The Current State of NPOs as the Vanguard of Social Enterprises and Policy Intervention Strategies in Japan

Masao HATA
Institute for Creative Cities and Regions, University of Hyogo

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ABSTRACT

The purpose of this study is to examine effective strategies to advance the NPO to the social enterprise corresponding to diverse socio-economic problems by focusing local governance under the population decline society in Japan. Although a legal system for the NPO was created as the “New Public Commons” in 1998, proper policy applications have not being developed to enlarge the NPOs activities. And social innovation has not been created by those new entities. This article clarified both the spatial diffusion pattern and activity size of the NPOs by quantitative analysis with the geographic information system and the NPO database built for this article. Hyogo region is the object area to analyze where is the birthplace of both the “New Public Commons” and the consumer cooperative movement in Japan. Through the experiences in this area, the suitable environment is considered to create for the new entities such as social enterprise. Some policy recommendations are proposed referring to the socio-cultural backgrounds.

Keywords: social enterprise, non-profit organization, regional governance

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1. INTRODUCTION

The purpose of this study is to examine effective strategies to advance the NPO to the social enterprise corresponding the diverse socio-economic problems by focusing local governance under the population shrinking society in Japan. Social enterprises utilizing citizen participation and business strategies are attracting attention as new entities that actively engaged in regional problems such as employment and social inclusion. The central government, regional governments and various local organizations are engaged in social problems in Japan. But there is much interest in the activities being conducted by NPOs in particular, because of the central role they play is so-called new public management. A legal system for NPOs was created in 1998 in response to an increase in voluntary activities following the Great Hanshin Earthquake in 1995 (Pekkanen 2000).

With a rapidly aging population as well as declining birth rates, there is a great need for mechanisms that address various regional problems. At the same time, the declining trend in population is significantly affecting regional governance, the main actors of which are self-governing organizations, local governments, and companies: the decline in population is reducing local residents' ability to solve problems autonomously and is making it difficult for regional governments to continue providing subsidies and grants due to severe fiscal conditions. It is necessary, therefore, to build a new mechanism or system for regional governance through which these actors can deal with social problems based on their solidarity. Social enterprises in Japan have attracted attention in this context. But the challenge is to examine them from the standpoint of institutionalization because they currently exist in only two forms, as the NPO or corporations (Kerlin 2010).

Most of the existing studies in Japan on social enterprises discuss or analyze the systems in Europe and the United States, and few go beyond case studies of pioneering activities. Studies on the NPO mainly focus on qualitative analysis, and only a handful of them analyze the NPO activities quantitatively with future institutionalization in mind (Hata 2012a).

This article consists of seven chapters. Firstly, methodology and object of this study is clarified (chapter 2). Secondly, the regional problems with which Japanese society confronted and the activities of various stakeholders to address them are overviewed (chapter 3). Thirdly, after the examination about the background of legal system of the NPO and relating policies, the precedent researches in Japan are reviewed (chapter 4). Although analyzing with the limited data of Hyogo region, some policy recommendations are conducted with the results (chapter 5, chapter 6) and conclusion (chapter 7).

2. METHODOLOGY AND OBJECT OF THIS STUDY

This study regards NPOs as the vanguard of social enterprises and focuses on the Hyogo region which includes the areas damaged by the Great Hanshin Earthquake (the event that induced the introduction of a legal system for NPOs). The purpose of this study is to create a database for 1,623 NPOs and to conduct a spatial analysis of how they have spread with a chronological analysis of their revenue and expenditure structures. With regard to the spatial analysis, a meso-scale area is divided into regional communities and the relationship between each regional space and corresponding social governance is considered. This study uses GIS as an analytical tool and refers to research agendas on social enterprises (Haugh 2009; Muñoz 2009).

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1 The Great Hanshin-Awaji Earthquake, registering a seismic magnitude of 7.3, struck the southern part of Hyogo Prefecture at 5:46 on January 17, 1995. This vertical-thrust earthquake was responsible for the loss of more than 6,400 lives, and severely damaged utility lines such as electricity, gas, and water supply, in addition to houses and urban infrastructure, including expressways, railroads, and harbors. The total damage amount was valued at approximately 10 trillion yen. (reference: http://web.pref.hyogo.lg.jp/fl/english/)
GIS makes available not only to visualize the pattern of spatial diffusion of the entity which addresses to solve the problem in the community, but also to clarify the correlation between the problems situation and the distribution of entities with cross-tabulation analysis (Hales 2005). GIS contributes to a better understanding of the lifecycle of the new social entities from seed to mature by mapping their locations spatially and analyzing longitudinally (Muñoz 2009). Furthermore, the pattern of spatial diffusion clarifies the socio-economic impact in parallel with social entities’ evolution. Analyzing both the pattern of the spatial diffusion and the clustering tendency associated with the characteristic of the neighborhood, it can be explained the reason why the social entities is located in the specific regional space (Pettie & Morley 2008).

