

# Promoting Social Businesses

Social businesses are widely expected to play a role in leading the vitalization of local communities and the social economy as whole. Masaki Yamada asked **Kanji Tanimoto**, professor at Hitotsubashi University's Graduate School of Commerce and Management and representative director of Social Innovation Japan, for his perspectives on the progress these enterprises have made thus far and what steps are needed to further promote social innovation.

**In recent years, the phrase social business has been appearing quite frequently in the media. What, exactly, is a social business?**

**KANJI TANIMOTO:** Basically, a social business is an enterprise that addresses social issues, such as those relating to the environment, poverty, welfare, and education, not as a volunteer organization but as a business. It is understood as comprising social, commercial, and innovative aspects. "Social aspect" means that the mission of the business activities is to address social issues. "Commercial aspect" means that the social mission is given shape in a business that is pursued in a sustainable manner. And "innovation" is the development and utilization of mechanisms to link the social and commercial aspects together.

Most organizations involved in social business in Japan are private companies or nonprofit organizations. People often think of NPOs as having a very strong volunteer nature and that they are therefore not allowed to generate profit. Social business NPOs that pursue profits to sustain their activities, however, are not regarded as being problematic. In that sense, it might

be appropriate to call them "commercial NPOs."

**Social businesses seem to have some points in common with community businesses, which have been around for some time. How do the two formats differ?**

**TANIMOTO:** It's true that social businesses and community businesses have some common characteristics, as in their mission to deal with social issues. But there are some subtle differences in the way people think of the activities they perform and their public image.

Here is one way you can look at it: community businesses tend to address the needs of specific regions or communities, while social businesses don't necessarily have such restrictions. Take for example the activities that support people living in developing countries through fair trade. That would not be appropriate for a community business, but it would be a typical activity for a social business.

**What measures are being considered to expand social business?**

**TANIMOTO:** One is to designate certain areas as prototype regions



Kanji Tanimoto

for the promotion of social businesses; such regions would qualify for focused assistance from the central government. This would enable such regions to tackle the expansion of social businesses in an integrated manner, and the lessons learned could be applied in formulating a social business promotion policy for Japan as a whole.

Social businesses may also be tapped in creating industrial clusters and as part of other industrial policy strategies being addressed by local governments. This entails the formation of networks among local businesses and universities in order to nurture social businesses. It would also require the extension of financing to commercial NPOs by financial institutions, much as they do to businesses.

If we increase the number of


## A SOCIAL BUSINESS COMPRISES SOCIAL, COMMERCIAL, AND INNOVATIVE ASPECTS.

such measures, I think there is more potential for boosting employment through social businesses.

At the present stage, though, I don't think we should get our hopes up too high about social businesses being able to significantly boost employment opportunities. In my opinion, the important thing right now is for more people to learn that we can solve social issues through a business. Even now, many people in Japan tend to have a prejudice of social businesses that outwardly appear to be philanthropic groups but are operated as profit-making ventures.

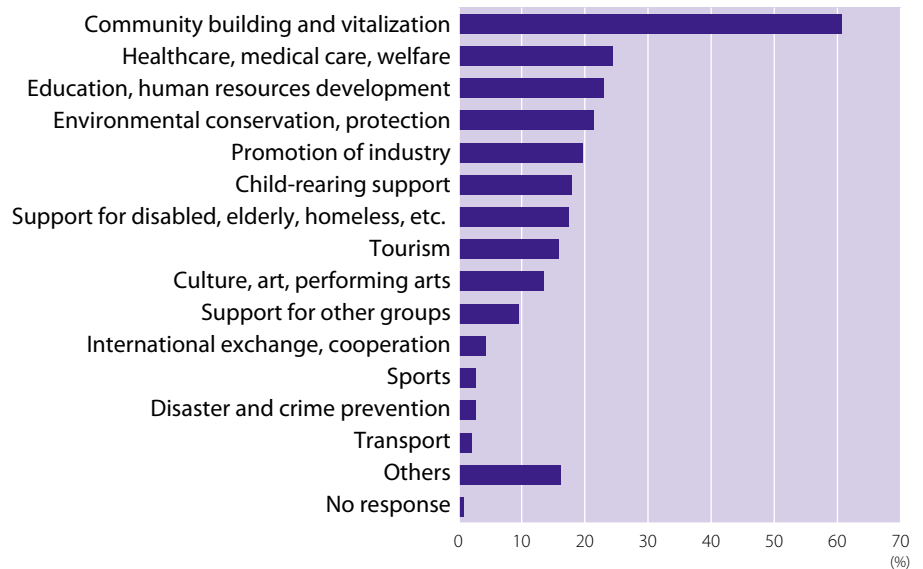
### *What do you think is needed to further develop social businesses?*

