

---

**ECONOMICS**

---

*Sociology*

**Shiro Horiuchi,**  
*Hannan University,*  
*Matsubara, Japan,*  
*E-mail: horiuchi.shiro@gmail.com*

*Received:* January, 2017  
*1st Revision:* March, 2017  
*Accepted:* August, 2017

DOI: 10.14254/2071-789X.2017/10-3/18

**JEL Classification:** L26,  
M30, R10

**Keywords:** Networks of entrepreneurs, Rural market, Depopulation, Creative Village, Rural revitalization in Japan.

## Introduction

Regional disparity is one of the most serious problems in the present-day Japanese society. Previous studies, which describe Japan as a country of low regional disparity (Ezcurra and Rodríguez-Pose, 2013; Lessmann, 2014), have divided the Japanese territory only into 10 regions. However, if we break the Japanese territory down into more regions, the figures appear to be different (Tachibanaki and Urakawa, 2012). Large companies and many individuals, both workers and consumers, aggregate in Tokyo, Japan's capital and the largest global city in East Asia (Sassen, 2001). New industries of finance and services have developed and become concentrated in Tokyo where they can access government information and various infrastructure networks. Development of new industries, business aggregation, and large population in Tokyo contribute to the formation of business-to-business (B2B) and business-

---

Horiuchi, S. (2017), Entrepreneurs' Networks at Rural Market: Developing a Creative Village in the Yamagata Prefecture, Japan. *Economics and Sociology*, 10(3), 251-265. doi:10.14254/2071-789X.2017/10-3/18

---

## ENTREPRENEURS' NETWORKS AT RURAL MARKET: DEVELOPING A CREATIVE VILLAGE IN THE YAMAGATA PREFECTURE, JAPAN

**ABSTRACT.** Entrepreneurs of small- and medium-size enterprises (SMEs) are often expected to boost rural revitalization. However, due to the effects of globalization and regional disparities, in rural Japan entrepreneurs find few consumers and other entrepreneurs due to depopulation of many areas. This study asks how entrepreneurs build and maintain business-to-consumer (B2C) and business-to-business (B2B) networks in a rural Yamagata prefecture. The author performed a semi-structured interview with more than 20 entrepreneurs of SMEs in this area during 2014-2015, with special attention being paid to their networking with consumers and other entrepreneurs. The author found that the entrepreneurs invited outside consumers from urban areas, introduced their consumers to other entrepreneurs, used local media, and participated in rural revitalization programs to help local residents discover the value of their products. Different entrepreneurs cooperated together to improve their businesses and increase the number of regular consumers. They also tried to increase the number of cooperative entrepreneurs as they hoped for the growth of other entrepreneurial businesses and business aggregation. Consequently, such businesses contributed to rural revitalization in the sense that the residents as a whole could enjoy the local more developed market.

to-consumer (B2C) networks. Individuals choose to reside in Tokyo, where they have access to a large selection of companies, both as workers and as consumers. Hence, industrial and commercial development causes the aggregation of residents, which in turn causes further industrial and commercial development (Fujita *et al.*, 1999). Globalization has, thus, in recent years, accelerated the centralization of Tokyo.

In contrast to large cities, rural areas have been depleted. Previously, large companies located their factories, offices, and shops in rural areas. More recently, large companies have exported their factories and offices abroad, seeking cheap labor and more consumers. Hence, rural residents find few jobs in rural areas. Residents can purchase products from anywhere in the world through the Internet, and a decreasing number of residents purchase products in their local areas. As a result, local rural shops are closing down and residents find fewer shops in these areas. Furthermore, after many local municipalities were merged, infrastructure, such as offices, shops, and transportation services, was lost. Many residents have left Japanese rural areas in search of jobs and better availability of products. Accordingly, many rural areas are expected to disappear in the near future as few residents stay in these areas. Rural depletion and the centralization of Tokyo are the two sides of the same coin.

Migration of individuals from rural areas to Tokyo contributes to Japan's population decline as a whole. The total fertility rate (TFR) is the lowest in Tokyo as compared to the rest of Japan. Due to the shortage of nursery facilities and support by relatives, young individuals have fewer opportunities for child rearing in Tokyo. They also tend to spend longer hours at work and commuting to and from it. Nevertheless, many young individuals, both creative talents and unskilled workers, migrate to Tokyo because they struggle to find well-paid jobs and education opportunities for their children in their natal rural areas (Ishiguro *et al.*, 2012). Once migrated, they rarely return to their natal rural areas as the latter thus become depleted.

Tokyo's centralization will bring negative consequences on not only depleted rural areas but also to Japan as a whole. *Figure 1* shows the negative relation between average income (x-axis) and TFR (y-axis). Tokyo has the highest average income and the lowest TFR among 47 prefectures. Hence, Tokyo has a concentration of individuals who face difficulties in bearing children. The total population of Japan has been decreasing due to the migration of residents from rural areas to Tokyo. Another serious problem is the risk of a great earthquake, which is expected to occur near Tokyo within 10 years. Following the great earthquake of 2011, Japan as a whole was damaged due to the concentration of infrastructure in and around Tokyo. As long as the centralization of Tokyo persists, any future great earthquakes will seriously damage Japan again.

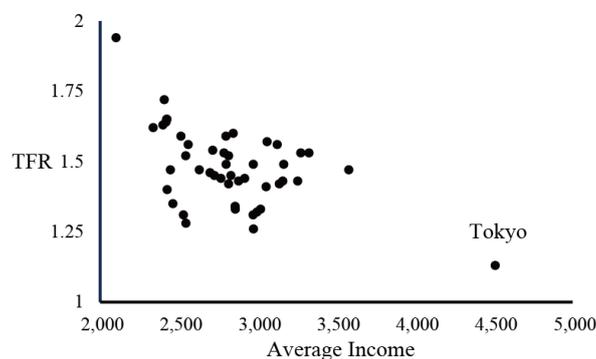


Figure 1. Average income per individual (yen) and TFR of 47 prefectures, Japan  
*Source:* Cabinet Office, Government of Japan, 2013.