When we discussed the local governance, it is important to consider the suitable size of the governance matching with the addressing problem. Considering the diversity and complexity of community problems under the population decline society in Japan, it is necessary to explore the concept and shape of entities suitable for solving problems. This requires to build spatial, longitudinal database for the social entities. In this study, NPO database was designed to built against a backdrop of the governance size.

Hyogo region, object of this study, located in the geographical center of Japan has 5.6 million people in population size and 8.3 thousand square kilometers in area in 2010 (Figure 1). It is about half size of Belgium population and quarter size in area. Hyogo region contains a rich variety of communities ranging from large cities to rural villages as well as isolated islands, and also has several diversified climatic and natural features. As a result, Hyogo region becomes known as a Japan in miniature. For that reason, there are many and diverse regional problems with the progress of population decline society, and these problems will become remarkable. Hyogo region is the area that the experiences of restoration and recovery process from Great Hanshin Awaji Earthquake(1995) led to the formation of the concept of “New Public Commons”. Hyogo region is a place where the collaboration of variety of groups of autonomous community and NGO realized restoration and recovery of the disaster, formed the basis of the “New Public Commons”.

The disaster area of the Great Hanshin-Awaji Earthquake, where was the birthplace of the “New Public Commons”, have fostered the social entrepreneurship about a hundred years ago. A prominent welfare worker Toyohiko Kagawa (1888-1960) promoted the cooperative movement in Japan in order to address to relief the poor and grown up in this area. He was one of the Japanese social entrepreneur of early generation. Through such activities, spirit of cooperation among the residents in this area was developed and inherited until now. It is significant to analyze how the entity of “New Public Commons” spread spatially in this area with brilliant tradition of social movement. Findings obtained from this analysis will contribute to consider the entities and institution of the next phase of the new public commons.

Since the NPO system has been developed based on the voluntary activities, individual activity report of NPO have been required by the law, but there is not the database which is unified those individual data at the national scale. Therefore there are constraints of data collection procedures, data of Hyogo region was used instead of the national scale data as miniature of Japan.

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2 NPO must compile an activity report, inventory of assets, balance sheet, and statement of revenue and expenditure for the previous fiscal year, and a list of officers (Article 28.1; Act on Promotion of Specified Non-profit Activities)
3. THE REGIONAL PROBLEMS WITH WHICH JAPANESE SOCIETY CONFRONTED

3.1. The problems under the population decline society

Japanese population is heading to aging at a pace unprecedented among the OECD countries. The total population of Japan which had continued to increase entered the decline stage slowly after 2005. The result of population census 2010 shows population decline and tendency of aging clearly. Future population size is anticipated to be shrinking to 70 percent of that in 2010, and the aging rate (over 65) of population will be climbed to 40 percent in 2060 by National Institute of Population and Social Security (IPSS 2012). These changes affect to the social services and the local community significantly. Under those circumstances, it will be difficult to provide the quality and quantity of various social services sustainably because of declining both consumer and resident in the urban and rural area. The lack of appropriate policy interventions to various regional problems will make the problems more complicated in the future.

The family system which forms the basis of the local community will be transformed mainly from the nuclear family to single-person households and households of married couples by both the aging and the declining birth rate of the population (IPSS 2012). In particular, as the elderly couples over 65 years old and the single elderly households increase, vitality of the community and potential of the community for mutual aid to solve problems is reduced. Owing to the explosive increase of the elderly population or crisis of extinction of population in almost regions, problems concerning the health and welfare, isolation of the aged and difficulties in access to the daily socio-economic services occur in various forms and are hard to be solved.

In addition, as declining birth rates reduces the labor force at the core of society with a rapidly aging population, many problems occurs, i.e., securing labor force and the crisis of shrinking economy, the
necessity of revising intergenerational redistribution and benefit level of pension system. And constrained by the financial burden of public debt of more than 700 trillion yen which both the central and local governments has been inflated by the low-growth economy in two decades, the sustainability of grants and subsidies which has been utilized as policy tools by the central and local governments are reduced, transformation from the government-led social system to the community-driven system has been required (Matsutani 2006, Coultas 2007, Yamasaki 2009, Mantanle et.al. 2011).

