



# Institute of Social Studies

GRADUATE SCHOOL OF DEVELOPMENT STUDIES

SOCIALLY RESPONSIBLE BUSINESS IN JAPAN:  
THE ROLE OF THE CORPORATE SECTOR IN SOCIAL  
DEVELOPMENT

A Research Paper presented by

Kumiko Ogawa  
(Japan)

In Partial Fulfilment of the Requirements  
for Obtaining the Degree of

MASTER OF ARTS IN DEVELOPMENT STUDIES  
Specialization: Politics of Alternative Development Strategies

Members of the Examining Committee

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The Hague, December 1999

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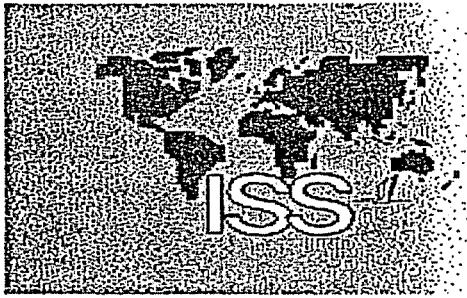
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**Graduate School of Development Studies**

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Dr. Rachel Kurian  
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The Hague, November 1999



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## **List of Abbreviations**

CMC	Corporate Mécénat Conference
ESI	Enlightened Self-Interest
GDP	Gross Domestic Product
GM	General Motors
GNP	Gross National Product
ISO	International Standard Organization
MITI	Ministry of International Trade and Industry
MNCs	Multinational Corporations
MOFA	Ministry of Foreign Affairs
NGOs	Non Government Organizations
NPO	Non Profit Organization
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OECF	Overseas Economic Cooperation Fund
R&D	Research and Development
SRB	Social Responsible Business
UN	United Nation
US	United States
UNDP	United Nations Development Programme
USSR	Union of Soviet Socialist Republics
WCED	World Commission on Environment and Development



## Chapter 1

### Introduction

#### 1.1 Research Background

The few last decades have seen more and more large companies in industrialized countries undertaking philanthropic activities within their business activities. In the United State these activities were established as part of business culture many decades ago. For example, American corporations have donated for the development and improvement of local community positively. Because in the United States, if you denied such kind of activities, you are no longer to be estimated as leading company (Tanaka 1989:81). For most of them, it has become natural common idea that business have to do some contributions to the society where they can do business.

Along these lines, the UNDP Human Development Report (1995) has also emphasized the importance of the business community, in particular the corporate sector as it generates most jobs and investment, socially responsible business practices can make an enormous difference in development (UNDP 1995:107). Nowadays, the role of corporate sector in the development field has been recognized. For example, World Bank estimated that rapid economic growth will spur between US\$1.3 and US\$1.5 trillion in demand for funds to finance new infrastructure projects in the Asia-Pacific region between 1995 and the year 2004. However, Official Development Assistance (ODA) and the public revenues available to developing countries will simply not be enough (MOFA 1997:6). To fill this gap, it will also be necessary to harness private-sector capital as well. (MOFA 1997:6). Malloch Brown who was just assigned as chairman of the United Nations Development Programme (UNDP) in 1999, also insists the importance of setting up a certain condition which private capital can flow into developing countries automatically.<sup>1</sup> The Secretary-

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<sup>1</sup> It was referred by the interview in Yomiuri Newspaper on August 6, 1999.

General of the United Nations, Kofi Annan<sup>2</sup> also emphasized the importance of corporate sector as a partner with government as follows:

"Effective peace building demands a broader notion of human security. We cannot be secure amidst starvation. We cannot build peace without alleviating poverty. We cannot build freedom on the foundations of injustice.

In today's world, the private sector is the dominant engine of growth - the principle creator of value and managerial resources. If the private sector does not deliver economic growth and economic opportunity - equitably and sustainably - around the world, then peace will remain fragile and social justice a distant dream.

This is why I call today for a new partnership amongst governments, the private sector and the international community (Kofi Annan as quoted by Tennyson 1998:91)."

Thus, an expectation toward private sector, namely business, is not low. In the UN World Summit of Social Development, business was recognized as '[b]usiness is a necessary new partner in social development. Business is part of the social problem as well as part of solution' (Moller 1995:7).

According to Moller (1995), business is in the midst of voluntarily redefining its social responsibility. Leading-edge research by scholars and business thinkers has for years pointed to the fact that business holds the key to the transformation of global society, away from growing social as well as environmental problems and toward a world that works for everyone (Moller 1995:35).

Nelson (1996) also states regarding contribution of the corporate sector as follows:

"A vibrant and responsible enterprise culture and a diversified private sector- ranging from micro-enterprises to multi-nationals- is one of the greatest sources of wealth a country can have. The business sector has the skills, resources, capacities and networks to be a valuable partner in development. Apart from operating within the law and contributing directly to economic growth, companies can make a contribution to development by: maximizing the beneficial economic, social and environmental "spin-offs" of their core business activities, and minimizing the negative ones; undertaking the negative one; undertaking social investments and strategic philanthropy; and engaging in the public policy debate, locally, nationally and internationally (Nelson 1996: 55)."

Nowadays, the corporate sector is expected to play an active role for society with a view to establish a certain partnership within society compared before.

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<sup>2</sup> This speech was made at the World Economic Forum in Davos in 1997.

## **1.2 Objectives of the research**

Based on the background, the paper deal with the role of corporate sector in shaping and promoting 'Socially Responsible Business (SRB)'. This is an innovative practice undertaken by some business in an attempt to bring about a more social dimension in their work. The main objective of the paper is to investigate what is SRB and why is necessary for corporation and society.

## **1.3 Justification**

Corporations are not only economic entities, they are also social body and influential for society. Corporation is defined as a succession of persons or body of persons authorized by law to act as one person an having rights and liabilities distinct from the individuals forming the corporation.<sup>3</sup> In order to consider social development, one of the main actors in society, corporation, can not be ignored. However, the existing discussion based on the view from corporation is not sufficient. It is not only the critical argument over corporations, but it is also necessary to consider how we can bring the strength and potentiality of corporation into society. Therefore the paper focuses on the innovative side of corporation, namely SRB. To investigate the role of corporate sector with SRB, it may contribute a new perspective in social development.

## **1.4 Methodology**

To explore the objective of this paper, I chose Japan as a main subject. The reason why Japanese case is chosen in this paper is as reflection of my background and the influential Japanese economic power.<sup>4</sup> Therefore, the paper discusses what is SRB in Japan in historical review and comparative data analysis regarding the distinction of corporate size and type. And it is also discussed the questions, why Japanese

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<sup>3</sup> A Dictionary of Business (second edition), Oxford, Oxford University Press

<sup>4</sup> Japanese companies have made numerous investment in all over the world especially since around mid-1980s and 1990s and it become so influential. For example, the number of Japanese corporation

corporations accept this idea and how it necessary for Japanese corporations and society, in social, economical and political view. In addition, the paper examines what kind of social condition is necessary for Japanese SRB.

In order to answer these questions, the paper utilizes basically the data from secondary sources such as literature, documents, internet web sites and existing survey results. In particular, the survey results by Dentsu Soken (Dentsu Research Institute) (1990) and Noside Group (1992) are going to be used for analysis.

### 1.5 Organization of the paper

In order to investigate the research objectives, the following chapters first present the point, 'What is SRB?' within the conceptual framework. In Chapter 2, concepts are presented that are mainly based in the United States for the following reasons. First, the United States is the country of business<sup>5</sup> and SRB study is also advanced. Second, the relationship between the United States and Japan is so deep as reflected in their economic, political and historical background.<sup>6</sup> Based on the discussion in the United States, the third chapter investigates what is SRB in Japan through historical and social perspective. This chapter focuses on the point that how Japanese SRB has been changed. The fourth chapter attempts to analyze whether any differences in Japanese SRB exist depend on the different size and type of corporation along with existing survey results. The fifth chapter examines why SRB is necessary for Japanese corporations and society in the context of social, economic and political perspectives. The last chapter provides conclusion of this study.

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which advanced in foreign countries before 1985 was 2,330, but it has been increased up to 19,036 at the 1998 (Toyo Keizai Shinposha 1995,1999).

<sup>5</sup> Blackford, M.G. and Kerr, K.A. *Business Enterprise in American History* (1986), Kawabe (Tran.) Minerva Shobo 1990, pp.1

<sup>6</sup> For example, the United States has been a biggest business partner for Japan (see Toyo Keizai Shinposha, *Kaigai Shinsyutsu Kigyō Soran 1995/1999*). Historically, the United States had occupied Japan after World War II for several years and attempted to democratize.a



## Chapter 2

### Conceptual Framework: What is Socially Responsible Business ?

This Chapter attempts to illustrate the concepts of Socially Responsible Business (SRB) based on the United States experiences.

#### 2.1 The Concept of SRB

First of all, Frederick *et al.* (1992) explain what Socially Responsible Business (SRB) is as follows:

"Socially Responsible Business (SRB)<sup>1</sup> means that a corporation should be held accountable for any of its actions that affect people, their communities, and society should be acknowledged and corrected if at all possible. It may require a company to forgo some profits if its social impacts are seriously harmful to some of the corporation's stakeholders or if its funds can be used to promote a positive social good (Frederick *et al.* 1992:30)."

Frederick *et al.* also note that being social responsible does not mean that a company must abandon its primary economic mission, nor does it mean that socially responsible firms cannot be as profitable as others less responsible (some are and some are not). They continue that social responsibility requires companies to balance the benefits to be gained against the costs of achieving those benefits (Frederick *et al.* 1992:30). Then consequently it is possible to say that both business and society gain when business firms actively strive to be socially responsible.

Keynes (1926)<sup>2</sup> also notes that when organization became bigger and bigger, it is natural to say that they became more conscious about society or public opinion in terms of continuation and steadiness of organization (Keidanren 1994:17).

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<sup>1</sup> Frederick *et al.* used the term 'Corporate Social Responsibility', instead of 'Socially Responsible Business' in their book in 1992. However I use SRB here as same meaning.

<sup>2</sup> It was originally referred from Keynes (1926) *The End of Laissez-faire*.

Moreover, Eells (1960)<sup>3</sup> also explains that since society is a system which consists of various status and certain role, corporate managers are expected to provide profits equally for stockholders, employees, customers, suppliers and public in general.

On the contrary the Nobel Prize winning economist Milton Friedman (1970)<sup>4</sup> who advocates laissez-faire capitalism claims that business corporations, in general, have only one social responsibility and that is to increase their profits (Chryssides and Kaler 1993:230). He simply says that a corporation cannot have moral responsibilities because a corporation is an artificial person. According to Friedman, only people, the directors who are acting for the corporation basically, can hold responsibility. Besides, a corporate director may not take moral considerations into his decision-making (Wempe 1998:104). Friedman explains that corporation managers are hired by firm owners -the shareholders<sup>5</sup> - for only one solitary purpose: to increase the profits of the firm so that the owners can achieve a fair return on their investment (Madsen and Shafritz 1990:271). Since corporate expenditures earmarked for alleviating society's ills will cut into profit and thereby into return on investment, managers who undertake such expenditures are not fulfilling their fiduciary responsibility to the owners and are acting contrary to their contractual obligations. Therefore Friedman insists that such actions are inherently irresponsible. He believes that the task of alleviating social problems is not within the purview of business; rather, it is the prerogative and obligation of government (Madsen and Shafritz 1990:274). In the statement, Friedman simply denies that businesses have social responsibilities<sup>6</sup>

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<sup>3</sup> R. Eells (1960) *The meaning of modern business: an introduction to the philosophy of large corporate enterprise*, New York: Columbia University Press.

<sup>4</sup> Original statement by Milton Friedman was in *The New York Times Sunday Magazine*, September 13, 1970. However, I only have a chance to see his statement in the book by Madsen, P. and Shafritz, J.M. (1990) *'Essentials of Business Ethics'* New York: Penguin Books pp.274-282. and by Chryssides, G.D. and Kaler, J.H. (1993) *An Introduction to Business Ethics*, London: International Thomson Business Press pp.249-254.

<sup>5</sup> Shareholder is an owner of shares in a limited company or limited partnership.

<sup>6</sup> Madsen, P. and Shafritz, J.M. (ed.) (1990) *Essentials of Business Ethics*, New York: Penguin Books, Chryssides, G.D. and Kaler, J.H. (1993) *An Introduction to Business Ethics*, London: International Thomson Business Press

Besides, Austrian political economist Hayek (1960)<sup>7</sup> also notes that when corporation owes social responsibility, it can be referred that corporation can get extra power in the society beyond its original purpose that makes profit maximized. He warns that it is very dangerous when corporation has too much power in society (Keidanren 1994:17).

In spite of the opposite arguments against the idea of SRB, nowadays it is rare to find a corporation espousing the arguments of like Friedman. Madsen and Shafritz mention that '[r]ather we see many business organizations openly avowing a commitment to social responsibility and making strategic business decisions based upon it. This social philosophy of business has been expressed as the opportunity for a firm to *'do well by doing good.'* It is a philosophy that sees profits making as compatible with a social agenda and a social contract' (Madsen and Shafritz 1990:272). Besides, Thomas Donaldson (1982)<sup>8</sup> also mentions that corporations and society have entered into a 'social contract' where each party has rights, as well as duties, to the other party. It means that as reflection of the social-contract theory of the corporation holds, in return for the right to conduct business and reap a profit within a given social context, corporations are obliged to protect and enhance the interest of consumers, workers, and the communities in which a firm conducts its business (Madsen and Shafritz 1990:271).

In 1972, 'Principles for Business' by Caux Round Table was announced as if it was opposite statement against Friedman. The principles said '[t]he value of a business to society is the wealth and employment it creates and the marketable products and services it provides to customers at a reasonable price commensurate with quality. To create such value, a business must maintain its own economic health and viability, but survival is not a sufficient goal. Business have a role of to play in improving the lives of all their customers, employees, and shareholders by sharing with them the wealth they have created. Suppliers and competitors as well should expert businesses to honor their obligations in a spirit of honesty and fairness. As responsible citizens of

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<sup>7</sup> It was originally refereed from his *'The Constitution of Liberty'* in 1960.

<sup>8</sup> Thomas Donaldson (1982) *Corporations and Morality*, Englewood Cliffs: Prentice Hall

the local, national, regional, and global communities in which they operate, businesses share a part in shaping the future of those communities' (Mizutani 1995:196-204, Nelson 1996:81). In short, the majority of the opinion toward SRB was corporation's economic responsibility, which is possibly compatible with social responsibility.

So in order to know how the concept of SRB has been developed, the next section presents the history of SRB.

## 2.2 The History of SRB

The concept of SRB emerged as a direct response to the growing power and influence that American business gained directly after World War II (Madsen and Shafritz 1990:270). As a result of the War, many business organizations could get numerous profits and it made them bigger and wealthier. Madsen and Shafritz introduce the word of sociologists that '[t]he corporation has become the most significant social institution, displacing government, religion, and even the family in its power to influence the lives of people' (Madsen and Shafritz 1990:270).

As they have said, corporations have gained much power and profits. Therefore, corporations have faced a kind of social protection or criticism (Madsen and Shafritz 1990, Frederick *et al.* 1992). In the 1960s, poverty and discrimination were the main problem that the early proponents of SRB focused on as they urged corporations to become good citizens (Madsen and Shafritz 1990:270). The critics questioned whether corporations have to use part of their accumulated wealth to help decrease these problems. To answer these social critics, corporations tried to become a moral and ethical body to contribute to social well-being (Madsen and Shafritz 1990:270).

On the other hands, Fredirick *et al.* mention that the idea of SRB appeared in the early part of the twentieth century (Frederick *et al.* 1992:33). According to them, corporation at that time had become too big, too powerful and guilty of antisocial and anti competitive practices. That is why critics against corporation had emerged and

tried to curb corporate power through antitrust laws, banking regulations and consumer-protection law (Frederick *et al.* 1992:33).

Therefore corporations have tried to put their profits into social purpose as if they response for these criticisms. For example, wealthy steelmaker Andrew Carnegie (1835-1919)<sup>9</sup> -a well-known great philanthropist- who gave much of their wealth to educational and charitable institutions. Automaker Henry Ford (1863-1947) developed paternalistic programs to support the recreational and health needs of their employees (Frederick *et al.* 1992:33).

Thus, some business leaders already noticed that business had to have a responsibility to society along with making profits. According to Frederick *et al.*, two broad principles emerged as a result of these early ideas about business's expanded role in society (Frederick *et al.* 1992:33). They are the Charity Principle and the Stewardship Principle. Frederick *et al.* say that '[t]hese principles have shaped business thinking about social responsibility during the twentieth century (Frederick *et al.* 1992:33).'

The Charity Principle is not a new notion. The basic idea of the Charity Principle is that the wealthier member of society should be charitable and put their part of profits into society. From feudal period, those ideas have been existed along side Christianity. Charity has been done by individual and this kind of private aid to the needy members of society was especially important in the early decades of this century (Frederick *et al.* 1992:34). Because, at that time, there was no social security system, no Medicare for the elderly, no unemployment pay for the jobless and no federal disaster relief system for the victims of storms and floods (Frederick *et al.* 1992:34). Therefore when wealthy industries reached out to help others in these ways, their actions helped counteract the critics who claimed that business leaders were uncaring and interested only in profits (Frederick *et al.* 1992:34).

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<sup>9</sup> However, he is not just a philanthropist. His basic idea toward philanthropy was a rather far from 'charity.' He said only the person who has talent and makes an effort can survive. Saving loser can not contribute to the social development. Nothing good effort to the society (Tange 1994:12).

