

## Chapter 1

# Promoting Local Creativity on OVOP/ OTOP's Diversity

What kinds of groups would be in a better position to innovate?

Kiyoto KUROKAWA

## Introduction

### *Back ground and Research Questions*

Japanese mountainous rural areas have been suffered from de-population and aging society. The Japanese 'One Village One Product' (OVOP) movement is spreading throughout Asia including Thailand, China and Cambodia. In developing countries, there are urgent needs to reduce poverty and wage gaps by revitalizing regional economy. Japanese OVOP movement, which was originated in Oita prefecture, provides an important model of success in regional development policy. As part of the Aid for Trade initiative, the Japanese government initiated the OVOP Campaign. In addition, the government is expanding assistance to Africa. However, critics argue that the sustainability of the movement is heavily dependent on government intervention. Therefore, the movement declines in proportion to the reduction of the government interventions.

### *Significance of the Study*

This study will contribute to the awareness and knowledge of innovation management. Aside from the academic staffs, the local government administrators and rural cottage industrial workers will be benefited from this study as it can help them improve and create new policies to find better ways to cater to the needs of their local community.

There is an urgent need for case studies of good practice in innovation, of what are the issues and challenges facing innovation and innovators, to develop partnerships to share and network this information with decision-takers, policy-makers, and to build human and institutional innovation capacity through education and training. In order to achieve this there is a particular need to get innovation onto the 'Development Agenda', into the development process and to promote cooperation between developed and developing countries. (OECD-UNESCO 2009)

The findings of this study can also serve as a useful guide to new local to local cooperation. It can also raise more awareness among the foreign private companies on the stability of the local economy and encourage their investment to the rural economy.

## Definitions of the Innovation

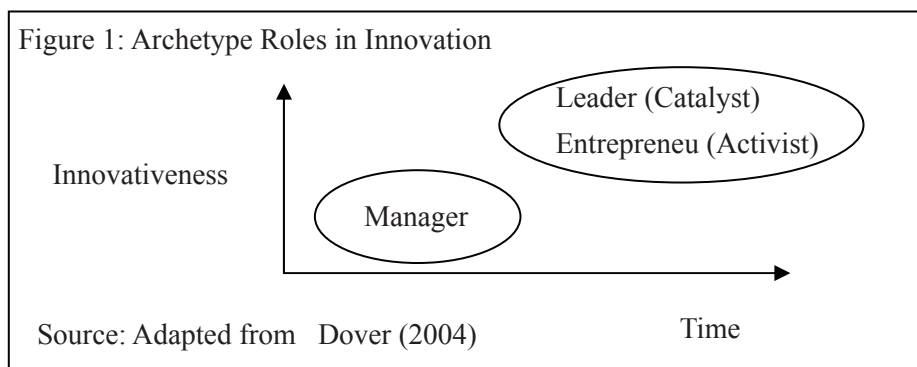
### *Traditional definitions of the Innovation*

Before starting the argument of the innovation for one-product policy, we have to define our definition of the innovation. An intense competition for global economic advantage is under way. The race will be won by nations with innovation-based economies and economic policies. For economists, innovation is an essence to understand the dynamics of the nations' economy. In "Capital", Karl Heinrich Marx had suggested that the main way for capitalist firms to keep competitive was to increase productivity by introducing new and more efficient machinery. Firms that succeeded in introducing new technology would see their competitive position improved. Joseph Schumpeter essentially adopted this argument. For him, this technological competition was the true nature of capitalist competition, in contrast to the "price competition" envisaged in traditional economics. Schumpeter also departed from Marx by making an attempt to develop a theory of innovation. And he added a definition of innovation (or "development" as he initially phrased it) as "new combinations" of new or existing knowledge, resources, equipment and so on (Schumpeter 1934). He also emphasized the importance of innovation in large firms, and pointed to historically oriented, qualitative research (case studies) as the way forward for research in this area (Schumpeter 1947, 1949).

