


## Article

# Social Enterprises and Their Role in Revitalizing Shrinking Cities—A Case Study on Shimizusawa of Japan

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**Abstract:** Since their birth in the 1990s, social enterprises, as a kind of third-party organization with the attributes of both a not-for-profit entity and a profit-making enterprise, have played a significant role in the socio-economic development of cities, in particular those facing the challenge of shrinking. But why are social enterprises so deeply embedded in the regeneration process of shrinking cities, and how do they promote their multi-dimensional revitalization? In order to answer these questions, this paper presents a case study on Shimizusawa in Japan based on a literature review and field research. In line with the embeddedness and institution–function–instrument theories, it reviews the revitalization of Shimizusawa by involving a social enterprise in the adaptive reuse of industrial heritage sites and the development of industrial tourism, analyzes the establishment process and organizational characteristics of this social enterprise, and summarizes the four major experiences of its practice—that is, the governance structure of two types of institutions and two types of functions, the planning for both profitable and non-profitable activities, the operation of both for-profit and not-for-profit businesses, and the fund management of leveraging multiple parties to raise funds and reinvesting the profits locally. The extensive support provided by the Shimizusawa Social Enterprise that creates not only economic value but also social value justifies the significant role of social enterprises in the revitalization of shrinking industrial areas. This case study, together with its analytical framework, may serve as a meaningful reference for the revitalization of shrinking industrial areas in other parts of the world.

**Keywords:** social enterprise; private–public partnership; planning governance; industrial tourism; industrial heritage protection



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## 1. Introduction

In the wave of deglobalization and deindustrialization, many cities have experienced demographic and economic declines, which were referred to as *Schrumpfende Städte* by two German scholars, Häußermann and Siebel, in 1988, i.e., shrinking cities in English [1]. This term was later popularized by the Shrinking City International Research Network established in 2004 and redefined as “an urban area with a population of more than 10,000 that have experienced population loss for more than two years” [2]. Since then, shrinkage has caught the attention of the planning community, and its connotations have gradually extended from the population to economic, social, spatial and other aspects [3–7].

Among shrinking cities, industrial cities that are suffering from economic transition take up a significant proportion of the total. In addition to population outflow, they often face the difficulties of economic shrinkage, environmental degradation, weak cultural identity, and poor community governance [8,9]. International experience shows that the revitalization strategies of shrinking industrial cities are mainly based on the protection and reuse of industrial heritage sites, such as building industrial heritage parks, developing

industrial heritage tourism, and redeveloping creative and cultural zones, as well as commercial and residential areas [10–16].

According to a literature review on the revitalization of shrinking industrial cities, there are many studies from the perspective of planning and design [17–19], while there are few from the perspective of governance and business operation. Among the studies on practice, there are many on those led by the government or the market, while there are few on those promoted by third-party social organizations. Studies show that governments tend to make political and spatial decisions at the regional level on the transformation of industrial cities in decline that have highly specialized and remarkably fragile spatial structures [20], while developers and investors often focus on the economic growth and land-use intensification at the neighborhood level by proposing development scenarios leveraging triage to channel diminished amounts of development resources [21]. Urban revitalization in shrinking industrial areas often concentrates on planning and design, while disregarding social engagement. Social issues are overshadowed by business concerns, causing low resident engagement and cultural disconnect. The lack of social services causes industrial heritage sites to be mere ‘empty shells and labels’, hindering invaluable community insights, social cohesion, and local memory preservation.

Essential to mitigating these challenges is the integration of social considerations throughout the entire process of the governance of revitalizing shrinking industrial areas, from planning and design to operation [22]. This integrative approach emphasizes the incorporation of social institutions within the local governance network and the cultivation of community engagement, by acknowledging the intricate web of social dynamics. It is believed that social enterprises, emerging from welfare crises and governance inefficiencies, can serve as a novel governance body for the transformation of shrinking areas, bridging gaps left by traditional government- and market-led approaches to promote urban revitalization and social progress [10,22,23]. Based on the pursuit for both economic and social value, what is the logic of action for social enterprises to participate in local governance? In order to answer this question, this article introduces the theoretical connotation of social enterprises and their role in shrinking city revitalization, and analyzes the case of Shimizusawa in Japan, where a social enterprise has participated in the sustainable transformation of this shrinking industrial area.

In Japan, the decline of industrial cities has become significant since the mid-20th century, when traditional industries were challenged by the advancement of technology and the process of globalization. After Japan introduced its oil-replacement policy in 1955, underground coal mines were gradually closed one after another. Many regions became hollow with low economic vitality, a fragile social structure, and disordered built space. This phenomenon triggered the need for urban revitalization and industrial restructuring, leading to the transformation of industrial cities in economic, social and cultural aspects [24]. In Shimizusawa, a typical shrinking industrial area with a history of coal mining, a social enterprise has played a positive role in its revitalization, and thus can serve as a successful case for cities and regions suffering from industrial decline. Although the case itself is a local one, its methodologies could be inspiring for regions facing the same problems.

## 2. Theory and Methodology—Social Enterprises and Their Role in Urban Revitalization

### 2.1. Definition, Operation and Role of Social Enterprises

Along with the new public management movement and the reform of the social welfare system in the era of globalization, social enterprises emerged in the 1990s, mainly as third-party non-governmental organizations that exhibit the attributes of both not-for-profit entities and for-profit enterprises [25–27], following the principle of using business means to achieve social goals [28]. Social enterprises can not only promote economic development by creating job opportunities, but also contribute to social capital enhancement and cultural development by shaping a “social entrepreneurial spirit” [29] to help the government realize a more equitable and just social concept by improving social welfare, providing social services, and repairing infrastructure [30].

Social enterprises are active in disadvantaged areas, such as small towns [31], declining districts [32,33], rural communities [34–36], socially marginalized communities [37], and so on, where they play roles in street revitalization, community regeneration, building renovation [38], environmental protection, and river management, etc. [33]. Their practice of urban revitalization often shows some commonalities, for example with governance institutions by establishing a branch or taking over a branch, through the service supply targeted at disadvantaged groups, through the reutilization of buildings and structures including industrial ones, and via the supplementation of public service facilities. They focus on local goals, respect local relations, and mobilize local resources, while being in compliance with external support [38].