3.2. The activities of various stakeholders to address the problems

Firstly, let us focus on the state of local community where the problems occur. Autonomous local organizations of residents played a crucial role along with the local government to response the problems of local community. The neighborhood council “Jichikai” and regional women’s organization “Fujinkai” have played a central role to develop activities to cope with the problems collaborating with local government. However tendency of excessive depopulation in the rural area and population concentration in the urban areas especially during the high economic growth period from 1950s to 1970s deprived the vitality of these autonomous organizations of local residents. As the result of reducing interest for the local community of the residents, the number of participants to the community events is declining and neighboring relationship among the residents is weakening. Some communities are hard to survive in the rural area, and the community activities decrease in the urban area.

Secondly, I pay attention to focus on the Corporate Social Responsibility (CSR) activities of company to local problems. CSR has been promoted in the context of the growth strategy for company, social contribution activities have expanded to the area such as Bottom of Pyramid (BOP) business and social business to reduce the environmental impact. Although 86 percent of the company owners think the companies should play an active role to solve social problems according to the survey of social responsibility (Japan Association of Corporate Executives 2010). The company owners also think that they should change their CSR activities from contributing to society through both philanthropy and mecenat activities into solving social problems through business activities. However looking at the corporate actual behavior, market size of Socially Responsible Investment (SRI) is smaller than that of Europe and the United States. The size and share of the SRI in Japan are less than 0.3% at the end of 2009 in Europe.

Thirdly, I try to focus on the local government responsibility for the governance of the region. In order to respond properly to the regional problems due to the declining population scale and aging, municipality merger was promoted in the last decade. It is expected that establishing the administrative and financial foundation that can provide appropriate services for residents sustainably. As a result, the number of municipalities has decreased to 1719 organizations in 2013 compared to 3,232 organizations in 1999. In spite of strengthening of local governments, it is pointed out that the municipality merger policy caused the degradation of residents' services; for example, the loss of vitality of small villages of the periphery in the rural area, the loss of traditional, characteristic culture and historic place of the region, the voice of residents is less likely to reflect on the local government policy (MIC 2010).

Even though each stakeholder above is trying to expand the efforts to solve regional problems, it is hardly to say those activities are well collaborated with multi-stakeholders because of the following problems. Firstly, there is not a clear vision that can be shared with stakeholders to solve the local problems. Secondly, the activities of the autonomous organizations of local residents are almost independent each other and very few collaboration between multi-stakeholders are found. Thirdly, low level of diffusion rate of the social contribution activities of small and medium-sized enterprises which are occupying the majority of the Japanese enterprises, the activities to support the employees to interchange with local residents and to participate the society activities. Fourthly, the local governments adopt collaboration policies with residents positively since the 1990s, but those policies are partial and limited.
Referring to the action plan for social enterprise, both social enterprise in the society and enabling role of government are significantly specified; fostering the culture of social enterprise, ensuring that the right information and advice are available to the running social enterprise, enabling social enterprises to access appropriate finance, enabling social enterprises to work with government, enabling delivery (the social enterprise action plan, Cabinet Office 2008). Further examination of the action plan concerning to foster the culture of social enterprise clarifies the importance of evidence about the role of social enterprise and usage of the evidence properly for the policy planning. And it also refers to the necessity to build the network among the social enterprise. These policy implementation can be fit for the policy to enlarge the NPOs activities.

4. THE CURRENT STATE OF NPO POLICY

4.1. Background of legal system of NPO

In this study NPO is regarded as vanguard of social enterprise. The increase of volunteer activities following the occasion of the Great Hanshin-Awaji Earthquake (1995) was good opportunity to the legislation of NPO system. A number of volunteers rushed from home as well as within the affected area and abroad to the area of Great Hanshin-Awaji Earthquake where the unprecedented catastrophic disaster attacked the urban area. More than 1.38 million people worked for the reconstruction of the affected area and relief of victims within a year of the disaster. This year was called “volunteer first year in Japan”. The NPO system was legislated by “the Law Concerning the Promotion of Specific Non-Profit Organization Activities”; the NPO Law in 1998 (JCIE 1998).

In particular, it was characteristic that activities of students and members of society as volunteers were flexible than those of governments (Economic Planning Agency 2000). It was also said that the various activities of volunteer organizations made a swell to new activities and gave the precious opportunity to recognize mutual beneficial spirit among Japanese people, this spirit gave bright hope to the people. To promote the sound development of such voluntary activities, a new form of non-profit organization has been adopted and legislated reference to the system of non-profit organization in the United States (Kawashima 2001).