## 1. Theoretical Background

The study tries to elucidate how rural revitalization is possible in Japan under the age of globalization and regional disparity. In this regard, the concept of creative areas may become the model to counter the centralization of Tokyo and promote rural revitalization. Originally, Jacobs (1984) discussed the possibility of creative areas and more recent studies followed (Sasaki, 1997; Landry, 2000; Florida, 2014). Instead of large companies bringing innovations for building creative areas, researchers expect this role to belong to small business entrepreneurs, owners of small- and medium-sized enterprises (SMEs) or self-employed entrepreneurs. Entrepreneurs often have the minds of artists and researchers rather than being business oriented. They attract other creative talents as the hub of social networks. Social inclusion of residents, particularly minorities such as women, the elderly, and disabled people, is expected to increase in creative areas. Entrepreneurs try to enjoy a work-life balance through their activities in creative areas. They favor workplaces near their homes, and this is more achievable in an area with a small population. The development of creative areas has been reported, including in some Japanese cities such as Kanazawa, Hamamatsu, and Yokohama (Sasaki, 2001). Most studies, however, have focused on urban areas for the development of creative areas. In fact, many studies use the term “creative cities” rather than “creative villages”.

Recent studies have paid attention to entrepreneurship for innovations in rural areas both in developed and developing countries (Zumbusch and Scherer, 2013; Pato and Teixeira, 2014; Newbery *et al.*, 2017). Maruksen (2007) shows how artists engaged in social activities in rural areas of the USA. Such activities then causes capital accumulation and exports from the area. Entrepreneurs, who have grown in depleted communities of Ireland, contributed to flourishing residential communities (McKeever *et al.*, 2015). Ecological entrepreneurs are expected to bring sustainable development to the Ukraine (Skopenko and Sagaydack, 2013). Women entrepreneurs in rural areas pursue work-life balance and women empowerment under the threat of the patriarchal family system of the Dutch or Italians (Bock, 2004; Gherardi, 2015) or the feudal society of India (Haugh and Talwar, 2016), although still located at weak positions in South Asian countries (Tambunan, 2009). The leading researcher in this area, Sasaki Masayuki, uses the term “creative villages”, and shows some case studies in which entrepreneurs are successful in rural Japan (Sasaki *et al.*, 2014). Subsequent studies have paid attention to the potential of creative villages for increasing rural innovations (Yamazaki, 2016). In Hirosaki, entrepreneurial businesses contributed to the local identity among residents (Rausch, 2005). In Kamakatsu, new businesses involved elderly women who had been deprived of business chances and promoted their happiness (Haga, 2015). In contrast, entrepreneurs may find it difficult to introduce new businesses in rural areas. Rural residents often have negative and pessimistic attitudes toward entrepreneurship (Paul *et al.*, 2013). Poverty and low GDP per individual in rural areas are also likely to negatively affect entrepreneurship (Hundt and Sternberg, 2016). For their business success, entrepreneurs must overcome these difficulties in rural areas.

This study pays attention to how entrepreneurs build and maintain networks with regular consumers (B2C) and other cooperative entrepreneurs (B2B). Few studies have clarified how entrepreneurs build and maintain B2C and B2B networks in rural areas of developed countries (Sawano, 2012). Entrepreneurs will likely face difficulties in building and maintaining B2C and B2B networks in rural areas since they find few consumers and other entrepreneurs. Entrepreneurship is more achievable in urban areas, where they can use the higher concentration of residents and companies as their resources for B2C and B2B networks, respectively. Both B2C and B2B could contribute to social capital. In urban areas, a mixture of dense and loose networks can be expected, which is likely to bring benefits of both bonding and bridging social capital (Putnam, 2001). Classical studies suggest well-developed networks contribute to entrepreneurial business, including improving net growth of business, trustworthiness of

business, information flow, new opportunities, high competence, resilience, and regional growth (Granovetter, 1973; Coleman, 1988; Burt, 1992; Ismail *et al.*, 2012; Schoonjans *et al.*, 2013; Chiesi, 2014; Huggins and Thompson, 2015). Entrepreneurs cannot effectively use these networks if the number of residents is too small, as is likely in rural areas. Entrepreneurs may also be involved in ties that are too strong due to the closed and dense networks likely in rural areas. Such strong ties may hinder the business growth and innovation of entrepreneurs (Portes, 1998). Accordingly, in rural Japan, entrepreneurs face difficulties in building and keeping B2C and B2B networks due to depopulation of the area.

This study introduces a case study that illustrates how entrepreneurs can build and maintain networks in rural areas. First, the study site is and research method is introduced. Second, this study reports the results of interviews with entrepreneurs in a rural area and analyzes how entrepreneurs can build and maintain their B2C and B2B networks. The research assumptions in the study are as follows: (1) entrepreneurs in rural areas faced difficulty in building B2C networks due to paucity of consumers in the area. (2) Entrepreneurs in rural areas faced difficulty in building B2B networks due to paucity of other entrepreneurs in the area. (3) Due to difficulty of building B2C and B2B networks, entrepreneurs in rural areas faced severe conditions in their business and community activity. The research question is “How do rural entrepreneurs build and keep their B2C and B2B in spite of their faced difficulties?”

## 2. Study Site and Methods

The Yamagata prefecture is located in the Northern Japan Tohoku area. The prefecture is 400 kilometers north of Tokyo. The population is 1.1 million, which is about 1% of the total population of Japan.

Although the Japanese economy experienced high growth during the 1960s, Northern Japan, including Yamagata, remained an agricultural area of low productivity and economic power. As a result, many young individuals left Northern Japan and moved to urban areas, particularly Tokyo, as unskilled workers. Many migrant workers settled in Tokyo for a long time. Recently, many large companies situated their factories and offices in Northern Japan, which promoted industrial change from agriculture to manufacturing and services. The financial crisis in 2008 severely damaged the manufacturing industry in this area. Furthermore, the great earthquake, tsunami, and nuclear power plant disaster of March 2011 seriously damaged Northern Japan.