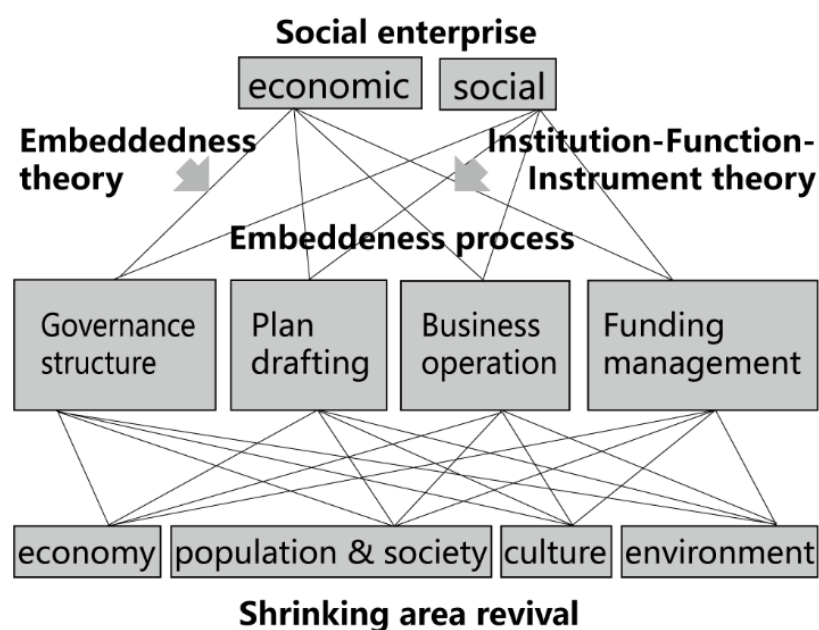
In Japan, social enterprises were born in the wake of the economic downturn in 2008. At that time, Japan was facing such problems as an aging population, urban hollowing, and social exclusion. It was difficult for the Japanese government to monopolize public services on its own, and thus it began to seek the cooperation of multiple stakeholders, including private enterprises, non-profit organizations, and social enterprises. In order to restore the prosperity of hollowed-out urban areas, particularly in shrinking industrial cities, local governments, private enterprises, volunteer organizations, and residents joined forces to make plans to promote urban revitalization. According to the Social Enterprise Research Association organized by the Ministry of Economy, Trade and Industry of Japan, social enterprises are the “enterprises that treat various social problems as business and aim to solve these problems” [39]. Compared with ordinary enterprises, they give priority to solving social problems rather than making profits and regard the reintegration of marginalized “cities” and people into the society as one of their main goals. This demonstrates that social enterprises have the two attributes of sociality and commerciality [40]. Sociality means that the mission of their business activities is to solve social problems to be urgently solved; commerciality means that the mission stipulated in sociality should be accomplished through business activities by using business methods [39]. The *Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations* makes clear provisions regarding the organization, funding sources, and profit distribution of social enterprises. In details, for any social enterprise, the Director Board made up of no less than three members is the executive managing body, while the Assembly Meeting is the management mechanism, based on which resolutions are made by voting on matters stipulated in the *Act* and on the organization, operation, management and other matters of its corporate entities. The Assembly Meeting can be classified into regular and temporary ones, with the former being held at a specific time after the end of each business year, and the latter being held whenever necessary, and only full members have voting rights. Except for external funding sources, the funds of a social enterprise also come from its members in the form of membership fees. Whenever there appears a profit, it is not distributed to its members, but is retained for reinvestment [41].

## 2.2. Analytical Framework of This Study

The theory of embeddedness was first proposed by Karl Polanyi to emphasize the process of one thing entering another, such as the interaction between human activities and social relations and structures, i.e., human activities are embedded in social relations and structures, while influencing the formation of social relations and structures [42]. It has been widely used in research on social organizations [43] and social enterprises [44,45] to explain their operation and influence in specific contexts relating to institutions, functions, value, networks, and so on [43,46,47]. According to this theory, structural embeddedness is the core for external organizations to integrate into the local environment and to connect with the local environment [48,49]. In view of the fact that social enterprises often participate in local governance as an external organization, this theory can be applied to analyze the logic and methods of their interaction with the original governance subject.

The theory of institution–function–instrument was first proposed by American political scientist Harold D. Lasswell to analyze policy formulation and political process, according to which institution refers to governmental and non-governmental agencies representing social interests, function refers to the tasks and roles of agencies, such as policy-making and implementation monitoring, and instrument refers to the tools used by institutions to achieve functions, such as regulations and funds [50]. This theory was later applied by Dong Su and Jian Liu in the field of planning governance to analyze the path choices for the reform of planning institutions and the modernization of spatial governance in China [51]. In view of the fact that the participation of social enterprises in the revitalization of shrinking industrial areas can be regarded as a process of governance, with external and original institutions performing their respective functions and jointly developing new instruments, it is helpful to apply this theory to analyze how a social enterprise plays its role in this process and how this governance is implemented.

With reference to the theories of embeddedness and institution–function–instrument and regarding the case of Shimizusawa, in which shrinking industrial areas were revitalized through the participation of social enterprises, this article builds up an analytical framework consisting of a dual governance structure (institution), a dual planning process (instrument), and a dual business operation (function) to answer the following questions: how do original governance entities govern? How are social enterprises embedded? Why and how does this governance embeddedness work? How do social enterprises create both economic and social value in the process of embeddedness? (Figure 1).

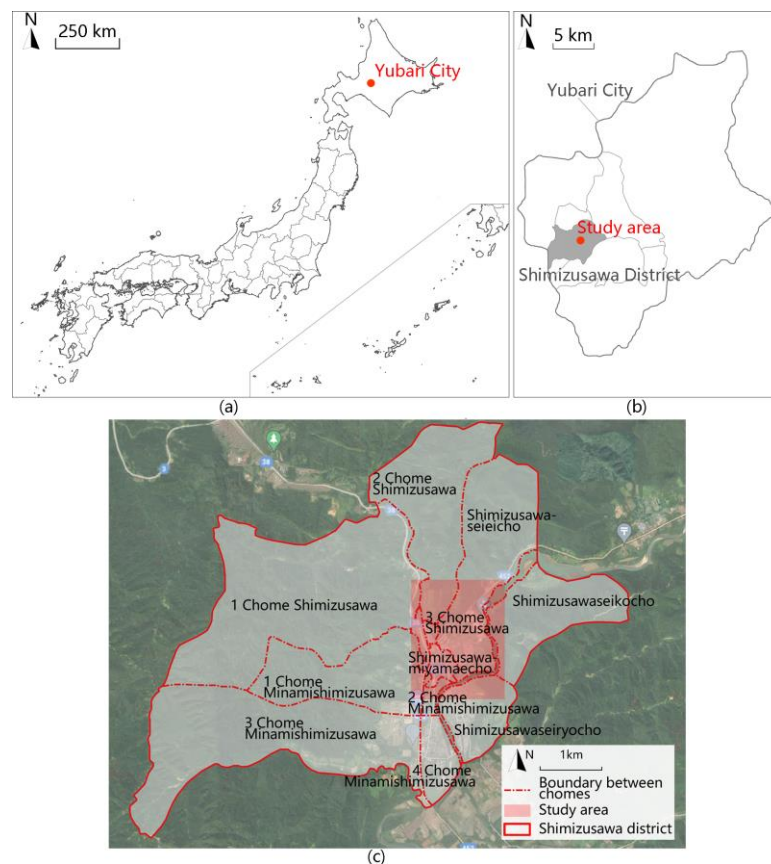


**Figure 1.** The analytical framework regarding the case of Shimizusawa. Source: Drawn by the authors.

### 3. Evidence—Practice of Social Enterprises in Revitalizing Shimizusawa

#### 3.1. Shimizusawa and Its Shrinkage Dilemma

Located in Yubari City, Hokkaido, Japan, Shimizusawa is an administrative district composed of seven chomes (or districts) and four towns, covering an area of 27.46 km<sup>2</sup> and with a population of 2607, where a number of industrial zones were once distributed. As the study subject of this article, the Shimizusawa area mainly consists of 3-chome and Miyamaecho, covering an area of approximate 3.32 km<sup>2</sup> (Figure 2).



**Figure 2.** Schematic diagram of the location and research scope of Shimizusawa. Source: (a) was obtained from Japan's online map, (b,c) are drawn by the authors.