Christensen<sup>1</sup> suggests that successful companies can put too much emphasis on customers' current needs, and fail to adopt new technology or business models that will meet customers' unstated or future needs; he argues that such companies will fall behind. Christensen calls this "disruptive innovation" (Christensen 2011). In other words, the term is used in business and technology literature to describe innovations that improve a product or service in ways that the market does not expect, typically first by designing for a different set of consumers in the new market and later by lowering prices in the existing market. In contrast to the disruptive innovation, a sustaining innovation does not create new markets or value networks but rather only evolves existing ones with better value, allowing the firms within to compete against each other's sustaining improvements.

### Definitions of the Innovation for the One-product Policy

Traditional arguments of the innovation were mainly technical issues. However, we can observe many non-technical innovations such as new networks of the community groups and marketing channels. When Dr. Morihiko Hiramatsu was elected as the governor of Oita Prefecture in 1979, the main objective of “OVOP” movement was to procure both “GNP Society” and “GNS Society”.(Hiramatsu 1990) The idea of Gross National Satisfaction (GNS), or Gross National Happiness (GNH) are the new trend of the society. “Most people agree that societies should foster the happiness of their citizens. The U.S. Founding Fathers recognized the inalienable right to the pursuit of happiness. British philosophers talked about the greatest good for the greatest number. Bhutan has famously adopted the goal of Gross National Happiness (GNH) rather than Gross National Product (GNP). China champions a harmonious society.” (Sachs 2012) Our focus of the study is local economics, cottage industries and life of the local people. Therefore, we would like to define our definition on the innovations for the one-product policy as all the creation of “value adds” to the local economy and way of life. And the Innovation can be classified by the role of the innovator; Leader is a good catalyst and has to encourage members to be creative. And the leader needs longer perspectives to the innovation. On the other hand, entrepreneur is an activist



## Creativity of the OVOP movement

### Theoretical discussions on OVOP's Creativity and Innovative value

Former governor of Oita Prefecture, Dr. Morihiko Hiramatsu, initiated the OVOP movement in 1979. “As early as in 1980, Dr. Hiramatsu visited Tokyo meat wholesale market and advertised local beef in front of the middlemen. No local governor has ever visited the market to promote the sales of local products before.” (Adachi, 2005) OVOP requires people to take up a product or industry distinctive to their region and cultivate it into a nationally,

or even globally, accepted one. The impetus for the OVOP movement in Oita was threefold (Kurokawa et al, 2008):

- (i) "Think Globally, Act Locally": With our distinct local flavours and cultures, we create product, which can be marketed throughout Japan and the rest of the world.
- (ii) "Independence / Creativity": It is up to the people who live in the local areas to decide which products they wish to produce.
- (iii) "Human Resources Development": The ultimate goal is to foster visionary local leaders with creativity as well as challenging spirit.

In this regional development approach, the government is a moderator of the movement. Subsequently, OVOP movement was introduced to many Asian countries. But those were slightly different from the Oita's OVOP. It is an endogenous and innovative movement by the local people. According to the Ramon Magsaysay Award, the OVOP movement described as follows. "How to revitalize Oita? Solving this problem became Hiramatsu's passion. Certain regions, he knew, had made a name for themselves by producing signature products—tangerines, pottery, shiitake mushrooms. Why not encourage every community to devote itself to a single product in which it could truly excel? This concept became the basis of Hiramatsu's innovative development plan: One village, one product." (The Ramon Magsaysay Award for Government Service, 1995) It accepts subsidy cuts (or, it does not rely on subsidies), this fits together with the belief of the Washington Consensus. The OVOP movement is fundamentally a community-based movement that does not rely on public funds, so "subsidy-dependent undertakings must be avoided although technical and sales assistance should be actively provided." (Hiramatsu, 2007)

The innovative idea can be read in its second principle, "Self-reliance and Creativity." and the third principle, "Human Resource Development". This indicates that the focus of regional assistance has shifted from construction of roads and buildings to development of human resources, with an underlying attitude of creativity.

## **Role of the governments**

### *Government assistance for innovation*

The Oita local government was quite active to promote villagers' innovation. The government requested "Self-reliance", but has been offered so many supports for innovation. One of the good examples is the Bamboo craft training school in Beppu city, Oita prefecture. The training center is a prefectural training center to promote bamboo crafts including some

innovations such as design, usage and new products. And the center has incubation craft rooms for local entrepreneurs. The bamboo can be used as a new material as well. In addition, there are many industrial research center such as Oita Industrial Research Institute. They can provide technical assistances to examine the innovations.