Although situated in a disadvantaged location, Yamagata's residents can become entrepreneurs. First, the proportion of enterprise presidents per population in Yamagata is ranked second highest among 47 prefectures (Tokyo Shoko Research, 2015). Therefore, compared with other prefectures, the residents in Yamagata are likely to have more opportunities to inherit companies from previous presidents. Such succession of presidents often promotes innovation within companies. A good example is Sato Fiber (Taniyama, 2014). The company had originally taken on jobs as a subcontractor to large clothing companies. When the current president, Masaki Sato, inherited the company from his father, he envisioned making and selling high-value and high-price products directly to consumers. The company exhibited its fine products in the USA and gained high approval. Now, Sato Fiber is the most famous company in Yamagata.

Second, women have more opportunities to work in Yamagata. The employment rate of women, including as full-time workers, is the highest in Yamagata out of 47 prefectures. The proportion of three-generation co-living families is also the highest in Yamagata. This promotes women's employment (Ito, 2015) because mothers can work in full-time jobs while grandparents take care of the children. In fact, some women entrepreneurs in Yamagata have been successful as managers of rural restaurants (Sawano and Tabata, 2009).

To use the potential benefits for entrepreneurial business in Yamagata, several programs run many projects. For example, Yamagata University has run the “Center of Community Plus”

(COC+) project since 2015. This project encourages and assists graduates of local universities to settle and work in the area by helping students participate in internships at local companies and conduct fieldwork studies in Yamagata. It is expected that this program will help participants to discover the value of work and life in Yamagata. As part of this project, some coordinators work toward building networks of students with local companies, municipalities, and nonprofit organizations (NPO) (Horiuchi and Takahashi, 2016).

The author of this study worked as a coordinator of the COC+ project. During his work, he did a semi-structured interview with more than 20 entrepreneurs from 2014 to 2015. The interviewees were the entrepreneurs of SMEs. The purpose of the interviews was to clarify how to achieve entrepreneurship in the Yamagata prefecture. The author and each interviewee engaged in open discussion. The interviewees discussed their jobs, their family members, their careers, their hometown, and their visions with the author. The author particularly paid strong attention to how the entrepreneurs build and maintain their network with their consumers and other entrepreneurs, or their B2C and B2B networks.

The author used snow sampling as the sampling method, meaning the author asked interviewees to recommend other potential interviewees who had excellent entrepreneurial vision and practice. Therefore, the sampled entrepreneurs may not be representative of all entrepreneurs in the Yamagata prefecture. The economic census conducted by the Japanese Government shows that the largest industry in the Yamagata prefecture is the wholesale retail industry, as determined by the number of offices (14,984 offices/25.4%) in 2014. However, the author interviewed entrepreneurs mainly in the fields of manufacturing and tourism with the assumption that manufacturing and tourism promote entrepreneurship in rural areas because these two industries market cultural originality to consumers. The entrepreneurs who were interviewed supplied commodity products, such as carpets and cups, or managed local shops, such as hotels and restaurants. As a reference, *Table 1* shows the entrepreneurs, introduced in the next section by their IDs. The 19 entrepreneurs do not cover all the interviewees in the study; the total number of interviewed entrepreneurs exceeded 20.

Table 1. The list of interviewed entrepreneurs

ID	Category	Products / Services	Career	Gender	Age
1	Manufacture	Tatami	>16 years	Male	40s
2	Manufacture	Glass art	1–5 years	Male	40s
3	Manufacture	Carpet	1–5 years	Male	40s
4	Manufacture	Fabric	1–5 years	Female	40s
5	Tourism	Restaurant	1–5 years	Male	30s
6	Manufacture	Bathtub	10 years	Male	40s
7	Others	Employment support	5–15 years	Male	30s
8	Others	Art school	6–15 years	Male	40s
9	Manufacture	Imitation flower	1–5 years	Female	20s
10	Manufacture	Clothes	6–15 years	Male	30s
11	Others	Renewable energy	1–5 years	Male	40s
12	Manufacture	Pottery	5–15 years	Male	30s
13	Tourism	Inn	>15 years	Male	30s
14	Tourism	Restaurant	<1 year	Male	30s
15	Tourism	Town planning	5–15 years	Male	40s
16	Others	Childcare support	<1 year	Female	40s
17	Others	Bookstore	>16 years	Male	50s
18	Others	Immigrants support	1–5 years	Female	30s
19	Tourism	Tourist farm	<1 year	Female	20s

Source: own research.

### ***3.1. The Network of Business to Consumer (B2C)***

Many entrepreneurs in the manufacturing industry manufactured nonstandard and made-to-order products at a high price. They avoided manufacturing and selling products that were standard and cheap, as large companies do. As long as they followed the strategies of large companies, they would barely survive in the price competition against large companies. Their initial problem was how to gain consumers or build B2C networks.

To gain consumers, some entrepreneurs first sold their products outside the local area, such as Tokyo or abroad. In the next run, they sold the products in their local area. For example, one entrepreneur (ID 1) managed a small company that manufactured and sold the Japanese traditional mat tatami. After inheriting the company from his father, he collaborated with a French designer to improve the value of tatami. At first, he promoted fine tatami products in France as being representative of “Trendy Japan”. He then introduced the tatami products into the local market. He also collaborated with domestic farmers who cultivated igusa, the raw materials of tatami. The igusa farmers had faced the risk of closing their agriculture businesses because they could not win in the price competition against Chinese farmers. To help domestic igusa farmers, the company paid as much as possible for their igusa. The company showed its consumers how they preserved Japanese traditional tatami style, both globally and locally. The entrepreneur said,

*Our consumers sympathize with us for our activities to preserve Japanese agriculture, which is the base of Japanese traditional tatami culture.*

Quite a few consumers outside the area had ordered tatami. The entrepreneur, however, turned down these orders. Instead, he introduced the consumers to other tatami companies that were local to them. The entrepreneur wished that each area had its own tatami companies. He also wanted to continue his small business that is embedded in his local area.

