

COLLECTIVISM AND INNOVATION TOWARDS SELF-RELIANCE AND SUSTAINABILITY: LESSONS FROM SOME ASIAN SMALL AND MEDIUM-SIZED ENTERPRISES' EXPERIENCES

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Abstract

Small and medium-sized enterprises (SMEs hereafter) in the rural districts in Southeast Asian countries and in Japan are explored in terms of collectivism and innovation. The paper intends that rural/local industries in Eastern European countries could have lessons from these Asian SMEs' experiences of innovation. The case studies about Thailand, Indonesia and Japan are presented here. The paper will explore the issues why things were, how they were, how they got to be that way and what was making them change. The approach for this is historical, political economy, and anthropological. The main focus is on 'One village one product movement' in Japan and Thailand. The paper shows: 1. Collectivism is of a variety of concept depending on the country. 2. Innovation in rural SMEs in these Asian countries is based on collective power and cooperative capacity, which are historical, social and cultural. Conclusions are: 1. Collectivism is the internal dynamic of innovation in rural/local industry in these Asian countries. 2. Community-based collectivism is of solidarity and cooperative capacity. 3. SMEs as such could be gathering momentum in these countries. 4. These rural/local industries tend to be self-reliance and sustainable. 5. Some Eastern European countries could have lessons for local economy revitalization from rural/local community-based enterprises' innovation associated with collectivism in Asia.

Keywords: collectivism, innovation, rural/local industry, Thailand, Japan, 'commune'

JEL Classification: D2, Z13

1. Introduction

Collectivism is power. It can be social power. It can be power for innovation. Asian countries have shown a type of collectivism, historically, socially and culturally. The term 'collectivism' is abstract compared with 'individualism'. Accordingly, 'collectivism' shows a

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variety of concept depending on the concrete circumstances. The term of 'community' is used commonly as an expression of social collectivism.

The paper's main focuses is on SMEs in Asian countries in relation to collectivism and innovation. SMEs are fundamental for local economy in terms of job creation and local prosperity. In fact, having faced 'hollow-out' and increasing cheaper imported commodities, in line with decreasing local population, local SMEs need to be innovative for survival, development and prosperity. This is the case, in particular, for Japan. The paper focuses on the actualities of these businesses in rural/local district in Thailand, Indonesia and Japan, and their linkage to the dynamic of 'collectivism' in relation to innovation. Such kind of culture 'collectivism' could have been a major drive for their fight to survive against hard times. Such culture could have inspired and supported innovation. How such a relationship would have worked out. This is the main argument in this paper. The case studies about Thailand, Indonesia and Japan are presented here.

In reality, with regard to the significance and hardships of SMEs as rural/local industry, there is no difference between these countries. Recent case studies (Mizuno, 1996; Kurose, 2011; Yokomoto, 2008; Nakamura, 2009; Shibayama, 2011) show that community-based rural/local industries have succeeded in innovation of organisation, product and process in Indonesia, Thailand, and Japan. Many articles and books are published about 'one village one product' movement and policy in both Thailand and Japan (Natsuda, Igusa, Wiboonpongse & Thoburn, 2012; Takei, 2007; Kaewmanotham, 2008; Matsui & Yamagami, 2006; et al.). These studies show that the grassroots have shown their willpower as community playing the major role for innovating organisation, process and products. In fact there have arisen a number of issues in the process of these movements. This could be explained from the viewpoints of historical, political economy and cultural differences in these countries.

It seems that there is a long history of 'commune' in Eastern European countries. The 'commune' exists in parallel with 'village' in Romania (Lascăr, 2012), Poland (Matysiak, 2014), and Russia (Nafziger, 2010). 'Commune' in these countries is rooted in old and historical institution and persists as a potential social force in the post-communist era (Vlachoutsicos, 1997). While there exist the vast literature on the 'commune' of *mir* in Russia (Nafziger, 2010), Romania and Poland have had 'commune' as a history. 'Commune' ascends far beyond the era of communist states.

In Thailand the term 'community' is equivalent to a representative of each local culture. In Japan the term 'keiretsu' may be applied for as a concept of collectivism at the national level (Oikawa, 2011). Indonesia has a traditional way to reach consensus, *musyawarah mufakat* (consensus and unanimous). What is common among a variety of collectivism above is that it should be based on mutual trust and dependence/or interdependence which have been built up historically, socially and culturally. This potential social force in both Eastern European and Asian countries belong to informal sector. It is this informal sector that could show the power for continuity and change of social structure (Wolf, 1984).