The another principle, the Stewardship Principle means acting as a public trustee and considering all corporate stakeholders when they make business decisions. It means that corporation basically has to have a responsibility for their stockholders. But nowadays, their responsibility has to cover not only stockholders but also stakeholders. Stakeholder means rather broad and includes other interested groups such as employees, customers, suppliers and the wider community. Frederick *et al.* quoted from the one of business executives as follows:

"Every citizen is a stakeholder in business whether he or she holds a share of stock or not, is employed in business or not, or buys the products and services of business or not. Just to live in American society today makes everyone a stakeholder in business (Frederick *et al.* 1992:35)."<sup>10</sup>

Chart 1 summarizes these principles:

Chart 1 Table of Charity Principle and Stewardship Principle

	Charity Principle	Stewardship Principle
Definition	Business should give voluntary aid to society's needy persons and groups.	Business, acting as a public trustee, should consider the interests of all who are affected by business decisions and policies.
Modern Expression	1) Corporate philanthropic  2) Voluntary actions to promote the social good	1) Acknowledging business and society interdependence  2) Balancing the interest and needs of many diverse groups in society
Examples	1) Corporate philanthropic foundations 2) Private initiatives to solve social problems 3) Social partnerships with needy groups	1) Stakeholder approach to corporate strategic planning  2) Optimum long-run profits, rather than maximum short-run profits 3) Enlightened self-interest attitude

Source: Frederick, W.C., Post, J.E., and Davis, K. (1992) *Business and Society, Corporate Strategy, Public Policy, Ethics*, seventh edition, New York: McGraw-Hill, Inc., pp.36 Figure 2-2

<sup>10</sup> This statement was made by James E. Liebig, *Business Ethics: Profiles in Civic Virtue*, Golden, Co: Fulcrum, 1990, pp.217. Also see more in Appendix 1.

### 2.3 Corporate Philanthropy

As was seen in Chart 1, the corporate philanthropy is the modern expression of the charity principle (Frederick *et al.* 1992:35). The term, philanthropy is originally made by Greek word *philos* and *anthropos*. The original meaning of this term is love of mankind and practical benevolence.<sup>11</sup> This philosophy has been deeply connected with religious activity.

In historical view, the idea of philanthropy has been widely accepted in western society. It is one of the symbolic characters in western society to be able to see positive participation for philanthropic activities. For example, in Christian society, it had been seen that each person donated their 10% of income to church as one of the charity activities (Tange 1994:15). According to Tange, although this kind of activities has been seen in all over the world, it has been developed in the United States especially (Tange 1994:15). It is because in the United States, it has some bases which corporations tend to support those activities. To make them positive, there some advantages and encouragement existed. One example is the revision of tax policy addressed in 1936. According to this revision, which make it possible to deduct 5% of tax, corporate giving has been accelerated. Nevertheless it was not enough to let corporations into more supportable for society. Because there were some criticisms against corporate giving as it harm stockholders' profits. Though these critical voice would have been disappeared as taking a chance of the judgment regarding A.P.Smith Manufacturing Company in 1953.<sup>12</sup> This issue was occurred by stockholders who disagreed the decision of A.P.Smith who donated 1,500 US\$ to Princeton University. However the Supreme Court in New Jersey sentenced as which means corporation exist not only for making profits but also contributing for society and it would be effective for national interest as well.<sup>13</sup> This issue was significant for American corporate philanthropy. Because corporate giving came to recognize by

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<sup>11</sup> This explanation comes from the Concise Oxford Dictionary (sixth edition).

<sup>12</sup> Tange H (1994) *The Tide of Philanthropy*, Tokyo: Dobunkan, Keidanren (Keizai Dantai Rengokai)(ed) (1994) *Kigyo no shakaikoken handbook* (Corporate Social Contribution Handbook), Tokyo: Nihon Kogyo Shinbunsha

<sup>13</sup> The original sentence was 'corporate power to make reasonable charitable contributions exists under modern conditions even apart from express statutory provisions' (referred from Tange 1994).

shareholders positively by this issue. Corporate philanthropy activities have become more prosperously since this issue (Tange 1994:19).<sup>14</sup>

## 2.4 Toward Strategic SRB

### 2.4.1 Business Ethics

Thus, the idea of corporate philanthropy has been recognized in society, especially in the United States. However, there are some voices which want to be in higher stage than just 'charitable' philanthropy. For example, Timberland says:

"We do not give money to charity. Instead we try to create a return. We create values for our customers, the community and the non-profit organizations we work with. The traditional notion of philanthropy is not adequate. It is not smart or wise to approach social problems with the financial leftovers of companies (Timberland as quoted by McIntosh 1998b:7)."

Anita Roddick, who was founder of the Body Shop in the United Kingdom, also insists the necessity of 'trading', rather than 'doing aid'.<sup>15</sup> She said, '[I] never had any doubt that the Third World needed work rather than handouts. Trade gives people in the Third World the ability to choose their destiny when they meet the pressures of the west, and helps them utilize their resources to the benefit of their own social, cultural and material needs'(Roddick 1991:165). However she also criticizes a conventional business manner like, '[m]ost multinational companies didn't give a damn about the Third World; their only interest in it was as a source of cheap labour and extra profits' (Roddick 1991:165). Therefore she convinces that her policy 'Trade Not Aid' is likely to be the most effective way to avoid an inadequate business manner like above. Following this strong motivation, she has accelerated 'fair trade'<sup>16</sup> in more strategic and strong way than just 'charitable' philanthropy. Because

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<sup>14</sup> At last, the law admitted that corporate giving for charity could get a special tax reduction. Consequently the amount of corporate giving has increased from 0.6 billion US\$ (1970) to 4 billion US\$ (1983).

<sup>15</sup> Her motto is "Trade not Aid".

<sup>16</sup> Oxford Dictionary of Economics define 'fair trade' as follows: Arguments for the use of protection to help domestic producers compete with imports whose suppliers have some cost advantage claimed to be unfair. There is no straightforward method by which aspects of comparative advantage, such as cheaper labour or cheaper power in one country than another, can be distinguished from 'unfair' cost advantages, such as export subsidies. International differences in labour protection laws or in the regulation of environmental externalities are sometimes cited as unfair advantages, which call for



according to her motto, 'aid' can be implied as 'charity' and 'trade' can be implied as a way of 'business'. Therefore, it can be said that she denies the 'charitable' philanthropy and insists the merit of fair trading which is no longer conventional exploitable business way.

Tichy *et al.*<sup>17</sup> also points out that:

"Corporate global citizenship's time has come. It is no longer charity, no longer guilt money, no longer corporate do-goodism, no longer payoffs to satisfy a constituent, no longer the 'chump-change' of the rich... Those days of leading with the checkbook are over. To be sure, corporate global citizenship still requires money-lots of money. But much more, it requires heart and soul- human commitment, time, hours, energy. It requires leaders at every level of a corporation giving of their time to talk and listen, model and mentor...(Tichy et al. as quoted by Nelson 1998:68)."

Thus, some business leaders are seeking more positive way of SRB as getting out from just a charitable way. The business activities which are supported by these positive attitudes, can be referred as a practice in positive business ethics. On the contrary, business activities which only try not to be anti-social, can be referred as a practice in negative business ethics (Mizutani 1995:189).

Business ethics simply refers to two terms 'ethics' and 'business'. It means that business ethics as being peculiarly concerned with moral issues in business (Chryssides and Kaler 1993:12). Business implies that all forms of industrial and commercial profit-seeking activity.<sup>18</sup> So then does business ethics mean to bring moral issues in profit-seeking activity? Cavanagh (1981) gives a definition of business ethics as the principles of conduct that govern a person or a group. Ethics enables that individual or group to decide whether a certain act or policy is morally right or wrong. However it is not so simple. Because 'ethics' can be differ from people to people, from country to country and from culture to culture. Therefore there exist dilemma how the term can be defined in general. But Drucker has used to say

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market intervention on 'fair trade' lines. 'Fair Trade' is basically an emotive term for protection (Black 1997:172).

<sup>17</sup> Noel M. Tichy, Andrew R. McGill, Lynda St. Clair (1997) *Corporate Global Citizenship: Doing Business in the Public Eye*, The New Lexington Press

<sup>18</sup> Black, J. (1997) *Dictionary of Economics*, Oxford: Oxford University Press

that it can be referred as a posture which '*Don't harm while you know about*' is the professional ethical attitude no matter what you do (Keidanren 1997a:30-31).

Originally, the business ethics has been broadly accepted in American society, in connection with the acceptance of Protestantism (Suzuki 1993:4-5). The Protestant Ethics had already developed in the United States even before the American Revolution in the latter of 18th Century (Cavanagh 1981:55). The Protestant Ethics include 1) Hard Work, 2) Self-discipline and self-reliance, 3) Saving and planning ahead, 4) Competition and 5) Honesty and observing the "rules of the game" (Cavanagh 1981:56). Therefore the Protestant Ethics was supported by the following convictions, such as:

- 1) A person's hard work is generally met with success.
- 2) Working at one's own self-interest automatically benefits the greatest number.
- 3) Each individual has a chance to be successful.
- 4) Only the most able and the most motivated will survive: the system will weed out the weak, and the strong will remain (Cavanagh 1981:56).

Max Weber (1864-1920) also advocated there were a certain relationship exist between the capitalism and the Protestant Ethics.<sup>19</sup> Therefore, the Protestant Ethics can present the spirit of capitalism well.

Thus, in the United States, there were the base where business ethics can be prospered. Based on this background, the consideration toward business ethics became bigger and bigger. For example, many of corporations have set up the department which treats ethical issues within their organization. They also have made 'code of conduct' which tries to show clearly their ethical attitude toward society (Mizutani 1997).

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<sup>19</sup> see Suzuki (1993) and Mizutani (1995)

### 2.4.2 Enlightened Self-Interest

To consider why corporation accepts the SRB within their business activities, Business Ethics is one of the basic motivations (Wokutch 1990:59). So, what is the another motivation? The answer is Enlightened Self-Interest (ESI) (Wokutch 1990:59). According to Wokutch (1990), ESI can be defined as the notion that by undertaking certain actions that are beneficial to various stakeholder groups or to society as a whole, the corporation will prosper in the long run, even if it has to bear certain short-run costs (Wokutch 1990:59). On the other hand, Frederick *et al.* (1992) state that ESI means that they are socially aware without giving up their own economic self-interest (Frederick *et al.* 1992:44). The Committee for Economic Development describes it as follows:

“By acting on its own [socially responsible] initiative, management preserves the flexibility needed to conduct the company's affairs in a constructive, efficient, and adaptive manner. And it avoids or minimized the risk that governmental or social sanctions, produced out of a crisis atmosphere, may be more restrictive than necessary... ESI thus has both "carrot and stick" aspects. There is the positive appeal to the corporation's greater opportunities to grow and profit in a healthy, prosperous, and well-functioning society. And there is the negative threat of increasingly onerous compulsion and harassment if it does not do its part in helping such a society”(Committee for Economic Development as quoted by Frederick *et al.* 1992:44).<sup>20</sup>

Based on this ESI character, Wokutch (1990) notes that even Friedman's view, which against the SRB can be reconciled (Wokutch 1990:59). Thus, ESI can encourage the strategic SRB. Frederick *et al.* (1992) also notes that '[S]RB does not necessary lower profits but may encourage firms to focus on long-run profits rather than short-run profits, optimum profits rather than maximum profits, and promoting the interests of the entire company and all stakeholders rather than just the stockholders' interest' (Frederick *et al.* 1992:48).

In conclusion, in western business society, especially in the United States, the attempt toward SRB has become more positive and strategic one. Many of business leaders

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<sup>20</sup> Committee for Economic Development, *Social Responsibilities of Business Corporations*, New York: Committee for Economic Development, 1971, pp.27,29.

deny to take SRB as just a charitable manner. They also consider the long-run profits and an interest for stakeholders alongside doing SRB.

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Based on this trend, the next chapter attempts to examine SRB in Japanese society.

## Chapter 3

### What is Socially Responsible Business in Japan ?

#### 3.1 Background

The history of modern business in Japan started after the end of Meiji Restoration<sup>1</sup> in 1867 (Mafune 1988:291). However, according to Ueda<sup>2</sup>, Japanese SRB has already emerged in Edo Period (1603-1867) (Ueda 1992). For example, Ishida Baigan<sup>3</sup> (1685-1744) in Kyoho period<sup>4</sup>, had advocated merchants to being honesty and thrift, and philosophy which insisted the profit had to be used better for society. Honma Family - one of the biggest landowners in Japan at Kyoho period - who made financial and trading business in Yamagata, had already the kind of code of conduct within family. The code says, 'Put your effort for public matters and do not grudge own profits for public purpose.' According to this family code, they planted trees over 30km by the sea in order to protect local people from sand disaster (Ueda 1992).

Corporate philosophy had been succeeding to the time of after Meiji Restoration (Ueda 1992). After Meiji Restoration, Japan has tried to absorb western culture or skills. Japan tried to turn into western culture while she remained keeping own culture. During that era, there existed significant persons who influenced Japanese SRB. They are Shibusawa Eiichi (1840-1931) and Fukuzawa Yukichi (1835-1905). They argued that businessmen should be accorded high social standing and they

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<sup>1</sup> Regarding the period of Meiji Restoration, there is two main aspects existed, One says that it is between 1854-1868, when Yoshinobu transfers the reins of government to the Emperor. Another aspect says that it is until the time when the Imperial Constitution of Japan was promulgated in 1889. However here I use the former period. The year, 1868 is the beginning of Meiji Era and Modernization.

<sup>2</sup> This was made by Ueda Smako from Chyogin So-ken (one of the Economic Research Institute of Japan) in the seminar of philanthropy activity that was organized by Keidanren September 11, 1992.

<sup>3</sup> He was a typical philosopher in the middle of Edo Period. He was also a founder of '*Shingaku*' which advocated moral matter of daily life easily. It gradually spread as a people's morality under the feudalism and it became one of the influential philosophy as well as the ancient Japanese thought and culture and Confucianism (Murai: Gakken genshoku gendai shin hyakka jiten 1967).

<sup>4</sup> Kyoho (1716-1735) is one of the times of Edo Period.

should be encouraged to pursue profits for the nation. They continued that doing business meant performing public actions, and profit seeking based on moral principles was a genuine social responsibility (Mafune 1988:292). For example, Shibusawa proposed the unification of moral and economy. This theory said profits and national interest go hand in hand. Shibusawa ran own business which was based on Confucianism practically (Ueda 1992).

The period between Meiji Restoration and World War II (1868-1941) are described as 'Modernization', 'Industrialization' and 'Militarization'. During that period, some financial combine namely *zaibatsu* (the great business combine) has emerged. They are known as Sumitomo, Mitsui and Mitsubishi. Those *zaibatsu* took the way of management nationalism which means that industry has to repay for state or nation. This reflects, at that time, whole country has a kind of atmosphere that everybody has to do something good for state or nation. For example people had been encouraged to save their money and work hard for state or nation (Chogin Soken 1992).

After World War II (1945), Japan recovered rapidly from the enormous damage by the war under the US's democratization policy. In 1951, Japan and the United States agreed to sign up the San Francisco Peace Treaty and the Japan-US Security Pact. After these agreements, Japan could be independent of the US control system finally. As a result of the Korean War (1950-1953), the Japanese economy has gone up rapidly. The whole country worked so hard toward being a stable 'first class' country. At that time, one of the main goals of Japan was 'economic growth', since she was eager to be equal with other western countries soon. For example, the Prime Minister Ikeda Hayato (1960-1964)<sup>5</sup> put 'economy' as his most important policy during his ruling time. He declared the policy, which was called '*Shotoku Baizo Keikaku* (the Income-Doubling Plan)'. The framework of the plan was to increase national income per person from 120,000 yen (1960 fiscal year) to 150,000 yen (1963 fiscal year) and to do so, you could see double of national income in 10 years later. This makes possible to be 9% average of economic growth per year after 1961 fiscal year (Togawa 1982:41).

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<sup>5</sup> This is Ikeda's administration period.

In 1964, Japan joined the Organization for Economic Co-operation and Development (OECD). For Japan, this was one of the biggest targets to be achieved. Because Japan had convinced that when she could be a member of OECD, it was the time to prove that Japan became one of the economically advanced countries. Since Japan could get a confidence as being a member of OECD, she was going into so-called 'high growth period' steadily.

Regarding SRB during that period, the Keizai Doyukai<sup>6</sup> (Japan Association of Corporate Executives) published "A Resolution on Consciousness and Practice of Social Responsibility on Management" in 1956. It says;

"We could conclude that it may be most important for management to become conscious of and to practice the social responsibility of management. Today, business is trusted by society as a whole which is not constituted by shareholders alone. It forms an important link in the chain of social institutions. At the same time, we live in an era where the individual interest of one firm might not automatically harmonize with social interests. We live today in an age where management should adjust the interests of both the individual and society. Without the adjustments we cannot attain the development of the national economy as well as business'. In other words, when we consider the problems in an ethical as well as practical sense of the word, it no longer is acceptable for management today to pursue the private profits of their enterprise alone. We should take a stand on behalf of the providers who supply goods and services at high quality moderate prices with the most effective combination of production factors. Business management in this way is indeed worthy of the name of modern business management, and this is nothing less than the social responsibility of management.' (Nihon Keizai Shinbunsha as quoted by Mafune 1988:292) "

As being seen in this statement, during the period that Japan was trying to be an economically advanced country, it is remarkable that one of the influential institutions, Keizai Doyukai had already mentioned the importance of social responsibility. However they were conscious of this issue mainly in terms of management system. According to Mafune (1988), in Japan, even management side was conscious of social issues, the condition was not sufficient for corporate social initiatives (Mafune 1988:293). On the other hand, in western countries, even the environment of business management was not enough, they had more possibility to be approved economically and socially. Therefore, Japanese business concerned about management and tried to learn the modern American techniques (Mafune 1988:293).

