

Characteristics of a successful community business: Case studies of Japan and South Korea

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Abstract

Community Businesses (CBs) have emerged to resolve local social problems, especially in rural areas where depopulation, ageing and business stagflation are prevalent. This paper is an explorative investigation of contemporary CB success practices for sustainable rural business. The research compares the cases of Akizuno in Kamiakizu, Japan and Wanju in South Korea, which have accomplished regional revitalization. The paper highlights eight characteristic elements of CB's success. One key characteristic is the existence of a strong trustworthy network amongst the local community. This stands out well above any commercial or profitability goals. Future research could aim to investigate the successful characteristics of CBs in other countries, therefore strengthening the validity of this research's findings.

Keywords

Community business
Japan and South Korean CBs
Rural revitalization

Introduction

Community business (CB) models have historically evolved globally in response to rural social problems caused by urbanization and globalization (Johnstone & Lionais, 2004; OECD, 2006). A preliminary review of the literature surrounding CB models suggests that many focuses on the accumulation and joint action of business entities. However, distinguishing components that contribute to value can be seen to be complicated (Johnston & Lionais, 2004; Munoz et al., 2015). This short communication paper focuses on the CB in Japan and South Korea. In both countries, CB were initiated to overcome the challenges faced by the community in their rural locations. The common first step was the creation of a regional community network guided by active leadership which focused on the goal of revitalization. This research identifies success characteristics and factors that support CBs based on the case examples from Kamiakizu in Japan and Wanju in South Korea.

Research method

To achieve the research aim, face-to-face field survey interviews were conducted with multiple stakeholders and experts, including managers of leading businesses and relevant government bodies. Field surveys began periodically in 2010. The interviewers asked questions relating to organizational structures and the functions of various existing CB stakeholders (i.e., administration, support organizations, influential related CBs). The mechanism for earning revenue from the CBs was explored. Later, the levels of collaboration and coordination mechanisms that enable CBs to function were further explored.

Results: Characteristics supporting CB success

The research identified eight primary characteristics which contributed to successful and sustainable CBs:

(1) External (threat) challenge

For both Japan and Korea, the research identified that there was a mutually recognized external threat. This threat emerged in the mid-2000's following the 'Trans-Pacific Partnership' (TPP) and the deliberate government liberalization of agricultural trade policies, which ultimately raised fear amongst various sectors in the region. These governmental policies were believed to be the main reason which pushed young people to leave rural areas into the city as they saw no future for the agricultural sector. As businesses closed due to a drop in demand for services, rural areas experienced a significant decline in economic activity. All that remained in the rural regions was an overrepresented large group of aged farmers. Therefore, change was widely accepted as being necessary to meet the new challenge and avert the alternative societal collapse. Thus, impending external threats may positively contribute to shifting the mindset of locals to accept sustainable CB.

(2) Diverse leadership and stakeholders despite limited government support

For the two CBs investigated, both had a diverse range of stakeholders, which included local farmers, governments, NPOs, agricultural cooperatives, etc. However, it was also plainly underlined that government support had limits in assisting emerging local rural social group needs. In interviews, it was repeatedly stated that "local solutions need to be locally driven" to propel shared social motivation and be sustainable and successful.

For Kamiakizu, Japan: The Akizunojuku group and its leaders found solutions within the local grassroots social network by applying a consensus approach. It was also agreed that any solution required diverse governance and financial stakeholders. The next step was acting upon discerned opportunities.

One of the main concerns of farmers was the viability of

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future markets for local produce. For this reason, amongst others, in 1999, farmers selected a leadership team and formed their own local, direct farmers market to promote local produce. This was called, 'Kitera.' This gradually became profitable and sustainable. The governance of Kitera was based on shareholder rights distributed amongst 350 local members, half of them being farmers, with two-thirds of Kitera directors being farmers. Another example was the 2007 development of 'Akizuno Garten.' Here, 489 local residents invested in the privately led venture, raising 41.8 million yen in capital.

For Wanju-District, South Korea: After understanding the needs of the locals, an elected district government leader understood the need for a local approach and assisted with finding a suitable location and established a private-public partnership NGO named, 'Wanju Community Business Center' as a foundation. The CB then appointed the Hope Institute, which mainly consisted of social business researchers, as an external consultant. The external consultant was responsible to help search and professionally appoint the best person to lead and manage the Center. From then on, private-public partnership was the enterprise model followed with a central focus on the farmers.

Therefore, from the two examples it can be said that limited government support may not necessarily impede successful CB. Where solutions are driven locally with an integration of diverse stakeholders, CB business can be successful.

(3) Clear vision and goals

As with any sustainable venture, it is essential to have a clear vision, agreed goals and a strong governance structure for operations to be successful in the long run.