Photo by Kiyoto Kurokawa in July 2008

### *OVOP's Creativity and Overseas Development Assistance*

The role of the government is much more focused when the OVOP movement is discussed in the context of development assistance. In particular, when a donor country proposes introduction of an OVOP scheme, recipient countries tend to expect various benefits such as: governments' active sales promotion and marketing support, especially for exports; Qualification of products by governments; provision of technical guidance, training programs and information needed to develop products that reserve qualification; Opportunities to participate in experience exchange events and trade fairs hosted by governments for promoting the OVOP movement; and microfinance services to assist commercialization efforts.

In addition, in host countries of Japanese volunteer groups such as the Japan Overseas Cooperation Volunteers and Senior Overseas Volunteers, there may be expectations for technical guidance by volunteers (on vegetable cultivation, food processing, etc.).

Structures for quality control in Japan include (a) governmental inspections (by designated agencies) and (b) regulations under international standards such as ISO 9001. Voluntary endeavors for quality control at the corporate level include (a) promotion of QC activities typified by the 5S's or Kaizen that aim to improve individual employee's ability to control quality, and (b) establishment of in-house auditing and monitoring systems designed to enhance organizational management capacity.

As an indirect measure for quality control, "brand agriculture" is rapidly becoming popular in recent years. This means enriching the value of agricultural products to enhance regional development with a broadened concept of quality control that includes controlling information about the origins of ingredients, characteristics and regionalism of products, whereas conventional measures are usually limited to hygienic control and process management.

Brand agriculture increased its visibility in Japan after the Revised Trademark Law went into force in April 2006, which enabled prompt registration of a collective trademark that

contains the place name and product name. Because of a chain of scandals involving contamination and mislabeling of foods in 2007, reinforcement of quality control by “strengthening the role of governments and oversight of citizens” (Stiglitz, 2005) is required more than ever in Japan.

### *OTOP's Creativity and Structural Support*

In Japan, technical assistance such as industrial research center was a main function of the government. However, in Thailand, their uniqueness is a structural support to the community by combining various government agencies. The following is a list of the most important subcommittees under the OTOP National Administrative Committee and their functions (The Office of Small and Medium Enterprises Promotion, Ministry of Industry 2008).

(i) Management subcommittee

- Executes and coordinates plans and strategies agreed upon by the OTOP National Administrative Committee
- Coordinates with concerned authorities in relation to operations planning and budgeting of the set plans and strategies Develops an OTOP database and creates information systems with parties involved in the OTOP project
- Provides monitoring and evaluation

(ii) Marketing subcommittee

- Lays down marketing policies, action plans, and marketing directions
- Identifies distribution channels and considers appropriate locations for the setting up of domestic and international distribution outlets
- Protects OTOP products' intellectual property rights

To promote the creativity, the Thai government established many web sites for OTOP products. The intellectual property rights are the essence of the promotion of the creativity. However, it is not easy and we cannot fully control faked products. The full use of the web sites to demonstrate the uniqueness of the OTOP products has been successful. Because of that, everybody easily understands which was true.

And the registration system of Thai OTOP is an important system to promote training programs. First of all, rural cottage industry must be registered. Members of OTOP sub-committee persuade leaders to register the group as an OTOP producer. For instance, in 2005, it was only 886 producers in the Khon Kaen province. But it is increasing year by year. In 2006, they had additional 354 registrations and it was totally 1,240. The merit of the registration is such as free training and free technical advice from the government related agencies. This encourages the participation to the trainings.

## *Leadership and Innovation*

We have to understand the nature of the innovation. In the OVOP movement, Dr. Hiramatsu indicated the role of the leader by introducing former governor of Oita city, Mr. Ueda. He tried to use the wild monkey in Takasaki Mountain near Oita to invite more visitors to the city in 1950. But, the city assembly at that time strongly opposed to his plan. This was a risky method, but it was quite successful and even now the monkeys attract many visitors to the city. (Hiramatsu 1990) Patterson identified the essence of the innovation by the interviews survey, “A range of key leadership characteristics and behaviors were confirmed as promoting innovation, including confidence, courage, motivation, curiosity, openness to ideas, an open style of communication, flexibility, encouragement of risk-taking, and being optimistic about the future. One of the most critical characteristics of leaders is their ability to encourage risk-taking.” (Patterson 2009) What we need to do is to build an environment conducive to innovation. We must remove barriers and obstacles that don't let local innovators innovate. Next section, we describe some good example of the innovations.