New non-profit organization system was taken advantage of the U.S. system which has a variety of both organizational size and activities to realize social value to the broad problems. Reflecting on the NPO system of U.S, it is necessary to take a form of organization, to operate activities autonomously, to work for public purpose, not to pursue for profit, not to allocate the revenue to members in charge of operation (Salamon et.al. 2000). The NPO law guarantees easy registration procedure and legal entity of property management and economic transaction.

In the process of introducing non-profit organization system of U.S, the system mainly focus on the clubby and volunteer organizations in practice, because of another public interest corporation systems which have already institutionalized in Japan. Adding to the existing system, adopting the NPO system has slightly different socio-cultural background in Japan, social impact has not been demonstrated as initially expected. Therefore it is supposed that the scale of activities of individual NPOs are still small and the impact such as job creation has not been expanded in the Japanese society.

4.2. The current state and problems of the NPO policy

The number of certified non-profit organizations in Japan is about 47,000 according to the statistics released by the Cabinet Office at the end of the March in 2013, they are gradually expanding the numbers and size of activities. Based on the current situation of stakeholders on regional problems mentioned above, the central government and local governments apply some policies to promote the activities of the NPO focus on support for new participants and cultivation of the relationships among
stakeholders; governments support the NPO for cultivating capacity of organization for continuous activities and financial stability, focusing on construction of the relationships among the NPO, local governments and new participants for cooperative multi-stakeholder activities.

These NPO policies are applied for improving or solving the current problems of the NPO. It is referred as problems and factors background that the recognition about the NPO activities as a new social existence is still at a low level in spite of 15 years have passed since the NPO’s law enacted; insufficient sharing of the social problems with the stakeholders; existing community based associations work as disincentive of social system for effective collaboration; on the way of evolution process to transform from government centered local governance to the civil centered one. In this paper, issue of governance will be analyzed using a kind of scales focus on the ordinary revenue.

The vertical relationship between local governments and community associations has been built in the Japanese society for a long period. To the contrary, the NPO acts independently and intend to build horizontal networks among various stakeholders and organizations of society. But the current state of the NPO is in the initial stage and outcome does not gain enough. Some policy alternatives are required to build the horizontal network structure among stakeholders enhancing the unity and solidarity. In the restoration and recovery process of the Great East Japan Earthquake (2011), it is reported that the matching fund promoted new activities of the NPO to collaborate with another NPO in the affected area and outside area. It has just begun, but there is a necessity to accumulate these experiences to create an environment where multi-stakeholders collaborate to solve the regional problems and to legislate the institution of social enterprise suitable for society of Japan.

Looking to the Japanese policy environment for social enterprise, variety of policies are conducted under the declaration of “New Public Commons” (Cabinet Office 2010) . Governments increase efforts to reduce the disincentive factors to enlarge those activities, to enhance the independence from both the government and local governments, to improve the method of public services delivery in a lean way, and to create the opportunity for employment and participation. Under current environment, further efforts are conducted, ie. tax reduction for the donation, establishment network among the multi-stakeholder, and small model projects design called “social experiment” toward the social innovation. But these projects are quite small in size and less impact to the society just like experiments in the laboratory. At this stage, vision for the future and specific strategy for its goal are not designed yet. The Cabinet Office conducted research and analysis about oversees legal system in UK, Italy, Korea and US for the legislation of social enterprise (Cabinet Office 2011) . It remains at the early stage for legislation.

4.3. Review on the NPO research in Japan

I would like to overview the research on the NPO in Japan. As a new social existence as a non-profit organization, relates to civil society as a background, what about the outcome social brought about by the activities of individual and social functions expected, market and the NPO what you think the relationship between the governments, and the way of intermediate support functions for allocating resources information and human resources, of the funds that are essential to the activity, ensure the funds that are essential to the activity, and social accounting system in order to increase the transparency audit, the way of the civil cooperation effective with the government, research concerning the management of anatomical point of view in the management and town planning have been made extensively.

Although there are many articles concerning the NPO, the tendency of the research on the NPO is mainly focus on the theoretical background of the NPO and practical activities of NPOs as case studies. The NPO law certificated a variety size of entities from small to medium size as “NPO hojin” legally (Defourny & Kim 2011, Laratta et al. 2011) . Since the culture of donation has not yet taken root in the Japanese culture, it is difficult to secure continuous financing for the social entities (Fujii
Many attentions are paid to community business rather than the social entities such as enterprise until now (Defourny & Kim 2011).