In the past, Shimizusawa was developed because of the construction of industrial zones. The Yubari Mine was put into operation in 1906 and the mining industry gradually became the pillar of the local economy afterwards. In order to ensure the power supply of the mines, an electricity power plant, Hokutan Thermal Power Plant, was built by the East Asia Building Material Industry Company, also referred to as the Beitan Company, in 1926, and then a reservoir for hydro power was built in 1940. From the 1940s to the 1970s, as coal mines were constructed one after another, urban development also prospered. However, due to the global trend of economic restructuring and the influence of Japan's oil-replacement policy, all coal mines in Shimizusawa were closed in 1990 and the Yubari Railway was also abolished in the same year. In 1991, following the shut-down of the Hokutan Thermal Power Plant, industries related to coal mining started to disappear in this area [52], leaving Shimizusawa with the dilemma of shrinking in the aspects of physical environment, economy, population, society and culture. In terms of the physical environment, after the coal mines were closed and industries related to coal mining were shut down, many industrial facilities were either demolished or abandoned, leading to the decaying of the physical environment. Meanwhile, fortunately, the settlements built for accommodating coal miners remained. In terms of economy and population, there was a loss of job opportunities, resulting in the exodus of the labor force and a decrease in population. Although Shimizusawa was still the most populous area in Yubari City, its total population dropped from 13,000 to 3228, and according to the census in 2005, the aging rate of its population reached 42.5%, showing a strong trend of aging [52]. In terms of culture and society, the fading of cultural identity and the weakness of social cohesion could be observed. On the one hand, the memory of unemployment became a nightmare for many local people, making them feel shame to speak of their hometown. On the other hand, the social management of this area was handed from factories to neighborhood committees,



without a management mechanism to consolidate the local residents' lives. Moreover, local residents were not aware of the value of coal mine heritage sites and did not have any of the ideas or practices required to make use of them.

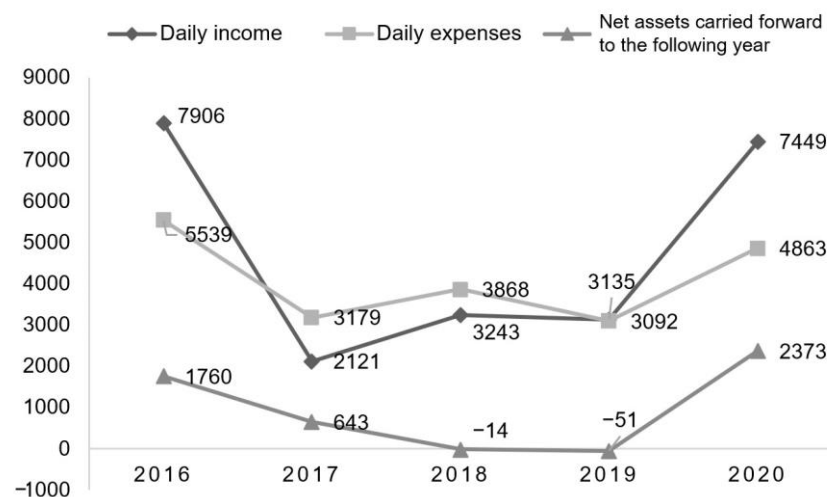
### 3.2. Characteristics and Mechanism

On 29 March 2016, the *Local Population Vision and Regional Comprehensive Strategy of Yubari City* was issued by Yubari City Government, announcing the Shimizusawa Project in the hope of promoting regional revitalization through tourism development. In consequence, the Shimizusawa Social Enterprise (SSE) was officially established on 13 May 2016, as the corporate body for realizing the Shimizusawa Project. In reality, SSE started its voluntary work on this subject as early as in 2008, with studies on regional revitalization by using the industrial heritage of coal mines. It issued the *Shimizusawa Ecomuseum Plan* in 2009 for a term of ten years, based on which it worked with local residents to create a walkable town in the following years. It also implemented the Miyamaecho Town Club Project, a multifunctional exchange center, in 2015, through the cooperation with the Miyamaecho Neighborhood Committee and conducted other activities including the Shimizusawa Art Festival and Mining Pit Restoration Program. As defined by the Social Enterprise Research Association of Japan, SSE has the two essential characteristics of social enterprises, i.e., sociality and commerciality, pursuing both economic and social value through for-profit and not-for-profit businesses. It is committed to bringing sound and healthy changes to the region and making tangible and intangible industrial heritage a source of pride for the local residents through protection and utilization.

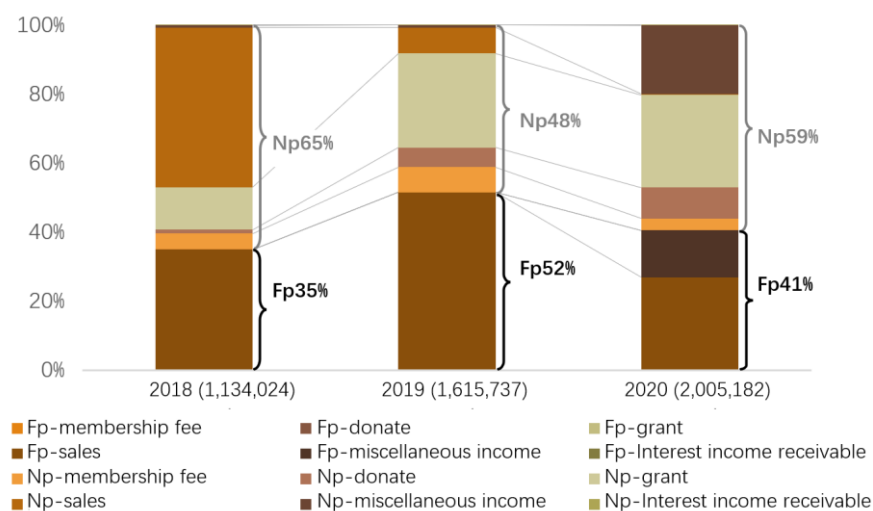
In line with the regulations stipulated by the *Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations*, SSE adopts a cross-border organizational structure demonstrated by its composition of representatives from governments, enterprises, social organizations, and local communities, which enables it to interact and collaborate in depth with multiple parties concerned while maintaining its autonomy. Its Council Board, instead of a Director Board, is composed of three members. The Chairperson performing the task of comprehensive coordination is a social sage who has worked in Shimizusawa since her post-graduate studies, with rich experience in tourism development by using coal mine heritage sites, while the two board members perform the duties of accounting, tourism and others are former government official. Its Assembly Meeting is also composed of the cross-border representatives of local communities, social organizations, and entrepreneurs. The membership of its Assembly Meeting is classified into three types, i.e., full membership, general membership, and supporting membership, with 10, 26, and 7 of these memberships, respectively, in 2021. Those with full and general memberships are mostly local residents, while those with a supporting membership are either individuals or organizations that are supportive of SSE, such as Daichi Consulting Co., Ltd. and the Mitsubishi Daiyubari Railway Preservation Association. All members are required to pay the annual membership fee of JPY 10,000, 3000, and 10,000 (EUR 61, 18 and 61), respectively, but only full members have voting rights on the Assembly Meeting. As a return, all members have the right to use the rentable space of the community center for free.