## **Case studies of OVOP in Japan**

### *Revival of the Traditional foods*

Products: Yoshino Tori-meshi (Chicken rice ball), Oita city, Oita prefecture

This rice ball business was started by the OVOP group in 1988. The local ladies thought that the traditional chicken was good, but the modern younger generation followed western foods such as hamburger and spaghetti. The traditional foods were going to be disappeared without any supporters. Accordingly, they established a conservation committee for the traditional chicken rice ball. Thanks to the OVOP movement, the traditional chicken rice ball had a good reputation among visitors and local people as well. Without their fresh look back to the traditional foods, they were unable to start their business.

### *Traditional production methods*

Products: Homemade winner without any artificial additives, Takeda city, Oita prefecture. This OVOP group, called Pal club-Kuju has a long history. Actually, the group started their production before the OVOP movement. At that time, industrialization of the food industry was a fashion and traditional production methods were out of the sights of the consumers. Against this trend, the group produced winners without introducing mass production system. Thanks to the awareness rising of the people for the artificial additives, their products got many customers.

### *Story of the products*

Products: Common mackerel, and horse mackerel (Seki-aji and Seki-saba)

Oita Prefecture is renowned for common mackerel, and horse mackerel. "Seki Aji" and "Seki Saba" horse mackerel and common mackerel, respectively, are caught by single-hook fishing in the waters of the Bungo Channel, where the waters of the Pacific Ocean and the Inland Sea converge dynamically. Seki Aji and Seki Saba are widely renowned for their premium standard and high quality. Fish raised in the Bungo Channel can be sold for high prices because of their activeness for the strong flow of the tide. But no one knows how they were different from others. And the fishermen explained the story of their mackerel. This is due to their marketing strategy to provide the story of the products. The appearance of the fish has no uniqueness, but just adding the story of the products, it can be sold for higher prices.

### *Traditional foods with small innovation*

Azemichi group, Hita city, Oita prefecture

Products: Karintou (snack fried sugar-coated dough)

Innovative activities: They started their Karintou business by learning how to make Karintou, how to start up business, and how to manage the business. But they gradually added new flavors to their Karintou and become very famous for the variety of the tastes. This was a small change, but was a modernization of the traditional foods. They produce seven flavors such as soybean, mugwort (Yomogi), purple potato, milk, pumpkin, sesame, and sweet potato.

And the uniqueness was their willingness to their technical transfer to the neighbor OVOP groups. Similar OVOP groups followed their small innovation by adding other flavors. Finally, all the OVOP producing similar products were well benefited by adding variation to their products. At present, they are successful in gaining several major customers and developing a number of sales channels. They opened their own shop, where OVOP products are sold. The shop can work not only as a channel of sales, but also as a center for OVOP groups in the area.



*Seven tastes and groups, photo by Kiyoto Kurokawa in July 2008*



### Traditional foods by adding health values

Products: "Dangojiru" (healthy traditional local noodle with a variety of vegetables)

Dangojiru, Oita prefectural traditional dumpling soup is recommended for health conscious customers, because, not like in most other dish, it is a meat free diet. It tastes plain, but as the soup stock is made from scratch. This food was very popular about 40 to 50 years ago when they were poor and had only limited rice crops. According to the web page of Ministry of Agriculture and fishery, Japan, these foods were widely accepted in all the Kyushu islands. However, it became one of Oita's typical local foods. Especially, the OVOP group explained the health value clearly. This was a small innovation, but was quite successful.



### Revival of interests in old-fashioned things

The old shop street of SHOWA-no-MACHI in Bungo Takada city, Oita prefecture

The street was quite active during Showa era (1926 to 1989), but became very quiet because of the de-population and aging society. The city tried to revive the street by recollecting their good memories of their happy active Showa days. Fortunately, they retained some old fashioned shops and residents. They redesigned the street as it was in Showa era. Every shop they find it there has its own story. Why they can preserve the image of Showa era? It was a irony of the town. Since they lost their economic vitalization, they were unable to renew their buildings. That why they had Showa atmospheres in their town.