It is necessary to clarify and visualize what and where the problems occur and what stakeholders are in charge of solving those problems at the first. In order to respond the problems properly collaborating with another NPOs, the various problems that arise in the communities should be mapping geographically in the space of meso-scale which is suitable for community size, and the strategic policy alternatives should be examined. However there are some researches analyzing the numbers of certified NPO, it is hardly to find out that research concerning the location pattern of NPO in the regional space using the geographical methodology (Hata 2012b). This study provides the basic perspectives that will help to the study of the policy implications in the regional space.

4.4. Reviews on the social enterprise research in Japan

Study of social enterprises in Japan has just begun. And there are high expectations for the emergence of new actors to work for solving problems of the community in the society for the sense of stagnation throughout Japanese society and economy. Many articles are found that focus on references of the initiatives related to social enterprises using the case study approach, exploration of the research trends in U.S. and European countries. Because there is no social enterprise system corresponding to the growing interest in social enterprise, researches focus on social entrepreneurship of individual persons and organizations such as companies working to solve problems with the new method, considering of the business model which results in high performance.

Many of these articles are to point out the ambiguity of the definition of social enterprise. It is not easy to introduce and legislate the system of the social enterprise as advanced the NPO in this stage. A variety of organizations based on social entrepreneurship are broadly called a social enterprise. Little discussion on the system of social enterprises is found in the articles, but examination the characteristics of the service and the business model thorough the social business, funding for operational activities for the social entrepreneur, application of the scale to measure the characteristics of the entrepreneur are found. Because the model of the NPO as a non-profit organization is introduced from the United States, many researches are affected deeply by the US social enterprise discussions.

Research to examine the possibility of advance of the cooperatives to the social enterprise as one of the existing association (Sakai 2010, Yamamoto 2011), studies on the importance of activities are based on multi-stakeholder and the collaboration with variety of actors including the NPO(Iwasaki 2011). In these researches, some authors call the activities as social enterprise initiatives, but few discussed to build new mechanism of social enterprise suitable for Japanese society and problems. Further observation shows more outcomes such as clarifying the participation of stakeholders to the process of business creation activities (Komura et al 2011) from the following three view points; i.e. from the theoretical and empirical view to construct a Japanese style new public business model, from the point of view of the falling both the birthrate and the aging population, problems of community development and welfare services, from the point of view of the social economy to consider activities scale location and status of existing NPO(Hata 2012b), a variety of things to consider about the activity scale location and status of the NPO from an existing point of view, with attention to the relationship of the various stakeholders to proposes the construction of social innovation cluster (Tanimoto 2008).
5. FINDINGS

5.1. Trends of spatial location

Figure 1 shows the spatial distribution of the NPO in the Hyogo region in 2010. NPOs are located mainly in the urban area where the Great Hanshin-Awaji Earthquake hit. Applying K-function method of Ripley, spatial distribution pattern of the NPO showed significance of the regularity of the agglomerations (p<0.01). And geographical distribution pattern of the NPO was visualized with Kernel-density analysis method (Silverman 1998). The cumulative number of the NPO by year is increasing along with an innovation acceptance s-shaped curve (Rogers 2003). This tendency throughout the objective period 1999-2009 is classified into three periods; the first period is 1999-2002, the second period is 2003-2006, the third period is 2007-2009. Following analysis are based on this classification. Figure 3 shows the density of diffusion of the NPO by each period.

![Figure 2 Spatial distribution of the NPO in Hyogo region (2010)](image)

The spatial diffusion pattern of NPOs in 2010 shows that the locational density in the urban area is higher than the density in the rural area. And it is found that the locational density is different even in the same urban area. The area for this analysis, where is the disaster area of the Great Hanshin-Awaji Earthquake, is birthplace of the New Public Commons as mentioned above. By the longitudinal observation, the locational density changes at a different speed.

