GSR White Paper 2011

March 2012

NIKKEI Inc.

Japan Center for Economic Research
Global Social Responsibility (GSR) Vision Statement

GSR Research Group
March 1, 2012

In April 2009 we established the GSR Research Group to study new approaches to corporate social responsibility (CSR) in order to address pressing global issues and help build a better society. This process has confirmed the following points:

1. The world confronts a variety of global challenges, including poverty, hunger, disease, natural disasters, environmental degradation, and human rights violations. These issues have been addressed by international organizations, national governments, nongovernmental and nonprofit organizations, and private citizens, but to date these efforts have not produced satisfactory results. Businesses, therefore, are being called upon to play a bigger role in addressing these challenges by contributing their human resources, technologies, capital, and information, as well as the management capacity to carry out large-scale projects.

2. Global social responsibility (GSR) comprises CSR activities aimed at resolving these global issues. Legal compliance and risk management constitute “defensive CSR,” while donations and philanthropic activities are aspects of “goodwill CSR.” GSR, on the other hand, can be positioned as “proactive CSR.” As responsible members of the global community, companies must show sympathy for and solidarity with society in promoting GSR initiatives that contribute to sustainable development.

3. The social returns from the resolution of global challenges do not always match the economic returns for companies involved in solving them. GSR can be described as an amalgamation of effort and ingenuity that can help to reconcile such differences. Global challenges pose major threats to businesses as well, and in the long run GSR will become essential to the very survival of companies.

4. GSR activities need to be sustained to be effective, so mechanisms will have to be put in place to encourage long-term projects, rather than one-off initiatives. Also, it would be desirable to create multi-stakeholder frameworks in which companies coordinate their activities broadly with other businesses, international organizations, governments, NGOs and NPOs, and private citizens.

5. The content of GSR varies widely depending on industry, company size, and region of operation. Incorporating members of poorer communities into the value chain as workers or consumers under an inclusive business model is one approach to alleviating poverty, but there are many other GSR options. Businesses should learn from the innovative best practices of other companies, formulate their own unique initiatives that make use of their particular corporate resources, and actively disseminate and share the results with others.
GSR Research Group 2011

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Mar. 2012
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Taking GSR to a Deeper Level

Junichi Arai
Representative, GSR Research Group
Chairman, JCER

About three years have passed since the Japan Center for Economic Research (JCER) launched the Global Social Responsibility (GSR) Research Group. GSR is an attempt to find a way for companies to respond to urgent global challenges, including environmental issues, poverty, and dwindling natural resources. At the same time, it is a kind of social movement, calling on companies to make the best possible use of the human, material, financial, and technological resources at their disposal and to direct these strengths toward solving global issues.

Naturally companies cannot handle issues of global proportions on their own. Even just to propose prescriptions for dealing with them, companies must collaborate with the United Nations, the World Bank, and other international institutions; the governments of all concerned countries; and various other actors including nongovernmental organizations (NGOs) and nonprofit organizations (NPOs). However, of all the organizations involved in meeting the challenge of these global issues, it is perhaps corporations that have the greatest potential for finding solutions.

The concept of GSR is an extension of the notion of corporate social responsibility (CSR). It is a version of CSR focused on the economy’s globalization, and it may also be seen as a statement about how global corporate management should be conducted. As Japanese corporations globalized, moving beyond the framework of a single country, they came into contact with foreign cultures, and they found that practices and ways of thinking peculiar to Japan did not pass muster in some cases. They also encountered obvious variation among countries and regions in what was expected of corporate actors. It is vital for a companies to carry out business operations smoothly based on a thorough understanding of such differences.

In its three years of activity, our Global Social Responsibility Research Group has carried out a range of investigations and research on GSR, focusing on specific cases of success and failure in the field, as well as joint actions to be undertaken with groups like NPOs, NGOs, and international organizations. The Research Group also debated the nature of GSR in forums including seminars, symposiums, and international meetings. In order to inspire university students to think about corporate GSR strategies, we also twice held contests in which participants drew on the resources of two companies to come up with concrete plans to resolve pressing poverty and
environmental issues.

As a summary of the results of our research and an overview of our activities, we have produced the GSR Vision Statement included in this white paper. The five items of this statement can be described as goals for companies to pursue as they engage in GSR. The statement does not, of course, restrict the individual activities of the Research Group’s member companies in any way. The important thing is to increase the number of companies crafting strategies to climb the “lofty peak” of GSR as a guiding principle for corporate management, and we believe there are many ways to climb this mountain.