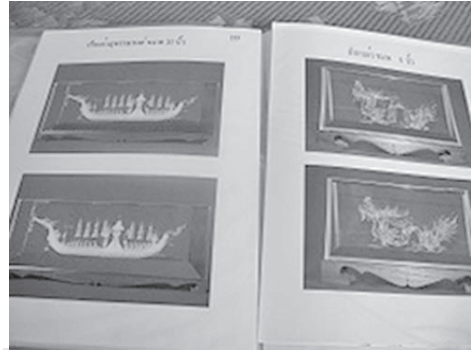


(Source: Bungo Takada city, Oita Retrieved from [http://www.showanomachi.com/sansaku/map\\_print1.pdf](http://www.showanomachi.com/sansaku/map_print1.pdf) on 19 October 2012)

## Case studies of OTOP in Thailand

### *New material for traditional crafts*

Products: Glass traditional Thai boat: These products are mainly sold to the luxurious hotels in Bangkok as a decoration at the hall or restaurant of the hotel. The leader of this OTOP group started this business in Bangkok, but he realized that this can be produced even in rural area. In the initial stage, he used local glass for Thai boat making. However, it was not suitable since the glass became dark quickly. Finally, he has introduced high quality glass from Japan.



*Photo by Kiyoto Kurokawa in July 2008*

### *Local insects for ornament*

Products: Ornament made by Metallic Wood Boring Beetle.

This is an ornament making group at Poophan district, Sakon Nakohn, Northwest Thailand. The village is located on the hilltop area and has some unique insects including this shining “Metallic wood boring beetle”. It was not easy to use these insects to the ornament. Since these insects had a bad smell and it was very difficult to remove it. That is why nobody tried to produce ornament from the insect before. We understood that their creativity demonstrated in making money from anything.

### *Traditional foods with small innovations*

Products: Sweet Sticky Candy (Kalamae) OTOP group

There are many similar goods, but the each flavor is completely different like Japanese Karinto, fried dough cookies. The management of the group is completely under the “kinship”. The secrets of the flavor are family treasure; no one outside family can inherit it. They are always trying to produce new flavor of Kalamae and trying to improve their labeling value as well.

### *Traditional production method with story of the products*

Products: Fish sausage OTOP group

This group in Khon Kaen province got a 5 star grade and became a very famous OTOP group in Thailand. The uniqueness is the difference of the material of the fish sausage. And comparing mass production



*Photo by Kiyoto Kurokawa in July 2008*

sausages, this one is a hand made with traditional leaves. And the fish used for the sausage is natural local fishes, not the cultivated mass production fish. The rainfall water is believed to be the best water because of the surrounding forests. Accordingly the taste of the fish sausage is completely different from the mass production one. And after getting OTOP 5 stars, they had many visitors and other awards as well. We saw so many awards and visitors photos. Finally, she prepared a guide to demonstrate how to make a good fish sausage with photos, and became a good trainer for OTOP. There are many government related agencies for the cottage industry in rural area. According to the fish sausage producer, Ministry of Agriculture and Ministry of Industry both offered packaging design for their products. However, they are independently working within their roles. There was confusion about how to get training program. No government agency knows all the available resources for the entrepreneurs. For women especially, the Non-Formal Education Center has an office in all districts. The Skills Development Center also offers various training courses in response to market labor demand. Someone should organize these functions to be fully utilized by the local entrepreneurs. OTOP is trying to coordinate them and the role of local university will increase more.

## **Conclusions and Policy Recommendations**

### *Difference and similarity of the OVOP/OTOP innovation promotion*

The small innovations among OVOP/OTOP groups can be widely observed. These innovations were coming from the local initiatives, and mind sets for the entrepreneur. From observations and interviews, we have identified some difference and similarity of the OVOP/OTOP movement. The common characteristics of the innovative activities are adding small value, trial and never ending innovative activities. And the role of the leaders is the essential to their daily activities.