Many entrepreneurs used various local media, such as newspapers, television programs, magazines, or Social Net Services (SNS) to advocate the value of their products compared to those of large companies. One entrepreneur (ID 2) frequently used Facebook to connect with his consumers in the area. He once worked as an Internet marketer for a local company before quitting and starting his new business as a glass-art producer. He tried to build a community in which local entrepreneurs and consumers could frequently communicate. To improve the value of the area as a whole, he also advertised products of other entrepreneurs in the area. Another entrepreneur (ID 3) manufactured and sold carpets at a high price. Before he inherited the company from his father, he worked as an employee outside the area. He happened to glance at a magazine that introduced the products of his father’s company. He was impressed by the perspective of outsider consumers. He came back to the area and inherited the company from his father. He then collaborated with the editors of the magazine. The carpet was sold at a high price in the local area. These interviews demonstrate that entrepreneurs use local media to develop the rural market.

Although the local market was small, entrepreneurs increased their number of consumers in the area. Entrepreneurs also had to increase their number of consumers from outside the area. However, they tried to gain consumers who were “outside-repeaters” that sympathized with local business. For instance, one woman (ID 4) worked as a supporter of the traditional manufacturing industry in the Yamagata rural area. This industry employs local families. Because they follow traditional procedures, they need more than a few years to complete a product. She explained that if their manufacturing procedures followed the capitalist model, or Fordism, the value of the products as well as the area would be lost. Instead, she tried to maintain the community by welcoming tourists who want to experience traditional rural Japan. Tourists are expected to sympathize with the community that cooperatively produces traditional products and thus consume more products. Because she was originally a tourist that

visited the area as a university student of art, she could sympathize with tourists who likely became repeaters to the area. Many entrepreneurs avoided increasing their number of consumers by too many. Reflecting on his past business practice of selling products to anonymous consumers located anywhere, the entrepreneur (ID 2) said,

*In order to survive marketing competition for anonymous consumers, I had to be the No.1. The competition likely escalates into a price cut. On the other hand, the local consumers are out of the loop. They have to purchase all the way from distant areas, as long as local companies sell their products to anonymous consumers. Thus, marketing competition for anonymous consumers exhausts local companies as well as consumers.*

In the tourism industry, entrepreneurs welcome outsiders to their local rural area. For their business, the entrepreneurs also had to involve the residents as consumers. They believed that the tourism market could be improved only if the local community was involved. For instance, after working in Tokyo and returning to the local area, one entrepreneur managed a restaurant that he had inherited from his parents (ID 5). He also ran a tour program in the area that welcomed both residents and outsiders. Residents and outsiders were expected to cooperate in discovering the area's value. He explained,

*The residents do not know the value of the area. Only outsiders, such as myself, who once worked in Tokyo, could know the value of the area. I prepare the opportunities where residents and outsiders can meet and discuss the value of the area.*

After communicating with outsider tourists and discovering the value of the area, residents were expected to work to improve the community. The improved community should then be more likely to welcome outsider tourists who will sympathize with the community.

Some entrepreneurs were interested in rural revitalization to run their businesses. For instance, one entrepreneur manufactured and sold bathtubs that he usually sold to hotels in outside areas (ID 6). Occasionally, he sold his products in his local area to ventures such as the municipality's public space so that residents could enjoy the bath. This particular bathtub symbolized a cat named Neko-Bath (cat bath). It was a parody of Neko-Bus (cat bus), which was a character of the famous Japanese cartoon "My Neighbor Totoro". The bathtub became famous among the local children and a well-known symbol of the municipality, a source of pride for the entrepreneur. Another entrepreneur managed a free school in which there were more than 10 children with disabilities (ID 7). He collaborated with residents to help these students through tasks such as running a restaurant where the graduates worked making and selling sunflower oil and gaining subsidies. Worried that many residents were still indifferent to children with disabilities, he tried to build a community where disabled children could study and work with local residents.

### **3.2. The Network of Business to Business (B2B)**

Many interviewed entrepreneurs wished to build cooperative relationships with other local entrepreneurs. They expected that B2B networks could encourage more residents to become consumers. For instance, entrepreneurs often introduced their consumers to each other. In another example, multiple entrepreneurs united and sold their products together in an effort to invite more consumers to their shops. One entrepreneur (ID 2) explained,

*Local entrepreneurs often introduce their regular consumers to each other. Entrepreneurs should not have a monopoly on all consumers by themselves. Actually, it is impossible to have a monopoly on all the consumers because our factories cannot produce so many products. Rather, multiple entrepreneurs should share their consumers. Small entrepreneurs have to coexist in the area.*

Another entrepreneur ran his art school for the local students (ID 8). At the same time, he collaborated with local small companies to highlight their products. He was afraid that the

local market, as a whole, would shrink unless entrepreneurs worked collaboratively to highlight the value of local products.

Entrepreneurs also used B2B networks to start their parallel jobs. Products that are high in price are sold less often than low-price products. As such, particularly when their companies were small, the entrepreneurs faced difficulties in selling their products. They often collaboratively ran workshops that welcomed new potential consumers and other entrepreneurs. At the workshops, the entrepreneurs gained fees from participants. They could also increase their number of consumers by interacting with participants. These workshops acted as the media that broadcast their services and let the residents evaluate the local products. Furthermore, by having multiple entrepreneurs cooperate together, the workshops could attract more participants. Consumers could discover the value of the products and the local area through the workshop.

To build and maintain B2B networks, entrepreneurs used various opportunities, including workshops, study groups, and various social events. One entrepreneur (ID 9) said that to keep business in rural areas, entrepreneurs had to aggressively seek out other entrepreneurs. That was because the number of entrepreneurs was smaller in Yamagata compared with urban areas. She gained new consumers, who were introduced by other entrepreneurs at a study group on management. Some entrepreneurs also ran pan-industry social events in Yamagata. They hoped to increase the opportunities where different entrepreneurs could meet and form B2B networks. Improvement of existing businesses, as well as new entrepreneurial businesses, is expected as the outcome of such events.