In terms of funding management, SSE adheres to the principal of co-governance and co-sharing within its partner network, providing itself with a perpetual funding source. In detail, all members are engaged in fundraising, while the business incomes are reinvested locally. In its early years, SSE saw larger expenses than income, but the balance reversed in 2020 (Figure 3). Among its expenses, the largest expenditure is for training and exchange activities, followed by those for employees' salaries and welfare and material purchases. In the case of a surplus, SSE stipulates that it shall not be used for itself, but rather the further development and social welfare of the locality, including the maintenance, management and operation of industrial heritage sites and public facilities. This shows SSE's prioritization of local interests and justifies the funds and donations it receives from local governments, enterprises, and social organizations, as well as residents. Regarding its income, SSE has a

registered capital of JPY 7,375,898 (EUR 45,113), mostly from the Yubari City Government and the annual revenue from its for-profit and not-for-profit businesses. The revenue from its not-for-profit business includes grants, donations and membership fees, and is generally higher than that from its for-profit business, which mainly consists of sales income (Figure 4). When organizing any event, SSE often leverages multiple parties for fundraising. For example, in the case of the Hometown Photography Contest organized in 2020, SSE partly funded the budget, while Yubari City and Yubari City Education Board sponsored the rest of the budget. In the case of the Art Power Plant Exhibition taking place at the Hokutan Thermal Power Plant, a large part of the funding came from SSE, while the rest came from the sponsorship of the owner of the power plant [53].



**Figure 3.** SSE's balance sheet of income and expense for the period from 2016 to 2020. Source: Drawn by the authors according to <https://www.shimizusawa.com/corporation> (accessed on 12 September 2023).



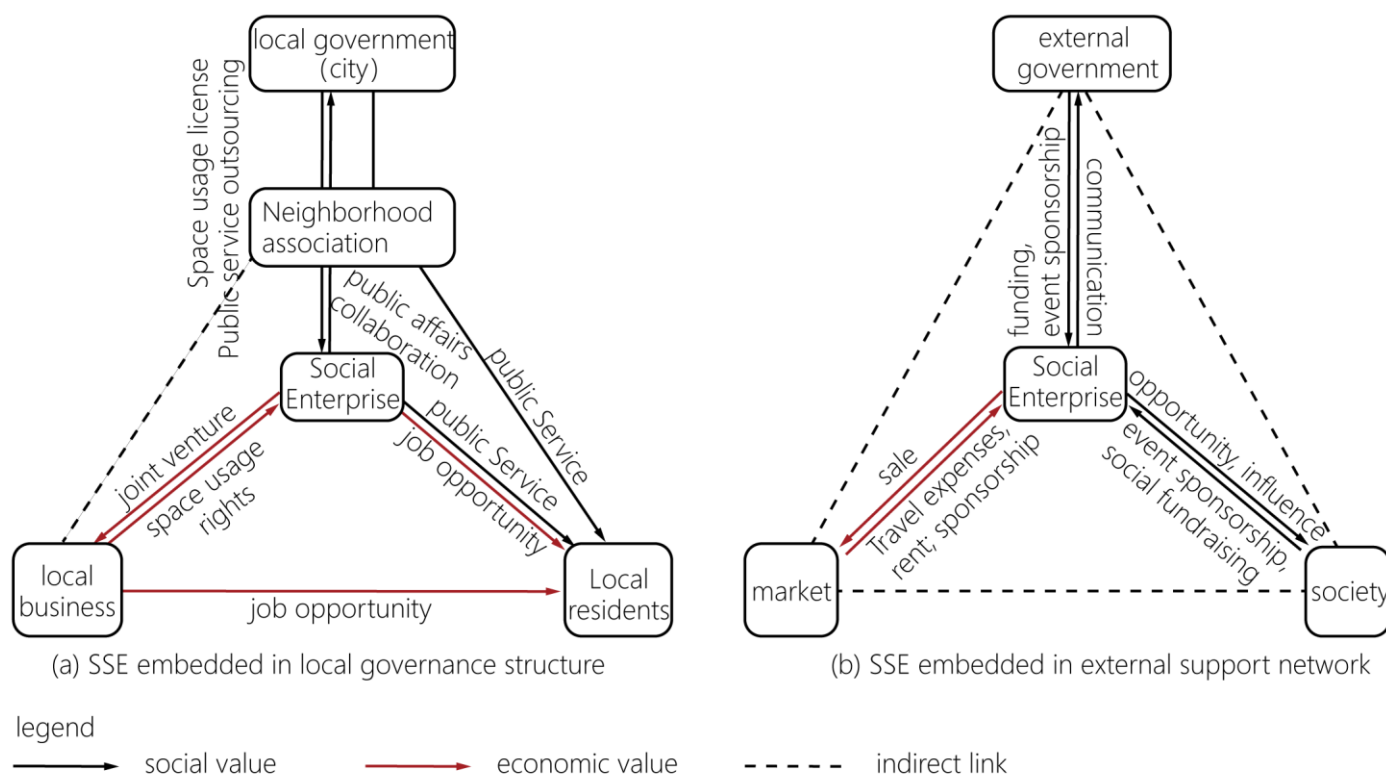
**Figure 4.** Composition of SSE's income from 2018 to 2020 (Fp: for-profit business, Np: not-for-profit business). Source: Drawn by the authors according to <https://www.shimizusawa.com/corporation> (accessed on 12 September 2023).

### 3.3. Tetrahedron Governance

The original governance of Shimizusawa's revitalization comprised a trihedral structure of government, enterprises, and local residents. Among them, the government mainly stood for social interests through spatial planning, space use licensing, and public service outsourcing, enterprises mainly stood for business interests by providing job

opportunities, while local residents showed interest in local affairs. Comparatively, SSE is more embedded in the local governance based on three aspects, according to the theories of embeddedness and institution–function–instrument. Firstly, it embeds multiple parties into the original governance structure and cultivates the partnership among them. Secondly, it integrates itself with the region by embedding its role into the functions of the original governance bodies, such as standing for the social and business interests once represented by the government and enterprises, respectively. Thirdly, it adopts the governance tools of planning and business development which were used by the government and enterprises, respectively.

Based on this embeddedness, SSE becomes a critical node in both the local governance structure and external support network (Figure 5). On the one hand, by contracting public services and providing jobs, SSE helps the government to implement its development projects, assists enterprises in developing better businesses, and serves local residents with more job opportunities and better facilities. On the other hand, external bodies and forces are constantly institutionalized to provide SSE with funds and other support which are invested to the locality. This stable tetrahedron governance structure forms a virtuous cycle which strongly supports the revitalization of the Shimizusawa area. Moreover, it should be noted that SSE’s embeddedness into the local governance structure is in fact the embeddedness of values because of its dual attributes of sociality and commerciality, which cause it to pursue social value and economic value simultaneously. As it pursues social values, it has the same goal of the government to guarantee social interests, making it easier, while receiving support and sponsorship from external parties, to cooperate with local governments to take care of public affairs and to provide local residents with certain public services that were previously only provided by the government. As it pursues economic value, it has the same goal of enterprises to achieve business interests, making it easier to cooperate with entrepreneurs to provide local residents with job opportunities and to offer external support for event organization.



**Figure 5.** Tetrahedron governance: SSE’s embeddedness into the local governance structure and external support network. Source: Drawn by the authors.



### 3.4. Institution Analysis

According to the theory of institution–function–instrument, institutions are the most important body of governance, as both the component of the governance system and the carrier of governance capability, undertaking the administration functions of the government and the business functions of enterprises at different levels. Apart from government agencies and enterprises, this article also includes the social organizations and individuals involved in governance [51]. Before the embeddedness of SSE into the local governance structure, the governance institutions in the Shimizusawa area already included government agencies, i.e., provincial and municipal governments and town councils, enterprises, social organizations, and local residents. Although SSE, as an external social organization, is embedded into the original governance structure of the region, it faces a complex interest pattern and potential resistance when being involved in local development. Therefore, it is necessary to establish a way to cultivate a partnership with these multiple stakeholders to ensure smooth coordination, with regard to which the cross-border organizational structure provides SSE with an “ecological niche” to have in-depth interactions and collaborations with the partners from all walks of life, including government agencies, enterprises, academia, and communities, etc.