**TANIMOTO:** Right now, the biggest issue is establishing objective standards by which the performance of such businesses can be judged. Even if an organization is making a large contribution to society, it cannot be considered a successful and sustainable social business if it doesn't generate earnings. The opposite is true as well: Earnings may be high, but if the organization is not contributing to the community, it's not considered a successful social business.

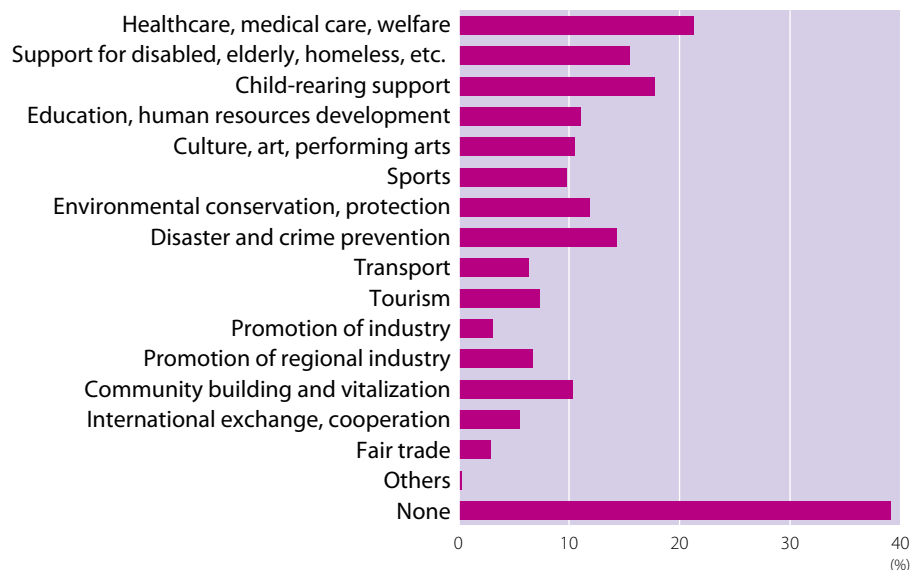
Properly evaluating social businesses will require an approach that balances quantitative measures, such as earnings, with qualitative ones, like social contribution. In working to promote social innovation, I think we're going to have to clarify these standards to some degree. 

Masaki Yamada is a freelance journalist.

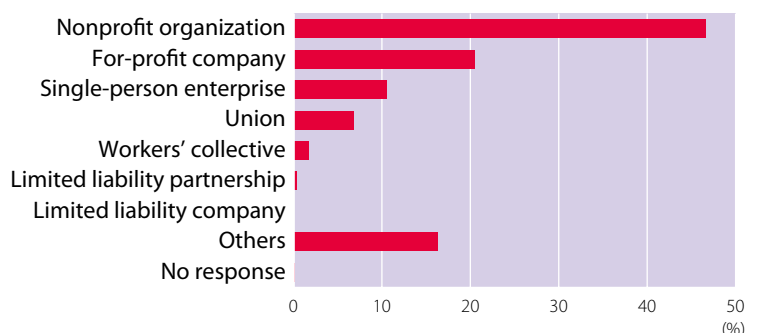
### Fields of Involvement of Social Businesses



### Fields Where More Social Businesses Are Sought



### Organizational Format of Social Businesses



Source: Questionnaire survey conducted by the Social Business Research Council.