In rural areas, because the number of entrepreneurs is small, entrepreneurs could quickly find other entrepreneurs if they had become well known. One entrepreneur (ID 10) told the author that the strong point of rural areas was the presence of fewer entrepreneurs, meaning that entrepreneurs could meet sooner. They rarely competed with each other for consumers since their products could easily be distinguished from each other. Another entrepreneur (ID 11) ran a study group on renewable energy, focusing on wooden biomass. Not only the residents but also ethical companies from outside the area supported the study group. He said,

*We can enjoy social capital in Yamagata. Residents and outsiders could form networks for supporting communities soon, once they are acquainted. It is hardly possible in urban areas because the number of entrepreneurs and consumers are too many.*

Many entrepreneurs strongly needed communal places where they could meet and collaborate with each other face-to-face. Entrepreneurs of small-sized businesses frequently face difficulties in management. They hoped to share techniques for how to solve such difficulties. One entrepreneur said he could be the curator who explained the value of products manufactured by local entrepreneurs to consumers (ID 12). He also wanted to prepare a communal place where multiple entrepreneurs could gather and cooperate. If entrepreneurs share their consumers and improve their businesses, then the area as a whole should be richer for both entrepreneurs and consumers.

In the tourism industry, entrepreneurs often cooperated together to improve the area for tourists. One entrepreneur managed a hot spring inn (ID 13). Although his inn kept its sales by increasing productivity, other inns in the area had been closed. He ran workshops with other inn owners to help them continue their businesses, to support the town's inns, and to improve the value of the area. He stated,

*In order to gain consumers continually, not only our inn but also other inns as a whole had to be improved. If the area was depleted, our inn could not gain consumers.*

Another entrepreneur managed his restaurant in the other hot spring area (ID 14). He performed local events for tourists to improve the value of the area, despite not earning money directly from the events. He said that if other entrepreneurs in the area did not improve their own businesses, his restaurant would lose consumers as the overall area lost value for tourists.

Another entrepreneur welcomed junior high school students for green tourism (ID 15). However, he did not intend to increase sales through tourism. Rather, he intended that more residents would start their own business in the area after encountering more tourists. They tried to improve the area and promote other businesses.

Building B2B networks requires new entrepreneurs. New entrepreneurs may have grown up in the area, or they may migrate from outside the area. One entrepreneur managed a job site where mothers with young children could aggregate and work together (ID 16). She tried to support mothers who wanted to start their own businesses. Another entrepreneur, who usually managed a bookstore, also worked as the president of an NPO (ID 17). He prepared a working space for young individuals who hoped to run their own small businesses. Another entrepreneur ran a website that introduced individuals who had returned from Tokyo to work in Yamagata (ID 18). She promoted migrants starting new jobs in Yamagata. They share the belief that more entrepreneurs should grow in the area.

Some entrepreneurs actually started their businesses thanks to B2B networks in the area. One entrepreneur, who had graduated from Yamagata University a few years earlier, managed a farm garden where consumers could gather kaki fruits and play with goats (ID 19). Most graduates migrated from Yamagata to urban areas for work, while few remained in the area. She told me she wanted to highlight the possibility of women's entrepreneurship, particularly among Yamagata University students in the area. She also told me she owed much to the other local entrepreneurs as many had helped her when she started her business. B2B networks help not only established but also emerging entrepreneurs.

#### 4. Discussion

This study introduced case studies of entrepreneurs in the Yamagata prefecture in rural Japan. The entrepreneurs interviewed in this study aggressively built B2C and B2B networks. Because the study method was snow-sampling, the gained data do not represent all the entrepreneurs in this rural area of Japan. Therefore, the study reminds the readers how successful entrepreneurs built and kept their B2C and B2B network regardless of their faced difficulty.

Entrepreneurs tried to build B2C networks for their business success. Previous studies suggest that consumers are not usually ethical in their purchasing behaviors (Uusitalo and Oksanen, 2004), except when they purchase foods (Feldmann and Hamm, 2015). Therefore, entrepreneurs had to promote their products to attract consumers. To do so, entrepreneurs often used consumers outside their local area. Outsiders' purchases of products could act as a certificate of the quality of their products, which then attracted local residents to the market. Entrepreneurs also used local media to increase the number of local consumers. Consumers, including residents and some outsiders, were expected to support the vision of the entrepreneurs. The developed market thus expanded from the local area. Actually, rural entrepreneurs are not necessarily embedded in the B2C network within the territorial boundary (Kalantaridis and Bika, 2006a, 2006b). The developed market may bring an extended community in which not only residents but also outsiders participated (Horiuchi, 2012).

Entrepreneurs built B2B networks to gain help from other entrepreneurs. Multiple entrepreneurs often cooperated in gaining consumers and improving their businesses. They hoped their coexistence and cooperation in the area would welcome new entrepreneurs. They strongly needed communal places where they could cooperate to develop the rural market. In fact, entrepreneurs in rural areas need communication with other entrepreneurs more so than entrepreneurs in urban areas (Tansho, 2007). Entrepreneurs require networks with other entrepreneurs for collaboratively gaining information and developing innovations in regional cities of Japan (Kidokoro *et al.*, 2015). Previous studies discussed the possibility of B2B

networks that focus on research and development for SMEs (Takeda *et al.*, 2008). New values often grow through communications between businesses (Corsaro, 2014). However, previous studies rarely examined the effects of B2B networks on developing the market; entrepreneurs rarely cooperate in selling their products to consumers (Lindström and Polska, 2016). In contrast, this study paid special attention to how entrepreneurs used B2B networks to increase their number of consumers.