In order to establish close ties with the government, SSE adopts the two methods of organizing symposiums and acting as a service broker. SSE often organizes symposiums in collaboration with the Yubari City Government to understand the interests and demands of various governmental departments and incorporate them into its business. Meanwhile, whenever the government releases any public service project, such as a children’s canteen and a regional revitalization program, SSE takes the initiative to act as a service broker to gain government support. Meanwhile, SSE maintains close contact with enterprises from the private sector by way of joint ventures. For example, in the case of the Art Power Plant Exhibition, SSE obtained the right to use the power plant from the owner and collaborated with it to organize the exhibition, not only enhancing the social influence of the exhibition, but also obtaining certain business benefits from the exhibition. Moreover, regarding social organizations, SSE obtains sponsorship from them by attracting them to join its events, while providing them with business benefits, such as free use of heritage spaces and guided visits for prestigious local residents to provide them with a better understanding regional development demand and updating SSE’s development direction and goals.

Highly consistent with the actual governance system, SSE has two types of governance bodies in its governance structure that represent social interests and business interests, respectively. Social sages, former government officials, and the representatives of social organizations and local residents form the representative group of social interests, which is the main body of social interest protection in Shimizusawa’s revitalization. By preparing planning documents and formulating action plans as a management tool, they obtain the right to use industrial heritage sites and broker public services, such as repurposing coal mine housing and abandoned mine pits into tourist sites and undertaking the public service procurement projects of a children’s canteen, item sales, and local revitalization. They carry out various tasks related to creating social value and assume the functions of maintaining social interests, such as enhancing cultural identity, attracting and retaining the population, and so on. Social sages and entrepreneurs in SSE’s governance structure, as the representatives of business interests, are the main force pursuing business interests. They use planning documents as a management tool to obtain the rights for heritage use, independent or cooperative operation, and various businesses related to creating economic values (Table 1).

**Table 1.** Two types of institutions of SSE. Source: summarized by the authors.

	<b>Social Interest Representatives</b>	<b>Business Interest Representative</b>
Governance structure as whole	Governments of all levels, social organizations, local residents	Entrepreneurs
SSE	Social sages, former government officials, social organizations, local residents	Social sages and entrepreneurs

### 3.5. Function Analysis

According to the theory of institution–function–instrument, functions are the competences and responsibilities set up by the institutional system and executed by the institutions in view of the development needs and changes in the external environment [51]. In the case of Shimizusawa, the functions can be classified into the two types, namely social interest maintenance and business interest maintenance, which are usually performed by the government and enterprises, respectively. The function of social interest maintenance refers to the goals of solving social problems, providing public services, maintaining public spaces, retaining the population, and cultivating cultural pride, as well as the responsibilities of outsourcing public services, making public policies, and issuing space use permits. The function of business interest maintenance refers to the goals of developing diversified industries and providing jobs, as well as the responsibilities of market-oriented operations and industrial heritage space-use right transfer.

SSE has taken over these two functions since its establishment. On the one hand, the establishment of SSE itself as the legal entity for the Shimizusawa Project was justified by the government’s policy of revitalizing Shimizusawa through tourism development by using industrial heritage sites, as well as the government’s intention to promote governance innovation. The mission of SSE to make Shimizusawa area a happy and healthy region through the protection and utilization of tangible and intangible industrial heritage and the pride of local residents is obviously part of the government’s functions. In its action plans, SSE states that its goal is achieving heritage and landscape protection by 2029 through extensive cooperation with its external partners. This goal is consistent with the *Sorachi Charcoal Regional Activation Strategy Based on Industrial Heritage Lines of Hokkaido 2008–2018* [54] and the *Local Population Vision and Regional Comprehensive Strategy of Yubari City* in terms of both its content and phasing. That is why the actions of SSE have always been supported by the government at all levels; for example, this support was seen in the free transfer of space use rights from local governments, the attendance of government officials at heritage protection activities, and the heritage-related service brokering from the government, such as the operation of the children’s canteen and the renovation of mine pits. On the other hand, SSE operates a number of profit-making businesses, such as tourist programs, exhibitions, apartment leasing, the operation of the children’s canteen, and the sales of cultural and creative products, increasing economic income and providing job opportunities for laid-off residents. For example, for tourism development, SSE hires professionals to conduct tour guide training for local residents, so that they can act as competent guides for the programs of the Coal Mine Road Hiking tour and important heritage attractions (Table 2).

**Table 2.** Two types of functions of SSE. Source: summarized by the authors.

		<b>Social Interest Maintenance</b>	<b>Business Interest Maintenance</b>
Goals	Governance structure as a whole	Solve social problems, provide public services, maintain public spaces, retain the population, and cultivate cultural pride	Develop diversified industries and provide jobs
	SSE	Enhance cultural identity by protecting and utilizing industrial heritage and increase the population through child nurturing and cultural activity organizations	Increase economic income through tourism development, apartment leasing, and product sales, etc.

Table 2. Cont.

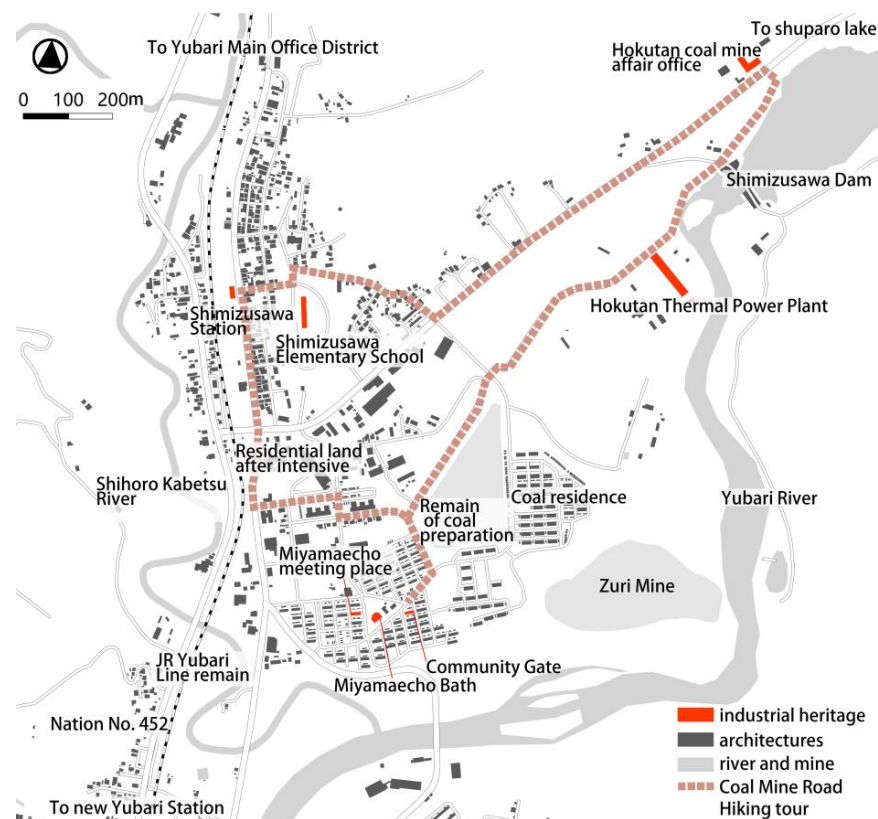
Responsibilities	Social Interest Maintenance		Business Interest Maintenance
	Governance structure as whole	Outsource public services, make public policies, and issue space use permits	Market-oriented operation and industrial heritage space use right transfer
	SSE	Obtain the rights of industrial heritage space use and public service broker	Make profits from cultural activities by using industrial heritage, either independently or cooperatively

