

Revival from the Disaster and Entrepreneurship - A Report of SMEs' challenge from the Great East Japan Earthquake

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Abstract

The Great East Japan Earthquake hit many SMEs in Tohoku area. The support programs or grant are provided from central and local government. But they are not so convenient for each SME and inefficient. Some for profit companies or not for profit organizations play important role to support SMEs. Their activities are quite entrepreneurial. Also victim SMEs try to make entrepreneurial business activities. Entrepreneurship is necessary for both of victim SMEs and supporting bodies.

Debating points:

- 1 The entrepreneurship is effective to revival from the disaster or not.
- 2 What is the difference of the role between government and social entrepreneurs in the disaster revival?
- 3 Facing serious event is a chance to change entrepreneurial for SMEs or not.

1. Damage from the Great East Japan Earthquake

At 14:46p.m. (Japan Standard Time) on March 11, big earthquake occurred in the great east Japan in 2011. 15 or 30 minute later, huge Tsunami hit cities and towns along the Pacific. Almost buildings, houses, hospital, school buildings or port facilities were destroyed. Approximately 16,000 people were dead and 4,000 people were still missing.

SMEs also had huge damage from this disaster in great Tohoku area. The Small and Medium Enterprise Agency Japan says estimate 77,000 SMEs located in the Tsunami hit area in Tohoku (Aomori, Iwate, Miyagi, Fukushima), it was account for

99.9% of all companies in Tohoku. Shops and goods, factories and equipments, all assets were carried off by huge Tsunami (Small and Medium Enterprise Agency 2012) .

figure1: Tsunami hit area in Tohoku



I had chance to visit to Kesen-numa City and Minami-Sanriku Town in Miyagi prefecture. They are quite serious damaged districts located along the Pacific. There were no buildings, and port facilities are still broken (figure1-4).

I would like to some report the entrepreneurial activities for revival from the disaster supporting existing SMEs and start-ups in the Tohoku area.

figure 2

figure 3



Minami-sanriku Town Hall
(April 14, 2012)



Minami-sanriku Town (April 14, 2012)

figure 4

figure 5



Kesen-numa Port facility
(April 14, 2012)



Kesen-numa City (April 14, 2012)

2. Governmental supporting programs and problems

2-1 SME group grant for facilities

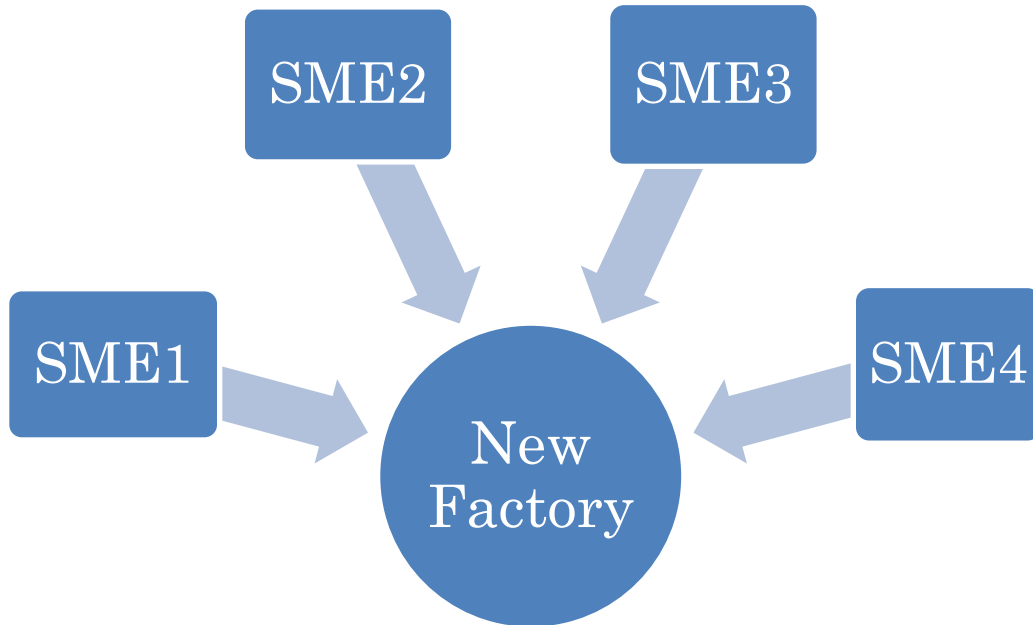
Small and Medium Enterprise Agency (SMEA) Japan and local government provide SME group grant for facilities. This grant would cover three quarters of cost (SMEA pay the half of them and remains local government) to build share shop, share office or share factory as SME group consist of over four small and medium size companies or self employs planned.