B2C and B2B networks contribute to developing the rural market, and, in turn, the developing market can affect B2C and B2B networks (Fig. 2). In the developing market, many local consumers and some outsiders support entrepreneurial businesses. Entrepreneurs also support other entrepreneurial businesses to improve the market. New B2C and B2B networks are possible, thanks to a growing number of consumers and business aggregation. B2C and B2B networks benefit entrepreneurs in the sense that they gain regular consumers and facilitate cooperation among entrepreneurs. B2C and B2B networks also contribute to developing the market since entrepreneurs try to gain more consumers and fellow entrepreneurs. More local residents and some outsiders should be involved in the developing market as both consumers and entrepreneurs. In contrast with previous studies, the entrepreneurs of the present study developed the rural market in the local area, which contributed to the wellbeing of residents, who could then purchase products and work within the area. That should be the focus of another type of rural revitalization.

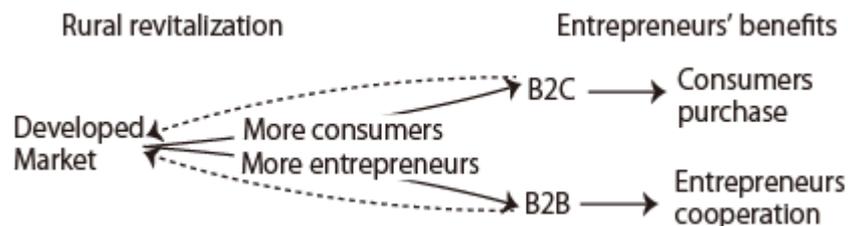


Figure 2. Interactive effects of B2B, B2C, and developed market in the rural area

Source: own research.

Previous studies have rarely discussed the roles of companies in rural revitalization (Marquis and Davis, 2009). In contrast, many studies define social entrepreneurs as those who are socially oriented rather than profit oriented (van Slyke and Newman, 2006; Zahra *et al.*, 2009; Yiu *et al.*, 2014). Entrepreneurs in this study are primarily profit oriented. Nonetheless, they contribute to rural revitalization. That is, in rural areas, entrepreneurs had to build and maintain networks with consumers and other entrepreneurs for their survival. The number of consumers as well as entrepreneurs is limited, so their networks are small and dense. Because their networks are small and dense, entrepreneurs could hardly survive if they behaved like free-riders toward the community (Ostrom, 1990). Entrepreneurs developed B2C and B2B networks in the rural area in which they were strongly embedded (Granovetter, 1985). Owing to the development of B2C and B2B networks in the area, entrepreneurs have contributed to rural revitalization.

Although entrepreneurs in this study are not necessarily prosocial or altruistic, they have contributed to rural revitalization as a consequence of their own business success. The idea of community business may represent rural entrepreneurship in this study. Community business is often defined as either a combination of an effective business practice with community goals and values (Johnstone and Lionais, 2004) or as business that is managed by community members and does not seek profit (Reed, 1999). Community members are assumed to run community businesses. In this study, entrepreneurs focused on the residents as consumers as

well as entrepreneurs or the opponents of B2C and B2B networks. Their business success is intended to contribute to the rural market as well as the community.

Previous studies suggest that strong ties promote trustworthiness among individuals. Ties that are too strong, however, may hinder entrepreneurship and other benefits such as democracy (Portes, 1998). For innovations and democracy, some individuals have to bridge the structural holes (Putnam, 2001). Actually, some entrepreneurs often expand the market across the territorial boundary and be situated at the structural holes (Kalantaridis and Bika, 2006a, 2006b). In this study, entrepreneurs take the role of bridges between different groups of regular consumers. Multiple entrepreneurs cooperate to share their consumers with each other, which bridges consumers from different groups. Some networks expand beyond the local area, as entrepreneurs invite consumers from outside areas. Networks more likely expand the territorial boundary, particularly if the entrepreneurs are immigrants from outside the area. They likely expand the network across the area. Their B2C and B2B networks consequently flourish the residential social capital. For further networking and bridging, entrepreneurs need communal places where different entrepreneurs can share their consumers and expand the market.

Figure 3 represents how bridging social capital can be made possible through communal places. Communal places are likely to develop bridging social capital. This should, in turn, contribute to developing the local area as a whole. Entrepreneurs should take the role of coordinators that bridge multiple stakeholders for rural revitalization (Horiuchi, 2017). Those who coordinated different entrepreneurs and consumers should be the creative classes that bring the creative area (Strasiulis, 2017).

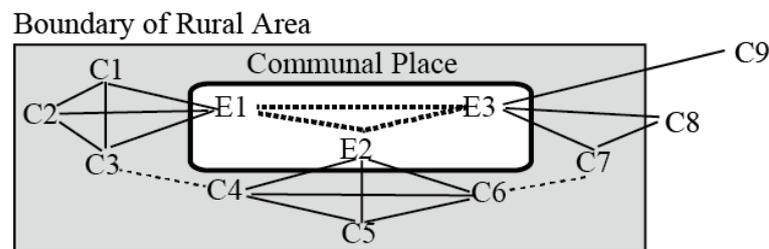


Figure 3. Communal places and networks in and across the rural areas. Three entrepreneurs (E1-3) and seven consumers (C1-7) are residents of the rural area. Two consumers (C8, 9) are outsiders. Bonding social capital of B2C (E1-C1-3, E2-C4-C6, E3-C7-C9) is bridged by networks among entrepreneurs (E1, E2, E3) that become the hubs of bridging social capital.

Source: own research.

Previous studies suggest that a mix of bonding and bridging social capital brings the most benefits not only to the agents of structural holes but also to the whole (Burt, 2007; Horiuchi *et al.*, 2013). The entrepreneurs in this study actually had to bring benefits to the residents or community. Otherwise, they could not gain their own business benefits. Note that this study did not examine purchasing behaviors and support for entrepreneurs from the consumers' perspective. However, even if consumers purchased the entrepreneurs' products only for their own needs, their purchased products could still contribute to rural revitalization. The network of consumers-to-consumers (C2C) is required to further develop local businesses and communities or to build creative areas (Brodie *et al.*, 2013). Future studies should clarify the collective behavior of consumers.