### 3.6. Instrument Analysis

According to the theory of institution–function–instrument, instruments are the organizational and technical tools used by the institutions for governance, such as decision-making, planning, coordination, collaboration, supervision, and evaluation, etc. Among them, planning is an important tool used by the planning administration agency of the government to implement the competence of planning management, which includes the formulation of various planning documents and the implementation of these planning documents through the administration of licenses and permits [51]. For example, in Yubari City, the City Government formulated the *Local Population Vision and Regional Comprehensive Strategy of Yubari City* in 2016, which listed the Shimizusawa area as a heritage tourism node and announced the Shimizusawa Project. As the corporate body for realizing the Shimizusawa Project, SSE employs planning and business development as its governance tool in view of its functions. On the one hand, it signed an agreement with the Yubari City Government to act as the service broker of the Shimizusawa Project and formulated the *Spatial Plan for Shimizusawa Project 2019–2029* in 2019 based on the *Local Population Vision and Regional Comprehensive Strategy of Yubari City*. On the other hand, after being entrusted by the government to conduct a survey on the operation of the *Shimizusawa Ecomuseum Project* in July 2016, SSE carried out a number of profit-making and not-for-profit tasks that were integrated later on in the *Spatial Plan for Shimizusawa Project 2019–2029*.

#### 3.6.1. Planning

Focusing on the coal mine heritage sites, the *Spatial Plan for Shimizusawa Project 2019–2029* put forward the concept of an ecomuseum, aiming at transforming the entire area into a museum without a roof by creating a network of heritage sites and facilitating this network with exploration paths. An old two-floor coal mine housing has been transformed into the core facility of Community Gate. This facility houses a visitors' center and an apartment rental center. Additionally, coal mine relics, such as Shimizusawa Station and Hokutan Thermal Power Plant, serve as crucial nodes along the Coal Mine Road Hiking tour, which is the main tourist route based on the coal mine production and transportation systems. Starting from the Shimizusawa Station, this route links the coal mine office, shaft, and coal mine transportation node, passes through the power plant and reaches the coal mine processing site (Figure 6). Commercial facilities are implanted in certain areas, such as the Hokutan Thermal Power Plant, the Community Gate, the Miyamaecho Bath, and the Zuri Mine, in order to retain the existing economic value and create new value. Among these facilities, the Community Gate was renovated from two-level coal mine housing to provide immigrants with a rentable space for commercial use, and the Miyamaecho Bath was renovated from a public bath, providing a space where tourists can revive the tradition with an entry admission. At the same time, public welfare facilities are also implanted in certain areas, such as the Shimizusawa Elementary School, Shimizusawa Station, and Miyamaecho Town Club. At Shimizusawa Station, a number of activities have been organized since 2016 to awaken the collective memory of the local residents and to enhance the cultural identity of the local area, including an event to celebrate its 120th birthday, even though the JR line ceased operation in 2019 [55].



**Figure 6.** The *Spatial plan for Shimizusawa Project 2019–2029* based on the concept of an ecomuseum. Source: Redrawn by the authors based on <https://www.shimizusawa.com/shimizusawaecomuseum> (accessed on 2 March 2020).

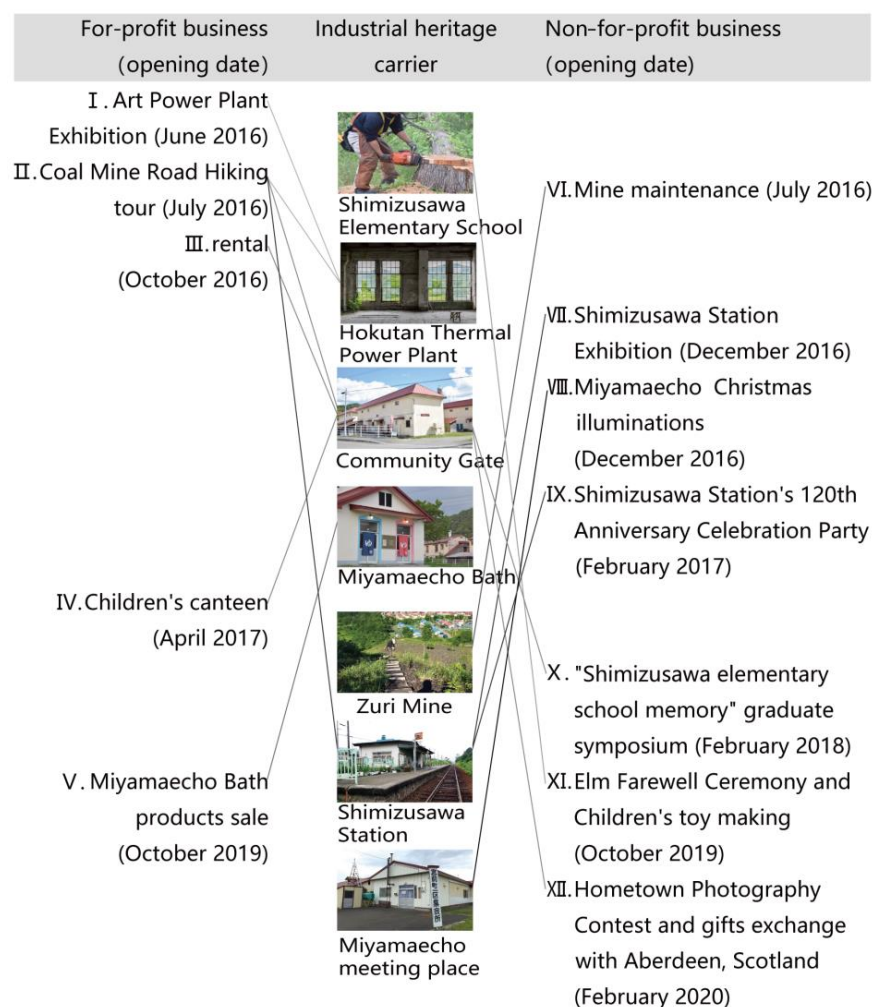
### 3.6.2. Business Operation

SSE operates both profit-making and not-for-profit businesses as another tool in addition to planning, employing industrial heritage as an important focal point (Figure 7).