For Kamiakizu: Originally in 1994, the vision was to revitalize the mountain farming district through a human network called 'Akizunojuku'. Following discussions, study reports and local publications over several years, the vision and goals were further developed. Each step involved consensus building as members had diverse views and did not always agree. As a result, differing visions and goals inevitably demanded new sub-organizations to move forward. For example, in 1999, a sub-group of mainly farmers raised funds and created a local - direct farmers market - the 'Agricultural Corporation Kitera,' and a brand named the store, 'Kitera'. Similarly, a separate sub-group Akizuno Co Ltd, formed in 2007, invested in the development of 'Akizuno Garten'. Akizuno Garten was focused on supporting local services such as a restaurant, tourism lodging, education and conference facilities alongside other support organizations. After a 2014 review of all activities by 'Akizunojuku', they founded a new sub-group, 'Furusato Mirai' foundation, which began assisting with the support coordination for all these local activities. Moreover, in 2023, in recognition of the significance of the strong growth in community activity, a new, 'Akizuno Community Development Council' was created to coordinate and provide improved governance over the entire network. The current broader vision is 'to provide sustainable regional development that suits local conditions' and has been agreed upon by involved stakeholders.

For Wanju: The Wanju Community Business Center began in 2010 and had the clear vision to be the 'place for creating and fostering new business.' The CB Center successfully pursued its vision of discovering and supporting new business opportunities for the local community. Around 2018 another new organization was formed called, 'Wanju Social and Economic Network.' This became an umbrella governance

organization bringing together over 300 local businesses within the Wanju district to further promote their local business efforts. This led to the Wanju CB Center being retitled in 2019 as the 'Wanju Social Goods Center', and it included support and promotion of a wide variety of products from the network. Therefore, in both case examples, having a clear goal amongst the stakeholders is an important characteristic of successful CB.

(4) Home-grown leaders as entrepreneurs and strong local networks.

Following the point of having shared goals, the leadership of the community and their personal networks are an important element for successful CB. This is because CB is primarily based on joint actions such as mutual and common use of local resources. Hence the establishment of strong interpersonal and consensus amongst stakeholders is essential for successful CB.

An example of this is Kamiakizu, Japan (a district village of about 3,000 people). Akizunojuku was first established in September 1994 and was based on local personal network connections with trust and reciprocity in relationships. The organization represented a very broad network of neighborhood associations, including the Kamiakizu women's association, senior citizens' association, community center, fire brigade, elementary and junior high school student associations, parent-teacher associations, and the chamber of commerce. At the core, was the communication hub for the district, where ideas and mutual concerns were openly shared. During this evolution, a small group of key long-term residents emerged as the leaders, and these members established a strong foundation of organizational structure.

In the case of Wanju-District, South Korea, (a district village of 90,000 people). Initially, it was a local government elected official with leadership qualities who after hearing local feedback about the emerging fear of the TPP farming crisis, decided to enhance the district by creating a local Wanju CB Center and - direct farmers' market. The CB Center's first role was to assemble local farmers together and within a short time, the - direct farmers market - was established. This led to a resounding success. Therefore, as previously mentioned, having local leadership and strong interpersonal relationships among community members is a key factor for successful CB.

(5) Achieving common community shared benefits.

In both cases, the community's self-help needs came first. Profits were not the initial goal, but rather long-term activities were expected to become profitable as things naturally evolved.

For our case at Kamiakizu, Japan: Kitera - direct farmers market - was begun in 1999; this emerged as a relative success and a local confidence booster and demonstrated how a private self-help-led approach could succeed. In time, other ideas emerged, and another sub-group was created in 2007 to support the establishment of Akizuno Garten at a centrally located disused school as a new community service hub. As these businesses expanded, other diversified services were introduced, such as agricultural farm stays, community gardens, private lodgings, farmer training schools, etc. These services have developed across the community and have secured many repeat clients. (See website, Akizuno Garten, 2018.)

In South Korea, the Wanju Community Business Center in 2021 had over 1,247 farms associated with it, with 62% of farmers being over 60 years of age and 40% working on less than half a hectare of land. Some of these were collective farms named 'Doorei', which means 'Elderly Welfare Farm.' All the

farmers were able to anticipate stable demand from the CB Center – direct farmers market – and home delivery service. For Doorei, proceeds were reinvested to start new farms and the expanded delivery of goods, which led to further local welfare benefits. This not only gave elderly people meaningful work but also provided them with other social benefits such as sharing socially together and relief from their isolation. Elderly people also mentored returnees (from urban areas) by teaching them agricultural techniques. There are now many ‘Doorei’ farms which achieve good revenue and significantly contribute to the public welfare benefits for the elderly. Further, the returning influx of young people from cities who settle in amongst the elderly do revitalize work, society and personal networks.

