

Development of research on the “One Village One Product” program in Japan

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Summary

Oita Prefecture in Japan is the birthplace of the One Village One Product (OVOP)¹⁾ program, which began in 1979. The OVOP movement encourages rural development by promoting industries through the production of local specialties. What factors contribute to the success of the program, which is a typical policy for regional branding? This article clarifies the current situation and problems surrounding the program, and on the basis of this information, I suggest methodologies for research on the program.

Last year, I had interviewed Fumio Ohtsubo, president of Panasonic Corporation, and Fujio Mitarai, chairman and CEO of Canon Inc., for a book titled *Accounting Strategy for the Management Reform of Two Companies*. In this article, I will discuss information that they shared with me with regard to the geographic and local strategies of their respective global companies.

Key Words OVOP, Morihiko Hiramatsu, Canon Inc., Panasonic Corporation, Industrial Cluster, JETRO, JICA, Brand

1. *The methodology of research on the One Village One Product program*

The International OVOP Policy Association (IOPA) was founded on December 4, 2006. The IOPA is an academic study association of researchers, public officers, and professors with an interest in the One Village One Product (OVOP) program and international regional OVOP policy.

We can summarize the different methodologies of OVOP research as follows.

Methodology A: This involves the study of the OVOP program by advocates, the

1) The “A product from every village” campaign aims to revitalize the rural areas by promoting the special products of each local area.

proponents of the program, and the business persons.

In 1995, Hiramatsu Morihiko, Ph. D., former governor of Oita Prefecture (for 25 years from 1979 to 2002), gave a lecture to the learned members of a local public body in Japan. He emphasized that one of the motives behind the OVOP program was to bridge the income disparity between the urban and rural areas. For this purpose, we must both promote local products and invite manufacturing companies to set up base in rural areas.

One of the primary features of the OVOP program in Asia and Africa is that the primary responsibility for eliminating the income disparity between urban and rural areas is placed in the hands of the central or local governments. The OVOP program is one of the most important components of Japan's Development Initiative, which was announced on December 1, 2005, by the then prime minister, Junichiro Koizumi, at the Sixth World Trade Organization (WTO) Ministerial Conference in Hong Kong. In Malawi, Africa, the program has been extended to educate communities on the fundamentals of economic activities, in cooperation with the Japan International Cooperation Agency (JICA) and the Japanese Official Development Assistance (ODA). As a result, the proponents and the business leaders of the OVOP program in the local public body have been outlining the outcomes and problems of the program.

Methodology B: In 2006, professors from Ritsumeikan Asia Pacific University (APU) and functionaries belonging to the Japan External Trade Organization (JETRO) jointly published a book titled *Experience of Promoting OVOP in Japan and Teaching Developing Countries*, which outlined the outcomes of the joint research.

This methodology involves an academic research on the program by scholars and functionaries belonging to an administrative organ and by government employees related to the program.

Methodology C: This methodology involves a case study on the factors that contribute to making local resources into a local brand. The concept of a local brand (a trademark of a local society) was created with the enforcement of the revised Trademarks Act in Japan in 2006. The application is a group of farm cooperation or special product cooperatives. If the brand becomes the trademark of a local association, only an association member can utilize this trademark, which combines the producer, the distributor in the specific area, and the service name. As of now, 371 out of 800 applications have been authorized.

When the brand name was used other than a member of an association, the trademark have next effect.

First, the local brands prevent imitations and impostors, and can even be used to claim

for compensation for damages or disruption of business.

Second, the local brands have added value.

We will have research articles for sale brand study in an area of a wide sense not only this regional society trademark, and will thrive but also village oneself become to the brand in future. For example medium and small-sized business synthesis study mechanism in Japan (2007) “whether a village that kept personality alive in the times become a local brand” and, and “Local management in local area made from an action” (2002).

Methodology D: This involves the study of planning area activation by considering the nature, history, and cultural resources specific to the area from the perspective of developing the community with its culture at the crux of its foundation. It is a study of movement to aim at local activation as resources in a world heritage registered with Japanese local resources society “Japan Contents, hometown inheritance” (2007) is the representative.

Methodology E: This involves studying the factors required for promoting outside industries in an area. Factors such as geographical location that influences the coefficient of industrial linkage and the invitation of the factory; taxes in the regions, such as land tax; subsidies; subcontracting; and the multiplier effect of inviting corporations are discussed here. Further, study of the industrial clusters led by the pioneering industries such as automobiles, electrical equipment, and semiconductors are discussed.