SSE's profit-making business includes tourist programs, exhibitions, apartment leasing, the operation of a children's canteen, and the sales of cultural and creative products, etc., among which the children's canteen is opened once a month and the others run all year round, accounting for a large proportion of SSE's income. Since the issuing of the *Sorachi Charcoal Regional Activation Strategy Based on Industrial Heritage Lines of Hokkaido 2008–2018* in 2008 and the *Local Population Vision and Regional Comprehensive Strategic of Yubari City* in 2016, coal mining heritage tourism has developed significantly in the Shimizusawa area, with SSE members and local residents serving as tour guides. The Coal Mine Road Hiking tour is the key tourist program, which is a monthly hiking activity with the participation of usually dozens of people. Visitors can also experience the bath tradition at the Miyamaecho Bath and gain an overview of the area from the top of the Zuri Mine. The Hokutan Thermal Power Plant and the exhibits it accommodates are also attractive to tourists [56] (Figure 8). Apartment leasing is another important profit-making business of SSE, which takes place mostly at the Community Gate, which has become the venue of choice for people who want to stay in Yubari City for a short to medium term to conduct cultural and artistic activities. Located at the center of the Shimizusawa area, it was built up by the Beitan Company in 1972 and was converted into public housing after the coal mines were closed. In 2016, SSE obtained the rights for its use from the government for free and transformed it into an activity center themed around heritage protection. Since then, some rooms have gradually been transformed into shared spaces for business operations. Each of the four units is composed of two bedrooms and an area for a living room, dining room and kitchen, with a construction area of 49.7 m<sup>2</sup>. Three units were turned into a shared space for the multiple functions of an office, art space, and tourist center, which can be rented out for a maximum



term of 90 days [57] (Figure 9). In the past five years, the annual average number of rentals was 22, mostly by government officials, experts, photographers, artists, and students.



**Figure 7.** Industrial heritage sites as carriers of SSE's profit-making and non-profit businesses. Source: Redrawn based on <https://www.shimizusawa.com/> (accessed on 6 June 2022).

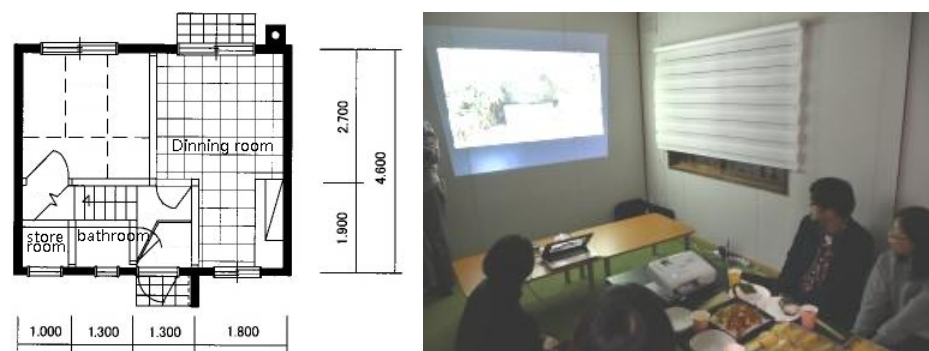
SSE's not-for-profit business includes educational programs on industrial heritage for children, exchange activities with external parties, and the maintenance of public spaces. In order to enrich the cultural life of local residents, provide them with more knowledge on industrial heritage, and cultivate and strengthen their sense of cultural identity, SSE often organizes educational programs on industrial heritage in the form of open lectures, themed seminars, and exhibitions, etc. The Deka Valley Symposium taking place in 2021 on the theme of commemorating the 40th anniversary of the Hokutan-Yubari coal mine disaster is a typical example, to which SSE invited experts from the Yubari Historical Research Laboratory who had been involved in the post-disaster emergency actions to review the history of that time, which was a turning point in the development of Yubari. The Coal Mine Memory Exhibition and the party celebrating the 120th anniversary of the Shimizusawa Station (Figure 10) represent other forms of educational program, both of which not only awaken the memories of local residents, but also increase their enthusiasm for participating in public affairs. At the same time, SSE organizes educational programs for children and exchange activities with external parties, in order to retain the local population and attract outsiders. The Elm Farewell Ceremony is an example of these educational programs for children, which was carried out when the Shimizusawa Elementary School was transformed into a children's garden and SSE, after obtaining the right to dispose of the old elm trees on



the campus, cut down the trees and transformed them into wooden slides distributed in the garden and wooden toys donated to the students of Yubari, in the hope that the young generation would cherish the memory of the locality. The Hometown Photography Contest is an example of an exchange activity with external parties. Organized in collaboration with the Scottish city of Aberdeen, an oil and gas city which experienced a similar urban evolution to Yubari City, it attracted more visitors by showing the photos of the two cities. Last but not least, in order to transform desolate areas and create an attractive space, SSE organizes activities to beautify streets, buildings and brownfields. For example, after the Yubari City Government decided to transform the slag hill of Zuri Mine into a tourist attraction in 2011, SSE worked together with local committees, residents, and volunteers to conduct beautification works, such as mowing grass, building stairs, and installing benches, transforming it into an attraction for tourists, a playground for children, and a public space for residents.



**Figure 8.** The Annual Art Festival held at Hokutan Thermal Power Plant. Source: <https://www.shimizusawa.com/hatsuden> (accessed on 6 April 2020).



**Figure 9.** Community Gate floor plan and its interior decoration on the second floor. Source: <https://www.shimizusawa.com/shimizusawacommunitygate> (accessed on 20 March 2020).



**Figure 10.** A party celebrating Shimizusawa Station's 120th anniversary. Source: <https://www.shimizusawa.com/> (accessed on 10 May 2022).

#### 4. Discussions

Based on the above analysis, it can be concluded that SSE's experience shows the following four features. The first is the governance structure of two types of institutions and two types of functions, ensuring both social interests and business interests. The second feature is the spatial planning for both profitable and non-profitable activities, ensuring the adaptive reuse of industrial heritage. The third is the operation of both for-profit and not-for-profit businesses, ensuring the realization of both economic and social value. Finally, the fourth feature is the fund management of leveraging multiple parties to raise funds and reinvesting the profits locally, ensuring the stability of funding sources and the sustainable development of the locality. For all four of these features, the spatial planning highlighting the adaptive reuse of industrial heritage plays the fundamental role of a coordinative platform.

##### 4.1. The Result of SSE's Participation in Governance: Obtaining Extensive Supports

SSE's for-profit and not-for-profit businesses have received extensive support from both the public and private sectors, as well as third-party social organizations, receiving preferential rent, service brokering, free use, event marketing, material donations, sponsorships, cooperative operation and sales, financing, and fundraising (Table 3). Its dual attributes of a not-for-profit entity and a for-profit enterprise allow it to build partnerships with diverse internal and external entities. On the one hand, SSE can get gain political support from the government, because it may help to reduce the workload of local governments and increase the political achievements of local governments. On the other hand, SSE can get gain financial support from enterprises, because it may help to create business opportunities for enterprises and increase the socio-economic profile of enterprises. Moreover, SSE can gain academic support from academic teams and think-tanks, because it may help to create research opportunities and produce academic outcomes.

**Table 3.** The support that SSE receives from the public and private sectors and social organizations in its business operation. Source: Summarized by the authors.

Business Type	Business Name	Supporters and Forms of Support					
		Public Sector		Private Sector		Social Organization	
		Form	Name	Form	Name	Form	Name
Profit-making business	I. Art Power Plant Exhibition	○	Beitan Company	△; ■	Beitan Company	▲	Foundation
	II. Coal Mine Road Hiking tour	—	—	—	—	—	—
	III. Community Gate rental	●	City Hall	■	consulting firm	▲	Foundation
	IV. Children's canteen	●	City Hall	▣	Sales and design staff	▣	Regional development organization
	V. Miyamaecho Bath product sale	●	City Hall	△	Partner Bath	—	—
Not-for-profit business	VI. Mine maintenance	●	Municipal government, town and neighborhood committee	■	Beitan Company	■	Building Materials Association
	VII. Shimizusawa Station Exhibition	●	Provincial government, city government, station	—	—	▲	Heritage Conservancy
	VIII. Miyamaecho Christmas illuminations	□	Town neighborhood committee	—	—	—	—
	IX. Shimizusawa Station's 120th Anniversary Celebration Party	□	Station, primary school	▣; ■	FOOD	—	—
	X. "Shimizusawa elementary school memory" graduate symposium	□	Station	—	—	▲	Heritage Conservancy
	XI. Elm Farewell Ceremony and Children's toy making	□	Mayor	▣	Toy company	▲; ▲	Foundation, citizens
	XII. Hometown Photography Contest and gifts exchange with Aberdeen, Scotland	□	City Hall	■	Visual arts company	▲	Partner city

Preferential rent ○; service broker ●; free use ●; event marketing □; material donations ■; sponsorship ▣; cooperative operation and sales △; financing ▲; fundraising ▲.

