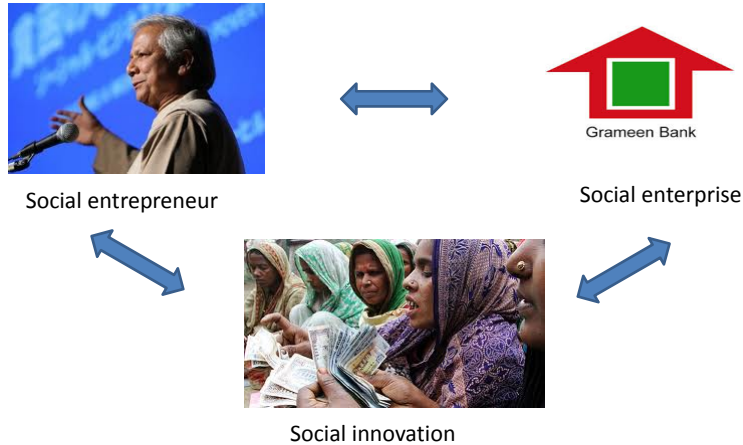
Definition: Social innovation

- The Stanford Center on Philanthropy and Civil Society at Stanford University in 2003 launched *Stanford Social Innovation Review*.
- In the first issue, social innovation was defined as "the process of inventing, securing support for, and implementing novel solutions to social needs and problems."

8

How it works

Relations among social entrepreneurs, social enterprises, and social innovation



9

History of social innovation in the U.S.

In the 1980s, the Reagan administration reduced budgets for non-profits and govt. organizations:

- (1) NPOs were forced to come up with their own ways to raise funds
- (2) Demand for NPO services increased
- (3) Both NPOs and the govt. started looking at how business enterprises were run and consciously began deploying strategies for more efficient operation.

→→→A catalyst for social enterprises began to develop in the U.S.

10

History of social innovation in the U.S.

- Lehman Shock in 2008 → *excessive capitalism* is wrong



11

History of social innovation in the U.S.

- Obama: "The Office of Social Innovation and Civic Participation" established in White House.
- \$20 billion social innovation fund set up



12

U.S. social innovation organizations

	Friends without Borders	Dress for Success	Endeavor	Idealist	DC Central Kitchen	Calvert Foundation	Ashoka	Ceres	Accion	One World Health
ownership	NPO	NPO	NPO	NPO	NPO	NPO	NPO	NPO	NPO	NPO
income	donation	donation	donation	charge	charge + donation	investment returns	donation	membership fee	microfinance biz income	donation
objectives	rescue Asian ill children	support women's job hunting	support start-ups in developing countries	networking NPOs in the world	solve homeless problems in D.C.	solve problems in local communities	activate social innovation in the world	advocate large companies and investors in environmental issues	promote microfinance in developing countries	support access to medicines in developing countries
solution	rescue Asian ill children	support women in community	support start-ups in developing countries	networking with NPOs in the world	solve homeless problems in D.C.	solve problems in local communities	activate social innovation in the world	advocate large companies and investors	solve poverty in developing countries	support access to medicines in developing countries
sustainability	donation from foundations and companies -> sustainable	donation from foundations and companies -> sustainable	donation from foundations and companies -> sustainable	charging model -> sustainable	charging model -> sustainable	investment returns -> sustainable	donation from foundations and companies -> sustainable	membership fees -> sustainable	biz incomes -> sustainable	donation from foundations and companies -> sustainable

13

US successful case (1)

Dress for Success

Women donate used suits to the organization, which provides them to women-in-need who are job hunting. Recently, the organization began offering job training and other services aimed at helping women.