- The first period (1999-2002)
  The peaks of higher locational density are found mainly in Kobe. And those peaks form mountainous shape. Other peaks are found to be relatively independent (ie. Ashiya, Takarazuka, Nishinomiya).
- The second period (2003-2006)
  The peaks of higher locational density which form at the first period increase its density. And new peaks are found in some areas (ie. Amagasaki, Itami).
- The third period (2007-2010)
  The peaks of higher locational density, which formed through the first and second periods, increase their density continuously. Because the number of NPOs increases slowly, new peaks are difficult to find.
Figure 3  Density of NPO located in Kobe-Hanshin area where affected by the Great Hanshin Awaji Earthquake

NOTE: Dots show the location of NPO
5.2. Total ordinary revenue of the NPO

The total ordinary revenue of the NPO in the Hyogo region, which reflects the scale of their activities, is 21.12 billion yen (based on the settled accounts for fiscal 2009). Although this amounts to approximately 0.1 percent of the total GDP of the Hyogo region in 2009. The revenue of each NPO is small. Also, judging from the proportion of revenue used to cover business income to total revenue, NPOs can be divided into two groups: those that limit themselves to voluntary activities (despite the fact that 14 years have passed since the relevant legal system was introduced) and those that increase their independence by utilizing business methods.

5.3. Ordinary revenue of the NPO by segment

The total ordinary revenue of the NPO through their activities is increasing to 26.7 times larger in ten years since the law on NPO of Hyogo region enacted in 1999. Revenue at the beginning of the first period in 1999 was 790 million yen, and 5.76 billion yen at the beginning of the second period in 2003, 14.09 billion yen at the beginning of the third period in 2007, and 21.12 billion yen at the end of the third period in 2009. Table 1 presents the size of current revenue in Hyogo region (Table 1). The amount of revenue illustrates a gentle S-shaped curb as well as the numbers of the NPO.

The structure of revenue and the transition of each items are analyzed each period according to the accounting items for revenue of the NPO. Items are 1) business income, 2) subsidies and grants, 3) admission fee and membership fees, 4) donations and so on. To clarify the independence level of the activities, the business income rate to the total ordinary revenue is over 70 percent at the beginning of the second and third periods, although there is a slight variation later, it has remained in a configuration similar to the proportion in 2003.
Table 1 The activities of NPO certified in Hyogo Region

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of NPO</th>
<th>Number of NPO per 1,000 population</th>
<th>Total amount of the revenue</th>
<th>Average revenue</th>
<th>Revenue per 1,000 population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>43</td>
<td>0.008</td>
<td>792,365</td>
<td>18,421</td>
<td>143</td>
</tr>
<tr>
<td>2003</td>
<td>434</td>
<td>0.078</td>
<td>5,755,397</td>
<td>13,261</td>
<td>1,030</td>
</tr>
<tr>
<td>2007</td>
<td>1,154</td>
<td>0.206</td>
<td>14,085,677</td>
<td>12,206</td>
<td>2,518</td>
</tr>
<tr>
<td>2009</td>
<td>1,384</td>
<td>0.248</td>
<td>21,117,891</td>
<td>15,259</td>
<td>3,778</td>
</tr>
</tbody>
</table>

Note: The data of Hyogo region made public is used (http://web.pref.hyogo.lg.jp/kk11/jinkou-tochitoukei/suikeijinnkou.html)

Table 2 The ordinary revenue by segment

<table>
<thead>
<tr>
<th>Year</th>
<th>Business income</th>
<th>Subsidies and grants</th>
<th>Donations</th>
<th>Admission fee &amp; member fee</th>
<th>others</th>
<th>Total</th>
<th>Business income</th>
<th>Subsidies and grants</th>
<th>Donations</th>
<th>Admission fee &amp; member fee</th>
<th>others</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>7.9</td>
<td>2.1</td>
<td>44.4</td>
<td>5.1</td>
<td>4.4</td>
<td>0.3</td>
<td>0.7</td>
<td>9.2%</td>
<td>5.1</td>
<td>7.0%</td>
<td>0.3</td>
</tr>
<tr>
<td>2003</td>
<td>57.6</td>
<td>26.9%</td>
<td>77.1%</td>
<td>8.9%</td>
<td>56.5%</td>
<td>4.3%</td>
<td>1.6%</td>
<td>4.3%</td>
<td>7.0%</td>
<td>3.1%</td>
<td>0.9</td>
</tr>
<tr>
<td>2007</td>
<td>140.9</td>
<td>76.5%</td>
<td>107.7%</td>
<td>12.8%</td>
<td>5.5%</td>
<td>3.1%</td>
<td>1.7%</td>
<td>3.1%</td>
<td>5.4%</td>
<td>3.9%</td>
<td>1.6%</td>
</tr>
<tr>
<td>2009</td>
<td>211.2</td>
<td>77.5%</td>
<td>163.7%</td>
<td>27.7%</td>
<td>10.2%</td>
<td>4.8%</td>
<td>1.2%</td>
<td>1.2%</td>
<td>7.4%</td>
<td>3.5%</td>
<td>2.1</td>
</tr>
</tbody>
</table>