In 2011, led by Heizo Takenaka, a senior advisor to JCER, the study group is composed of a team of professors at such schools as Keio University, Harvard University, Kwansei Gakuin University, Meiji Gakuin University, Reitaku University and a group of 15 corporations. The corporate members were enlisted from the ranks of Japan’s representative businesses with good track records in global corporate management.

In addition to continuing the individual research projects it has engaged in to date, the GSR Research Group will focus on activities aimed at boosting broad recognition of the social significance of GSR practices. We will dedicate our energies to offering university courses that encourage students to consider appropriate forms of companies in a global age; to further enriching our GSR contests; to holding international symposiums on GSR with the participation of experts from overseas; and to offering a variety of seminars that give people in the corporate community a better understanding of GSR. From research to action: this phrase is our watchword as we seek to stand at the forefront of efforts to make GSR a broader, deeper part of society.
Turning the Research Group’s Concerns into a Social Movement

Heizo Takenaka
Chair, GSR Research Group
Senior Research Fellow, JCER / Professor, Keio University

The Global Social Responsibility (GSR) Research Group got its start when 15 leading Japanese corporations responded to a call from the Japan Center for Economic Research (JCER) and Nikkei Inc. for companies to think about corporate social responsibility in the global context. That was in April 2009, just three years ago.

Since then the JCER and Nikkei have organized three symposiums. On the occasion of the 13th Nikkei Global Management Forum, we hosted a session on the topic of GSR, at which wide-ranging issues were raised and discussed. In addition, on two occasions we sponsored contests called Creating Our Planet’s Future with Students, in which teams of students competed to propose the best corporate business plans for helping to resolve global-scale problems. The members of the research group have now held a total of 32 study meetings and gotten together at two study retreats. This report provides an overview of these three years of activity.

A multitude of topics are on the so-called global agenda, which consists of issues requiring global-scale solutions. Among them are problems of the global environment, poverty, terrorism, and infectious diseases. Humankind today lacks definitive solutions for these issues. For that very reason, multiple stakeholders including international organizations, governments, companies, nonprofit and nongovernmental organizations, and private individuals need to join together in efforts to resolve the problems. The corporate world in particular has a vital role to play, as it is in a position to marshal overwhelming resources.

Since the research group’s establishment, the items on the global agenda have continued to grow more serious and spread across a broader front. The world economy has encountered thorny problems that are expanding in scale, and doubts are being voiced about whether the anchors that have been holding the world in a relatively safe position, such as the Chinese economy on the economic front and the Japanese yen on the currency front, can continue to play a safe-harbor role.

Japan’s companies have made many valuable social contributions to date, but their international awareness has been less than sufficient in many cases. It is to be hoped that the raising of questions by the GSR Research Group will spark the start of a broad movement drawing in not just companies but society overall.
Theoretical Approaches
Chapter 1

Wise Capitalism and the Wise Leader

Hirotaka Takeuchi (Vice Chair, GSR Research Group)
Professor, Harvard Business School, Professor Emeritus, Hitotsubashi University

Ayano Hirose
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The World is Flat

The year 2011 will be remembered by future generations. Every resident of Japan was affected more or less by the Tohoku Earthquake and the disaster at the Fukushima Daiichi nuclear plant. We were affected physically and mentally—by the loss of ordinary lives, and by the fear of radioactive contamination. We were forced to change our attitudes and values. And were forced to reexamine what is really necessary for our daily lives. Conversely, people naturally helped each other in the course of recovery. Paradoxically, the disaster reminded us of the importance of local community networks and family ties. People around the world offered Japan tremendous help, in the form of relief supplies, donations, and volunteers. At Harvard University, Japanese students organized a “Harvard for Japan” project, providing relief to Tohoku through charity events and donations.

Furthermore, Harvard Business School launched the Japan Immersion Experience Program (IXP), the first experience-based course for credit in its 104-year history. Around 20 MBA students took a 10-day trip to the Tohoku area in January 2012, taking part in volunteer work with local NPOs and conducting interviews with Yamato Transport, Lawson, Fast Retailing, and Ishinomaki Kouwan Hospital, which all resumed daily operations soon after the 3.11 disaster to support local needs. Case studies on these companies and local activities were created as an outcome of the Japan IXP. Through such activities in the local communities, people created new knowledge and new wisdom, and forged relationships based on community and connections, in Japanese, relationships of chi-iki and chi-en (知域知縁). Social networking services like Twitter and Facebook also helped to connect people.