14

US successful
case (2)

DC Central Kitchen

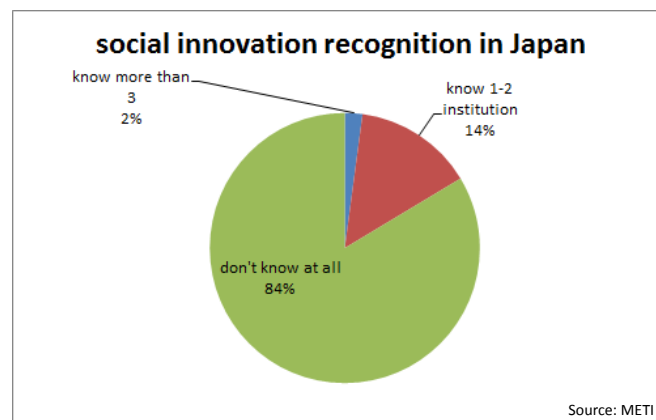
Provides job training in the food service industry for homeless people. The organization also sells cooked meals to NPOs and schools.



15

Japanese social innovation

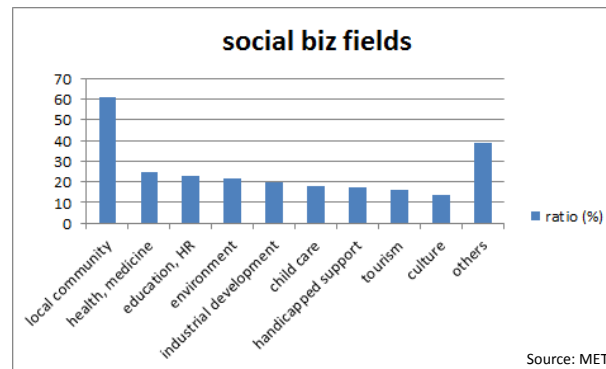
- Social business (SB) is a new concept; recognition is low in Japan



16

Japanese social innovation

- There are currently 8,000 social businesses in Japan
- \$240 billion market
- 32,000 employees



17



Japanese people's mind-set changed

→ *conventional wisdom*: "graduate from a prestigious university, enter a big company, climb up the corporate ladder" was reconsidered



18

Why is SB weak in Japan?

- Japanese people believe that social/public issues should be solved by the government.
- Japanese society is a government-centric system.
- Japanese people tend to rely on the government to solve social/public issues.

→ However, Japanese society has been changing

19

Japan success
case (1)

Irodori K.K.



Tsuma (leaf)
business: Aged
people in a
depopulated village
gather and sell
leaves to ryotei
restaurants.



20

Japan successful
case (2)

NPO Florence

Sick child care service
provider with a membership
system (initial fee ¥21,000 +
monthly fee between
¥5,000 and ¥20,000)

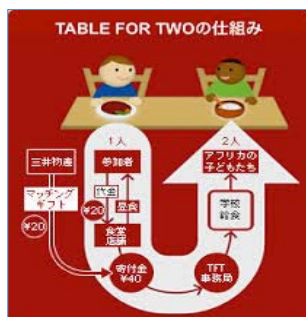


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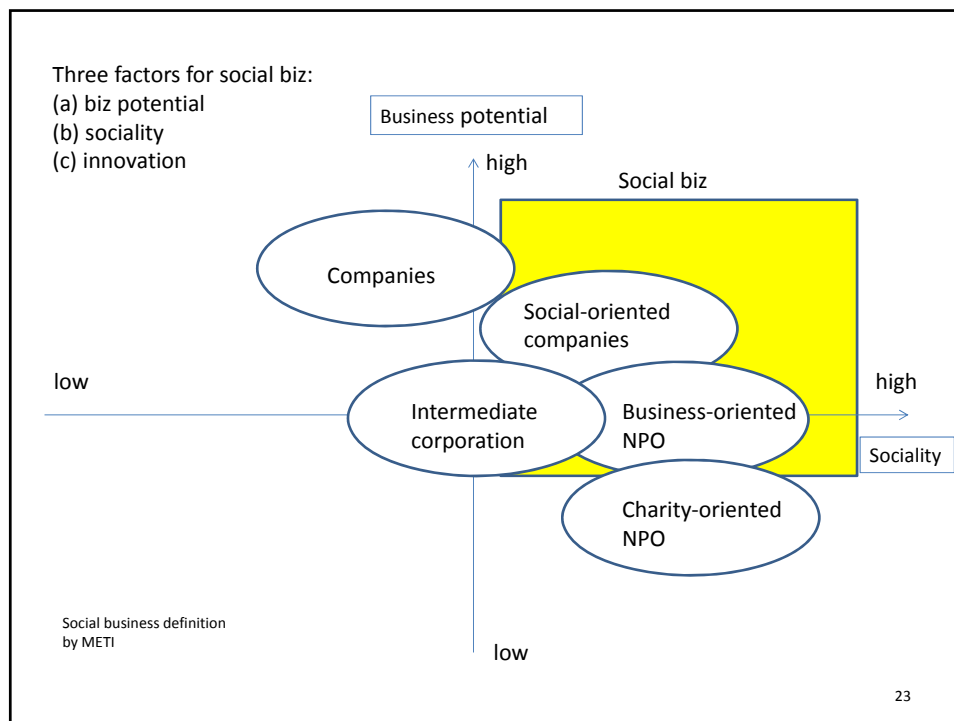
Japan success
case (3)