This grant is quite useful for SMEs, because no limit to grant allowance. SMEA has supplied this grant as revised budget of 2011 fiscal year. The amount of allowance was approximately 150 billion Yen. In 2012 fiscal year, SMEA reserved 50 billion Yen for this grant. Already 35 billion Yen have been allowed, but huge amount of application rushed as 200 billion Yen against leftover 15 billion Yen budget¹.

Many SMEs are very glad, but some innovative manufacturing SMEs are not satisfied. Because innovative SMEs want to make unique products, so they did not use SME group grant. Then a SME owner manager said to me that he could not collaborate with neighbor competitors. But there is no grant for each damaged SME. The SME owner manager can't reconstruct his sewing factory broken by Tsunami hit in Minami-Sanriku Town. Also the entrepreneurs can't apply this grant. SME group grant is intended to existing SMEs, not for start-ups. Some of damaged SMEs would not re-start their business no more. Creating new jobs is urgent issue in Tohoku area. People living in Tohoku area expect start-ups to create new jobs. But there are few supports for entrepreneurs in this area. It is another problem.

¹ By Small and Medium Enterprise Agency's document and The Nikkei news paper (22 July, 2012) said.

figure 6: SME group grant chart

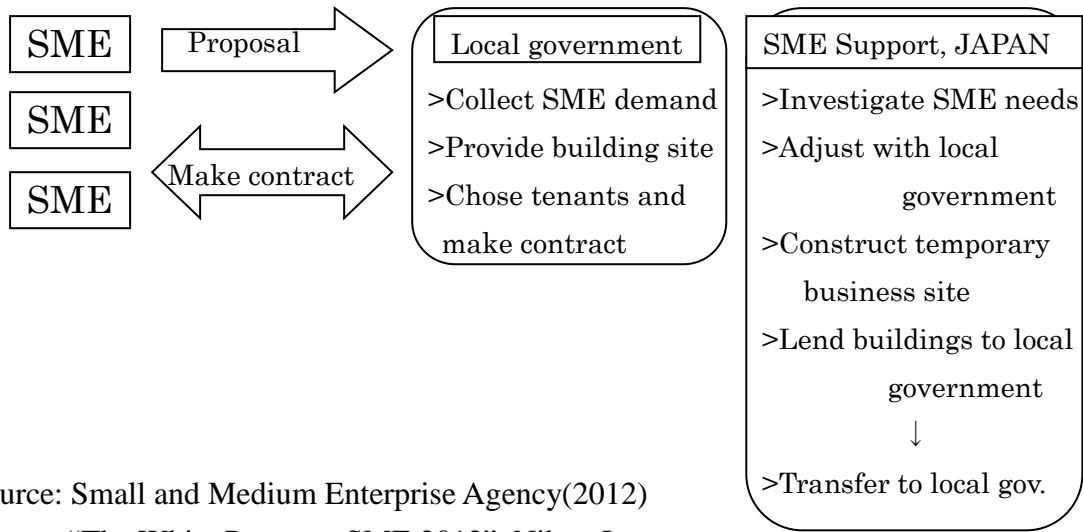


2-2 Temporary shops, factories and offices building program

The SME Support, JAPAN is the public organization related to SMEA. SME Support, JAPAN provides the temporary business site building program for damaged SME. The program's flow chart is as follows. The local government in the damaged area prepares the proper land for temporary business site. The SME Support, JAPAN will construct temporary shopping mall, factories, or offices for SMEs which lose their business site by Tsunami hit. Then one year after, the temporary business sites will be transferred to the local governments. The local governments will be able to use these constructions as their own program for SMEs (see figure 7).

