



Roles of Federation of Small Business Associations

2018
National Federation of
Small Business Associations

Three SMEs Organizations

1. NFSBA

- (1) Member organization: 35 thousand associations, 3 million SMEs
- (2) 47 Prefectural Federations of Small Business Associations

Fund for activities (FY2010 Grants for supporting collaborations for 47 Prefectural Federations of Small Business Associations: Total 6.4 billion yen)

- (3) Role: Providing guidance to associations, making policy recommendations, implementing policies, informing of actual conditions, etc.

2. Japan Chamber of Commerce and Industry

Support organization including those engaged in commerce and industry, etc. in “city” areas

- Urban areas, large enterprises and medium enterprises

3. Central Federation of Societies of Commerce and Industry

Support organization including those engaged in commerce and industry, etc. in “town” and “village” areas

- One Village, One Product campaign
- Advanced primary sector

Outline of National Federation of Small Business Associations

National Federation of Small Business Associations

Prefectural Federation of Small Business Associations (47)

Business cooperative	(20,053)	Small business cooperative	(3)
Federation of business cooperative	(372)	Credit cooperative	(104)
Cooperative partnerships	(510)	Joint business cooperative	(930)
Shopping district promotion association	(816)	Commercial association	(915)
Environmental hygiene trade Association	(131)	Federation of shopping district promotion association	(63)
Others (including incorporated association)	(3950)	Federation of environmental hygiene trade association	(4)

27,851 organizations, etc.

Nationwide cooperative association (124)
Nationwide federation of cooperative (including fire mutual aid cooperative, credit cooperative, shopping district promotion association, environmental hygiene trade association) (89)
Nationwide commercial association and their federation (59)
Nationwide commercial organization (other Incorporated association, etc.) (101)

373 organizations, etc.

about 2.59 million companies



Activities of Federation of Small Business Associations

- Providing guidance and support for all the business activities of SMEs, including the establishment of cooperatives, organization, operations, and management
 - Broad support for business cooperatives, joint business cooperatives, cooperative partnerships, commercial associations, shopping district promotion associations, and LLP, LLC and new collaboration that consist of SMEs, and individual SMEs
- Providing education and information on cooperatives for SMEs
- Research and development of cooperatives for SMEs
- Proposals to the assembly and the administrative agency for the development of SMEs and cooperatives

Characteristics of the System of Small and Medium Enterprise, etc. Cooperatives

<Establishment of the system of Small and Medium Enterprise, etc. Cooperatives>

Establishment of the Small and Medium Enterprise Agency August 1948

Enactment of Small and **Medium-sized** Enterprise Cooperatives Act June 1949

Small and medium enterprises, etc. cooperatives = business cooperatives, credit cooperatives, federation of cooperatives, joint business cooperatives

Establishment of National Federation of Small Business Associations April 10, 1956

<Characteristics of the system of Small and Medium Enterprise, etc. Cooperatives>

- i Small and medium enterprises that lack financial resources conduct joint businesses based on a spirit of mutual-aid to raise their economic status.
- ii There are a variety of cooperatives and associations, including credit cooperatives that are not allowed to conduct other businesses than credit business.
- iii Introduction of the joint business cooperative system based on an entirely new concept
- iv Expansion of membership eligibility due to widely ranging cooperatives (membership of credit cooperatives and joint business cooperatives)
- v Clarification of standards and principles of cooperatives and exception of the application of the Antimonopoly Act in principle
- vi Ensuring independence and democracy of cooperatives
- vii Emphasizing characteristics of cooperatives as a business entity
- viii Approving collective agreement in order to improve the economic status of cooperatives



Standards and Principles of Small and Medium Enterprise, etc. Cooperative

[Standards] (Article 5, paragraph 1 of Small and Medium-sized Enterprise Cooperatives Act)

- (1) Purpose of mutual-aid
- (2) Freedom of joining and withdrawing
- (3) Equal voting rights and rights to elect (one vote per person)
- (4) Standard of dividends from surplus
(dividend in accordance with the amount of use and restraint of investing dividend)

[Principles] (Article 5, paragraph 2, 3 of Small and Medium-sized Enterprise Cooperatives Act)