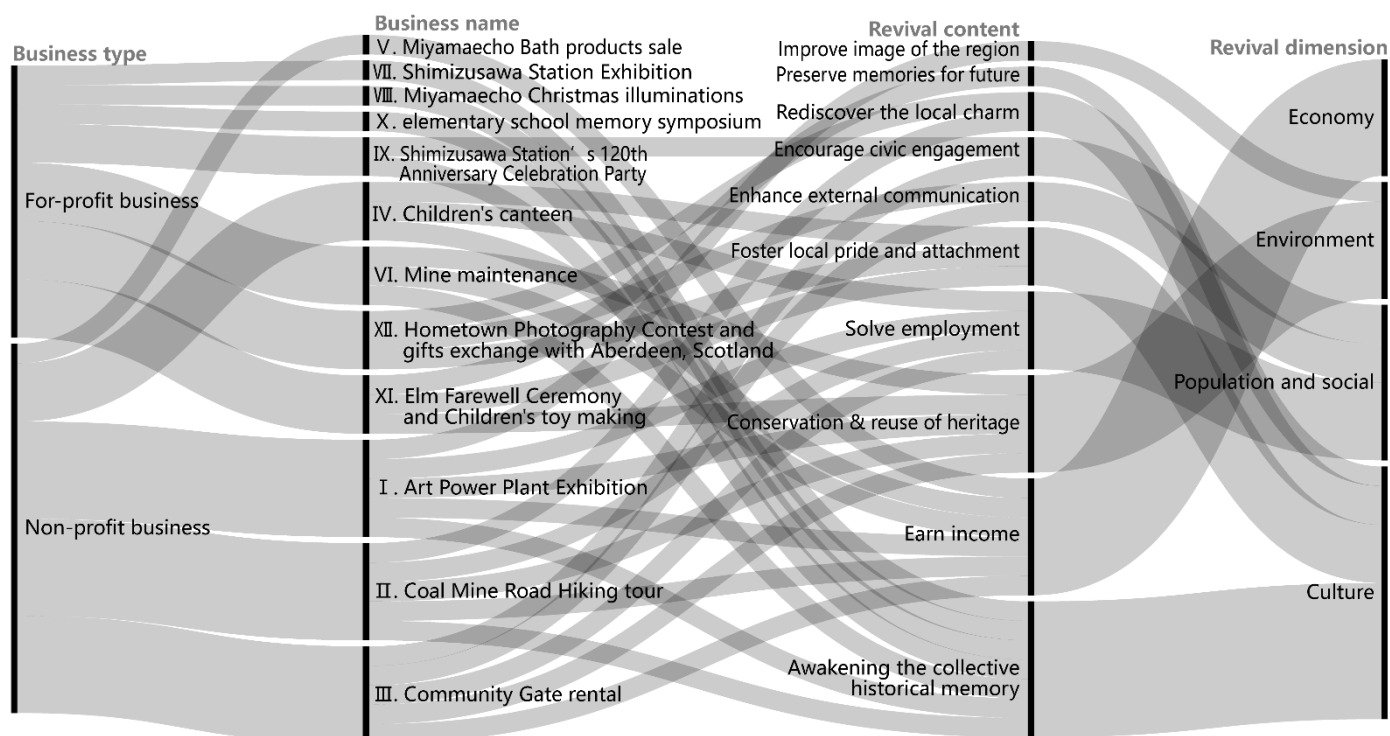
#### 4.2. The Role of SSE's Participation in Governance: Promoting the Multi-Dimensional Revitalization of Shimizusawa Based on Spatial Planning

SSE has helped to revive the local economy. Its contributions can be measured by the standard parameters of job opportunities, turnover and assets. Statistics show that the average annual income from tour guide fees, Community Gate rental fees, and Art Power Plant Exhibition entry fees is JPY 228,553, 212,314, and 745,000 (EUR 1398, 1299, and 4557), respectively, and the total donations in 2022 came to JPY 1.35 million (EUR 8249). In addition to these quantifiable contributions, there are also many unquantifiable contributions that come from the way SSE's activities meet the needs of local communities.

SSE has helped to revive local culture. Its for-profit and not-for-profit businesses, in particular the cultural events and art festivals that reveal the charm of the area as a community to live, to work and to visit, awaken the collective memory and enhance the understanding of local culture and history among local residents, changing their perceptions of the area and cultivating their pride in and love of the area [58].

SSE has helped to increase the population and promote social development. Its businesses of apartment leasing and sister city cultural exchange attract visitors from outside the area, its symposiums on local culture and history catch the attention of scholars from around the world, and its artistic activities encourage artists stay for a long period of time. The training and hiring of tour guides and the opportunities for event planning also alleviate the social problems of insufficient employment positions and provide a single channel for residents to participate in public affairs.

SSE has helped to improve the local environment. By obtaining the rights to use certain facilities from the public sector and industrial heritage sites from the private sector, SSE is able to unify the planning and operation of industrial heritage sites without changing the property rights structure. Coal mine housing, factory buildings, and coal mine pits are updated and transformed to meet the needs of residents and tourists, changing the image of the area and allowing the area to regain its economic value and cultural identity [59] (Figure 11).



**Figure 11.** SSE's contributions to the multi-dimensional revitalization of Shimizusawa. Source: Drawn by the authors.

## 5. Conclusions

By embedding itself in the governance structure and embedding its pursuit of social value in its governance activities, SSE helps to promote the multi-dimensional revitalization of the Shimizusawa area. Adhering to the principle of “taking from the society and reinvesting in the locality”, it constantly leverages the resources of people, money and materials from various parts of the society, including but not limited to governments, enterprises, social organizations, and communities and residents, and integrates them into programs and actions for the regeneration of the area. It shows how to embed social enterprises into local governance structures from the perspectives of governance institutions, governance functions and governance instruments by cultivating partnerships with original government institutions, rooting its development goal in the revitalization of the area, and preparing business plans in line with local development plans, based on the consensus on the protection and utilization of industrial heritage. It also shows how to integrate the creation of social value with that of economic value through the operation of both for-profit and not-for-profit business. Moreover, it shows how to effectively make use of the governance instrument of planning to drive the sustainable transformation of shrinking industrial areas throughout the whole process of the planning, construction and operation of key projects.

It is undeniable that this study has its limitations. Its findings and proposals are based on the specific case of Shimizusawa, and may not be directly applicable to all shrinking industrial areas worldwide. Different regions have different socio-economic, cultural, and political contexts that may significantly influence the implementation and the performance of similar revitalization approaches. Additionally, the effectiveness of governance embeddedness and dual-value integration may vary in different local conditions and according to the different levels of willingness to engage in collaboration among multiple stakeholders. Future research should consider these contextual factors to provide a more comprehensive understanding of the applicability of the findings and strategies of this study.

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