According to Keidanren<sup>7</sup> (1994), the argument over SRB in Japan has four big waves after World War II.

The first wave was the argument over consumer victims in the later of 1950s. Around that time, many companies only conscious productive sales than quality. Therefore they were requested to have more responsibility for their products in terms of safety or quality by especially consumers.

The second wave was the argument over the philosophy regarding too much seeking profits of companies in the first half of 1960s. This was also caused by the attitude of corporations that were seeking only their profits. At that time, the whole Japan considered the economic growth importantly as it was mentioned earlier. In that circumstances, corporations were encouraged to go toward making profits. However this attitude, which emphasizes on making profit, was also criticized by consumers.

The third wave was the argument that was raised as criticism against the problem of pollution and skyrocketing prices which was caused by corporations in the beginning of 1970s. Especially the oil crisis was significant around that time. Mafune mentions that the new concept of business social responsibility was brought to the fore after the oil crisis. He explains that at this time attacks on business and industry, particularly by consumers and anti-pollution groups, accelerated (Mafune 1988:293). As a result of emphasis on economic growth, especially in 1960s and 1970s, companies also had worked furiously. This caused serious pollution problems all over the Japan. For example, 'acheache disease', which broke out around the Jintsu River in Toyama Prefecture, was caused by mining pollution which came from the Mitsui Metal Mining Industry who operated in up the Jintsu river. As 'acheache disease' destroyed human bones easily, patients of this disease had to suffer from unbearable pain. And organic mercury poisoning caused 'Minamata disease' in Kumamoto Prefecture. People who ate seafood which came from the Minamata bay

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<sup>6</sup> It was established in April 1946. It consists of individual members. For example, in 1998 the number of member was about 1,600. The aim of Keizai Doyukai is to declare opinion or suggestion of business world about economic matter through a macro economic view.



were killed their nerves. And it made their limbs to be paralysis and caused a speech disorder, also it easily took away their function of ears or eyes. This disease was caused by liquid waste from one of the factories of New Japan Nitrogen Company. Because this liquid waste contained organic mercury and it affected seafood and consequently it affected human body through seafood. The problem was that those disease had not been recognized as pollution disease for a long time. The business side used to avoid accepting the fact that it was caused by their operations. The state also tended to protect industries. Therefore, around that time consumers and anti-pollution groups had to act actively in order to protect these victims from pollution (Wokutch 1990:60, Sethi *et al.* 1984: 23-25, Sethi 1975: 83-86).

Regarding skyrocketing prices, it was direct response to the oil crises in 1970s. As oil price went high, production cost went higher. Most of corporations had to increase their production cost in order to survive in this crisis. Since they did not pay any attention to customers or society about their high price on products, the massive attack toward corporation had been occurred.

The fourth wave was the argument regarding management moral issue in the end of 1980s. This argument arose as a result of land price rising and the scandal of having a cozy relationship between politicians and business world. Internationalization and rapid progress of information influenced the land speculation and it caused the land price rising (Motoyoshi 1998:856). Regarding the scandal of having a cozy relationship between politicians and business world, the Recruit Affair, which was discovered in 1988, was a typical example (Wokutch 1990:61). The Recruit is the one of the big publishers in Japan and they have published several information magazines. They handed over their unpublicly held stock or entertained one of the Ministry officers in order to extend their market share. They also approached several politicians in the same way.<sup>8</sup> There still exist many cases like this, it was a just the tip of the iceberg (Wokutch 1990:61).

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<sup>7</sup> Keidanren is an abbreviation for "Keizai Dantai Rengokai (Japanese Federation of Economic Organizations)." Keidanren is one of the most influential institutes regarding Japanese economy.

### 3.2 The Year of Corporate Citizenship

Based on those waves, the newest (since 1990s) argument over SRB in Japan focuses on how corporations participate into social activity as one of good citizens (Keidanren 1994:15). This is related to the fact that the term, 'corporate citizenship' has emerged in Japan since the latter of 1980s (Keidanren 1994:13). According to Keidanren (1994), the term 'corporate citizenship' is used as being a good citizen who does social activities and contribute for society beyond profitable activities. However, 'corporate citizenship' has no certain definition (Smith 1989:forward). Nowadays, it is used as general term which contain of 'corporate philanthropy', 'socially responsible business', 'corporate giving', 'socially responsible investment' and so on (Smith 1989:forward).

As was noted earlier on, Japanese corporation encountered the idea of 'corporate citizenship' around mid-1980s and 1990s. This corporate philosophy was brought from abroad especially the United States. In the United States, the idea of 'corporate citizenship' is broadly understood by corporations (Tanaka 1989:81).

Japanese overseas investment has been increased as result of the Plaza Accord (1985) (Chart 2). The United States has been a number one host country for Japanese corporations.<sup>9</sup>

The Plaza Accord (1985) was agreed upon by 5 financial ministers from the United States, Great Britain, former West Germany, France and Japan in New York Plaza Hotel on September 22, 1985. This agreement consisted of several items such as; (1) The main currency, US dollar to be increased orderly, (2) Foreign exchange market have to have a certain role to adjust imbalance and (3) These countries have to cooperate to promote these adjustments among themselves. Because the value of the US dollar had been high and it had caused current amount deficit in the United States

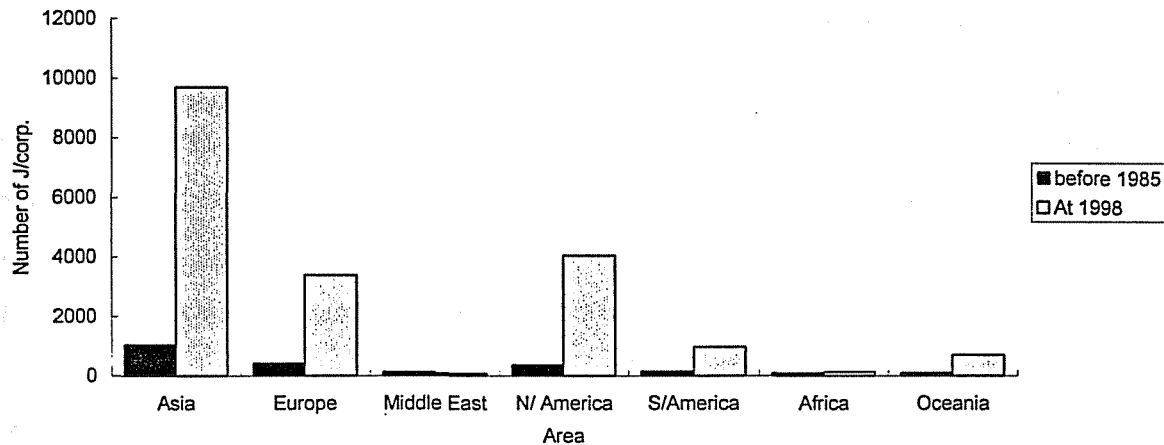
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<sup>8</sup> The officer was convinced by bribery, but the cases of those politicians are still unsolved.

<sup>9</sup> According to the survey from Toyo Keizai Shinposha (1995/1999), half of the Japanese overseas investment goes the Asian countries, however, as a single country, the United States has been always number one host country and shared about 20% of Japanese investment.

seriously. The main purpose of this agreement was revising of US interest into the same standard as other western countries.

Chart 2 Bar Chart of Area Distribution of Japanese Corporation



Source: Toyo Keizai Shinposha (1995/1999) *Kaigai Shinshutsu Kigyo Soran*

After the Plaza Accord, the US dollar had weakened against German Mark or Japanese Yen. Although the dramatic falling of the current exchange rate of US dollar could help to adjust the imbalance of international balance of payments, it also caused fear of significant inflation as the US dollar has weakened.

However, the fact that Japanese Yen has been stronger than ever<sup>10</sup>, it also influenced Japanese economy and business world seriously. For example, export market has got serious hit by this high rate of Japanese yen. Therefore Japanese corporations decided to advance into foreign countries in order to survive.

Since the United States was the biggest host country for Japanese overseas investments, many of Japanese corporations had a opportunity to touch upon the idea of corporate citizenship alongside of corporation management and operations in the United States. As was mentioned earlier, in the United States, the idea of corporate

<sup>10</sup> For example, Japanese yen to the US dollar was 240 yen=1US\$ before the Plaza Accord in 1985, however, after this agreement Japanese yen went to 150 yen to 1 US\$.

citizenship has been familiar to the people. Especially in the Reagan era, the corporate philanthropy had become more popular than before. The United States government already recognized the importance of involvement of corporate sector into social development (Nagasaka 1991:36). Basically the Reagan Administration promoted voluntary activities in local society and encouraged both government and private sector in order to connect individuals and corporations. The Reagan Administration attempted to establish 'the small government'. In this circumstance, social security system had a limit to extend. Throughout the Reagan era, the expenditure of social welfare or education had been reduced. Since private sectors' cooperation were obviously necessary for covering these weak points, the government decided to reform the tax system in 1982 and extended the restriction of tax-free in corporate donations from 5% to 10% in order to promote their involvement. As a result of these government efforts, the corporate philanthropy has become prosper (Nagasaka 1991:37).

In this circumstances, Japanese corporations realized that it was quite necessary to take those ideas into their corporate activities for their smooth operation. For example, Hitachi, one of the Japanese leading companies, decided to establish a foundation in the United States to contribute into local society in 1985. They insist that the every corporation who operates in the United States have to contribute something into local society in order to get an American 'citizenship' (Tanaka 1989:82).

As this example shows, it is very important to understand what is 'corporate citizenship' and 'corporate philanthropy' to be accepted in American society for Japanese corporations. And these corporate philosophies have been brought back to headquarters in Japan gradually.

As a domestic factor to support corporate philosophies in Japan, the Bubble Economy can be raised. The Bubble Economy occurred as a result of the Plaza Accord in 1985. Since the Bank of Japan get worried about the depression which would be caused by high rate of Japanese yen after this agreement, they reduced the official discount rate

from 5% to 4.5% in 1986. They had repeated seven times to reduce the official discount rate until 1987. Finally the official discount rate became 2.5% and it caused economic change from depression to prosperous condition by high rate of Japanese yen. This good economic condition had continued until 1990. However, at 1990, the Bank of Japan raised the official discount rate up to 6% and this led the end of the Bubble Economy (Kishimoto 1998:211).

During the Bubble Economy, many corporations were allowed to put their finance into philanthropic activities without any concerns (Honma 1993:13). As the reflection of this good economic condition, many of Japanese corporations also rushed into direct foreign investment. The high rate of Japanese yen and high domestic competition led them to invest in abroad. During this process, Japanese corporations also had lots of chances to meet an idea of corporate citizenship or corporate philanthropy. The Bubble Economy encouraged corporate philanthropic activities. However, the Bubble Economy disappeared literally like "bubble" in 1990. After this abnormal prosperity, serious depression was waiting. Therefore Japanese philanthropic activities had to be reduced in order to get over in depression (Honma 1993:13).

Here is also an important factor which can not be overlooked, is '*Maekawa Report*'(1986). This report was made by Maekawa Haruo who was at that time the Governor of the Bank of Japan. This report was made as a response to the request of the Prime Minister, Nakasone (at that time). This report was basic statement of Japanese economic policy which Nakasone promised to make during the Tokyo Summit (Kishimoto 1998:214). This report emphasized that Japanese society need to change into the one where every people can feel 'real wealth' both physically and mentally. The report insists that corporations have very important role in order to make such society (Keidanren 1996b:16). Actually this report has still big influence when you consider SRB in Japan (Keidanren 1996b:16).

The most influential institute for the Japanese business world, Keidanren initially had an interest in corporate philosophy. In 1988, they already sent a research mission to

the United States to examine what corporate philosophy is (Ronten: year unknown). As result of this mission, Fusano who was an executive director of Keidanren, proposed to establish 'one percent club' which was influenced by American's 5% club and 2% club (Honma 1993:12, Ronten: year unknown). The purpose of this club was to promote philanthropic activities into the Japanese business field and each companies and individuals who join this club are requested to contribute 1% of their profits for charity or voluntary purpose (Honma 1993:12).

The year of 1990 was the year which corporate philanthropy was accelerated. For example, in that year, 'Corporate Mécénat Conference (CMC)' was established. The aim of CMC was to promote cultural and artistic activities by corporations. After establishment of CMC, the term, Mécénat<sup>11</sup> has become so popular in Japan (Honma 1993:12). Keidanren also set up 'Corporate Philanthropy Promotion Committee' in 1990. The aim of this committee was to enlighten people to make them understand toward corporate philanthropy. "*The Economic White Paper 1990*" by the Economic Planning Agency also predicts that the dependence on the public sector and individual was going to be increased in future society. It explains that corporate sector is social body and corporation can not exist without keeping good relationship with community and society (Ronten:year unknown).

Based on these facts, in 1991<sup>12</sup>, Keidanren declared '*Keidanren Charter for Good Corporate Behavior*' due to the following reason.

Since Japanese corporations have tremendous influence both at home and abroad, they also have great responsibilities with respect to their behavior. Today's business firms, although economic entities seeking to earn appropriate profits through fair competition, are expected to be entities that serve to help people live lives of plenty as well as being of some use to society. Toward this end, corporations must not merely obey the law but also bring a social conscience to bear on their undertakings. Japanese corporations need to rigorously reconsider traditional business practices and their own behavior. So as not to give grounds for the criticism that Japanese business practices are exclusionary and

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<sup>11</sup> Originally, mécénat meant literature support by Medichi family in Italy. Nowadays, the word means that mainly cultural support by corporations. Especially it can be supported those cultural activities which has lack of finance (Tatehata 1998).

<sup>12</sup> Keidanren revised the charter in 1996 as reflection of social changes which had been occurred surroundings of corporations (see more in Appendix 2(2)).

opaque, it is urgent for us to work to achieve a free, transparent, fair market and establish international confidence in Japan's economic system (Keidanren 1991b).<sup>13</sup>

This Keidanren Charter was significant for Japanese SRB. It is because the importance of SRB was first recognized officially and broadly as a result of the birth of the charter. Although the Charter was revised 5 years later in 1996 as reflection of social changes which had been occurred surroundings of corporations, the main message were still in the same.

The interesting points regarding Japanese SRB in this charter is that Keidanren insists the necessity and importance of philanthropic activity within business activities. Actually this philanthropic activity represents Japanese SRB well. According to Keidanren, the philanthropic activity was defined as corporations' social obligation and responsibility. Corporations have a legal obligation for consumers, users, stockholders and employees alongside the obligation to pay taxes. On the other hand, corporate philanthropic activity can be replaced as social responsibility or obligation which corporation might have toward an unspecified number of the general public .

Besides, most corporations recognize that those philanthropic activities can contribute to their business activities, however, they don't want to use philanthropic activities as one of the tool of making profits (Keidanren 1997:29). In short, SRB in Japan tends to be a philanthropic activity with voluntary or charity spirit. According to Keidanren, corporate philanthropic activities can be divided as three, such as 'donation', 'implementation of original program' and 'support for employees' volunteer activities' (Keidanren 1994:18). 'The donation' implies the activity which corporations provide their finance for outside foundations, welfare institution, education, volunteer groups and NGOs. 'The implementation of original program' includes organizing music concerts or family camp for single parent family. 'The support for employees' volunteer activities' includes the financial support, providing

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<sup>13</sup> See more in Keidanren web site;  
<http://www.keidanren.or.jp/engli...eech/spe001/s01001/s01a/top.html> and also Appendix 2 (1).

pay-holiday and information to employees who are willing to do some volunteer works outside of the working place (Keidanren 1994).

### 3.3 Conclusions

The idea of SRB is not new in Japan. It had already emerged within commercial sectors in Edo period (1603-1867). However the meaning of SRB has been changed according to the time and the historical social background. Now Japanese SRB has reached the idea of 'corporate citizenship' which was mostly influenced by the United States around mid-1980s to 1990s. Therefore the year of 1990 is called the new era of 'corporate philanthropy', namely 'SRB' in Japanese context (Honma 1993:12).

Thus, nowadays the Japanese SRB is corporate philanthropy which has charitable and voluntary characters. Besides, most of Japanese companies preferred to be in the position which considers that SRB should be far from profitable business activities even if they notice that SRB may contribute to making a profit.

Based on this fact, The following two chapters will discuss what is SRB for Japanese corporations in practice and why they accept this idea to investigate the motivation of SRB.



## Chapter 4

### What is Socially Responsible Business for Japanese Corporations ?

Based on the previous chapter, this chapter attempts to answer the question, what is SRB for Japanese corporations. Here, underlying concern is to examine how Japanese SRB differ from size to size, and type to type of corporation.

#### 4.1 Background of the Survey

In this chapter, the following two survey results which were conducted by Dentsu Soken (1990) and Noside Group (1992) is going to be used in order to answer above question. Before goes to analysis, this section explains the background of both survey results.