- (5) Direct and fair service
- (6) Politically neutral



Characteristics of (Small and Medium Enterprise, etc.) Cooperative

(1) Business management:

Generating profits and establishing a basis for economic independence
Conducting necessary business for members based on members' economy
(self-responsibility of members and cooperatives)

(2) Business entity:

Conducting profitable businesses as an independent business entity
Investing capital to generate sustainable profits as a business entity

(3) Actors are people (personality), not capital:

Participation in management of an organization with one vote per person
Restraint of investing dividend in principle
Profits belong to members, not capital
(dividend in accordance with the amount of use and restraint of investing dividend)

(4) Organization with high ethics

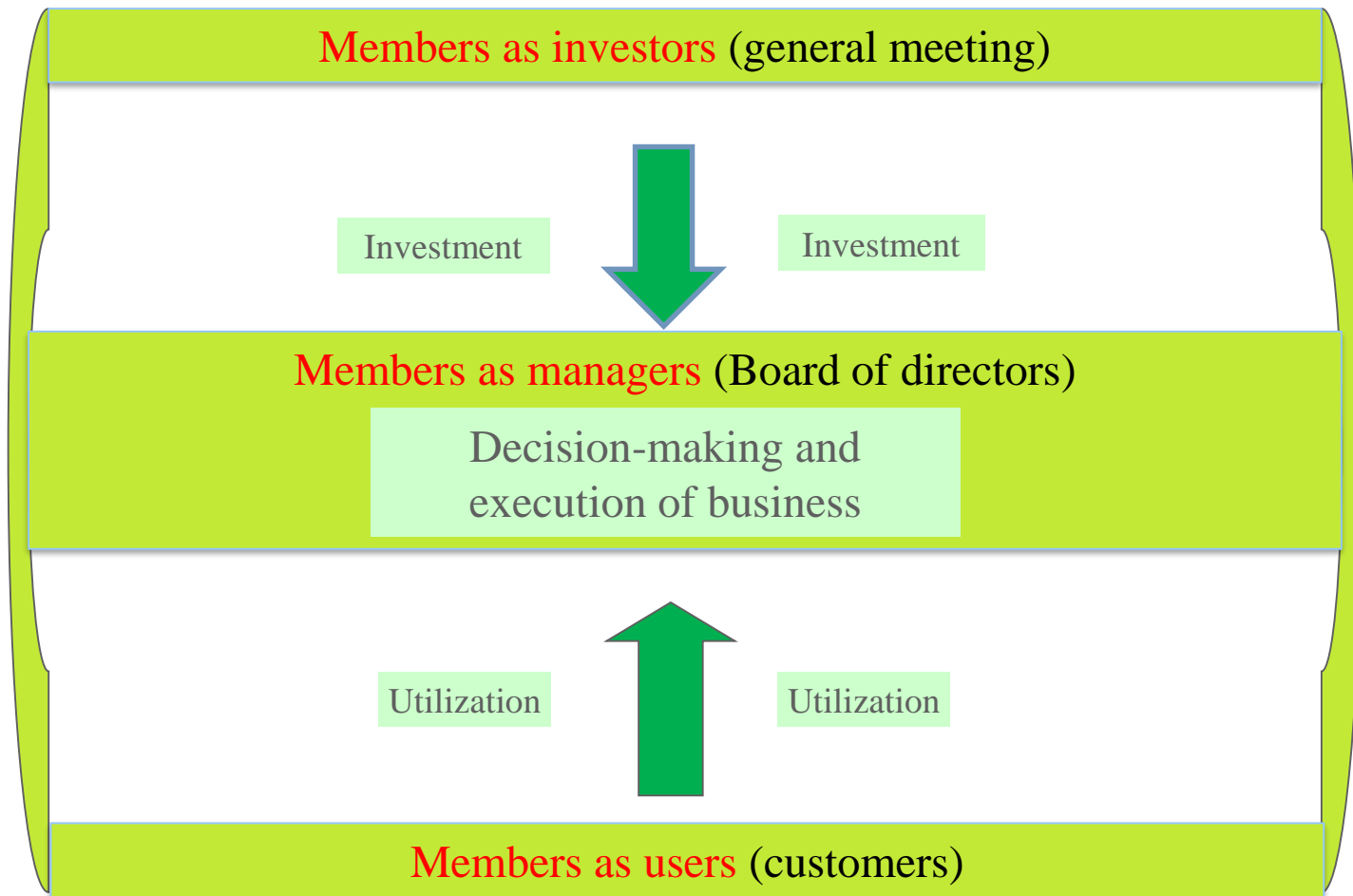
Consequence of an organization of personality