The main focus for exploration is on 'one village, one product' movement in Japan and Thailand. Indonesia is an interesting case of innovation in terms of community-based industry. This is to see the linkage to the dynamics of collectivism in relation to innovation. The argument is built up on the basis of secondary materials. These materials show that the grassroots have shown their willpower as community playing the major role for innovative organization and production in these countries. The paper argues: (1) there are differences between Thailand, Indonesia and Japan in terms of the dynamic of collectivism, (2) community-based innovative activities in industry are picking up in the case of Japan (Nakamura, 2009; Shibayama, 2011), and Thailand and Indonesia have witnessed the rise of community-based innovative activities as rural/local industry (Mizuno, 1996; Kurose, 2011; Yokomoto, 2008), (4) Collectivism has shown the dynamic of innovation with great potentialities for further sustainable economic development.

The paper is divided into five sections as follows.

1. Literature review.
2. 'One village one product movement (OVOP)' in Japan.
3. 'One Tambon (villages) one product movement (OTOP)' in Thailand.
4. Community-based innovation in rural industry in Indonesia.
5. Significance of community-based rural/local industry – historical and cultural background of collectivism and innovation.
6. Conclusion.

2. Literature review

(1) Collectivism and innovation

Schumpeter (1934 (2008)) states that innovation is not just technology development but the social process of destruction of *gewohnten bahnen* (beaten tracks). Recent studies

(Numagami, 1999; Page, 2007) claim that innovation is the social process where the optimal choice is taken via interaction among various ideas.

There have been published the voluminous works in relation to collectivism and individualism, mostly from the viewpoint of psychology and management. There are a small number of studies concerning relationships of innovation with individualism and/or collectivism (Taylor & Wilson, 2012; Černe, Jaklič & Škerlavaj, 2013; Morris, Avila & Allen, 1993) found so far. These studies focus on the psychoanalysis of ‘collectivism’ and individualism for inventive activities. Although the term ‘collectivism’ is not mentioned, Fujimoto (2007) indicates that among product-process architecture (integral, modular, closed, and open types), integral architecture is Japan specific way of product-process design. It is carried out through integration of various ideas from various divisions in the company. This is a social and cultural proceeding. The integral architecture may show a type of ‘collectivism’ representative of Japanese cultural values. This aspect further leads to the principles of the keiretsu relationships as the cultural core values in Japanese society (Oikawa, 2011). The keiretsu relationships between suppliers and users would be said to be interdependent in terms of innovation. The relationships are based on the cultural core values – trust and dependence as social relations in Japan. These values are embodied in the keiretsu relationships and could be at the national level (Oikawa, 2011).

Basically as an abstract concept, ‘collectivism’ in Southeast Asian countries and Japan may be interpreted in relation to innovation when it is approached from the viewpoints of history, political economy and social anthropology. In historicization of culture and social organization as observed ethnographically, the point is to try to make sense of why things were how they were, how they got to be that way, and what was making them change (Wolf, 1982).

Other studies with regard to the relationships between ‘collectivism’ and innovation as empirical studies (Goncalo & Staw, 2006; Yao, Wang, Dang & Wng, 2012) may not necessarily be positive about the linkage between ‘collectivism’ and innovation. The former (Goncalo & Staw, 2006) compares individualism with ‘collectivism’ in terms of group creativity, and concludes that individualistic groups are more creative than collectivistic groups. The latter investigates Chinese employees’ individualism – ‘collectivism’ culture orientation and their idea generation behavior. It concluded that partial correlation results showed that both horizontal individualism and horizontal ‘collectivism’ had positive influences on idea generation, but vertical ‘collectivism’ had a positive impact on idea implementation. All in all, most of these

studies shown above have taken the approach from psychological and managerial viewpoint in organizational settings – established company.

(2) Classification of SMEs

SMEs can be classified depending on **i.** nature, **ii.** activity in relation to innovation. Concerning (**i.**), Kiyonari (1972) classified SMEs into four categories: 1. local industry, 2. community-based industry, 3. production related big business, 4. none of the above. Activity in relation to innovation is divided into three categories: suppliers, independent enterprises or entrepreneur, and ‘between’ (White Paper on Small and Medium Enterprises in Japan).

In fact community-based enterprises may be mingled with local SMEs, for example, in the case of rural/local economy revitalization movement in Japan (Nakamura, 2009).