First of all, the aim of the survey by Dentsu Soken is to clarify how Japanese corporation recognize the SRB, based on the dramatic change of business environment which has been taking place especially since 1980s. The method they used is the questionnaires survey from November 1989 to January 1990. They obtained 714 of effective samples which are : Manufacturer (388), Constructor (64), Transportation and Communication Industry (32), Sales Industry (96), Service Industry (33), Finance (76) and others (25). According to the size of corporate capital, they are: companies whose capital are less than 1 billion Japanese yen (JYN) (117), 1~5 billion JYN (237), 5~10 billion JYN (131), 10~50 billion JYN (174), more than 50 billion JYN (49) and N/A (6). The response rate is 27.7%.

In next, the purpose of the Noside Group survey is to provide useful information for Japanese business society through the research which investigates the attitude and conscious of Japanese corporations toward SRB, especially after the Bubble

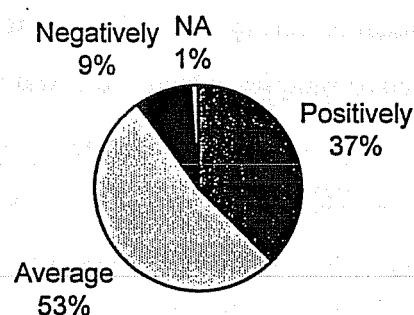
Economy. The questionnaires by FAX which was conducted from January 1992 to February in 1992, is used as the method of this survey. They could get 327 of the effective samples which are: Manufacturer (59%) and Non Manufacturer (41%), the company whose sales amount are less than 50 billion JYN (27.2%), less than 100 billion JYN (20.8%), less than 300 billion JYN (26%) and more than 300 billion JYN (24.8). This survey focuses on only the corporation who operates in Tokyo. The response rate is 35.6%.

#### 4.2 Survey Analysis<sup>1</sup>

Based on the background of each survey which the paper is going to utilize, this section attempts to analyze whether any differences exist for Japanese SRB according to the distinction of corporate type and size in order to investigate what is SRB for Japanese corporations in practice.

First of all, according to the survey by Noside Group (1992), 37% of corporations are taking SRB positively. However, more than half (53%) of corporations show average reaction and 9% of corporations react negatively (Chart 3).

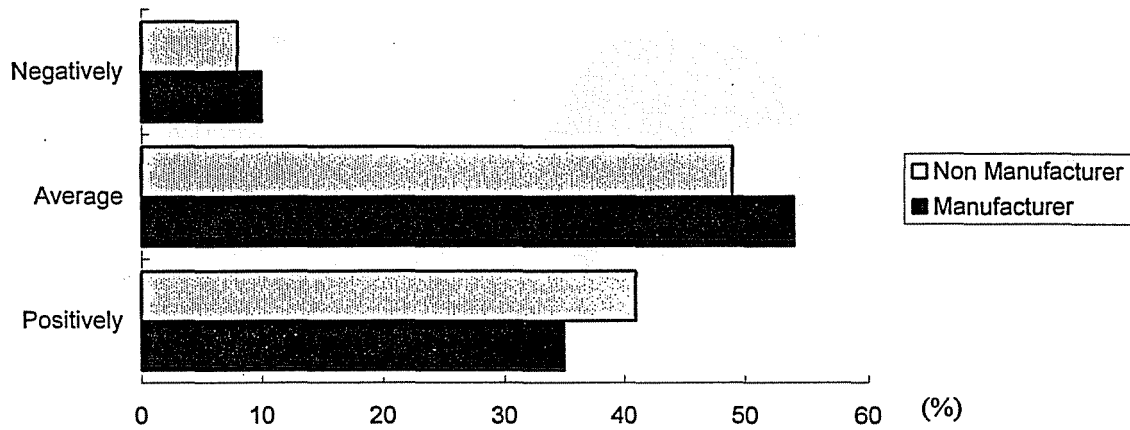
Chart 3 Circle Chart of Corporate Positiveness toward SRB



Source: Noside Group (1992) *Kigyo no syakai kokendo ni kansuru chosa*  
(*The Research of Corporate Philanthropy*), Tokyo: CI Sogo Kenkyusho, pp.6

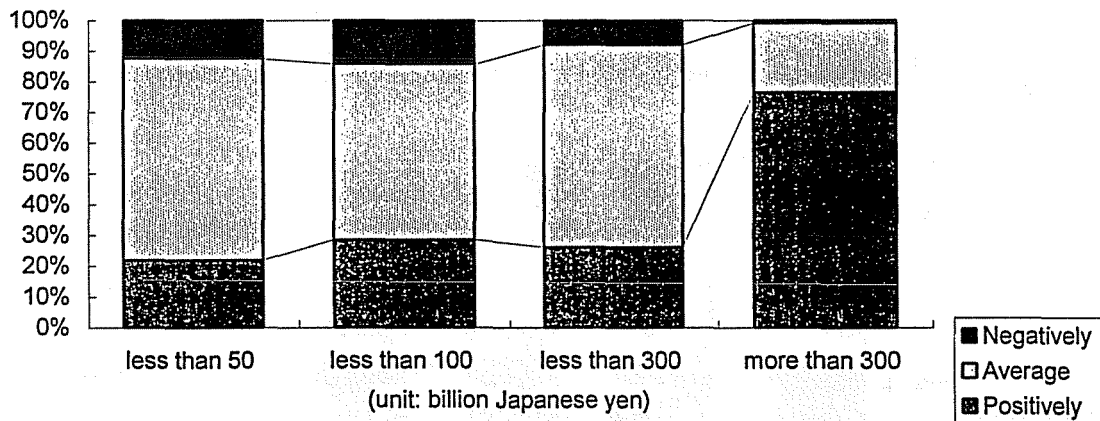
In distinction of corporate type, Non Manufacturers seem to be more positive than Manufacturers (Chart 4). In distinction of corporate size, the big sized corporations are more clearly positive than the small sized corporations (Chart 5).

Chart 4 Bar Chart of Corporate Positiveness toward SRB (by type)



Source: Nosome Group (1992) *Kigyo no syakai kokendo ni kansuru chosa* (The Research of Corporate Philanthropy), Tokyo: CI Sogo Kenkyusho, pp.7

Chart 5 Bar Chart of Corporate Positiveness toward SRB (by size)

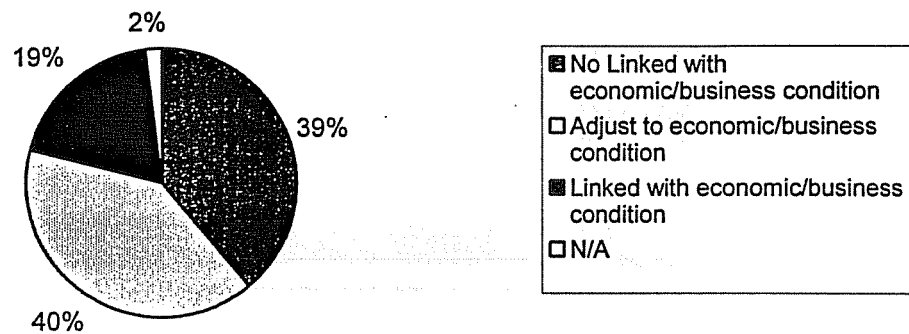


Source: Nosome Group (1992) *Kigyo no syakai kokendo ni kansuru chosa* (The Research of Corporate Philanthropy), Tokyo: CI Sogo Kenkyusho, pp.7

<sup>1</sup> To analyze the question in this chapter, those survey results are used randomly and most of the chart are created by author according to these results.

In connection with business/economic condition, nearly 80% of corporations have confidence that their SRB can not be influenced by them (Chart 6).

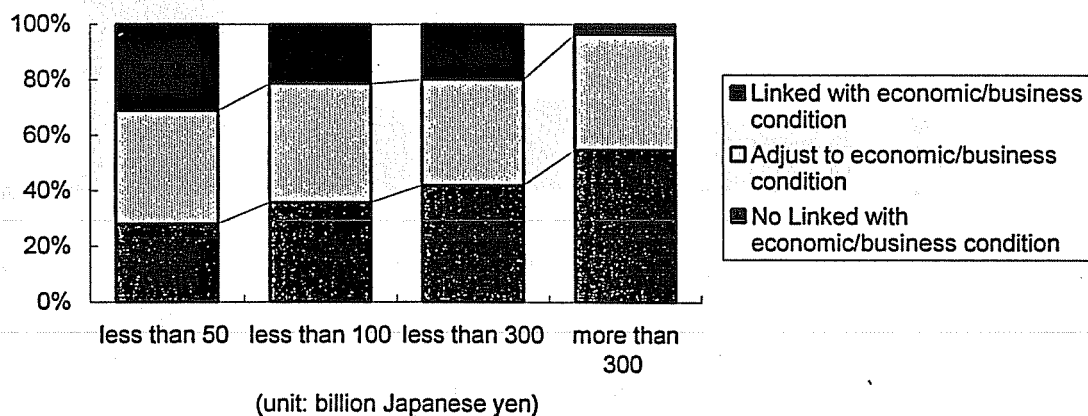
**Chart 6** Circle Chart of Linkage with Economic/Business Condition



Source: Noside Group (1992) *Kigyo no syakai kokendo ni kansuru chosa*  
*(The Research of Corporate Philanthropy)*, Tokyo: CI Sogo Kenkyusho, pp.12

While about one third of the small sized corporations recognize the existence of linkage between SRB and business condition, most of the big sized corporations denies the existence of the linkage (Chart 7).

**Chart 7** Bar Chart of Linkage with Economic/Business Condition (by size)

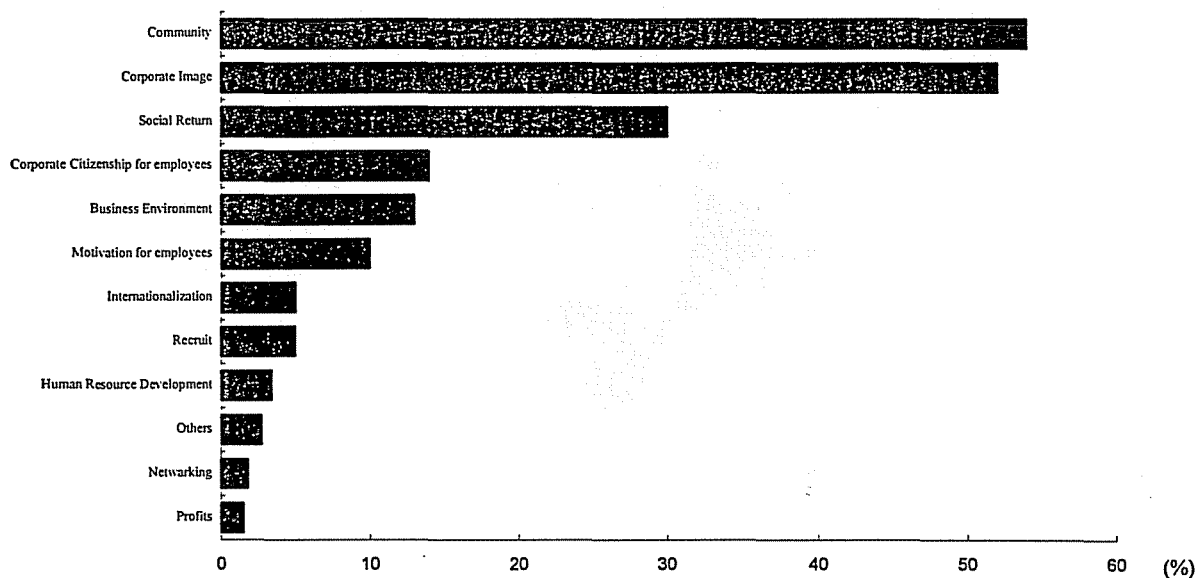


Source: Noside Group (1992) *Kigyo no syakai kokendo ni kansuru chosa*  
*(The Research of Corporate Philanthropy)*, Tokyo: CI Sogo Kenkyusho, pp.13

It means that small sized corporations tend to be influenced by economic condition (e.g. recession or prosperity) than big sized corporations. Regardless of the distinction of corporate size and type, as Chart 7 shows, about 80% of corporations consider that SRB have to be separate from the business condition and can not be influenced. This is a strong message that most of corporation want to promote SRB even during recession.

So then what kind of purpose which corporation has for promoting SRB ? The answer is shown in Chart 8 as bellow.

Chart 8 Bar Chart of the Purpose of SRB



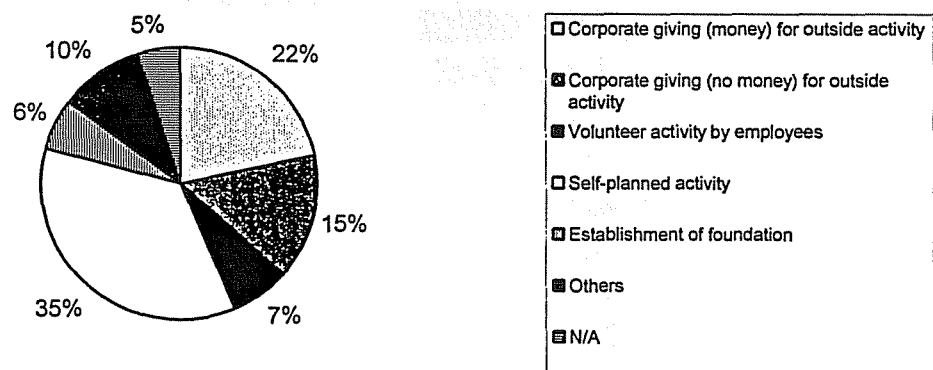
Source: Nosome Group (1992) *Kigyo no syakai kokendo ni kansuru chosa*  
(*The Research of Corporate Philanthropy*), Tokyo: CI Sogo Kenkyusho, pp.17

According to Chart 8, corporations tend to consider '*community activity*' and '*corporate image*' as important factors to accelerate SRB. '*Corporate Image*' means that they attempt to increase their corporation image through SRB. But it has also possibility to be linked with their profitable aim although the aim of '*Profit*' is ranked as the last. Because when corporation image is going up, they would obtain more customers who sympathize the corporation performance and might contribute for their profit through purchase action.

However the important fact which Chart 8 shows is that Japanese corporations tend to place more weight on the employees. For example, the answer '*Corporate Citizenship for employees*', '*Motivation for employees*', '*Recruit*' and '*Human Resource Development*' are all related to the matter of employees. According to this result, the employees are very important factor and can not be ignored when Japanese SRB is considered.

In next, Chart 9 shows how corporation promote SRB in practice. According to Chart 9, about 40% of corporations consider that '*Corporate giving*' is the common way to promote SRB. However, 35% of corporations prefer to make own project regarding SRB.

Chart 9 Circle Chart of the Practical Way of SRB

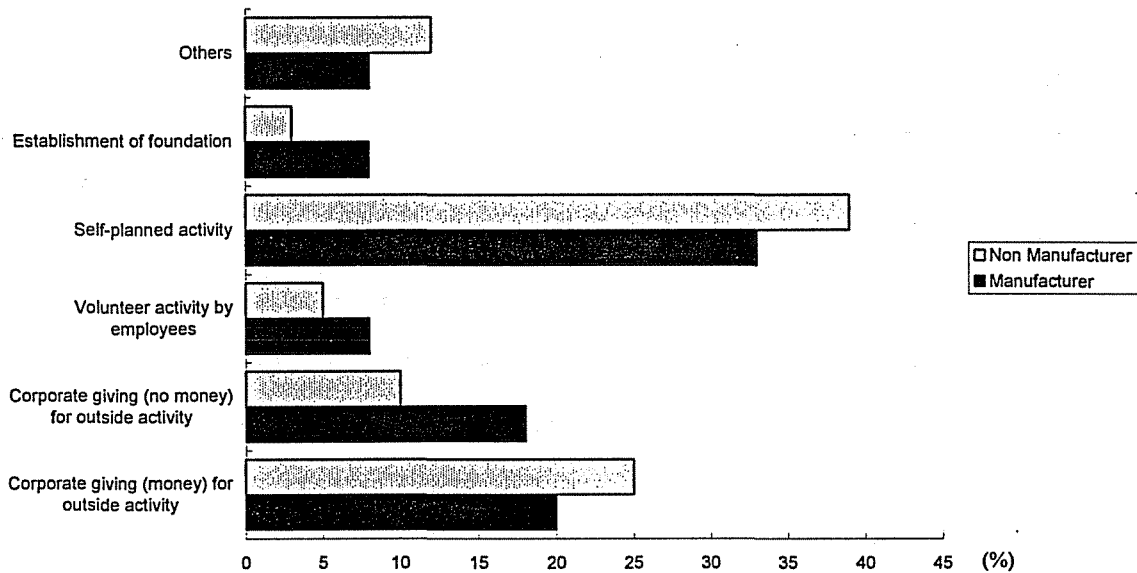


Source: Noside Group (1992) *Kigyo no syakai kokendo ni kansuru chosa*  
(*The Research of Corporate Philanthropy*), Tokyo: CI Sogo Kenkyusho, pp.19

In the distinction of corporate type, both Non Manufacturers and Manufacturers are interested in promoting SRB as self-planned activity while Non Manufacturers show more positive attitude (Chart 10). Manufacturers seem to prefer to use their own skills and human resource for their SRB as reflection of their corporate nature. In distinction of corporate size, the big sized corporations clearly show their preference of setting own project up as SRB than the other activities (Chart 11). It is because, in order to make own projects, it is necessary to put lots of time, money and human resources. To create own project, it is also necessary to know how to do. The

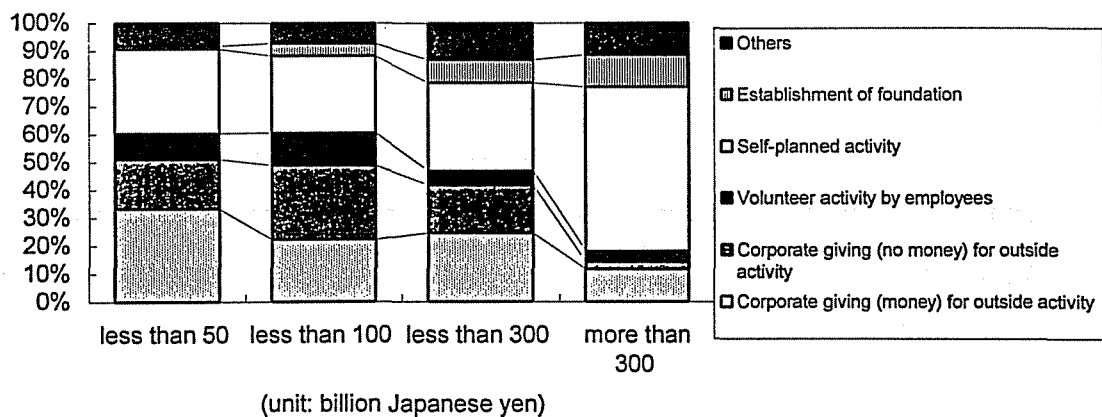
information and know-how can be easier to obtain for the big sized corporation than the small sized corporation. In that sense, the big sized corporation have more potentiality and advantage to promote SRB positively. The small sized corporations tend to prefer to give something into the society simply as expression of their SRB.