5.4. Scale of ordinary revenue by period of founding

Figure 4 presents the expansion of the activity scale of the NPO founded at the beginning of the 2nd period. Each period of the ordinary revenue scale presents that small size is dominant and the number of NPO is gradually decrease in proportion to the revenue size. To focus on the number of NPO whose budget is less than 10 million yen, the expansion of the group whose revenue is less than 50 million yen are observed. It is slight NPO whose budget over 100 million yen is emerged in 2009. Figure 5 shows the activity of independence of the NPO is divided into two groups. The NPO whose business income revenue ratio is less than both 10 percent and over 90 percent occupied about 60 percent of total number. And this tendency is similar throughout the objective periods. The third group whose ratio between 20 percent to 80 percent is small, immobilized and polarized.
6. POLICY RECOMMENDATIONS

In this article, the NPOs is considered as a vanguard of social enterprise. By observing both the diffusion pattern and activities size of the NPOs spatially and longitudinally, it can be clarified how the NPO spreads and scales up in the community as a new entity addressing to the problem. In order to promote to set up new institutions and to enlarge activity of the NPOs, the governments are expected to play an important role applying their experiences for the local governance. By the appropriate policy to bring out the social entrepreneurship being developed and inherited in the socio-culture background of this area, the suitable environment can be created to act for the NPOs goals with multi-stakeholder. It leads to increase entity of the New Public Commons not only in the urban areas but also in the rural area. I propose some policy recommendations for those purposes as follows.

6.1. Evidence based policy making for new system

By clarifying the scale of activities of the NPOs, it is possible to make better policy alternatives according to their scale and execute them suitable. Total ordinary revenue of the NPOs was equivalent to 0.1 percent of GDP in Hyogo region in 2009. The ordinary revenue given as one of the intermediate indicators to measure the socio-economic impact of the NPO, the NPO activities as the vanguard of social enterprise are increasing every year. It adds the value to the community through activities of problem-solving and the NPO become a positive presence as a actor of social economy.

The business income ratio to ordinary revenue is as high as 70 percent of the total revenue, and the subsidies and grants from local governments occupies only 10 percent of the total revenue. As the scale of activities is expanding, the tendency of business income ratio is divided into two groups. The process of establishing the organization and improving governance is observed among the group whose business income ratio is high. Meanwhile, the group whose business income ratio is low is engaged in mainly volunteer activities. The Japanese NPO law is supposed to have two different groups which are an enterprise and a volunteer organization in the same system. The polarized structure has been immobilized.
To expand the activity of NPO as a vanguard of social enterprises in the future, middle size organizations should be fostered with size of business income revenue and independence degree are middle size. Those organizations will be the base of the social enterprise of Japan. It is necessary to accumulate the mature organizations as the “New Public Commons” in order to tackle the problems of the community. For the first step, the national database on the activities of the NPO in order to make adequate policy must be built. Then it will be possible to analyze with geographic information system the data illustrate where and what the problem occurs in the regional space, and who tackle to solve them.

6.2. Promotion to form the middle size organizations

From the viewpoint of NPO as a vanguard of social enterprise, advance process to be social enterprise must be considered. To solve the complicating social problems in the region, environment must be created for organizations with middle size income and middle degree of independence should be fostered. Policy should be applied to form the middle size organizations and to provide the opportunity to strengthen the small size organizations. To improve the weak bonding with other organizations and stakeholders even within the NPO, policy intervention must be considered to provide more opportunities to build collaborative relationships with others. In particular, it is conceivable to take such strategies to promote social experiment to subsidize program to address problems with multi stakeholders. The national database provides significant evidence for considering the best combination in accordance with the scale and activities.

Formation of such middle size organizations leads to increase the governance in interactive relationships with local communities. The NPO is expected to tackle the social problems and solve them collaborating with the actors who belong to the public sector, private sector or the third sector. Policy alternatives are required in the activities starting up the social business, job creation and development the goods and services to solve the problems and revitalize the community with local governments. Because the activities of the NPO is tend to be independent and less collaborating with others, relationship must be built and deepen as a first step.

Increasing the number of NPO in Japan is ‘at a early stage along the classical innovation curb’ (Rogers 2003) as with the social enterprise at the early stage described by the social enterprise action plan for Wales 2009. It is important to draw up, and to share an ‘action plan’ for NPOs to aim for sound growth. I have been engaged on the studies dealing with the significance of shared vision toward the future community by qualitative analysis and role of the intermediary center for NPO by quantitative analysis (Hata 2012a, Hata 2012b). This article here aims to assess changes with Hyogo regional experiences longitudinally using geographical information system is based on these previous researches.