The SME Support, JAPAN made quite effort and already more than 300 sites have been complete and over 8,000 SMEs using temporary business site. Figure 8 is one of temporary shopping mall constructed by this program.

figure 7 Flow chart of temporary business site building program



source: Small and Medium Enterprise Agency(2012)

“The White Paper on SME 2012”, Nihon Insatsu, co

figure 8 Kesen-numa Fukkou Shopping Mall



Many restaurants, bars, food shop, boutiques, or hair salons are located this temporary shopping mall. SMEs can make their products and sell some goods for not only residents, but also visitors. It is good for economic revitalizing in Tohoku area.

But there are some problems. These temporary business sites are for existing

SMEs only. Even if entrepreneurs want to start their restaurant or boutique in these sites, they can't apply to be tenant. And location is another problem. Most of temporary houses for Tsunami victim are located on high ground. But temporary shopping malls are on the level ground. Elder people without cars can't go shopping. Recently mobile shop selling vegetables, meat, fish, snacks, and daily necessities visit to temporary houses. SMEA has got 30 million Yen budget for mobile shop for the residents' utility.

Temporary business sites are for short term usage, tenant SMEs will be go out and should construct their own business sites in several years.

3. Victim SMEs support programs by private sector

3-1 Securite© stricken area support fund

Securite© stricken area support fund is platform system providing financial support for victim SMEs in Tohoku area. Music Securities Corporation is operating this system. Each victim SME which needs some money to buy the facilities or construct factory, or develop new product, can apply this system and solicit funds.

Music Securities Corporation provide website to fund rising system. Introduction site of each SME will be prepared and SME owner managers should explain the reason why they need fund and to which will be spend the money. Individual investor can read them and chose favorite SME. The minimum invest amount is 10,000 yen, and investor has to pay ¥500 commission fee by ¥10,000 invest to Music Securities Co. ¥5,000 of ¥10,000 is invest and remain ¥5,000 is donation to the SME. SME will buy the facilities or build new factory, then re-start their business. Investor will be able to get fixed share of sales amount (usual around 2-4%) after the final account of fund close. Of course some SMEs will not to get enough sales to share. Then the investment will not return.

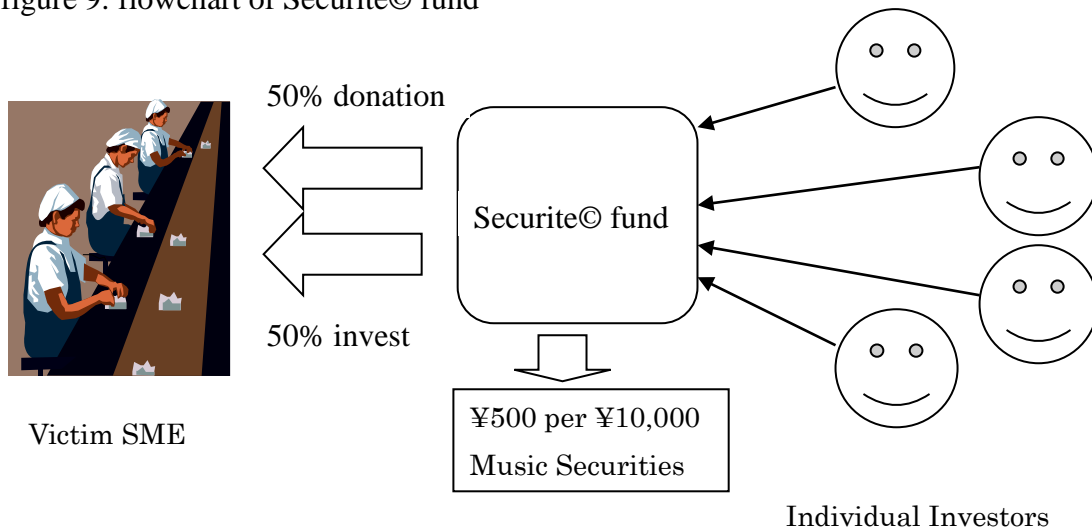
The Music Securities Co. has conducted similar funding system for pop music artist support. After the East Japan Earthquake had occurred, the CEO of Music Securities Co. decided this business model using for victim SMEs in Tohoku.