**Chart 10** Bar Chart of the Practical Way of SRB (by type)



Source: Nosome Group (1992) *Kigyo no syakai kokendo ni kansuru chosa* (The Research of Corporate Philanthropy), Tokyo: CI Sogo Kenkyusho, pp.20

**Chart 11** Bar Chart of the Practical Way of SRB (by size, the sales amount)



Source: Nosome Group (1992) *Kigyo no syakai kokendo ni kansuru chosa* (The Research of Corporate Philanthropy), Tokyo: CI Sogo Kenkyusho, pp.20

The next chart shows what corporation managers consider as good behavior for both society and corporation itself. Each answer category includes following meanings:

*Return to society* includes a) support for cultural and artistic activities without expecting making profit, b) donation for welfare institution and c) support for education by providing scholarship and so on.

*International Affairs* includes a) transfer business operation, b) positive employment of foreigners and c) transfer skills and know-how into Developing countries.

*Stockholders* includes a) increase stock share, b) increase stock price and c) disclose for stockholder.

*Employees* includes a) provide fruitful corporate pension and retirement fee, b) positive support for employees' welfare and c) provide high salary.

*Environment* includes a) having a responsibility for the industrial waste, b) having positive attitude for pollution problems and c) making an effort for saving energy.

*Research and Development (R&D)* includes positive attitude for basic, applied and design research.

*Quality* includes a) provide good quality of product and service, b) provide safety product and c) provide good after used service.

*Finance* includes a) increase the ratio of owner's equity and b) Keep good relationship with stockholders.

*Expansion* includes expansion for sales, profits and employment opportunity

(Dentsu Soken 1990: 6).

Based on these, what Chart 12<sup>2</sup> shows is that for corporation managers, business expansion is the first concerning. As has been noted that Japanese corporations tend not to take stockholder seriously compared with the western society.<sup>3</sup> However, the second largest concern, '*Finance*' shows that corporation managers definitely regard

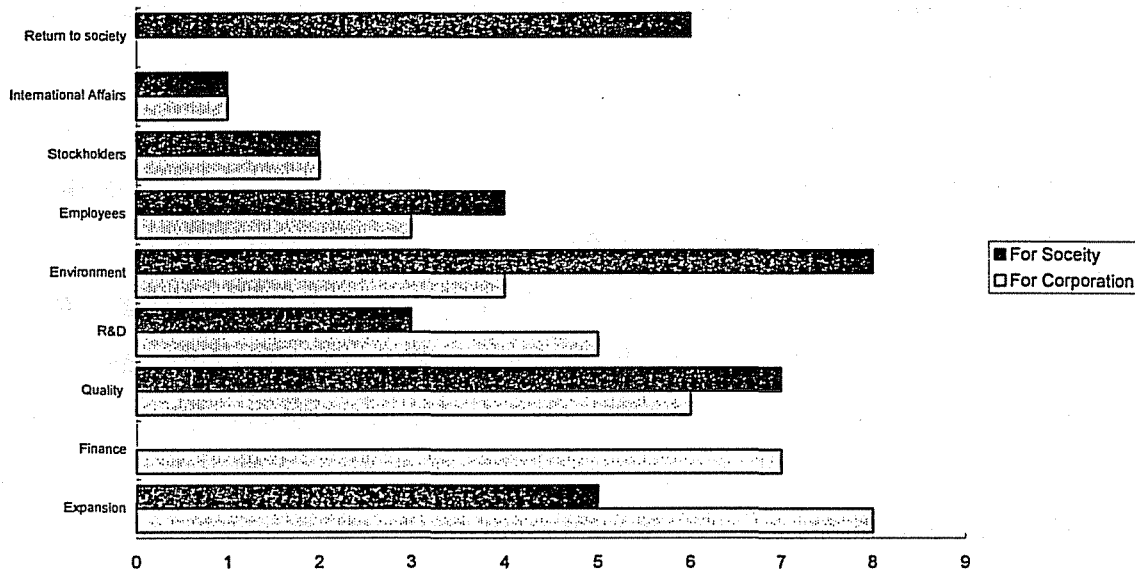
<sup>2</sup> From Chart 12 to 17 is calculated as first place-8 point, second place-7 point, third place-6 point,----- sixth place-2 point and eighth place-1 point.

<sup>3</sup> see Lewin, A. Y. Lewin, A. Y. et al. (1995) 'Corporate Citizenship in Japan: Survey Results from Japanese Firms' *Journal of Business Ethics* 14, The Netherlands: Kluwer Academic Publishers. pp.83-101. , Wokutch, R.E. (1990) 'Corporate social responsibility Japanese style', *Academy of Management Executive* Vol.4 No.2



their finance management and stockholders' profits as important factors, although the answer 'stockholders' itself is not high priority according to this questionnaire.

**Chart 12** Bar Chart of the Corporate Contribution Degree for Society and Corporation itself



Source: Dentsu Soken (1990) *Kigyō no shakaiteki yakuwari ni kansuru chōsa* (The Research of Corporate Social Role), Tokyo: Dentsu Soken, pp.5

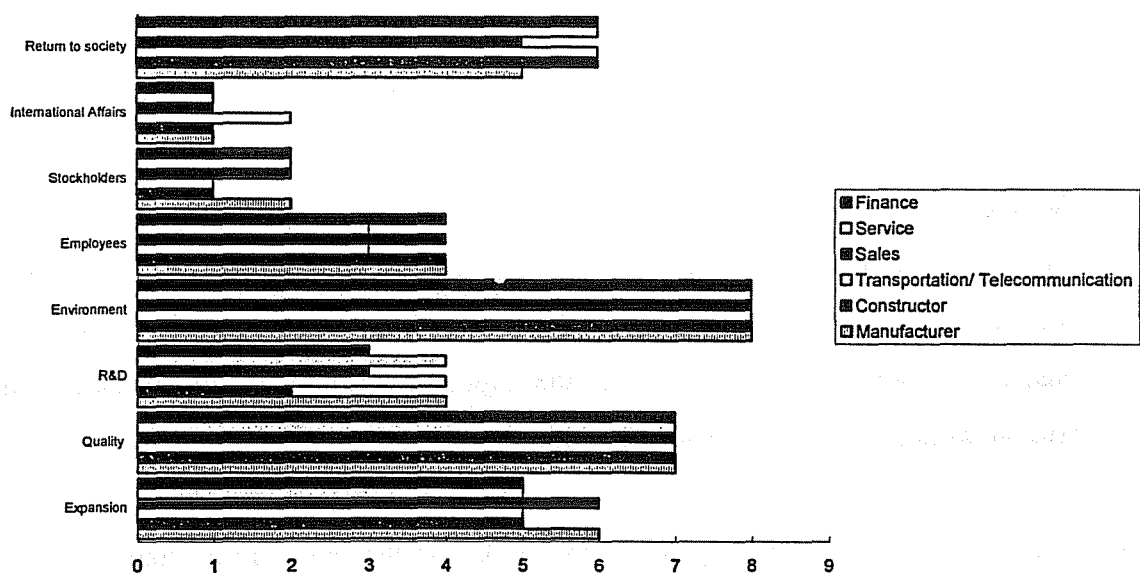
Additionally, as reflection of the nature of corporation, the matter of R&D and quality are also big concerns. Those are also possible to be implied that when corporation provides good quality and service which is well developed, it is also good for the customers. Since customers is one of the important stakeholders in the society, these two answers contribute to society as well.

The answers for the society show that most of the corporation managers regard environmental issues as most important factor for society. The answer, 'Return to Society' includes charitable oriented character as was explained earlier. This answer expresses the figure what corporation manager illustrate for SRB well. As Chart 12 shows, the answers for society does not include the answer, 'Finance'. Corporation managers seem to think about the matter of 'Finance' just for corporation itself, however, to make an effort for stable financial management is also possible to

contribute for society. As the examples, which many of financial institutions collapsed in Japan during the latter of 1990s,<sup>4</sup> show good financial operation can contribute for society as well.

In the distinction of corporate type, all consideres environment as important issue for society (Chart 13). The matter of quality is also considered as second largest concern for society by all industries. Manufacturers tend to consider their business expansion and R&D as good for society. It can be analyzed that when they develop the equipment or factory, skills or technology, the result which they would obtain can be used for society as well as reflection of the corporate nature. Similarly, Transportation and Telecommunication Industry consider 'International Affairs' as important SRB as reflection of the nature of corporation. Because their corporate nature involves much international figures based on the technological development.

Chart 13 Bar Chart of the Corporate Contribution Degree for Society (by type)



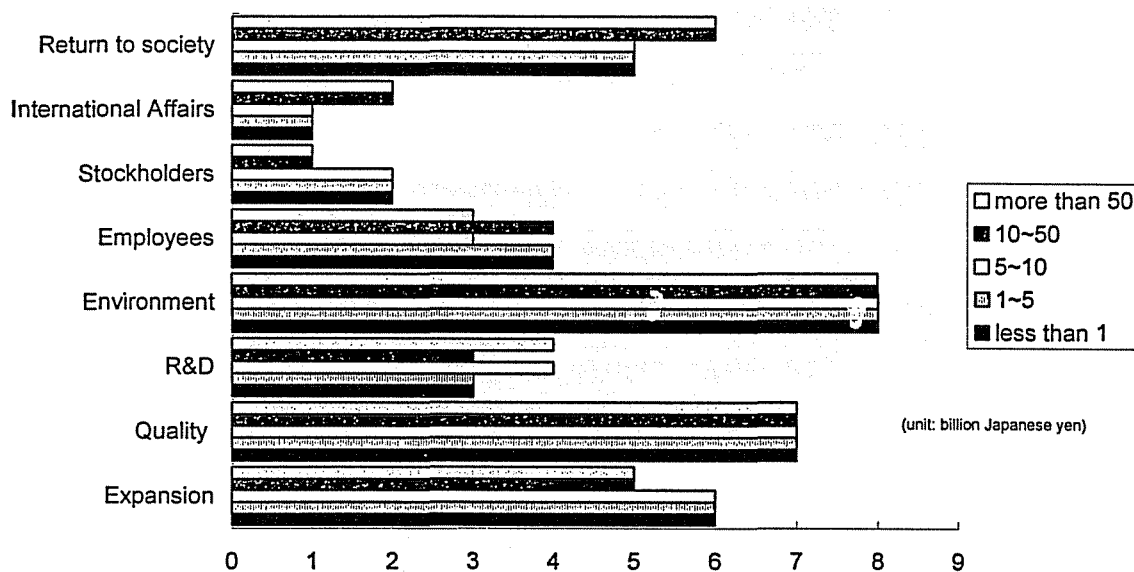
Source: Dentsu Soken (1990) *Kigyo no shakaiteki yakuwari ni kansuru chosa* (The Research of Corporate Social Role), Tokyo: Dentsu Soken, pp.5

What can be seen then in the distinction of corporate size? Here it can also be seen the environmental issues as the first concern for society no matter how big

<sup>4</sup> These collapses caused numerous unemployment and made people fear to loose their property.

corporations are (Chart 14). Similarly, the quality issue is also the second largest concern for all sized corporations. According to Chart 14, small sized corporations tend to be interested in business expansion and stockholders. This can be also explained that for those who are small sized corporations, it is necessary to take care for the issue of stockholder who can influence for their existence. Also through making an effort for the business expansion, they might convince that they can contribute for society more and better. The concerns toward returning their profits and skills and international affairs can be seen as big concern for especially those who are big sized corporations. Based on the large capital, big sized corporations have more extra energy and power to be able to consider those issues than small sized corporations.

**Chart 14** Bar Chart of the Corporate Contribution Degree for Society  
(by size, *capital*)

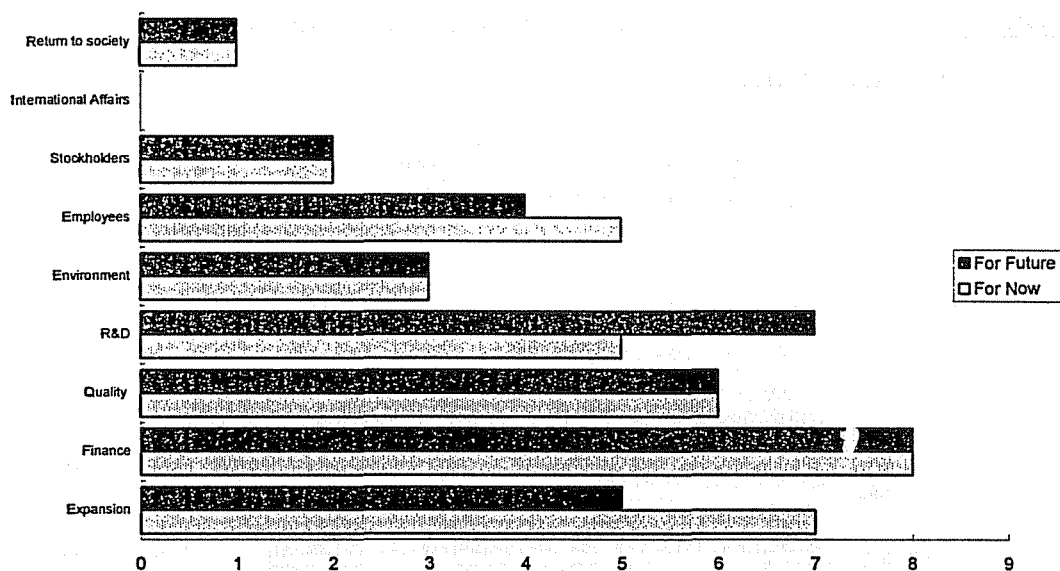


Source: *Dentsu Soken (1990) Kigyo no shakaiteki yakuwari ni kansuru chosa*  
(*The Research of Corporate Social Role*), Tokyo: Dentsu Soken, pp.5

The next chart shows what factor corporation managers regard as important for present and future (Chart 15). Chart 15 illustrates that the matter of finance and quality are both regarded as important for corporate managers. Especially the finance matter is the high priority for both present and future. Under the present condition,

business expansion and the matter of employees are considered as important factor. On the contrary, the matter of R&D is regarded as important factor for future corporation. This shows the tendency of transition from business expansion to R&D. Once corporation obtain certain business condition, as next step, they want to make something better and different from the others through the R&D in order to survive in the competitive future business world. About social return and international affairs, corporate managers do not think it so seriously for both present and future. At this time when the survey was conducted (1990), social matter as well as international matter did not take into account by corporate managers so much even many of corporation faced to economic globalization.

**Chart 15** Bar Chart of the Importance Degree for Corporations



Source: Dentsu Soken (1990) *Kigyo no shakaiteki yakuwari ni kansuru chosa* (The Research of Corporate Social Role), Tokyo: Dentsu Soken, pp.7-8

In the distinction of corporate type, what can be seen? According to Chart 16, all agree that the matter of quality is an important factor at present. Regarding social return, financial industry considers it is an important more than the others for present stage, however, service industry and sales industry are also consider it as important for future. It is because for those industries, community and society are very important for their business. Their business more involves human society. Human is

the big asset for them, therefore, service industry considers the matter of employees as very important factor for future strategy.