Turning to the global situation, we can see that the world economy is still suffering from the financial crises that began in the United States in 2008 and in Greece in 2010, forcing us to face with a vicious deflationary cycle. The United States may no longer be the center of finance, and this is leading to global financial chaos. The influence of the “Arab Spring” has influenced people in developed countries suffering from economic disparity; and the “Occupy Wall Street” movement quickly spread around the world, denouncing the greed and unethical behavior of richest “one percent.” People who felt excluded from their society or community, or felt they were being treated unfairly or unethically, raised their voices for goodness and justice. Here again, social networking services like Twitter and Facebook have played a vital role in connecting people.

It is clear from these cases that world is becoming “flat” in the twenty-first century. With the Internet and SNS, people can share information instantly, regardless of constraints of space or time. People can take actions based on the same information. At the same time, people can now find out in a
much faster and clearer the differences between themselves and others with regard to economic and social environment, cultural orientation, historical perspective, and traditional values. If people see these differences as social discrimination, they are willing to protest. In sum, while information flows flat and equal globally, people make decisions based on their local “here and now” situation and act according to their individual and particular contexts.

In Pursuit of the Global and the Local

In his 2009 book *Cosmopolitanism and the Geographies of Freedom*, David Harvey, professor emeritus at the City University of New York, points out the importance of understanding geographical differences in a flat and globalized world. The world’s politics and economics are dominated by neoliberalism and multinational capitalism, based on the approach of forcing markets open and encouraging capital investment. Confrontations between the democracy and religion of the West and other parts of the world have increased dramatically. As a consequence, we face difficulties when we try to apply universal concepts of ethics (justice, goodness, dignity), economics (privatization, market capitalism), and politics (democracy, freedom) to geographical particularities.

Harvey touches on exactly what multinational corporations (MNCs) face today. He goes on to suggest that we might overcome these issues through a dialectical approach which synthesizes the geographical particularities of space, place, and environment that constitute the core of the geographical knowledge. This suggests that MNCs must go beyond the conventional triple bottom line, consisting of economic, social, and environmental aspects, in order to match their business activities to the individual situation and particular geographical, historical, cultural, traditional, spiritual, and political values of local communities.

Barry Schwartz and Kenneth Sharpe, both professors at Swarthmore College, point out in their 2010 book, *Practical Wisdom* that only practical wisdom can resolve the contradictions we face in our daily lives. We often have contradictory emotions and wishes. For instance, we want to succeed even if it means pulling others down, but at the same time we want to do good even if it means putting aside our own interests. Practical wisdom can balance and synthesize these contradictions, and help us live healthier, wealthier, and wiser lives. Wisdom involves making judgments in our everyday lives with deliberation and emotion, and taking the right course of action. In this sense, practical wisdom may help us innovate from “super capitalism,” which involves individualistic returns on investment, to what might be called “wise capitalism,” calling for multiple returns on investment, including societal ROI.

Wise Leaders and Wise Organizations Promote GSR

The dialectical and synthesizing approach of wise capitalism is the attitude towards GSR (Global Social Responsibility) which we have identified in our research sessions. This basically involves the pursuit of societal value through core businesses. This requires leaders and organizations able to coordinate multiple relationships, and is thus premised on strong leadership and organizational capabilities.

The knowledge-based theory of management focuses on knowledge-creating activities inside and outside companies, and conducts research on companies and business leaders that built a sustainable competitive advantage through knowledge creation. The latest developments in this school of thought are
presented by Takeuchi and Ikujiro Nonaka (professor emeritus at Hitotsubashi University) in our co-authored article “The Wise Leader,” published in the May 2011 issue of *Harvard Business Review*. The article analyzes the leadership styles of nine business leaders of Japanese companies. Our intention was to showcase executives at the antithesis of the unethical business leaders in the West who fell into the temptations of fraud and greed. We also hoped to show the pride and dignity of Japanese companies and leaders to the world. For example, one of the leaders we profiled is Tadashi Yanai of Fast Retailing, who established a joint venture in Bangladesh with Grameen Bank.

The article identifies six qualities for a wise leader. These will be the same qualities necessary for leaders who pursue and promote GSR activities. Wise leaders have the practical wisdom to make the best judgments and take actions for the common good in a particular context. It is both a physical and a logical skill. Practical wisdom is a concept which builds on the concept of “phronesis” proposed by the ancient Greek philosopher Aristotle. Until recently, this concept had long been overlooked in the realm of Western management, lagging behind the ideas of Plato and Descartes in terms of influence. But it is now gaining attention, as the book *Practical Wisdom* indicates. In fact, the feedback to the article “Wise Leader” exceeded our expectations, proving the need in the management field for wise leaders.