6.3. The vision to share with multi-stakeholders

To introduce and carry out the cooperative programs for building the multi-stakeholder relationship, it is desirable for the NPO to select the priority problems and share the direction with other organizations as the regional vision. It is important to draw and decide the vision that can be shared with residents of the community in order to solve the community problems with various organizations in the region (Leadbeater 2007). The presence of shared vision contributes to remove an obstructive factor for the diffusion of the activity of social enterprise as a new existence and the circumstance for their activities easily. Wide range of residents including companies and local governments must be involved. In addition, the vision sharing plays another important role between local governments. Along with creating the environment in which actors are involved and collaborate with various stakeholders, it must be conducted a review of the role of the central and local governments at the view point of the governance. In the relational turn between the regional problems and new public activities, the governance of local government must be reinvented.
Local governments increase the opportunities for initiatives in cooperation with individual NPOs, but there is few cooperation with the other local governments try to solve cross-regional problems. Local governments are increasing the opportunities for initiatives in cooperation with the individual NPO, but it is hardly possible to find initiatives in cooperation with the other local governments to tackle cross-regional new social problems. As an opportunity to solve the regional problems with residents, the NPO will evolve to the Japanese social enterprise in the circumstance which enhances the unity and solidarity of the local governments one another and increase the number of opportunities to participate as multi-stakeholders. Most visions for the region deal with the stand-alone and particular policy fields. Although it is difficult to find the vision addressing the problems in the population decline society, Hyogo region has developed leading-edge vision drawn with multi-stakeholders participation (Long term vision for Hyogo Region 2001, 2011). Because of the difficulty and complexity, vision and its action plan are required.

6.4. Institutionalization of social enterprise suitable for Japanese society

A variety of relationship is important to be constructed among those who tackle the problems in the region and the expertise corresponding to the social problems utilizing the policy recommendations above. Through the whole process, self-reliant activities of individual agent bring the outcome and the outcome produces the circulation for further more activities. Even with the small funds, through the effective activities, it is important to create the working style beyond the boundaries of the sectors. While establishing important aspects of relationships with the region and enhancing the governance of social enterprises, it is also required to enhance the system for participation of stakeholders in the operation of activities and organizations.

To establish sustainable activities, making strategy is essential to clarify the whole picture of directions of their activities and the method to support such as fund raising, investment to create new social value, profitability of the activity. It is conceivable to apply the program to create unity and solidarity among the stakeholders, governments and regional society and to provide opportunity of collaboration of the NPO that can share the direction of the mission, and through the experiments stakeholders create new initiatives. As increasing the interest for the social enterprise, Japanese academics must pay attention not to adopt the precedent system without criticism. It is an indispensable process to carry out practical experiments applying the various incentives to raise the readiness to introduce and accept the new institution for Japanese society. NPO is the vanguard of the social enterprise.

7. CONCLUSION

NPOs' activities vary from one organization to another, and NPOs have not created sufficiently cooperative relationships with various local stakeholders yet. Against this backdrop, this study points out the need for NPOs to make a shift toward multi-stakeholder activities and proposes strategies that would induce NPOs to evolve into social enterprises. This study also examines an ideal form of governance for regions of various scales that is capable of dealing with diverse problems. The strategies and ideal form of governance proposed here will contribute to the institutionalization of Japanese-style social enterprises that can tackle the social problems unique to a country facing a population decline and simultaneously take on the reestablishment of regional governance which has become weakened by the decline. And they contribute to the formation of a social economy.

This article is the first step to explore my research answer. My research questions are what the ideal form of regional governance is to solve diverse regional issues in Japan, what the effective strategy is for NPOs to evolve into social enterprises given the nature of Japanese current social issues specifically. Challenges remained for future studies are to clarify the tendency of the diffusion of new public commons correlation to socio-cultural background in the geographical space from the aspect of demographic (e.g. aging rate over 65 years, household size and composition) and geographic (e.g.
district of the local government, area of community). Reflecting on those evidences, suitable legal forms should be considered especially for the small community. It is necessary to analyze the impact of the population declining society in the smaller size community in the local government. Thinking of the most survey data provided by the governments are aggregated on the city or town size, data for small size public management are indispensable to design the public policy addressing problems in the community. I am sure this article contributes to provide significant findings for the further studies.
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