Chart 16-1 Bar Chart of the Importance Degree for Corporations by type (for now)

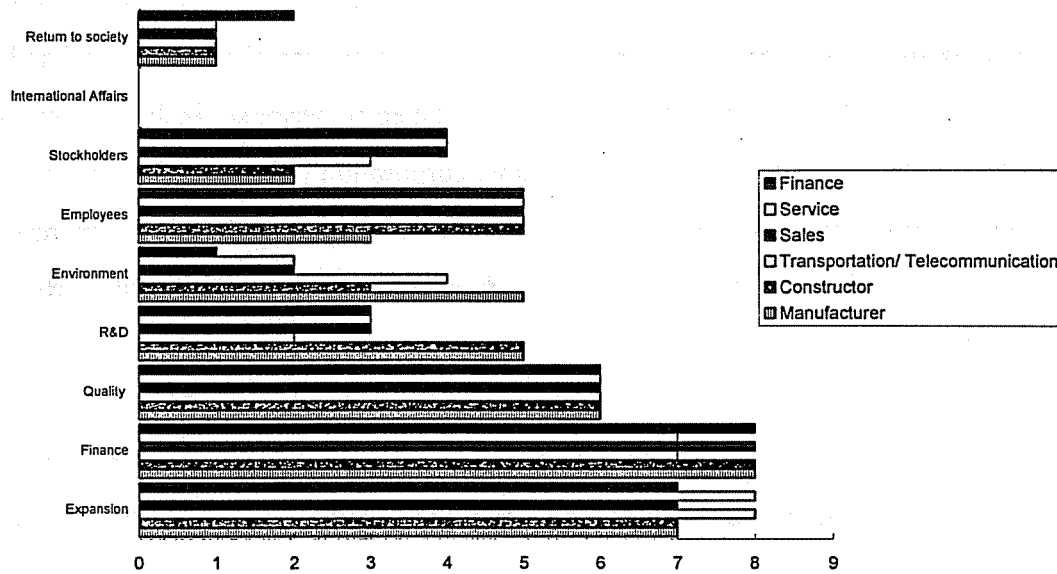
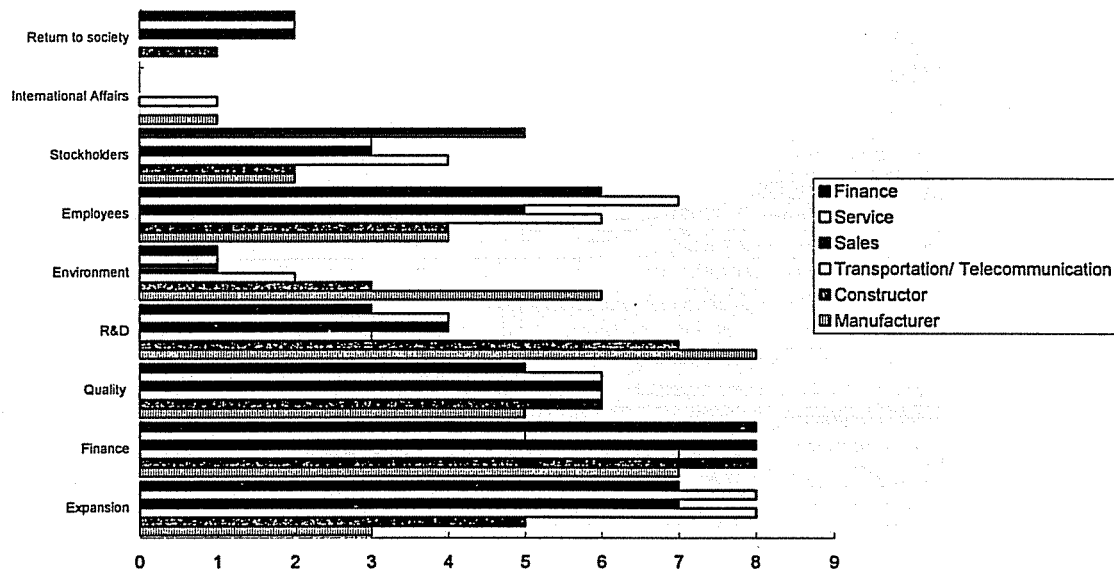


Chart 16-2 Bar Chart of the Importance Degree for Corporations by type (for future)



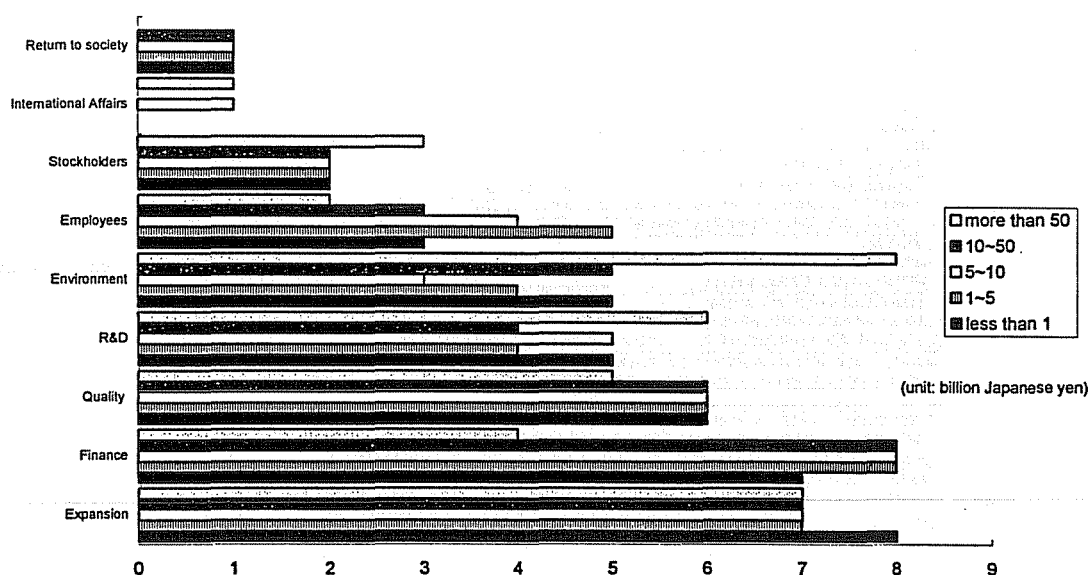
Source: Dentsu Soken (1990) *Kigyo no shakaiteki yakuwari ni kansuru chosa*  
(The Research of Corporate Social Role), Tokyo: Dentsu Soken, pp.7-8

Manufacturers consider the environmental issue as important more than the others for both present and future. And they consider R&D is important factor too. It shows

that for Manufacturers, environmental issue is always connected with their business activity as reflection of the business nature. The pollution control measures and the matter of industrial waste are always big concern for them. In order to overcome those problems, R&D is also important and efficient. Therefore, for Manufacturers, the matter of environment and R&D is ranked as high priority. For future strategy, financial industry is more concerned about stockholders than the others. It has been pointed out that the matter of stockholder is not taken so seriously in Japan compared with the western society. In the western view, corporation belongs to the stockholders (Gregory 1984:116). However, here it can be appeared the point which finance and transportation and telecommunication industry are taking stockholder as important for their future strategy.

In next, what can be illustrated in the distinction of corporate size? Under the present conditions, the big sized corporations tend to consider environmental issue as important (Chart 17).

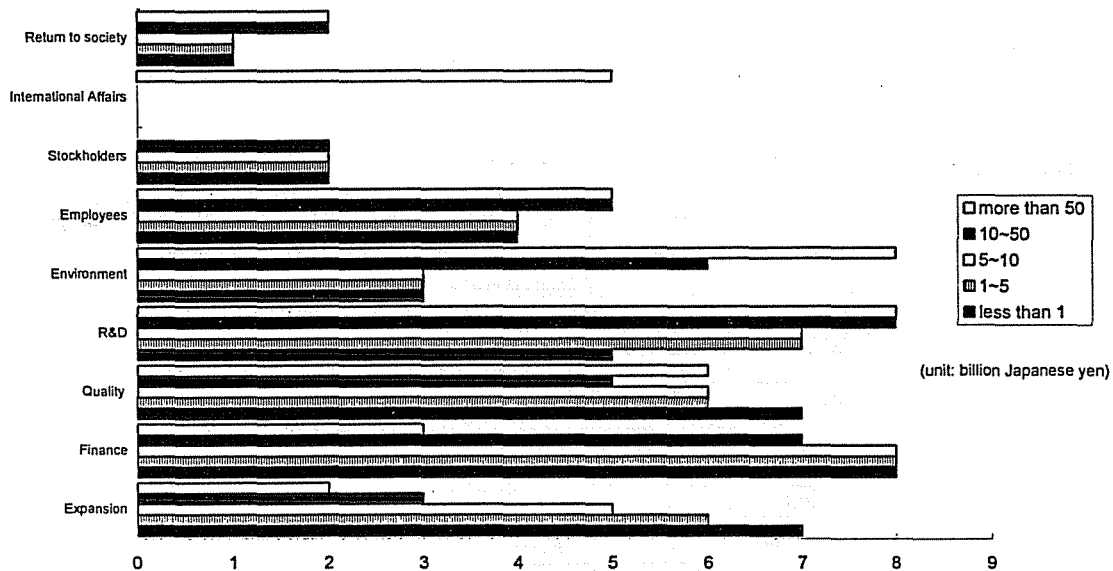
Chart 17-1 Bar Chart of the Importance Degree for Corporations by size (for now)



They also consider the matter of stockholder and R&D seriously compared with the other factors. In the future stage, the big sized corporations tend to regard same issues as important except stockholder issue. In this stage, they consider international issues

as important to be carried out for future instead of stockholders. As Chart 17 shows, the big sized corporations are clearly positive for the environmental issue and international issues than the others.

Chart 17-2 Bar Chart of the Importance Degree for Corporations by size (for future)



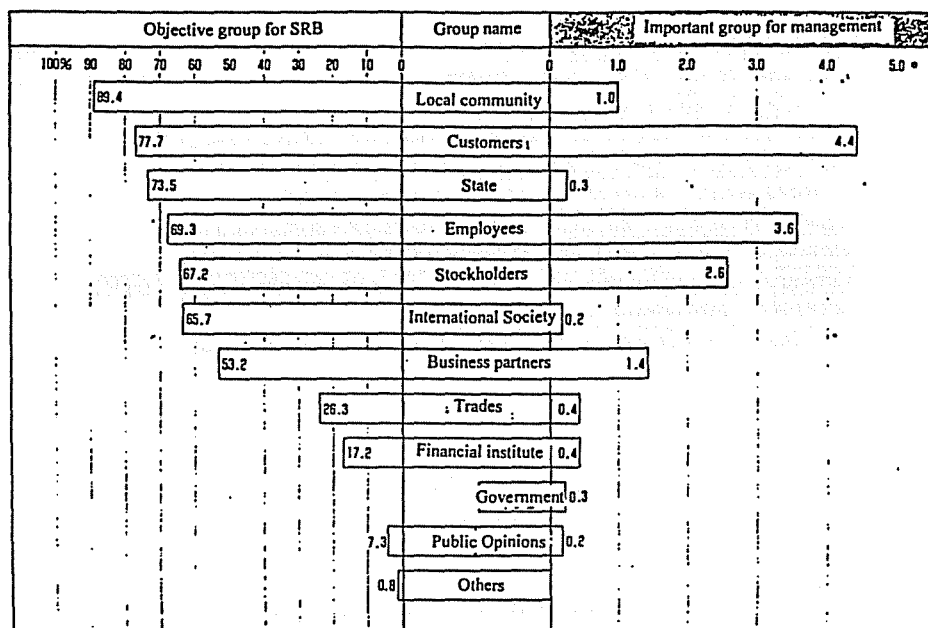
Source: Dentsu Soken (1990) *Kigyo no shakaiteki yakuwari ni kansuru chosa* (The Research of Corporate Social Role), Tokyo: Dentsu Soken, pp.7-8

On the other hand, for small sized corporations, business expansion is big concern for both present and future stage. For them, the matter of finance is also big concern. As a corporate size is smaller, the tendency which focuses on the internal matter (e.g. their own business expansion and finance matter) become higher.

In the last, whom corporate managers consider as important objective among stakeholders for SRB and business activity? To examine this point, Chart 18 presents the following points. First, Chart 18 illustrates that local community and customer are ranked higher than state, employees and stockholders as objective group for SRB. In short, community and customer are more important stakeholder for corporation when they consider SRB. However, for business activity, customer and employees are considered as more important objective group. Compared from left to right, it is clearly shown that state and international society are regarded as more important as

objective group for SRB than for business activity. Here it is also pointed out that in spite of the situation which globalization is still going on in the business world, the conscious of corporate managers toward international society is not so high for business activity. However, in the level of conscious toward SRB, international society is regarded as important. Here it can be clearly seen that corporate managers consider objective group for SRB and business activity separately except customer and employees. Those two groups are always taken into account seriously.

Chart 18 Bar Chart of Important Stakeholders Group



Note: This graph is calculated as first place-5 point, second place-4 point, third place-3 point, fourth place-2 point and fifth place-1 point and divided by first 2 answers

Source: Dentsu Soken (1990) *Kigyō no shakaitēki yakuwari ni kansuru chosa* (The Research of Corporate Social Role), Tokyo: Dentsu Soken, pp.3

### 4.3 Conclusions

As has been seen so far, this Chapter has attempted to analyze the point 'What is SRB for Japanese corporation in practice?' with existing survey results. It follows from these results that the Japanese SRB has a tendency depend on the distinction of corporate size and type. As was mentioned in previous chapter, Japanese SRB has changed according to the time and historical social background. What can be seen here is that Japanese SRB is also different according to the distinction of corporate size and type. On the whole, big sized corporations tend to be more positive than



small sized corporation toward SRB. Small sized corporations tend to be easy to get an influence from business and economical condition more than big sized corporations. Therefore, they sometimes have to decrease SRB activities during a depression in order to survive, for instance. Small sized corporations have also not so much chance to get information and know-how to promote SRB compared with big sized corporations. This fact lets them toward the tendency of corporate giving. Because corporate giving may be an easier way to begin SRB. On the contrary, big sized corporations tend to prefer to set up own projects to promote SRB for society. Although this tendency is seen in Non Manufacturers, corporate giving (money) is also preferable way to express SRB for Non Manufacturer than Manufacturer.

The conscious toward business activity and SRB of corporate managers are different. Corporate managers distinguish those two activities. It means that corporate managers regard SRB as different activity from business activity. It also can be seen some differences according to the distinction of corporate type and size though, some factors, like environmental issue, are the same to be recognized as important factor regardless the corporate differences. In these analysis, the answers came from only corporate managers. This is a limitation, because it would have different opinions or tendencies were coming out from the survey by different people, such as directors, employees and stockholders.

In addition, the time which this surveys were conducted can be raised as another limitation. It is because these survey results were made in the early 1990s. As was mentioned earlier on, SRB is always linked with social background. Therefore all results which can be obtained here has possibility to be changing after. However, the year of 1990 was significant for Japanese SRB as was noted, that is why it is also worth using those result to know the beginning of concern toward SRB in Japan at that time.

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## Chapter 5

### The Necessity of Socially Responsible Business

This Chapter attempts to examine the reason why SRB is necessary for Japanese corporations and why this idea was accepted beyond business interests through social, economic and political aspects. At the same time, the kind of needs that exist in society are also discussed on three levels namely, local, national and international level.

#### 5.1 Local level

This section discusses why SRB is necessary for Japanese corporation in local level.

##### 5.1.1 Employees

The concern for employees have been high in Japan as was mentioned earlier. According to the laws of Japan, stockholders are owners of the corporation and make major decisions such as selecting the board of directors and voting on merges (Sethi,1984:25). Even though, employees have been great part of corporation. In western context, employees do not *belong* to the company, they just *work* for the company (Gregory 1984:116). However, in Japan employees seem to belong to the company. Corporations have taken care of the whole life of employees. The working contracts between employees and corporations look like the one for the marriage. That is why there have been tendency which employees are subordinate to the company. But this relationship has changed since the 1980s and 1990s (Keidanren 1994:15). Before that time majority of employees were thinking that '*working is for company*', but after majority of them come to believe that '*working is for themselves*'.

Now they prefer to use their time for their own hobbies or travel and not for work.<sup>1</sup> Consequently, they can obtain extra time than before. In these circumstances, the interest toward volunteer work increased. They come to prefer to spend their extra time for something good. They also come to consider working is a means of self-realization (Dentsu Soken 1990:1).

Such a conscious change of employees are also influential for corporation. For corporation, those who consider employees as important, it is necessary to respond to those needs from employees. The way of responding often appears as SRB.

### 5.1.2 The Consumer

The Consumer is one of the important actors when corporation consider for both business activity and SRB as was shown in previous chapter. Also the relationship between the consumer and SRB has been always deep. It is no exaggeration to say that Japanese SRB had been developed as responding to criticism or demand from the consumer. Gregory (1984) states that, '[v]alue is ultimately determined not by the enterprise itself, but by the consumer in the marketplace; and the consumer is society' (Gregory 1984:123). Thus, according to Gregory (1984), the consumer is society. So then how SRB cope with the consumer and society, and what kind of needs are existing there?

Here it can also be seen the linkage with the conscious change of employees. Naturally, employees are also consumers. The conscious change which can be seen among employees also cause the change of life style. People are now seeking the life which you can feel real wealth both physically and mentally. As society become mature, the people's conscious become mature, too. And people become more selective. Nowadays, to make consumer satisfy, it is no longer enough if corporation only provide good and service as usual. It is coming to be required something more.

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<sup>1</sup> Dentsu Soken (1990) *Kigyō no shakaiteki yakuwari ni kansuru chosa* (The Research of Corporate Social role), Tokyo: Dentsu Soken, Keidanren (Keizai Dantai Rengokai)(ed) (1994) *Kigyō no shakaikoken handbook* (Corporate Social Contribution Handbook), Tokyo: Nihon Kogyo Shinbunsha

In this circumstance, the importance of SRB that differs from conventional business is raised.

### 5.1.3 Partnership with the Social Sector

According to Peter Drucker (1994), the social sector is the growth sector of a development economy in modern society. He explains that it is because the opportunities and needs are there, and nowadays the affluent, educated, young people want to be citizens, want to contribute. It is in the social sector that they can make choices and can make a difference (Drucker 1994:17).