Methodology F: In this methodology, the city name itself is considered a brand and the ways of implementing the OVOP program are examined. One study that adopted this methodology is the “The movement to get show on the reproduction of the brand resources of the local city in the decentralization society by peculiarity characteristic and cooperation characteristic -on SENRI new town in Osaka” (this time announcement Murayama article).

2. Two Types of Development in the OVOP Program

One of the motives behind the rise of the OVOP movement was to abolish income disparity between the urban and rural areas.

Japan is the only advanced country whose population is concentrated in a metropolis, that is, Tokyo²⁾. Overconcentration of business, government organizations, and education institutions in Tokyo was accompanied by a decrease in population in rural areas, and as a

2) The population of New York was 7.7 million in 1950 and 7.565 million in 2000.

result, industries in the rural areas suffered. This led to disparity between the urban and rural areas in terms of income and culture. Notions such city life is prosperous whereas rural life is characterized by poverty may not help the situation.

Because of such a situation, there is a need for a regional development policy. The OVOP movement began in Oita Prefecture and has now spread worldwide.

Regional development involves organic development, which is a result of utilizing natural resources, and inorganic development, which arises from the strategic locating of industries. The former involves growing local agricultural produce and fishing or capitalizing on tourism resources; the latter involves modernization by inviting a manufacturing company to set up automobile-related industries such as those manufacturing electrical equipment or machinery, measuring equipment, steel, and the like.

Nippon Steel Corporation, Daihatsu Motor Corporation Limited, Sapporo Beer Corporation Limited, Toshiba Corporation, Canon, and other manufacturing companies are now located in Oita's coastal industrial zone.

As a result of the OVOP program, in 2004, the per capita income in Oita Prefecture (¥2,647 thousand) was more than that in Fukuoka Prefecture (¥2,629 thousand), the heart of this state (= Kyushu).

3. *The OVOP policy*

The brand of a local region has been legislated into the Trademarks Act in Japan (revised 2005) for the development and promotion of the region. As part of the program, one producer in a specific region is assigned with the task of producing its local specialty. An agricultural association or an association of a noted product is allowed to apply for the trademark. In Japan, in 2006, 52 out of 374 applications were approved, while in 2008, 371 out of 800 applications were approved.

According to the Trademarks Act, a producer or seller in a region is paired with a product or service, and only the member of the association that has the patent to the regional brand can use this brand, thereby preventing imitations.

A brand under the OVOP program increases the income of the residents of the particular region. Therefore, the following aspects of the OVOP movement should be communicated to local areas or developing nations.

First, The OVOP should be self-promoting.

Second, The entity at the centre of the program (i.e., governor of the region or

promoter) should conduct a workshop for residents to educate them on the program.

Third, The central entity must provide the farmers with knowledge on not only producing the agricultural products but also raising the value of the products and increasing the farmers' earnings. Therefore, the central entity needs to establish a research institution for studying harmful insect and methods for improving seeds.

Fourth, The core entity should undertake events based on traditional festivals, manners, and customs of the district, folktales, and careers of influential persons in the target district/village.

Fifth, The governor should not provide subsidies to farmers as part of a reclamation project by using local resources, because this will encourage dependence by farmers on government agencies, as a result of which the farmers will not become self-dependent in promoting local development. If the farmers fall short of the required funds, a prefectural government agency should grant money as investment in plant and equipment.

(6) A prefectural governor with strong leadership skills must be selected.

(7) The program needs to produce a distinctive product by doing suitable land and crop theory and by creating a recognized brand name. Multinational companies try to create their own brand for the products imported from different countries.³⁾

4. Characteristics of the Japanese Industries

4.1 Characteristics of Industries in Oita

The earning capacity in Oita Prefecture was very low 25 years back, and as a result, most of its young residents migrated to Tokyo. When Morihiko Hiramatsu took over as the governor of Oita Prefecture, he proposed the OVOP program before twenty-five. Next, he invited global and neighboring regional manufacturing companies to set up base in the technological hub, or "technopolis."

As a result, currently, there are many world-renowned companies such as Canon Inc., Canon Material, Daihatsu Motor Corporation Limited, Toshiba Corporation, and Nippon Steel Corporation in Oita Prefecture. The output of Oita Prefecture amounts ¥3,029,900 million (up 6.2%) and ranks second in the Kyushu region. Many small- to medium-sized enterprises have entered Oita Prefecture for supplying parts and assisting the manufacturing process.