The six qualities that we claim are necessary for a wise leader are: (1) the ability to make judgments on what constitutes goodness; (2) the ability to grasp the essence of particular situations or things; (3) the ability to create shared contexts; (4) the ability to articulate the essence; (5) the ability to exercise political power, and (6) the ability to foster phronesis in others. More details on these conditions can be found in the HBR article. Qualities (1) to (5) concern the interpersonal abilities of the leader, while (6) pertains to the organizational ability to nurture next-generation leaders. In order to pursue multiple and various returns with regard to both global and local aspects, a company or an organization cannot depend on a single leader. Leaders need to enhance their leadership capabilities and collaborate with each other; and at the same time, organizations need to nurture multiple leaders to maintain organizational diversity and sustainability so that the organization will be resilient and innovative.

**Seeking “Win” Wise Capitalism**

We believe that the companies taking part in the GSR Study Meetings and the companies pursuing GSR do have leaders and organizations with these six abilities, partly or wholly. If not, these six abilities can serve as a guideline for reviewing daily operations and human resource development. We need to do the following: Contribute to a vision aimed at the common good of local communities. Improve the daily lives of local people by sharing experiences through physical or virtual interactions. Grasp the essence behind particular situations and identify their issues or needs. Propose solutions by balancing the various values of multiple stakeholders. Utilize political power and involve politicians to make things happen. And nurture leaders who can do all these actions and accelerate innovation. Undertaking these actions and nurturing leaders will lead to shared values and collaborations among the various stakeholders, and we can expect multiple “win-win” relationships. This is the “Win” business ecosystem of co-existence and co-prosperity. We believe the direction in which we are heading through GSR is towards wise capitalism.
Chapter 2

Japan’s Entry Strategy to the Emerging Markets through Global Social Responsibility

Hideaki Takahashi (Vice Chair, GSR Research Group)
Professor, Keio University Graduate School of Media and Governance

Introduction

An old Japanese proverb claims that “Even the coldest rock will get warm if sat on for three years!” Such has certainly been the case for the Nikkei Global Social Responsibility project. The project started three years ago. The first year was spent on an overview of the global agenda and the associated issues, led by experts from international organizations. There were a lot of classical arguments as to whether the coexistence of for-profit business and the public good is possible or practical.

During the second year, the participating companies presented recent examples of their CSR activities. These activities shed some light on the practicality and limitations of doing good while making profit through business. It was easier for the practitioners to grasp the concept through induction. In Japan, the Olyset® mosquito net produced by Sumitomo Chemical has for many years been the best-known example of a business approach to global social issues. However, we were also able to see other examples from participating companies. Compared to cases in the West, Japanese cases were too few to research and extract useful guiding principles from. We therefore looked at the well-known previous research carried out by the CSR Initiative at the Harvard Kennedy School. The Inclusive Business Model used in their research is general enough to be applicable to many industries, and helped us clarify the issues and potential applications.

In the third year we were able to articulate what Global Social Responsibility means from the viewpoint of businesses. We also saw ways of aligning for-profit business activities with traditional CSR activities. In addition, we began to realize the potential of GSR as an effective strategy for Japanese companies entering emerging markets. In this article, we discuss Japanese companies’ entry strategy with regard to emerging markets, capacity development, and addressing global issues beyond poverty.

Global Social Responsibility

For most CEOs, the biggest concern is the business results of the current fiscal year, followed by the medium- to long-term sustainable growth of the business. Then corporate social responsibility follows. As a result, CSR tend to become “defensive CSR,” meaning that companies tend do little more than meeting minimum social and environmental standards. However, looking at the current progress toward the Millennium Development Goals, or various social issues stemming from income disparities in developed countries, neither of these global social issues seems solvable by the United Nations, individual countries, or NGOs alone. Leaving these issues unsolved threatens the future sustainability of businesses. A business approach to global social issues is therefore warranted here.

Initially we had a few debates as to the definition of GSR. It was harder for practitioners from
participating companies to agree on what fell within the scope of GSR, since business viability varied so much even within the same industry. However it was easier for practitioners to view GSR from the business point of view. Thus the author defined GSR as follows: “GSR is corporate social responsibility strategically positioned as business opportunity in the global society.” In other words, social responsibility is no longer a duty but a social opportunity.

In this way, CEOs’ business drive and social responsibility have aligned in the same direction. This may present a suitable entry point for Japanese companies entering emerging markets.