Thus, the expectation toward social sector is also high. People are expecting them to do something different from government and corporations. As main shoulder of social sector, Non-Government Organization (NGO) and Non Profit Organization (NPO) can be raised. In the United States, the number of NPO is now more than 1 million and their total expenditure would be 7.1% of GNP (Yokoyama 1998:789).

In Japan, most of NPO or NGO are private organization neither controlled nor protected by law. Without being authorized, it is difficult to obtain social trust and this become an obstacle for their activities. To solve this problem, the movement, which tries to make them as corporate body, is still going on.<sup>2</sup>

When NGO or NPO are entitled as corporate body, the role of corporate sector and social sector would be closer. Corporate sector would learn how they contribute into society alongside business from social sector, on the other hand, social sector would learn management skills and funds from corporate sector. However, the basic differences of both sectors, which corporate sector seeks to make a profit and social sector does not, can not be disappeared.

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<sup>2</sup> NPO bill (civil activities promotion bill) are still on the procedure in the Diet. At June 1997, the bill was passed in the House of Representatives. However they decided that it needs more time to discuss.

## 5.2 National Level

In this section, the same question, why SRB is necessary for Japanese corporation, is discussed in the national level. National level and international level is often overlapped, however here it only focuses on the factor which is considered to belong to the national level.

### 5.2.1 Partnership with the Public Sector

A well-known Japanese novelist, Shiba Ryotaro (1923-1996) once mentioned that one of the good points in Japanese society is that 'public' philosophy has been existed within 'private' sector through the whole Japanese history (quoted in Nasu 1996:5). Nasu Shoh -the vice chairman of Keidanren- also points out what the responsibility of 'private' sector is to make it possible to provide any kind of services and products into society without government's support. He insists that when 'private' can embody 'public', it is the time to establish the small government (Nasu 1996:5).

According to Keidanren (1996), most of business leaders expect the establishment of small government (Keidanren 1996e:12-23). They convince that corporate sector have a certain role for its establishment. In Japan, government used to take a strong initiative especially for economic field. Because the resourceless country like Japan, it is very important to manage economic policy well which might to control the national fate. The Japanese government has been used to lay special emphasis on exportation to cover the limitation of natural resources. This policy was mostly led by Ministry of International Trade and Industry (MITI). After World War II, Japan had been eager to reach the same economic level as western countries as soon as possible. To make it true, the government had to take a strong initiative. In 1987, Japan finally became number one country in terms of Gross National Product (GNP) per person (Mizutani 1995:12). It officially proved that Japan became one of the biggest economic countries in the world. After achieving the main economic target, corporate sector has tried to seek the different role from government. Because under such a strong initiative by government as in the past, it has been coming up some problems within

business activities. Besides, the aging problem<sup>3</sup> is seriously going on in Japan and it is also chance to reconsider an each role of government and corporate sector. Because if this aging problem were rapidly going on, the burden of people would be increased, especially the burden of young people would be so serious. Or if old people keep half of the national wealth, social energy would be decreased. Therefore the role of government would be better to be minimized and people have to help themselves (Keidanren 1996e:13).

In short, the role of government and private sector has been changed and the relationship between two sectors has reached a turning point. Corporate sector is expecting to embody the role of public sector more than before. Therefore it is the time to reconsider to build up new partnership between them for social development

### 5.2.2 The Matter of Peace

As reflection of the fact which is dramatic increase of Japanese corporations' overseas investment after the Plaza Accord (1985), the Japanese SRB have to be considered in global sense. As the paper said earlier, especially Japanese overseas investment has gone into Asia countries as reflection of historical and regional relationship. In these countries, Japanese government's Official Development Assistance (ODA) has also had a big role. Nowadays, Japan is one of the biggest donor countries.<sup>4</sup> Actually Japanese ODA has developed hand in hand with Japanese corporations.

Japanese ODA has been often criticized that it is operated for only Japanese corporations in practice.<sup>5</sup> Because Japanese ODA has been used for mostly infrastructures like building ports, roads, bridges and so on in developing countries

<sup>3</sup> In Japan, the aging problem is seriously going on. At 1990, the rate of over 65-yr. was 12.1%, however it is predicted as going to be 25.8% at 2025. It means that around that time, only 2 people have to hold 1 old people.

<sup>4</sup> Ministry of Foreign Affairs (MOFA) (1997) *Japan's Official Development Assistance Annual Report 1997*, Tokyo: Association for Promotion of International Cooperation

<sup>5</sup> To know about it more, see Watanabe Toshio (1986) *Kaihatsu Keizai gaku-Keizaigaku to Gendai Asia* (Development Economy- Economics and Current Asia), Tokyo: Nihon Hyoron sha, Sumi Kazuo. (1989) *ODA Enjo no genjitsu* (The fact of ODA), Tokyo: Iwanami shoten, Kusano Atsushi (1994) *ODA 1200 billion yen no yukue* (Whereabout of ODA 1200 billion yen), Tokyo: Toyo Keizai Shinposha

and in fact those were constructed by Japanese companies. Through these projects, namely 'ODA Jobs', Japanese corporations have obtained huge profits (Okumura 1997:69). Japanese corporations can get not only profits but also facilities which make their business operation smooth and better. Japanese corporations are criticized that while they benefit from ODA, local people in developing countries are often excluded from those benefits.<sup>6</sup> Because, development projects often depend on the needs of only Japanese corporations.<sup>7</sup> For example, Grant Aid for increase of food production provides fertilizer, agricultural chemicals and agricultural machines to developing countries. In fact, most of these aids are planned by Japanese corporations, like trading companies, fertilizer or chemical companies as reflect their benefits from the beginning, and it is easy to ignore local needs. Indeed, many of poor peasants have been taken away from jobs instead of introducing new agricultural machines during this kind of aid (Okumura 1997:70). Thus, in ODA, it can be seen the mechanism which profits often return to corporations.

In spite of the existence of criticism, the expectation from developing countries toward Japanese corporations and ODA is still high. Therefore some corporations are undertaking activities which can respond to these expectations. For example, Fuji Xerox (Japanese copy maker) and SONY have invited trainees from Asia countries to transfer their knowledge or skills (Dentsu Corporate Communications 1994:189). Yokokawa Denki, one of the top makers in industrial meter, who is now a global corporation with having productive and marketing bases in all over the world, are doing technical support for Asian countries in order to support their industrial development. They have donated control systems and computers and invited trainees from Asian countries to teach how to operate donated machines (Dentsu Corporate Communications 1994:190).

Ushio Jiro who is a chairman of Ushio Denki (one of the Japanese Electric Makers) and special advisor of Keizai Doyukai, also evaluates Japanese corporation's overseas performance as follows:

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<sup>6</sup> This criticism toward Japanese ODA can be also seen in above-mentioned authors.

<sup>7</sup> Same as above.



"After Plaza Accord, many of Japanese companies went into abroad and now they are doing well such as making good products and transferring their skills into host countries. This fact which Japanese corporations have transferred their skills or know-how into local people, it is worthy of mention. Therefore we could hear many voices which is eager to rely on Japan during the time of Asian crisis (interview with Yomiuri Newspaper August 13, 1999)."<sup>8</sup>

While Ushio evaluated Japanese corporation's overseas performance as above, he also insists the importance of relationship between business and the matter of peace. According to Ushio, corporations always have a security risks when corporations invest in foreign countries. Ushio explains as using the case of the United States that when American corporations face risks in foreign countries, the government immediately send aircraft carriers to protect their own corporations and profits. However, Japanese corporations can not expect to be protected as same as American case because of the defense limitation. Therefore good corporate performance can play an important part for peaceful business operation. Similarly, Japanese ODA also has important role for peace keeping. According to Ministry of Foreign Affairs (1980), Japanese ODA has been placed as one of the means of security since mid-1970s officially.

Thus, corporate performance is hinted at the possibility of playing an important role for peace keeping. This aspect is crucial for Japan who has lack of natural resource and utilization of defense force. For national interest, corporation has a possibility to be able to contribute.

### **5.3 International Level**

In this section, the reason why SRB is necessary for Japanese corporations is discussed in the international level that considers the trend of globalization and democratization.

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<sup>8</sup> The interview was made in Japanese by Yomiuri Newspaper on August 13, 1999.

### 5.3.1 Globalization

Since 1980s, the globalization of Japanese economy has accelerated. Because Japanese export sectors were not competitive in the world market due to the high value of Japanese yen after the Plaza Accord in 1985. Therefore many of corporations transferred their part of operations into foreign countries. Besides, in the globalization on international scale, Japanese market were strongly asked to be opened by foreign countries. In these circumstances, Japanese corporations were requested to adjust their own business way into international standard. It had been clear that if Japanese corporations did not follow the international business rules, they would had been kicked out from international market. Within this international framework, it is impossible to carry own business way any longer (Mizutani 1995:14). In addition, they are also strongly criticized regarding the opacity and exclusiveness of Japanese market (Mizutani 1995:15).

According to Endo (1998), there are three different steps in business globalization such as 1) outbound step 2) inbound step, and 3) sympathization step. When many of Japanese corporations advance into foreign countries to extend and transfer their operations, it is the first step, outbound step. It also can be refereed that Japanese overseas business operations as a step of globalization. However, if they still keep own business way and never open to others, it is no longer 'globalization', it is just 'invasion' instead (Endo 1998:205). Endo explains that Japanese corporation often think it would be 'globalization', but it is thought as 'Japanization' by local people (Endo 1998:206). Therefore the second step, inbound step, needs to change into openness. In the second step, it is necessary to accept local ideas or customs with open heart. Then in the third step, sympathization step, it is going to more advanced level. The aim of this last step is to create new value by interaction of heterogeneous people. In this stage, it is not enough to absorb from the others, and asked to stimulate and learn among others with positive manner (Endo 1998:205-208).

Kaku Ryusaburo, who was Chairman of Canon Inc. proposed the philosophy of '*Kyosei*' as following meaning.

"living and working together for the common good. - all people, regardless of race, religion or culture, harmoniously living and working together for many years to come. (Kaku 1995:1)"

The Kaku's proposal is connected with desirable style of Japanese globalization and recognized by business leaders nowadays. However, the most of Japanese companies are still in the second step, inbound step (Endo 1998:206).

### 5.3.2 Democratization

In 1980s and 1990s, tide of democratization occurred all over the world. For example, democratization movements in Philippine, Korea and China in 1980s, it was seen in the former USSR and East European countries with liberalization movements as well.

Nowadays, the reason why people seek philanthropic or voluntary activities are also explained as it based on democracy (Nagasaka 1991:48). It is because democracy means that people can participate for social building positively, in other words, democracy can be hold by those people's positive participation (Nagasaka 1991:48). In that sense, philanthropic activities can imply 'direct participation' for democracy. Because when people do philanthropic activities, it means that people participate to make community better in order to respond for communities' needs. Therefore, it can be said that a core of philanthropic activities is closely related to democracy. Especially in western countries, many believe that philanthropic activities is necessary to promote democracy and it has an important role to do so (Nagasaka 1991:50). Frank Carel who was vice chairman of Rockefeller Foundation also notes that:

"In the United States or some other countries, philanthropic activities have been recognized as very important one. Our quality of live is also supported by those activities. We don't only pay tax but also donate as being part of society. However it is also important that internationalization of philanthropic activities. Without filling the gap through those activities (e.g. community activities), it is difficult to make the world steady and in peace (Carel as quoted by Nagasaka 1991:51)."<sup>9</sup>

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<sup>9</sup> This statement was quoted in Nagasaka (1991) who writes in Japanese. Therefore it was translated to English by author.

As this words show, most of western philanthropists are convinced that 'philanthropic activities' can promote and support democratization or liberalization. They also believe that when corporations do business with a social responsible manner, this is also helpful for democratization or liberalization.

Japanese corporations also have got influence from this trend, and they also realized the necessity of SRB implementation in international markets.

### 5.3.3 Sustainable Development

Nowadays, the environmental issues are so crucial in all over the world. Because environmental problems appear not only in single country as the reflection of economical globalization (Takanaka 1998:239).

The global awareness toward the environmental issue emerged on the United Nations Conference on the Human Environment in Stockholm (1972). The conference discussed about mainly pollution and environmental disruption which had been led by industrialization and urbanization. Just 20 years after of Stockholm conference, the another UN conference was held in Brazil (1992). In this conference, biodiversity crisis, ocean pollution desertification and global warming were mainly discussed. These problems are more difficult to solve and became so global matters.

In 1987, the World Commission on Environment and Development announced the norm of 'sustainable development' as follows:

"Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (WCED 1987:43)."

In this commission, it was emphasized that the necessity of pursuit 'sustainable development' which make it possible to be compatible with economic growth and environmental conservation through changing basic idea toward world economic. For example, environment or resource has to be recognized as being limited, therefore it is necessary to develop new technology for efficient productive activities or consumptive activities (Takanaka 1998:244).

In essence, sustainable development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations (WCED 1987:46).

Based on the global awareness toward the environment issues, Keidanren declared '*Global Environment Charter*' on April 1991 in Japan. In this charter, Keidanren emphasized the importance to hold the environmental conscious toward especially overseas operation as follows:

- 1) Establish a constructive attitude toward environmental protection and try to raise complete awareness of the issues among those concerned.
- 2) Make environmental protection a priority at overseas sites and, as a minimum requirement, abide by the environmental standards of the host country. Apply Japanese standards concerning the management harmful substances.
- 3) Conduct a full environmental assessment before starting overseas business operations. After the start of activities, try to collect data, and, if necessary, conduct an assessment.
- 4) Confer fully with the parties concerned at the operational site and cooperate with them in the transfer and local application of environment-related Japanese technologies and know-how.
- 5) Establish an environmental management system, including the appointment of staff responsible for environmental control. Also, try to improve qualifications for the necessary personnel.
- 6) Provide the local community with information on environmental measures on a regular basis.
- 7) Be sure that when environment-related issues arise, efforts are made to prevent them from developing into social and cultural friction. Deal with them through scientific and rational environmental measures.
- 8) Cooperate in the promotion of the host country's scientific and rational environmental measures.
- 9) Actively publicize, both at home and abroad, the activities of overseas business that reflect our activities on the environmental consideration.
- 10) Ensure that the home offices of the corporations operating overseas understand the importance of the measures for dealing with environmental issues, as they effort their overseas affiliates. The head office must try to establish a support system that can, for instance, send specialists abroad whenever the need arises (Keidanren 1991).

Based on such proclamation, Murohashi Shinroku who is President of Mitsubishi Corporation, a major Japanese trading company, mentioned that '[W]e believe a business cannot continue to exist without the trust and respect of society for its environmental performance (Schmidheiny *et al.* 1992:10).'

Reflecting its idea, Mitsubishi Corporation has put their energy into afforestation project in Salawaku in Malaysia. Actually Japan is the biggest country in the world as an importer of tropical timbers. Japan has imported them mostly from Malaysia. Mitsubishi was not the biggest business partner in Malaysia but they had got a strong attack from environment activists in the United States as one of the serious environmental destroyers.<sup>10</sup> Their name was complained as involving tropical deforestation in the New York Times in 1989 (Schmidheiny *et al.* 1992:241-242). Since then, they have tried to wipe this stigma away. First they set up special committee regarding environmental issue in order to grasp what problem was. This committee was launched as independent department in Mitsubishi Corporation after a year. The environment department decided to cooperate with academic field to promote tropical forest conservation project. Their efforts toward environmental issues bore fruitful results as being estimated as best company who was environmental friendly in one of the Japanese business magazines 'Nikkei Business' in 1991 (Schmidheiny *et.al.* 1992:245). During this process, they learnt, 1) there are opportunities to form innovative collaborative arrangements for technical cooperation among government, academic institutions, and commercial enterprise on a bilateral basis, and 2) truly creative alternatives to environmental problems will only come as companies are willing to lengthen the time horizon over which they can be solved (Schmidheiny *et.al.* 1992:245).

Nowadays, the high conscious toward environmental issues is not only for big corporation as was seen before. Small corporation and especially Manufacturers have lots of concern about this issue as reflection of their corporate nature. As the conscious toward environmental issues become bigger, all kind of industries have to involve in this matter whether they like it or not. For example, the matter of ISO14001 is significant. This is one of the agreements which International Standard Organization (ISO) decides regarding environmental issues. It examines whether it is well organized environmental management system during the process of productivity, service and management. When it is recognized as being good, a certification can be

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<sup>10</sup> It was because of their brand name 'Mitsubishi' which appears on automobiles and consumer electronics products around the world, targeted by American campaigners who expected to be able to

given. By April 1997, 357 of British corporation have obtained the certification, similarly in Japan (286), the Netherlands (262) and Germany (114) (Nakamura 1998:271). As was seen in these numbers, ISO 14001 has been taken mostly in European corporations. Therefore, nowadays it is necessary to carry this certification especially when it trades with those European countries. This certification become so crucial in business world, especially in Industrial field, because if you don't have this, you are no longer estimated as good company and even it has risk to loose your business partners. In short, nowadays, environmental issues can change business world and corporation is expecting as one of the crucial actors who strongly promote environment conservation.

#### **5.4 Conclusions**

As has been noted, there exist some different needs and demands for SRB in every levels. Also in the each level, there are some possibilities which corporation might be able to contribute for society with SRB.

Especially since 1980s and 1990s, there have been many changes that occurred in Japanese society. For example, the people's life and conscious have been changed. People become more conscious about social issues and self-realization. Therefore the social sector has been growing up in Japanese society. Consequently this helps to create a mature society. Also, the Japanese internationalization and globalization have been accelerated since 1980s and 1990s. In this circumstance, corporation has been expected as acting more internationally. In short, Japanese corporation can no longer exist without considering international concern such as environmental issues.