(6) Clear organizational learning structure and location enabling flexibility and growth.

With excellent leadership, brings good characteristics of organizational structure. Each of the two regional CBs (in Japan and Korea) has its own historical development and growth. What is common is that the CB is situated at a clear central hub location with which all members can identify and be part.

In the case of Kamiakizu, Japan, revitalization efforts began in deliberate steps with the creation of the ‘Akizunojuku’ network in 1994 to coordinate and expand local economic activities. Then in 1999, a sub-group of members established the – direct farmers market – ‘Kitera.’ Later, in 2007, another sub-group was created called ‘Akizuno Co Ltd’ that purchased and redeveloped a closed local school property, which in 2008 was reopened as ‘Akizuno Garten.’ In 2014, ‘Akizunojuku’ sponsored the formation of, ‘Furusato Mirai’ as a local intermediate support foundation for coordination, development and fostering of new business ideas assuring local sustainability, e.g., solar-geo-hydro power generation projects. Another sub-group Akizuno Yui Co. Ltd. was started in 2019 as an educational support organization for new and returnee farmers. In 2023, a new Akizuno Community Development Council began to coordinate all local development activities for Kamiakizu. This demonstrates both flexibility and growth.

For Wanju, South Korea, the founding organization was the, Wanju CB Center, under the initiative of the local district government. The CB was centrally located in a high-visibility closed elementary school in 2009. The Wanju CB Center worked tirelessly in supporting CB strategic planning, education of farmers and specialties, business consulting, and marketing support.

As stated, in 2018, a new organization was formed called ‘Wanju Social and Economic Network’ with the purpose of having better governance and communication with 84 major local businesses within the Wanju District. The Wanju CB Center was also adjoined to the network and renamed, ‘Wanju Social Goods Center’ and now includes a wide variety of products from affiliated businesses on consignment. The Wanju Social Goods Center is now regarded nationally as an exemplary example of a successful local CB model (based on interview data).

(7) Achieving product differentiation.

The establishment of a – direct farmers market – in a rural business model eliminates distribution middle-person costs, adding direct farmed freshness, uniqueness of product lineups, and tourism elements; as such, these markets have achieved

differentiation from major chain supermarkets that provide similar products.

In Kamiakizu, villagers set up a direct farmers market, ‘Kitera,’ on the main road and a smaller market outlet at the centrally located ‘Akizuno Garten’ alongside the speciality restaurant and lodging facility. They also support a home delivery service promoting the local direct freshness theme. Meanwhile in Wanju, since 2012, Wanju’s direct farmers market and their home delivery business have dramatically increased the income of local farmers. In the case of home delivery, the service was named ‘Happy Table: agricultural products variety’, which generally works with the supply chain capacity. In 2023, there were ten Wanju direct farmers market locations operating nearby Jeonju City and within the Wanju District. These farmers market were supported and joined by a network of over 300 businesses. This network continues to expand. Thus, for CB to succeed, product differentiation should be achieved.

(8) Pursuing an appropriate scale relative to local resources alongside effective management of demand.

CBs are naturally limited by local supply resources such as farming productivity, access to agricultural land and weather changes. Expanding the scale in anticipation of expected demand poses a business risk which also involves other intermediate business entities. Thus, this becomes a conflicting factor for central CB leaders who generally are driven by a desire to fulfil market expectations. Considering this, CB leaders need to be sensitive to realistic and sustainable supply-orientated local revitalization and growth goals given their community origins and later, build their supply networks. As a result of effective management, both Kamiakizu and Wanju could expand their CB as evidenced in the following examples.

In Kamiakizu, for the Kitera direct farmers market, their sales in 2019 were about 140 million yen with approximately 60,000 visitors. Meanwhile, Akizuno Garten garnered approximately 80,000 visitors with sales of 80 million yen (based on interview data). On the other hand, in 2021 Wanju had sales of over 14 billion yen for the 300 networked companies. Of these 7.3 billion yen was the contribution from the delivery and local direct farmers market systems (based on interview data).

Conclusion

This paper attempted to identify factors for successful CB. The research highlights how human network relationships play a central role in successful CV. Furthermore, CB success requires a clear vision, which needs to be communicated by strong, empathetic, local and entrepreneurial leaders who are keen to foster and expand relationships, establish trust and share their knowledge. It should be noted that economic profits and returns to shareholders do not measure the success of CBs but rather, by what the CBs contribute indirectly to the local society, social network and economic revitalization.

Future research could aim to investigate the successful characteristics of CBs in other countries, therefore strengthening the validity of this research’s findings.

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