3) Hyun-You Chang, Myeong-Chae Jeon. "Studies on the Local Cluster by One Village One Product and Suitable Land and Crops," International One Village One Product Policy Association, 1st Annual Conference, November 22, 2007, p.41.

4.2 *The Industrial Cluster Policy*

The Ministry of Economy, Trade and Industry has been promoting a cluster policy that brings together factories of major enterprises and R&D agencies to a designated region, and accumulates medium- and small-scale enterprises that specialize in machine parts, materials, and software technology. Thus, it aims to not only save costs but also accomplish external economic effects through specialization from 2001.

Currently, there is the Oita LSI cluster in Oita Prefecture, but we need a cluster policy for industries.

First, The cluster of automobile industries should comprise companies like Nippon Steel Corporation, Toyota Motor Corporation, and Daihatsu Motor Corporation Limited with Oita Prefecture cooperating with Fukuoka Prefecture.

Second, The cluster of appliances of information and electrical household equipment must include enterprises like Toshiba and Canon.

Third, The cluster of environmental industries must comprise the entire spectrum from upstream to downstream R&D-type industries.

4.3 *Multiplier effect of investment by institutions*

Here, we study the chain effect on the economy by an increase in plant and equipment investment for the new establishment of a certain production base; then, the production or consumption is directly or indirectly analyzed by an industrial linkage analysis.

For example, the multiplier effect caused by institutions investing ¥390,000 million in four industries—electrical equipment, transportation machinery, measuring instruments, and general machinery—in Oita led to an economic ripple effect (a production induction sum) of ¥780,000 million, employment effect (20,700 people, excluding those from the construction sector), and district tax yield of ¥13,200 million with double. This effect is equivalent to 18% because it is 43,500 hundred million within the prefecture total production (2001) yen of Oita.⁴⁾

4.4 *An example of Sharp Corporation's Kameyama factory of LCD televisions in Mie Prefecture*

Many auxiliary industries set up base close to the main industry to supply the required components from the development stage to production. The 14 auxiliary industries provide

4) The Development Bank of Japan, Oita branch, "Estimation of the economic ripple effect brought about by investment in the main plant and equipment in Oita" (January 30, 2006)

employment to 3,000 people in 75 auxiliary industries.

The following is a list of auxiliary industries related to Sharp’s LCD television production in Mie Prefecture:⁵⁾

(1) Display; (2) Fluorescence indicator pipe; (3) Display; (4) Glass substrate; (5) Abrasion and film formation; (6) Color filter; (7) Polarizing plate; (8) Film; (9) Backlight; (10) Liquid crystal, Medicinal solution, and Gas; (11) Implementation and assembling; (12) Device production, (13) Product application; and (14) Distribution.

5. Strategy of Panasonic Corporation

5.1 Doctrine of Panasonic Corporation⁶⁾

Last year, I interviewed Fumio Ohtsubo, president of Panasonic Corporation, on what a globally renowned company requires to contribute toward a sustainable society.

Some key points from the interview are summarized below:

First, Panasonic has carried on the philosophy of its founder, Kounosuke Mathusita, that a company is a public entity that should contribute to society through business activities; Panasonic has run its business faithfully on the basis of this philosophy for 90 years. Panasonic’s founder wrote that a company should not separate itself from society and should be a member of society. We need to adopt the same thinking, harmonize with society, and do what is right for it. Ohtsubo called this type of attitude “corporate conscience.”

Second, Panasonic places considerable importance on living in harmony with the environment. The founder always said that if Panasonic could not harmonize with and contribute to society, the company should be dissolved immediately. The company, therefore, aims to live in harmony with the global environment.

Third, obeying the law is intrinsic to Panasonic’s ethics. The company always aims to contribute to society through its business activities. It announced that it would decrease its CO₂ emission worldwide by 300,000 tons by fiscal 2010, and we clearly stated that we would include our progress toward this global as part of an evaluation of each business domain company.

5) “The list of auxiliary companies in Sharp’s Kameyama factory” (reproduced with the company’s consent) by Yujiro Okura, 2006.

6) Panasonic company. Total sales: ¥9,068.9 billion (Japan: 50%, China: 11%, Asia: 12%, Europe: 13%, North and South America: 14%). Number of employees: 305,828 (Japan: 44.3%, China: 22.0%, Asia: 22.3%, Europe: 4.7% North and South America: 6.7%).