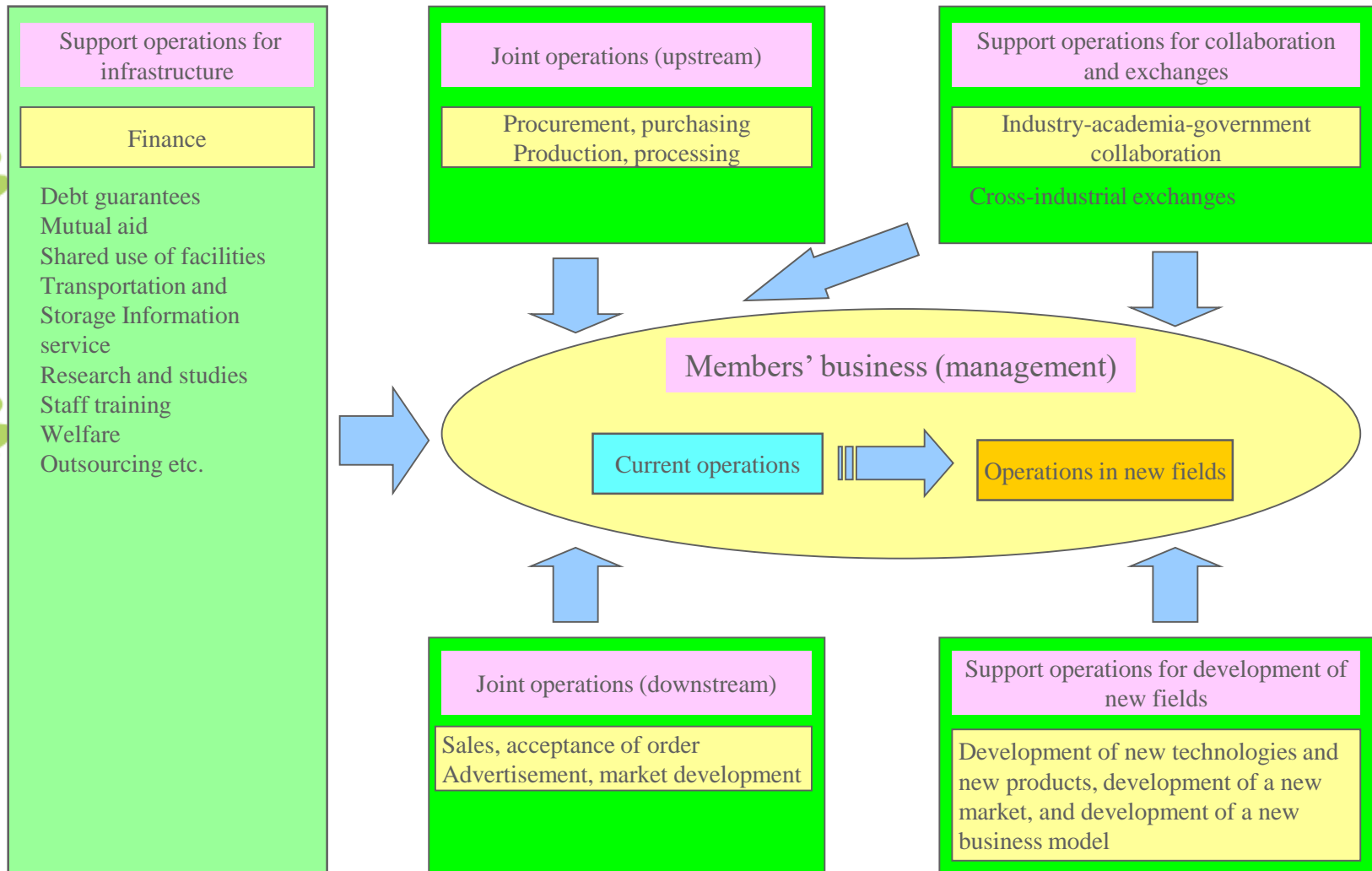
Characteristics of (Small and Medium Enterprise, etc.) Cooperative