3. ‘One Village One Product (OVOP)’ movement in Japan

It originally started in 1961 in a village, Oyama in the Oita Prefecture in south-western Japan as a ‘village revitalization movement’. Its catch phrase was ‘Let’s go to Hawaii on holidays planting plums and chestnuts. This is called NPC (new plum and chestnuts) movement. The village is mountainous and each farmer’s rice field was very small. 80 per cent of the village is forested mountains and fields. Despite of such circumstances both the central and prefectural government encouraged the increase of rice production and of livestock farming. Many villagers were working in forested mountains and as seasonal workers to earn additional income. The villagers with the agricultural cooperative and the mayor of the village started the campaign to contribute to local economy development and poverty alleviation. The original concept of this movement was to select products unique to the region. The village is naturally suitable for plums and chestnuts ubiquitous, which require light labor and earn much income. At present, the main focus is mushroom – *enoki* and *shiitake* added – for which saw dust is used and it is plentiful in the village. In addition, wild herbs are on the list. Older people are joining to collect herbs, which are highly valued in the market. OVOP movement has developed into enhancing local communities’ entrepreneurial skills to utilize local resources and knowledge, creating value-adding activities through branding of local products in local economy. The basic principle of this movement is that the grassroots in the community are the leading driver of self-reliance, and the administration is for indirect support, not financial but technical help. The governor of Oita prefecture subsequently backed this movement. In this movement the education of people to be resourceful is most important, which makes it feasible to be self-reliant and creative for

sustainable development, 'local link, global reach.' There have arisen problems, depopulation for example, but they have found a solution. The principle is the 'product must be super best quality and local people must be employed (Yahata Kenji, the president of the Oyama Agriculture Cooperative, 2009).

4. One Tambon (villages) One Product movement and policy in Thailand

In 2001 the Thai government introduced 'One Village One Product (OVOP)' scheme in Japan as 'One Tambon One Product (OTOP)' in Thailand to promote rural and local development as part of economic policies. By that time Thai had fulfilled a high economic growth rate through industrialization policy relying on foreign direct investment inflows and export expansion through multinational corporations. However, on the other hand, this high economic growth caused inequalities between urban and rural areas. While having supported Thai economy, supplying a plenty of resources and cheap labor force, rural areas had suffered poverty, depopulation, and destruction of environment. Further the Asian economic crisis in 1997 and its aftermath have exhausted these areas. In order to make a breakthrough and to revitalize rural economy, the government loaned to every village for development projects and established a Village and Rural Revolving Fund, which serves as a source of capital for the OTOP project (Kaewmanotham, 2008).

However, the OTOP project is distinctive basically from the OVOP movement in terms of drive (Fujioka, 2007). It is the Thaksin government that had taken the initiative throughout the process. The distinction is obvious in particular in terms of the relationships between grassroots community, local government and the central government. The OVOP in Japan is by and for local people, who are the subject of the movement, and the local government was the main helper even against the central government. The OTOP project in Thailand took priority to achieve visible outcome over encouraging and promoting the grassroots' initiative. In fact no new organization was established in Tambon, the base of the grassroots community. It is noted that in most communities there had been only limited people who participated in local products in terms of labor force, raw materials, design and market before the OTOP project is introduced and the project had no actual attempt to break such a situation. The OTOP project targeted at the support for superior, promising producers rather than for strengthening weak ones' technology and group management. As a whole, the project even had created the gap expanding between local producers rather than alleviating. The grassroots communities did not take a keen interest in

sharing the benefit from the project. It is getting difficult for the local people to maintain solidarity, and mutual aid. Self-reliance spirit also is getting weak (Kaewmanotham, 2008). Recently, the Thai government launched the “sufficient economy policy”, in which the government claims to strengthen rural communities. However, this does not necessarily result in the strengthening of rural communities (Rakyatidharm, 2009). It is the reality that OTOP project created new job and chance to be employed. People are not necessarily to work away from home (Kaewmanotham, 2008), but there also exists the fact the income is not enough for their living, depending on the types of process where they are engaged in and whether they have access to get financial supports (Takei, 2007).

5. Community-based innovation in rural industry, West Java in Indonesia

- *Silk industry in Tasikmalaya Prefecture, in West Java* (Yokomoto, 2005, 2008).

The Sericulture Cooperative took the lead in the silk industry, buying cocoons from farmers, producing silk and selling the silk products and the sericulture farmers play the role of suppliers of raw material. In doing so, the industry secured stable supply of raw material and created new job opportunities. In short, the Sericulture Cooperative is establishing social division of labor of local industry in *Tasikmalaya* Prefecture. This is outstanding.