Fund raising for victim SMEs has been satisfactory. 22,742 individuals invested 775,670,000 yen to this fund system out of 1,029,340,000 yen invited. 20 victim SMEs have get amount money they need, and more 14 SMEs inviting their fund².

I have interviewed to the one of fund raised victim SME, which produces boiled and seasoned fish deli. Ms. Kazue Saito, senior managing director of Saikichi Shoten Co. said that Securite© fund was very useful and convenient for SMEs. Because it was no limit what the money was spent for. New food processing machine cost and developing new product cost were covered by this fund. Then she said it was very glad that many individual investors have been Saikichi Shoten and their products fun. Over 20 investors have visited Saikichi Shoten's factory and tasted some products. They are to pay the travel expenses to Kesen-numa, this was not a invitational visit by Saikichi Shoten. Investors have been satisfied they could talk to Ms. Saito directly and see the factory. Sekurite© fund will be long term support for victim SMEs.

² See the Music Securities Co. web site (refer in 22 July, 2012)

figure 9: flowchart of Securite© fund



3-2 Mobil Kitchen Car Project

The temporary shopping malls are for existing SMEs. Almost no support program is provided by governmental bodies. Some of residents who lost job by the East Japan Earthquake would like to start their own business, as restaurant, fast food shop, coffee shop, or deli. But they could not get or borrow some shop space in the community.

Mr. Keiichiro Tanabe who is the chairperson of Platform Service Co. was worried about people in Tsunami stricken area. He has visited Ohtsuchi Town and Kamaishi City which are most victim area in the Iwate Prefecture. He thought that new business incubation system was necessary to rival SMEs. But there was no individual support for self-employed shop or restaurant. Almost their shops are combined with owner's house. Many shop owners now resident in temporary house which have been built by local government. So shop owners can't restart their business.

The other hand, temporary shopping malls which are constructed by SME Support, JAPAN usually located far from temporary houses. So business incubation system should be launched immediately. Mr. Tanabe decided to focus on the food business. Because of food shops or restaurants were shortage near the temporary houses.

Mr. Tanabe is available to start business incubator as he operate co-working office for SOHO in Chiyoda-ku, Tokyo metropolis³. And food business incubation model has been Obihiro City in Hokkaido. He invited the support investors for making kitchen cars for lent to self-employed who would like to re-start their bar, restaurant, or fast

³ The Chiyoda Platform Square (see; <http://yamori.jp>)

food shop. Using twelve million Yen donation and eight million Yen budget from Kamaishi City, he and his company prepared two kitchen cars and launched this project on June 11, 2011, just three month after the East Japan Earthquake has occurred. Then seven kitchen cars were prepared and six of them were operated in August, 2011(see figure 10)⁴.

figure 10 Kitchen Cars



source: Mr. Keiichiro Tanabe Presentation Slides (2011)

Through this kitchen car project, each shop owner is aiming to earn their own shop in future. In 2011, the average revenue of each kitchen car was 600 to 800 thousand Yen per month. Mr. Tanabe is trying up the average revenue to one million Yen per month. He started new company for this project in January, 2012, and makes more effort to promote food business and revitalize self-employed. He has next plan to promote marine products industry, hotels, and shopping malls. This new idea of incubating SME is quite entrepreneurial. Nobody has been tried mobile business incubator for food business. And this program can launch temporally business site speedy and easily in victim area where the reconstructing plan is still not completed.