- (1) Trinity organization:
Ownership (investors) equals management (managers) and utilization (users)
- (2) Changing organization:
Started to meet members' needs and its organizational structure changes to meet members' needs
Joint businesses also change to meet members' needs
- (3) Self-help organization:
Members generate their own profits through joint businesses
- (4) Mutual-aid organization:
Mutual-aid is established as a system by members who use joint businesses in order to create the basis of their economic independence.

Trinity Structure of Small and Medium Enterprise Cooperative



Types of Joint Businesses of Small and Medium Enterprise Cooperative



Types of Joint Businesses of Small and Medium Enterprise Cooperative

- Support operations for infrastructure
Operations for members' general management regardless of types or contents of their businesses
- Joint operations
Operations for practical business conducted by members
Upstream: operations for procurement of raw materials and merchandise
Downstream: Operations for sales of products
- Support operations for the development of new fields
Support operations for members' advancement to new fields, not for current operations
- Support operation for collaboration and exchanges
Operations to provide opportunities to collaborate and exchange between members and outside institutions, or to become a liaison between the two for their collaboration and exchanges



Types of Joint Businesses of Small and Medium Enterprise Cooperative

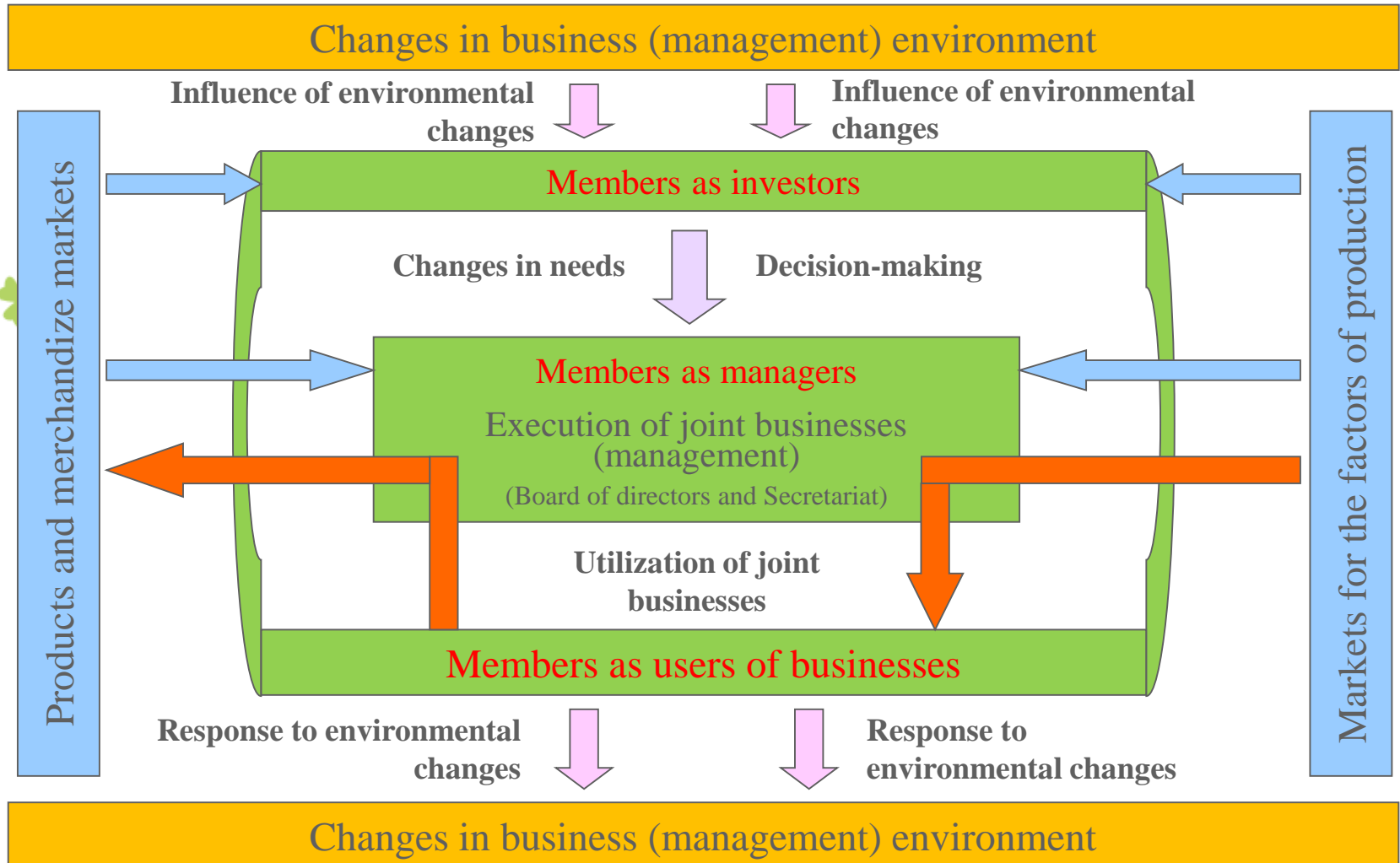
- (Business Cooperatives and Minor Business Cooperatives)
- **Article 9-2** A business cooperative or a minor business cooperative may conduct all or part of the following activities:
 - **(i)** Production, processing, sales, purchasing, storage, transport, inspection and other joint activities related to the business of partner
 - **(ii)** Loan of business funds (including discounting of negotiable instruments) to partner and borrowing of such funds for partner
 - **(iii)** Activities related to the welfare of partner
 - **(iv)** Activities related to the education and offer of information for achieving an improvement of the management and technology concerning the business of partner and the dissemination of knowledge concerning the cooperative's activities
 - **(v)** Activities related to research and development with regard to new goods or new technology or the cultivation of a demand for facilitating partner to advance into new business fields
 - **(vi)** Conclusion of collective agreements for improving the economic status of partner
 - **(vii)** Activities incidental to the activities set forth in the preceding items