## Conclusion

Entrepreneurs built and kept their B2C and B2B network in the rural Yamagata Japanese prefecture. The networks contributed to developing rural market where residents could

purchase products and work as well. We may regard the revitalized community through entrepreneurial business as a social innovation. Assuming rural residents are marginalized in the age of globalization and regional disparities, entrepreneurs could be social entrepreneurs. Japan is the first country in the world to enter a depopulating society. Other developed and late developing countries will follow Japan with respect to depopulation. Social innovations of rural Japan may become the models for creative villages that will counter future problems of depopulation in rural areas across the world.

### Acknowledgement

This research was supported by the Grant of Ministry of Education, Culture, Sports, Science and Technology of Japan (Grant No. 16K07510, 16K07510, 16H03698) and COC funds of Yamagata University. I thank to entrepreneurs who cooperated with my interviews. The author would like to thank Enago ([www.enago.jp](http://www.enago.jp)) for the English language review.

### References

- Bock, B. B. (2004). Fitting in and multi-tasking: Dutch farm women's strategies in rural entrepreneurship. *Sociologia Ruralis*, 44, 245-260.
- Brodie, R. J., Ilic, A., Juric, B., Hollebeek, L. (2013). Consumer engagement in a virtual brand community: An exploratory analysis. *Journal of Business Research*, 66, 105-114.
- Burt, R. S. (1992). *Structural holes: The social structure of competition*. Harvard University Press.
- Burt, R. S. (2007). *Brokerage and Closure: An Introduction to Social Capital (Clarendon Lectures in Management Studies)*. Oxford University Press.
- Chiesi, A. M. (2014). Interpersonal networking and business resilience: How immigrants in small business face the crisis in Italy. *European Sociological Review*, 30, 457-469.
- Coleman, J. S. (1988). Social capital in the creation of human capital. *American Journal of Sociology*, 94, S95-S120.
- Corsaro, D. (2014). The emergent role of value representation in managing business relationships. *Industrial Marketing Management*, 43, 985-995.
- Ezcurra, R., Rodríguez-Pose, A. (2013). Does economic globalization affect regional inequality? a cross-country analysis. *World Development*, 52, 92-103.
- Feldmann, C., Hamm, U. (2015). Consumers' perceptions and preferences for local food: A review. *Food Quality and Preference*, 40, 152-164.
- Florida, R. (2014). *The Rise of the Creative Class—Revisited: Revised and Expanded*. Basic books.
- Fujita, M., Krugman, P. R., Venables, A. J. (1999). *The Spatial Economy: Cities, Regions and International Trade*. Wiley Online Library.
- Gherardi, S. (2015). Authoring the female entrepreneur while talking the discourse of work-family life balance. *International Small Business Journal*, 33, 649-666.
- Granovetter, M. (1973). The strength of weak ties. *American Journal of Sociology*, 78, 1360-1380.
- Granovetter, M. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology*, 91, 481-510.
- Haga, K. (2015). Innovation and entrepreneurship in aging societies: theoretical reflection and a case study from Kamikatsu, Japan. *Journal of Innovation Economics & Management*, 3, 119-141.
- Haugh, H. M., Talwar, A. (2016). Linking social entrepreneurship and social change: The mediating role of empowerment. *Journal of Business Ethics*, 133, 643-658.

- Horiuchi, S. (2012), Community creation by residents and tourists via Takachiho kagura in Japanese rural area. *Sociology Mind*, 2, 306-312.
- Horiuchi, S. (2017). Coordinators bridge residents and artists in regional japan: a case study of the art proje, HANARART. *International Journal of Asia Pacific Studies*, 13, 1-22.
- Horiuchi, S., Kanazawa, Y., Suzuki, T., Takikawa, H. (2013). Who gain resources from which social capital? a mathematical review. In: *Social Capital: Theory, Measurement and Outcome*. Nova Publisher, pp. 3-28.
- Horiuchi, S., Takahashi, T. (2016). Globalization and regional revitalization in a local university of japan. In: *Globalization: Economic, Political and Social Issues*. Nova Publisher, pp. 149-159.
- Huggins, R., Thompson, P. (2015). Entrepreneurship, innovation and regional growth: a network theory. *Economics*, 45, 103-128.
- Hundt, C., Sternberg, R. (2016). Explaining new firm creation in Europe from a spatial and time perspective: A multilevel analysis based upon data of individuals, regions and countries. *Papers in Regional Science*, 95, 223-257.
- Ishiguro, I. Yi, E., Sugiura, H., Yamaguchi, K. (2012). *Toukyou ni deru wakamonotachi: shigoto, shakai kankei, chiikikan kakusa*. Kyouto-shi: Mineruva Shobou.
- Ismail, T. (2012). The development of entrepreneurial social competence and business network to improve competitive advantage and business performance of small medium sized enterprises: a case study of batik industry in Indonesia. *Procedia-Social and Behavioral Sciences*, 65, 46-51.
- Ito, M. (2015). Chiiki ni okeru danjo kyodo sankaku no kadai; yamagataken wo chushin ni. In: *Tohokukoekibunkadaigaku Sogokenkyuronshu: Forum 21*, pp. 25-37.
- Jacobs, J. (1984). *Cities and the Wealth of Nations*. Random House.
- Johnstone, H., Lionais, D. (2004). Depleted communities and community business entrepreneurship: revaluing space through place. *Entrepreneurship & Regional Development*, 16, 217-233.
- Kalantaridis, C., Bika, Z. (2006a). Local embeddedness and rural entrepreneurship: case-study evidence from Cumbria, England. *Environment and Planning A*, 38, 1561-1579.
- Kalantaridis, C., Bika, Z. (2006b). In-migrant entrepreneurship in rural England: beyond local embeddedness. *Entrepreneurship & Regional Development*, 18, 109-131.
- Kidokoro, T., Kondo, S., Iwata, D., Fukuda, R. (2015). Study on the new perspectives of town centers of small to medium sized cities from the view point of regional innovation: Based on the interview surveys to enterprises in Ishinomaki city and Nagahama city. *Toshikeikaku Ronbunshu*, 50, 580-587.
- Landry, C. (2000). *The Creative City: A Toolkit for Urban Innovators*. Earthscan.
- Lessmann, C. (2014). Spatial inequality and development? Is there an inverted-u relationship? *Journal of Development Economics*, 106, 35-51.
- Lindström, T., Polsa, P. (2016). Coopetition close to the customer? A case study of a small business network. *Industrial Marketing Management*, 53, 207-215.
- Markusen, A. (2007). A consumption base theory of development: An application to the rural cultural economy. *Agricultural and Resource Economic Review*, 36, 9-23.
- Marquis, C., Davis, G. F. (2009). Organizational mechanisms underlying positive community identity and reputation. In: *Exploring Positive Identities and Organizations: Building a Theoretical and Research Foundation*. pp. 461-478.
- McKeever, E., Jack, S., Anderson, A. (2015). Embedded entrepreneurship in the creative reconstruction of place. *Journal of Business Venturing*, 30, 50-65.
- Newbery, R., Siwale, J., Henley, A. (2017). Rural entrepreneurship theory in the developing and developed world. *The International Journal of Entrepreneurship and Innovation*, 18, 3-4.