NPO "TABLE FOR TWO"

One billion people in the world suffer from malnutrition, while another one billion suffer from obesity. TABLE FOR TWO aims to right this imbalance. In developed countries, participating restaurants offer healthy menus, from which \$0.25 of each meal provides school meals in developing countries.



22



Japanese social biz comparison

	Irodori	Florence	TABLE FOR TWO
Issues to be solved	Depopulation, aging	Difficulties for women with kids to work in Japanese community	Correct the imbalance between people suffering from obesity and those suffering from malnutrition.
Targets for biz	Japanese restaurants (ryotei)	working women with kids	Companies that provide TFT meals, organizations that provide school lunches in developing countries
Biz model	Aged people in Kamikatsu-cho gather leaves in the mountains and sell them to Japanese restaurants in large cities	Provides sick child care services under a membership system	In developed countries, participating, restaurants offer healthy menus. \$0.25 of each meal goes to provide School meals in developing countries.
Income model	Selling leaves	Initial membership fee and monthly fee	Add \$0.25 to cost of healthy meals at member restaurants
Income	¥260 mil (2012)	¥440 mil (2011)	(\$5.6 million meals)
Social values	Reduced loneliness of elderly people, meaningful and worthwhile activity, societal acceptance	Realize a society in which women with children can work equally	Solve overconsumption problems in developed countries while solving malnutrition problems in developing countries

U.S.–Japan comparison analysis

There are several differences between Japan and the U.S.

- Social structure is different
 - U.S.: Citizens founded the U.S. (建国の精神)
 - Japan: The government rules the country お上 (行政府)
- Spirit is different
 - U.S.: Progressive (enterprising) spirit 進取の精神
 - Japanese: Conservative
- Social infrastructure/Instruments are different
 - U.S.: Donation, foundation, social capital
 - Japan: Lack of infrastructure/instruments

25

Japanese social innovation issues

- (1) recognition rate is very low → social innovation entities cannot obtain necessary funds
- (2) management skill is lacking → not sustainable
- (3) social needs and social entrepreneurs' enthusiasm do not match → needs cannot be fulfilled while highly motivated people are not fully utilized

26

Possible solutions

- (1) Japan: May require public support
 - However, too much of a helping hand may kill entrepreneurship
- (2) Japan is lacking infrastructure/instruments
 - Japanese social innovation needs a business income model
- (3) Differences in environment between U.S. and Japan
 - the same model is not applicable in both countries
 - → Different biz models are required

27

Policy implications

Social capital is lacking in Japan; some policies encouraging social innovation might be required.

- (1) Recognition is low → P.R. opportunities; providing loans for SBs
- (2) Lack of knowhow → mentor program, training program
- (3) Mismatch between needs and SB practitioners
 - should provide opportunities to meet potential SB customers and practitioners

28

Conclusion

- In Japan, social innovation is generally not well-recognized, and social innovation activities are weak.
- However, Japanese people's value recognition has been changing due to:
 - (1) prolonged economic stagnation
 - (2) large natural disasters
- Values changes are especially obvious among younger generations.
- Some young Japanese have started their own social biz or engaged in social innovation activities.

29

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30

- Any questions?



31



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32