In Japan, we can observe full use of the local traditions for innovations. These were not the new products, but they brought back new values to their products. The local government also provided technical assistance to the industrial innovations as well. And the role of the leadership was clearly recognized as a key factor of the innovation.

In Thailand, we investigated especially five star winners of OTOP product championship including fish sausage, peanuts cookie and textile producer's group. According to them, there are some prominent progresses in cottage industries with OTOP movement. That was an integration of the government assistances.

### *Conclusions and Policy Recommendations*

The small innovations among OVOP/OTOP groups brought new values to the local society. These innovations revitalize the aging society in Japan and created local employment opportunities in Thailand. The economic impact could be small, but it brought new value of the society and new mind-sets.

To promote this innovative mind-set, the local government must promote leadership trainings, technical assistances and shoring of the success stories of the innovation. Thai OTOP is well established for the information sharing and the international OVOP/OTOP seminar, which was started from Thailand in 2003, is a good chance to promote these innovative activities world-wide.

## **Endnote**

1. The Innovator's Dilemma: The Revolutionary Book That Will Change the Way You Do Business. Harper Business. pp. 336. ISBN 0062060244.

## **References**

- Adachi Fumihiko, Marketing Perspectives of Community Enterprises in Oita Prefecture: Evaluation of Marketing Activities Under OVOP Movement, Kinjo Gakuin University 2005 (Paper Presented at the First Thailand Community Symposium on Knowledge-Based Strategic Development for Community Economies, December 2005, Chiang Mai, Thailand.)
- Hiramatsu Morihiko (1990) A way of thinking from local, Iwanami Shinsho ISBN4-00-430138-6 (Japanese)
- Kurokawa Kiyoto, Tembo Fletcher and Velde, D.W. te (2008) "Donor support to private sector development in sub-Saharan Africa" ODI Publications, Working Paper290

- Keasrawan Nilvarangkul, Jaranya Wongpromf, Chuanpit Tumngong, Asua Supornpun, Pattama Surit and Niramol Srithongchai (2006) Strengthening the self-care of Women Working in the Informal Sector: Local Fabric Weaving in Khon Kaen, Thailand. *Industrial Health* 2006 No.44 pp.101-107
- OECD-UNESCO, Innovation for Development: Converting Knowledge to Value, OECD-UNESCO international workshop, Summary Report, Paris 28 to 30 January 2009 retrieved on 20 October 2012 from <http://unesdoc.unesco.org/images/0018/001832/183288e.pdf>
- Sachs Jeffrey, Helliwell John, and Layard Richard (2012) *The World Happiness Report*, published by the Earth Institute and co-edited by the institute's director, Jeffrey Sachs,
- Schumpeter, J. (1934) *The Theory of Economic Development*, Cambridge, Mass: Harvard University Press
- Schumpeter, J. (1937) Preface to the Japanese Edition of "Theorie der Wirtschaftlichen Entwicklung", reprinted in Schumpeter, J. (1989) *Essays on Entrepreneurs, Innovations, Business Cycles and the Evolution of Capitalism*, edited by Richard V. Clemence, New Brunswick, N.J.: Transaction Publishers, pp. 165-168
- Schumpeter, J. (1943) *Capitalism, Socialism and Democracy*, New York: Harper
- Schumpeter, J. (1947) The Creative Response in Economic History, *Journal of Economic History*, 7: 149-159, reprinted in Schumpeter, J. (1989) *Essays on Entrepreneurs, Innovations, Business Cycles and the Evolution of Capitalism*, edited by Richard V. Clemence, New Brunswick, N.J.: Transaction Publishers, pp. 221- 271
- Schumpeter, J. (1949) *Economic Theory and Entrepreneurial History, Change and the Entrepreneur*, pp. 63-84, reprinted in Schumpeter, J. (1989) *Essays on Entrepreneurs, Innovations, Business Cycles and the Evolution of Capitalism*, edited by Richard V. Clemence, New Brunswick, N.J.: Transaction Publishers, pp. 253- 231
- Pratibha Rijal Limbu, (2011) "Study on Gender Inclusion/Participation in One Village One Product Program", One Village One Product (OVOP) Program Secretariat Agro Enterprise Center/FNCCI Teku, Kathmandu Nepal.