- Ostrom, E. (1990). *Governing the Commons*. Cambridge University Press.
- Pato, M. L., Teixeira, A. A. (2014). Twenty years of rural entrepreneurship: a bibliometric survey. *Sociologia Ruralis*, 1-26.
- Paul, K. C., Hamzah, A., Samah, B. A., Ismail, I. A., D'Silva, J. L. (2013). Development of rural herbal entrepreneurship in Malaysia. *International Journal of Business and Management*, 8, 95-100.
- Portes, A. (1998). Social capital: Its origins and applications in modern sociology. *Annual Review of Sociology*, 24, 1-24.
- Putnam, R. D. (2001). *Bowling Alone: The Collapse and Revival of American Community*. Simon and Schuster.
- Rausch, A. S. (2005). Local identity, cultural commodities, and development in rural japan: The potential as viewed by cultural producers and local residents. *International Journal of Japanese Sociology*, 14, 122-137.
- Reed, D. (1999). Ethics, community development and not-for-profit business: The case of new dawn enterprises. *International Journal of Social Economics*, 26, 660-673.
- Sasaki, M. (1997). *Souzo Toshi no Keizai gaku*. Keiso Shobo.
- Sasaki, M. (2001). *Souzo Toshi eno Chosen: Sangyo to Bunka no Ikiduku Machi e*. Iwanami Shoten.
- Sasaki, M., Kawaida, S., Hagiwara, T. (2014). *Souzo Noson*. Gekugei Shuppan sha.
- Sassen, S. (2001). *The Global City: New York, London, Tokyo*. Princeton University Press.
- Sawano, K. (2012). *Shakaiteki Kigyo wo Mezasu Noson Joseitachi: Chiiki no Ninaite toshiteno Noson Josei Kigyo*. Tsukuba Shobo.
- Sawano, K., Tabata, T. (2009). Network wo riyo shita kojinkeiei niyoru noson josei kigyoka no tenkai katei: Yamagataken shonai chiho wo chushin ni. *Bulletin of the Faculty of Agriculture, Meiji University*, 59, 31-46.
- Schoonjans, B., van Cauwenberge, P., van der Bauwhede, H. (2013). Formal business networking and SME growth. *Small Business Economics*, 41, 169-181.
- Skopenko, N., Sagaydack, J. (2013). Specific features of development of ecological entrepreneurship in Ukraine. *Economics and Sociology*, 6, 28-38.
- Strasiulis, N. (2017). The idea of the creative society and the development of creative industries. *Economics and Sociology*, 10, 217-226.
- Tachibanaki, T., Urakawa, K. (2012). *Nihon no chiikikan kakusa: toukyou ikkyoku shuuchugata kara yatsugatake houshiki e*. Toukyou: Nihonhyouronsha.
- Takeda, Y., Kajikawa, Y., Sakata, I., Matsushima, K. (2008). An analysis of geographical agglomeration and modularized industrial networks in a regional cluster: A case study at Yamagata prefecture in japan. *Technovation*, 28, 531-539.
- Tambunan, T. (2009). Women entrepreneurship in Asian developing countries: Their development and main constraints. *Journal of Development and Agricultural Economics*, 1, 27-40.
- Taniyama, T. (2014). Kaigai shijo sinshutsu wo keiki to suru hongoku jigyou no seicho kanousei. *Akamon Management Review*, 13, 53-76.
- Tansho, T. (2007). Incubation managers support style and determinants of the business incubator performance: Insights from comparative analysis between "urban" and "region". *Keizai Kagaku Ronshu*, 33, 135-165.
- Tokyo Shoko Research L (2015). Survey on the ratio of company presidents. Retrieved September 25, 2017, from [http://www.tsr-net.co.jp/news/analysis/20160706\\_01.html](http://www.tsr-net.co.jp/news/analysis/20160706_01.html)
- Uusitalo, O., Oksanen, R. (2004). Ethical consumerism: a view from Finland. *International Journal of Consumer Studies*, 28, 214-221.
- van Slyke, D. M., Newman, H. K. (2006). Venture philanthropy and social entrepreneurship in community development. *Nonprofit Management & Leadership*, 16, 345-368.

- Yamazaki, S. (2016). *Machiya Kominka Saisei no Keizaigaku: Naze kono Tochi ni Ooku no Hitobito ga Tazunete Kurunoka*. Suiyousha.
- Yiu, D. W., Wan, W. P., Ng, F. W., Chen, X., Su, J. (2014). Sentimental drivers of social entrepreneurship: A study of china's guangcai (glorious) program. *Management and Organization Review*, 10, 55-80.
- Zahra, S. A., Gedajlovic, E., Neubaum, D. O., Shulman, J. M. (2009). A typology of social entrepreneurs: Motives, search processes and ethical challenges. *Journal of Business Venturing*, 24, 519-532.
- Zumbusch, K., Scherer, R. (2013). Mobilizing enterprise for regional innovation policies: How to assure an active involvement of located enterprises in regional development. *Economics and Sociology*, 6, 13-27.