West Java is one of the most prosperous in silk industry in Indonesia. In 1993 PT Indo Jado Sutera Pratama started operation of silk mill, which is the largest in Indonesia. This company bought cocoons from sericulture farmers and sold silk mill to silk industry in Indonesia. In fact most cocoons are imported. However, since the Asian economic crisis it became impossible to import because of the dramatic depreciation of Indonesian currency and increase of imported cocoon price. The company was closed down in 2003, October. This has led to integrated system of silk production. The Sericulture Cooperative has succeeded in this production system based on cocoon production as raw material since January in 2004, thus incorporating raw material producers in division of labor system, and forming social division of labor of local industry. Such rural/local industry subdivides production process and entrusts it to specialists and ordinary workers. It creates low-cost production system and chance of employment for ordinary workers.

- *A Case Study of community-based weaving industry in West Java* (Mizuno, 1996)

The Majalaya region in West Java has a long history as weavers. During the late 1960s the weavers were not able to continue the factory system they had organized up until that time. It

was not until 1976 that this surveyed village began to see any chance of recovery from the disastrous situation that had occurred in its weaving industry over the previous three years. The villagers and surrounding areas took the following measures to overcome the crisis. (i) They experimented with a number of new products, the market for had not yet been monopolized by the large textile firms and power-loom weaving firms, and attempted to make existing products cheaper than power-loom weaving firms. (ii) For this purpose they made concerted efforts to cut production costs. (iii) They organized a new division of labor among themselves. (iv) Many weavers turned to commerce in an attempt to open new urban markets for their products among middle- and low-end consumers. And a large number of locally based traders took innovative measures to open up new marketing networks. Measures (iii) and (iv) were especially effective. As a result a weaving production area/community centering around the village was formed, which was freed from dependence on either factories or wholesalers in other regions. The weaving business within this new division of labor put out some work to home workers and hired very little wages labor, thus realizing a system of production that must be classified as “petty commodity production”. This new division of labor reflects the village’s economic status differences. This makes it possible for members of the village’s lower and middle strata to easily set up weaving and cloth trading businesses with very small amounts of initial capital.

6. Significance of community-based rural/local industry – historical and cultural background of collectivism and innovation

The ‘OVOP’ movement in Japan has a long history as the background of mainly agriculture cooperatives’ movement which may ascend to before the Second World War (Matsui & Yamagami, 2006). Through such rural areas’ organization, rural economy improvement, agricultural and life improvement have continued slowly but steadily. In fact there have existed a lot of similar movements in local areas in Japan at present. They are not always limited in OVOP policy, but their targets are same, revitalizing the rural/local economy to be independent and sustainable through establishment of the basic rural/local industry (Nakamura, 2013). For this a lot of local villages/towns and local SMEs are challenging for independence and sustainability through innovative activity to establish local economic circulation. The keiretsu principles, as cultural core values, should provide a solid foundation for these movements. Thailand has a distinctive community culture, depending on the district, based on traditional mutual cooperation and friendships as community. Around the 1980s rural people created new type of economic

organization such as ‘saving cooperative’ and ‘rice bank’. Indonesia has two outstanding cultural values, ‘mutual and reciprocal assistance’, and ‘consensus and unanimous’ which goes back to the village ordinance in 1906. This is a kind of Indonesian village-level democracy (Mizuno, 2008).

It is interesting to learn the institution of a long and well-established tradition in Eastern Europe. For example, the institution of the village representative in Poland is in the self-government of each commune (Matysiak, 2014). The village community in Romania took place for a longer period of time and it was stronger than most of European countries (Kurtuhuz et al., 2010). There is an empirical study that investigates the reasons behind large differences in regional growth performance for the period from the start of transition to the 1998 crisis in Russia. It claims that a region’s initial industrial structure as well as its natural and human resource endowments, had a large impact on its economic growth performance during the 1990s (Ahrend, 2005). This may suggest the importance of traditional institutions and values for economic performance.

7. Conclusion

The community-based rural/local industry needs to persevere in their effort for innovation. Their innovation is in the process of people’s consensus formation in community. Also it is important for the prospective people to have education of entrepreneurship and skills. The salient features of rural/local industry are that these community-based enterprises employ local people, and use rural/local resources. For the development they could expand their market from domestic to international. These people involved in such community-based industries are concerned about protecting environment. They are attached their surroundings.

Important, they can make rural/local economy independent and sustainable by creating regional economic circulation. At the very bottom of these community-based movements the cultural core values should exist. These cultural values have sustained and characterize the foundation of innovation.

The author recognizes the distinction between community and ‘commune’ which are discussed in this paper. However this issue will be beyond the argument in this paper and for further research.

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