Fourth, the manufacturing industry itself is a component of the environment. In the process of product development, no thought is given to the environment. It is important to ensure that the product is made from energy-saving materials and is recyclable, and factories emit very little CO₂, do not carry stocks of it, and the entire management system should think from the perspective of the environment.

5.2 The advantage of a factory to a particular area (Amagasaki, Japan)

First, Amagasaki has a large number of industries or infrastructure concentrated in a vast space of land (30 hectares).

Second, because of the strategic geographical location of the city between Osaka and Kobe, it is easy to provide employment to at least 3,000 people residing in the district between the two cities. It will be easy to take city 24 hours of the production activity.

Third, because the city houses an abandoned power station of the Kansai Electric Power Corporation, electricity and water for operations in the city are easily available. Further, because of its proximity to Osaka or Kobe, which lie on the coastal line, export to North America and Europe is convenient.

Fourth, the city provides a major economic incentive in the form of periodical 20-year leases, which makes it unnecessary to purchase land. In addition, Panasonic Corporation has a well-established R&D base in Ibaraki City, Osaka, and this serves as an advantage to Amagasaki, which is located close to the city.

6. Strategy of Canon Inc.

6.1 Doctrine of Canon Inc.⁷⁾

Some key points from the interview with Fujio Mitarai, chairman and CEO of Canon Inc., conducted in Oita University, are summarized below.

Canon follows the corporate philosophy of *kyosei*. *Kyosei* refers to a society in which all people, regardless of race, religion, or culture, live and work together harmoniously for the common good.

In other words, *kyosei* is an attempt to develop a society characterized by sustainable prosperity. In keeping with this philosophy, Canon aims to become a truly “excellent global corporation” worthy of admiration and respect worldwide. It has three corporate goals: (1)

7) Canon Inc. Total sales: ¥4,512.6 billion (Japan: 21.1%, other Asia countries: 15.6%, Europe: 33.5%, North and South America: 29.8%).

to establish a truly global corporation that transcends borders to actively fulfill its social responsibility to all mankind and in every region of the world, (2) to accept the responsibility of pioneering products that are unrivalled in terms of quality and service and to contribute to the improvement of societies around the world, and (3) to ensure the happiness of all members in the Canon Group by contributing to continuing prosperity by building an ideal corporation.

6.2 Relation of IT systems and innovation

In 2007, I conducted an interview with Tuneo Utida, president of Canon Inc., about the factors required by a globally renowned company to contribute toward a sustainable society.

Key points from his interview are summarized below:

By "global corporate group design," he aims at using an IT system to create a database of the conventional restructuring models of all companies.

Using the collected information, he aims to build a model of the manufacturing system that evolved by sharing the same information from development to service. As a first step, it is important to formulate a Universal Product Code to maintain the consistency of on-site information.

This design and production method uses 3D computer-aided design (CAD) to design an electronic circuit; the method uses 3D computer imagery and can effectively link information pertaining to production with that of material supply.

If the operating systems are different, standardization of the information across different divisions will not be accomplished at the initial stage of using the 3D CAD imagery. This standardization can achieve three things.

First, consistency of the order can be maintained by adding a general number to a product.

Second, using the constitution list, production sale can be brought down, a plan of the service with order.

Third, I standardize the information using a KJ system (the sale information SH standard of the whole world).

Why is the trial manufacturing important in the manufacturing process?

First, in the process from trial manufacture to mass production, the former is constantly changing in terms of development and information. Before mass production of a product, a 3D design model is created using computer-aided engineering (CAE, or processing

simulation). Through such simulation, the process and automation line can be examined and time and cost can be reduced.

Second, it preempts the need to reduce the production cost of the product whose production has already begun; instead, improvements to the design, and thus, the product itself, can be made before mass production is started.

Third, the new model developed as a result of the various changes made to the design after considering the various requirements and which allows for a further reduction in cost is characterized by efficiency, and it once again goes through the technology from the development stage to the product line, component supply, and service.

7. Conclusions

The following factors are necessary for the success of the OVOP movement:

First, the OVOP movement must have both continuous support from a policy and volunteers.

Second, it must be implemented in areas that are capable of facilitating an industry that uses natural resources, for example, agriculture, fishing, sightseeing, and sports, and it must attract manufacturing industries that depend on technology enterprises.

Third, we must develop the brand policy for the self-reliance of the residents of the region, so that government agencies are not required to offer subsidies for promoting the OVOP movement.

Fourth, we must choose effective prefectural governors like Morihiko Hiramatsu, who have leadership skills and considerable influence.

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