3-3 Tomoduna Project

Tomoduna Project is conducted by Etic. which is the not for profit organization. Etic. provides the training program for social entrepreneur or entrepreneurial young parson. After the disaster, Etic. started new program for victim SMEs to send professional person for example IT engineer, business consultant, technology advisor, or so. The term of dispatch professionals will be three month to one year. They can support

⁴ From interview note to Mr. Tanabe (interview date: June 28th, 2012).

the SME group who would like to try some new business, developing new product, expanding the market, or so.

I met the expert sending by Etic. in Kesen-numa City. She was the IT expert and taking care of six SMEs consist of deferent industries. She provides some advice to use the Facebook or the Twitter for marketing or matching proper persons or support programs for solving SME's problems.

Tomoduna experts send to also revitalizing project or community support project. In May 2011, this project launched, and 74 experts selected from among 171 applicants sent to Tohoku area (as of February 29, 2012)⁵. No charge to take this program, as Etic. invites donation supporting this program.

Community leaders and social entrepreneurs are shortage in each victim area. Also business support expert, too. Tomoduna Project is effective and important to encourage every victim SME or community. Etic. provides some other support program for Tohoku area revitalizing, for example internship program to revival communities, entrepreneurship in Tohoku area support program, mentoring program for entrepreneurs, community leader educating program or so.

4 Entrepreneurial activities of victim SMEs

I have visited Tohoku area and got opportunities talking with SME owner managers in Ishinomaki City, Minami-sanriku Town, and Kesen-numa City. All owner managers did entrepreneurial business. In Ishinomaki City, a grocery store owner operated new collaborate store in which located 3 other stores, Chinese restaurant, Sukiyaki restaurant, and Japanese food restaurant. Their shops had been broken by Tsunami hit. Then the grocery store owner decided to repair his store and invite three shops to operate together. Three restaurants are selling lunch box, deli, or sources for their neighborhood or visitors. The owner opened this collaborate shop from May, 2011⁶.

In Kesen-numa City, I had a chance to interview to four SME owner managers. One of them was Mr. Sugawara, CEO of Otokoyama-Honten which was an old family owned sake-maker. He said that we should be change to revival. He made effort to building temporary restaurant mall for his customer bar, or restaurant. And he bought iPad after the disaster for marketing. Of course he tried to make sake in unusual seasons

⁵ see Etic. web site (<http://www.etic.or.jp/recoveryleaders/activity/migiude>)

⁶ interview note to SME owner managers in Kesen-numa City (date of interview: April 13, 2012)

for fun waiting new sake.

Another owner manager, Ms. Saito, senior managing director of Saikichi Shoten Co. also started to use the Facebook or the Twitter for one to one marketing. Her company sometime has short term shop in department store located in Tokyo or Osaka. When she operates the short term shop in Isetan department, she tweets “We open the shop in Isetan department in Shinjuku this week. See you in there.” Then many customers come and buy the products. She didn’t think about using IT system to marketing. It is also entrepreneurship.

I have a impression that the SMEs located in Tohoku area are lather backwardness than SMEs in Tokyo or Osaka. But after they faced terrible experience, some of them would like to change their business strategy or operation entrepreneurially. I think it is good opportunity for SMEs. Entrepreneurial activities will bring about growth and expansion, or sustainability. If they didn’t noting to challenge, they might be bankruptcy.

5 Conclusion

Huge Tsunami hit broke many houses, schools, factories, or stores. Revival project is still on the way to complete. The disaster attacked most small and weak people and company. But entrepreneurial activities both SMEs and citizens encourage themselves. Especially governmental support is insufficient for each entrepreneurial SME. Many support programs are provided by not for profit organization or Universities. But most important thing is not who conduct the programs, how organize or how operate the programs. This is very short report of entrepreneurship in victim area. I would like to keep in touch with victim SMEs and social entrepreneurs to promote them and support them.

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