These factors affect corporations to change. Therefore it is necessary to respond to these needs in order to survive for Japanese corporations.

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obtain a massive reflection (Schmidheiny et al. 1992:241-242).





## **Chapter 6**

### **Conclusions**

Japanese SRB is not new concept. It had already emerged within commercial sectors in Edo period (1603-1867). However, the expression of Japanese SRB is not always same. It has been changed depend on the time and social background. Because Japanese SRB has been developed as some responding forms to social needs. Japanese SRB used to be utilized as a means to evade social criticisms against corporations. However, it has been changed into more positive expression since 1980s and 1990s. It is not only a reaction to social needs but it has changed into more positive urging. Why this change occurred? There are some reasons can be raised according to social, economic and political background.

First of all, around 1980s and 1990s was significant for Japanese business society. As a result of Plaza Accord (1985), many of corporation had to change their business system. Some had to transfer their operation into other countries in order to survive. Because the cost of overseas operation was much cheaper than domestic operation thanks to the high rate of Japanese yen. Especially exportation oriented corporations had a massive damage. As the number of Japanese corporation who operate in abroad increased, the chance which they encounter the idea of Corporate Citizenship also increased. This corporate philosophy has been developed mostly in business country, the United States. Japanese corporation had to accept this idea in order to get 'an American citizenship'. Those corporations brought back this idea to their headquarters in Japan gradually, so it has become a common idea within Japanese business society nowadays. In addition, most influential business group, Keidanren has promoted and assisted this idea positively and it has attempted to enlighten Japanese corporations in various ways. The Keidanren's effort led the new year of SRB in 1990.

Secondly, the high rate of Japanese yen which was caused by the Plaza Accord (1985) also influenced Japanese domestic market. Even it has changed people's life as well. For example, people come to have more chance to purchase import goods and become more easy to go abroad than before thanks to high rate of Japanese yen, too. This phenomena made Japanese consumers feel more rich and it caused abnormal speculation boom, so-called 'Bubble Economy (1985-1990)'. The Bubble Economy was also influential for Japanese SRB. This economic phenomena supported Japanese SRB financially. In fact corporate philanthropic activity was promoted with ample funds which was made by the Bubble Economy and contribute to establish the new era of corporate philanthropy in Japan (Honma 1993:12).

Thirdly, after long years of seeking economic growth, people have come to realize and reflect a quality of life. Especially since 1990s, people are more conscious about society and getting more interest to do something good for society with using their extra time and money (Dentsu Soken 1990:1). This phenomena accelerated people's participation into social activity such as volunteer activity and so on. In short, the conscious toward society as whole have been increased more than ever. In this circumstance, corporate sector has been also expected to do something good for society beyond making own profits.

Japanese SRB is also different by corporate type and size. On the whole, corporate conscious toward SRB is quite high though, the big sized corporations tend to be more positive than small sized corporations based on their advantage of fund, human resources and skills. The expression of Japanese SRB is also influenced by corporate nature. Corporations tend to prefer to utilize their strength for SRB. However, on the whole, charitable activity is still major way of Japanese SRB.

Thus, the expression of Japanese SRB tends to be charitable activity though, the motivation of doing SRB is more positive and strategic than before. Because under the circumstance which privatization, democratization and globalization are accelerating, Japanese corporation realized that the necessity of having a certain strategy for their existence. Because these phenomena create such a high competitive

society. In order to survive these competitive world, SRB can be used as one of the effective strategies and means for Japanese corporations. When corporations do SRB, they are always conscious the social reaction and their own image which make them differ from the competitors who are still interested in making profits, and it also possible to appeal to society. Nowadays, since people become more interested in social issues and eager to be participate in society as a good citizen, it is the key that how corporation can deal with these social demands well. In that sense, SRB is the one of the business strategies for Japanese corporation in order to survive and be accepted in society.

SRB is always connected with society. In short, when society change, SRB would also change. Therefore, to promote a fruitful SRB activity, the maturity of society is necessary. Because mature society can hold SRB and this society consists of high conscious people who no longer to be satisfied with corporate performance which only considers maximizing own profits. In order to be accepted in this society, corporation has to change their performance into SRB. That is why, SRB is the strategy for surviving.

Japanese SRB also shows some possibilities, such as contribution to peace and global environmental conservation within their activity. Nowadays the potentiality of corporation can not be overlooked when it is considered in socially, economically and politically. For bringing out this corporate potentiality into society, it is also necessary to have a mature society where people's conscious is quite high. To sustain SRB in Japan, people's urging is very important. To create and keep a certain surroundings that corporation can not ignore social needs, this is our responsibility and it is also effective for future social development.

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## Appendixes

### Appendix 1

#### **(1) Corporate Social Responsibility = Shareholder Wealth**

"In a market-based economy that recognizes the rights of private property, the only social responsibility of business is to create shareholder value and to do so legally and with integrity. Yet we do have important unresolved social challenges- from drug abuse to education and the environment- that require collective action. Corporate management however has neither the political legitimacy nor the expertise to decide what is in the social interest. It is our form of government that provides the vehicle for collective choice via elected legislators and the judicial system.

"Whether corporate social responsibility is advocated by political activists or the chief executive officer, the costs of these expenditures, which don't increase the value of the company or its stock, will be passed on to consumers by way of higher prices, or to employees as lower wages, or to shareholders as lower returns."

Alfred Rappaport, "Let's Let Business Be Business," New York Times, Feb.4, 1990, p.F13

#### **(2) Corporate Social Responsibility = All Stakeholders**

"Increasingly, responsible corporate behavior is being defined as taking into account the values, concerns, and needs of a wide variety of stakeholders, those parties- including those external to the organization- who have a legitimate stake, or interest, in the organization, its conduct and performance. Traditionally in business, these stakeholders have been identified solely as the company's shareholders, and the objective function of business was tidily summed up as maximizing the shareholders' wealth...

"There are too many other competing interests in today's pluralistic society to ignore. Stakeholders other than shareholders have important claims on a business which also must be met if the company is to survive and flourish. Meeting these claims probably means less profit in the short term and may mean some reduction in potential shareholder wealth in the long term. Nonetheless, such outside groups and their demands cannot be ignored."

Edwin A. Murray, "Ethics and Corporate Strategy", in Robert B. Dickie and Leroy S. Rouner (eds.), *Corporations and the Common Good*, Notre Dame, IN:Notre Dame University Press, ©1986, pp.108-109

(quoted by Frederick et al. 1992:43)

### Appendix 2 Keidanren Charter for Good Corporate Behavior

#### **(1) Original version in 1991**

##### *(1) Good Corporate Citizenship*

1. Endeavor to offer excellent goods and services that are useful to society.

2. Strive to make it possible for employees to lead comfortable and plentiful lives, and respect them as human beings.
3. Conduct corporate activities in a way that takes environmental protection into consideration.
4. Endeavor to make an active contribution to society through philanthropic and other activities.
5. Work to improve social welfare in the community through business activities.
6. Firmly refrain from behavior that is counter to social norms, including having anything to do with the activities of organizations that have an adverse influence on social order and safety.
7. Always promote communication with consumers and residents through public-relations activities and open hearings, and strive to make the principles of corporate behavior conform to social norms.

*(2) Fairness*

1. Abide by the letter and spirit of all laws.
2. Make corporate behavior as a whole both fair and transparent.
3. Secure total observance of the principle that the corporation must assume responsibility for its own acts and decisions.
4. Obtain and use information fairly.
5. Strive to formulate business practices that are internationally acceptable.

*(3) Top Management*

1. Corporate executives are to work personally to see that the spirit of this charter is accomplished and to secure the interest of all relevant stakeholders including shareholders.
2. Secure total observance of relevant laws and of the spirit of this charter within the corporation.
3. Set up a division to perform in-house checks of corporate behavior, appoint a director in charge of such checks, or make other organizational arrangements suited to the corporation's own circumstances (Keidanren 1991b).

**(2) Revised version in 1996**

During the five years that have elapsed since the previous Charter for Good Corporate Behavior was announced, various problems concerning corporate behavior have arisen and public distrust of corporations has intensified. At the same time, the global business environment has undergone major changes, which we list below. Having reviewed corporate behavior in view of these circumstances, Keidanren has decided to revise the Charter of 1991 in order to articulate the kind of corporate behavior that truly enriches and vitalizes civil society as we approach the twenty-first century .

- 1) because the socioeconomic system that sustained postwar rapid economic growth has reached its limits and has even become a factor constraining future development, concrete action for fundamental reform of the system is required.
- 2) as the world become increasingly borderless, corporate globalization has taken on a broader dimension. It is now necessary to reassess our corporate behavior from a more global perspective.

- 3) the ongoing development of a society of sophisticated information networks has generated new types of problems in corporate ethics. Innovative methods for dealing with these problems must now be found by corporate management.
- 4) the times require that corporate management actively incorporate nature conservation, preservation of the global environment, and philanthropic activities in their business strategies.
- 5) the coming into force of the Product Liability Law and the amendments to the Commercial Code in connection with the shareholders' representative litigation system require corporations to strengthen self-responsibility and further enhance transparency.
- 6) as deregulation proceeds, corporations must cease their reliance on government, and actively assume responsibility in their own business activities even in regard to roles hitherto considered the province of the public sector.

These Changes require a reassessment of corporate behavior, including relations with consumers, users, shareholders, employees, customers and clients, local communities, and other stakeholders. Corporations, embedding the aims of this Charter for Good Corporate Behavior and resolving to coping with the change, must take the lead in this social reform.

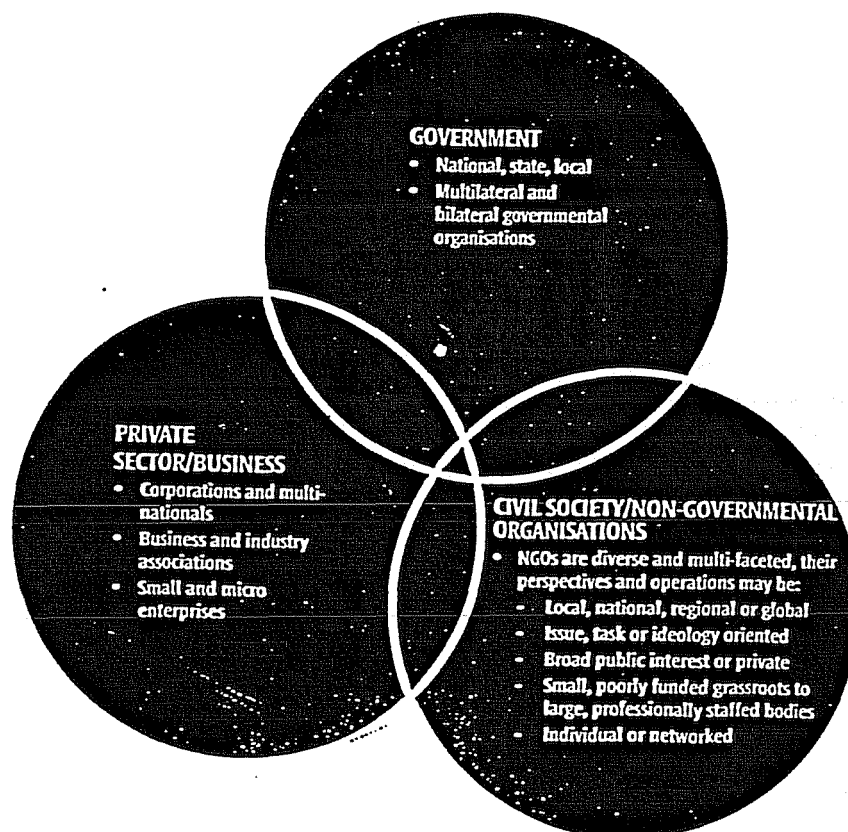
'Corporations, in addition to being economic entities engaged in the pursuit of profit through fair competition, must be useful to society as a whole. For this reason, corporations will adhere to the following ten principles; respect the letter and spirit of all laws, whether domestic or foreign, and of international rules, and behave in a society responsible manner.'

1. Corporations will develop and provide socially useful goods and services, giving full consideration to safety.
2. Corporations will engage in fair, transparent, and free competition, They will also maintain healthy and sound relations with politics and government.
3. Corporations will communicate not only with shareholders but also with society as a whole, actively and fairly disclosing corporate information.
4. Corporations recognize that coping with environmental problems is essential to corporate existence and activities and will take a voluntary and resolute approach in dealing with the tasks.
5. Corporations, as good corporate citizens, will actively undertake philanthropic activities.
6. Corporations will strive to make it possible for employees to lead relaxed and enriched lives, guaranteeing a safe and comfortable work environment and respecting employees' dignity and individuality.
7. Corporations will stand firm against antisocial forces and organizations that threaten the order and security of civil society.
8. In overseas operations, corporations will respect the cultures and customs of the hostingsociety and will manage themselves in a manner that contributes to local development.
9. Corporations' top executives, recognizing that it is up to them to make the spirit of the Charter a reality, will take the initiatives and set an example in seeing that all relevant parties are fully aware of the Charter and in bringing corporate systems into line with it, and will endeavor to cultivate corporate ethics.
10. When the Charter is violated, corporations' top executives will resolve the problem, endeavoring to clarify its causes and prevent its recurrence. They will promptly disclose all relevant information to the public, and will mete out stern punishment upon identifying authority and responsibility, not excluding themselves (Keidanren 1996d).

**Appendix 3 Table of 4 waves**

	1st Wave	2nd Wave	3rd Wave	4th wave
PURPOSE	Philanthropy	Strategic philanthropy	Community investment	Healthy business environment
MOTIVE	Morality	Long-term self-interest	Long-term/direct self-interest	Direct self-interest
STRATEGY	Ad Hoc	Systematic	Strategic	Organisational ownership
STAFF	Administrator	Manager	Entrepreneur/consultants	Ingrained at all management levels
STRUCTURE	Detached from business activities	Detached, but linked to business interests	Part of line structure	Integrated with business functions
INITIATIVE	Passive	Responsive to requests in target areas	Initiating	Integrated into daily decision-making
CONTRIBUTION	Mainly cash of goods	Cash and donations skills and cash	Business resources	Embedded in profit and growth goals
DRIVERS	Chairman's whim	Guidelines in place	Business-linked guidelines in place	Part of business strategy
SUSTAINABILITY	One-offs	Assistance on specific issues	Nurturing and capacity building of NGOs	Ongoing part of business management/goals and appraisals

Source: Nelson (1996) Business as Partners in Development, pp.66

**Appendix 4 Multi-Stakeholder Partnership**

Source: Partnership for Sustainable Development: The role of business and industry.

UNEP, Tufts University and PWBLF, 1994



## Appendix 5 The SRB ranking of Japanese corporations

		Environment	Philanthropic					compliance management		Grand Total	
		Sub total	Mécénat	openness of philanthropic activities	organization of philanthropic	volunteer holiday	philanthropic award	sub total	code of conduct		set of dept. of legal affair
1	NEC	10	3	2	1		1	7	1	1	19
2	Panasonic	9	3	2	1	1	1	8		1	18
	Honda	9	3	2	1	1	1	8		1	18
4	Toyota	8	3	2	1	1	1	8	1		17
	Tokyo Gas	8	3	2	1	1	1	8		1	17
6	Kirin Beer	10	2	2	1		1	6			16
	Sanyo	8	3	2	1	1		7		1	16
	Mitsubishi Elec.	9	2	2		1	1	6		1	16
9	Shiseido	8	2	2	1		1	6	1		15
	Kansai Denryoku	7	3	2	1	1	1	8			15
	Fujitsu	8	2	2		1	1	6		1	15
12	JT	7	2	2	1			5	1	1	14
	Sekisui	8	3	2		1		6			14
	Hitachi	8	2	2		1	1	6			14
	Osaka Gas	6	3	2		1	1	7		1	14
16	Asahi Beer	7	2	2	1		1	6			13
	Omron	6	3	2	1		1	7			13
	Okai	7	2	2	1	1	1	5		1	13
	Sony	7	2	2	1		1	6			13
	Fuji Film	8	1	2			1	4		1	13
	Daikin	7	2	2			1	5		1	13
	Matsushita Denko	9	2			1		3		1	13
	Chubu Denryoku	9		2		1		3		1	13
24	Sumitomo Metal	6	2	1	1	1		5		1	12
	Nissan	7	2	1	1			4		1	12
	Mitsubishi corp.	6	2	2	1		1	6			12
	Toyobo	7	2	2		1		5			12
	Kobe seikosho	6	2	2			1	5		1	12
	Sharp	6	1	2		1	1	5		1	12
30	Taisei	7	1	2	1			4			11
	Kubota	6	2	2	1			5			11
	Canon	6	2	1	1		1	5			11
	DNP	5	2	2	1		1	6			11

Source: Denki Soken (1999) pp.186-187

Note: (1) Environment Part is consisted of these points:

a) Obtained ISO 14001--- more than 5 branches (3 points), 2-4 branches (2 points)  
1 branch (1 point)

b) Member of Green Purchase Net---1 point

c) Openness of Environmental information

(2) Philanthropy Part:

a) Membership of related group ---2 points (only donation---1 point)

b) Information Openness---HP (1 point), related materials (+1point)

c) Award from Mécénat Conference and Asahi Foundation--- more than 3rd prize (1 point)

d) Establishment of Volunteer Holiday System (1 point)

(3) Existence of code of conduct and legal affair--- 1 point



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