Types of Joint Businesses of Small and Medium Enterprise Cooperative

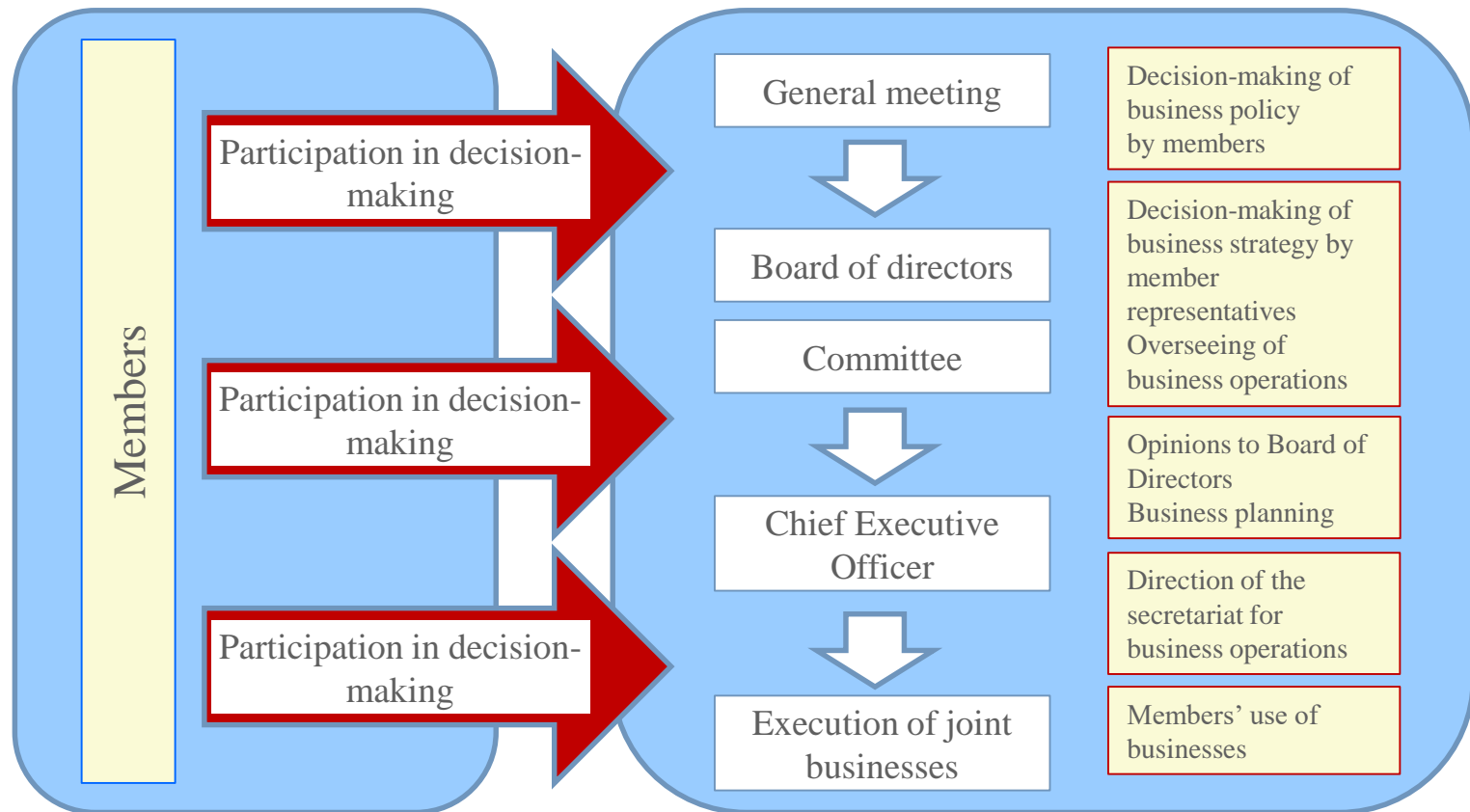
- Mutual-aid and support and cooperation
- Risk-aversion organization and business model organization (risk-taking)
- Organization to adjust the economic and business environment and to provide outsourced business resources
- Organization that allows the freedom of no use of joint businesses and that does not allow the freedom of no use of joint businesses
- Business collaboration and business integration

Structure of Business Operations of Small and Medium Enterprise Cooperative



Three Participations in Small and Medium Enterprise Cooperative

Three participations in cooperatives





SME Policy and Small and Medium Enterprise Cooperative

- (1) Organized as major propositions of SME policy (after World War Two to early 1950s)
 - At this time, the government intended to mainly guide SMEs to establish their own independent cooperatives and rationalize their management through their proactive joint businesses.
- (2) Modernization and enhancement policy and diversified forms of organization (late 1950s to early 1960s)
 - SMEs created various forms of organizations such as industrial parks, wholesale commercial parks, truck associations, joint plant associations, joint store associations, chain business associations. The enhancement policy of the structure of SMEs promoted the diversification of organizations, including business cooperatives.

SME Policy and Small and Medium Enterprise Cooperative

- (3) Actor of developing a structural improvement policy and planning (late 1960s to early 1970s)
- Cooperatives were required to play a role of developing “plans” starting with a structural improvement system. The role was played for structural improvement plans and other planning systems based on “SME Modernization Promotion Act” and various Acts.
- (4) Knowledge-intensive policy and qualitative changes of cooperatives (mid-1970s to 1980s)
- The policy changed the quality of businesses as “software” of cooperative businesses and created a form of organization called cross-sector cooperative (integrated cooperative). The integration was a role of organizing SMEs in the structural improvement (conversion) policy.



SME Policy and Small and Medium Enterprise Cooperative

(5) Structural reforms, business start-up policy and various forms of organizations (1990s)

- With support of “organizing various forms of body” including the establishment of cooperatives such as joint investing companies and voluntary groups, small and medium enterprise cooperatives have been regarded as an option among various forms of organizations.

(6) Competition-promoting policy for SMEs and independence from governmental policies (since 2000s)

- Small and medium enterprise cooperatives are one of various measures to promote SME policy. They are not in a position to play a role as the basis of developing measures to promote SME policies. It is necessary for small and medium enterprise cooperatives to become independent from governmental policies.