**Inclusive Business Model and Inclusive Business Ecosystem**

Previous research suggests that inclusive business models are an effective way to alleviate poverty, albeit one that may not be applicable to all industries and businesses. The model involves including the poor in corporate value chains as employees, entrepreneurs, suppliers, distributors, franchisees, retailers, or customers. Through this process, poor people are able to accumulate wealth and eventually lifted out of poverty, and the companies get a proper return from their business.

Project Shakti of Hindustan Lever in India and the Manual Distribution Center of Coca Cola Sabco in Africa are well-known examples of inclusive business models. After these early cases, Gradl and Jenkins of Harvard Kennedy School compiled and studied more than 170 cases. They found three types of organic ecosystems among various stakeholders in the value chain, which they named Inclusive Business Ecosystems. For example in emerging markets, an NGO may engage in establishing a logistics network or a manufacturer may provide vendor financing on a regular basis to value chain partners. They say these ecosystems are not only important for the success of the project but also essential for sustaining and scaling up the business per se.

**Japan’s Entry into Emerging Markets and Inclusive Business Ecosystems**

Over the next 30 years, the population of Japan is forecast to decrease more than 20%, while the population of emerging countries is expected to increase by more than 2 billion. For Japanese companies, entering emerging markets is therefore not a choice but a necessity for survival. In the 1980s Japanese companies snatched the lion’s share from the West through exporting of automobiles, TVs, DRAMs, etc. But the success formula of the “Japan as Number One” era no longer works in today’s emerging markets, since Korean and Chinese companies with high engineering skills are flooding the markets with low-cost products.

What, then, would be a potential entry strategy for Japanese companies? Other than a few cities like Shanghai or Beijing, most areas in emerging markets are underdeveloped in terms of social and economic infrastructures. In India, more than 60% of the population lives on farmland where social infrastructure such as roads, piped water, or supply chain networks is not well developed. This is where the opportunities exist. Of course the Japanese government could offer ODA to build roads and railways but that would take time. By the time the social infrastructures are completed, all companies would be able to access them, and there would therefore be no advantage to anyone. Japanese companies must move fast to capture the opportunity.

A company entering an emerging market, whether or not it is a purely for-profit business, faces multiple difficulties, including lack of infrastructure, underdeveloped legal systems, market...
information, finance, skilled labor, etc. These are the difficulties that a company in a developed country would seldom experience. In emerging markets it is rare to be able to select a distribution channel based upon business rationale. In many cases none exists. In such cases, one must create it from scratch as Hindustan Lever has done. No matter how great a product may be, consumers will not be able to buy it without the necessary logistics or distribution networks.

Upon entering an unfamiliar market, Japanese companies tend to enter partnerships with trading companies and/or gain support from JETRO or JICA, rather than NGOs. Since only a few Japanese companies run social businesses in emerging markets, they have few ties and little experience of cooperation with NGOs. In order to create a distribution network or capacity development in the area, NGOs are essential—especially local ones that have already established social networks in the local area. In the previous study four cases of failure due to a lack of collaboration with NGOs and development organizations are discussed. In order to avoid major failures, it is necessary to build up knowhow and social networks. In this regard it would suit Japanese companies to adopt inclusive business models or ecosystems as a framework and to start a social business in the emerging market first in order to develop the necessary relationships with multiple stakeholders. Inclusive business models have good synergy with the food and beverage, healthcare, financial, and utility industries. Additionally, inclusive business ecosystems are an “integral” model within which inter-stakeholder relationships are not transactional but rather interdependent, which is familiar to many Japanese companies.

Even so, as a general rule social businesses would have a longer payback period than for-profit businesses. In the past, Japanese management was praised for its long-term perspective, but not anymore. Not many Japanese companies are able to finance a global-scale social business on their own. In this respect they will need to tap not only Japanese development agencies but also overseas agencies such as USAID, IFC, etc. This will require new skills development on the part of Japanese companies. These agencies can also serve as bridges in building relationships with appropriate NGOs in the target areas.

Even assuming that funds from donors, know-how and social networks are available in emerging markets, business executives will not readily give the go-ahead for starting a social business. In conventional business management, there are well-known and common performance measures and managers are trained to handle fluctuations. Social businesses, on the other hand, are not only long-term and high-risk but in many cases it is also difficult to measure progress. Social businesses usually carry multifaceted indicators and many are qualitative only. Yet in order to fulfill GSR, which is a business opportunity, one must measure the social impact in addition to the business results and report them back to the business executives. In order to enhance its credibility, third-party assessment is recommended.

**Capacity Development**

Whether businesses or NGOs or government agencies, and whether in emerging countries or developed countries, in the end it all comes down to people. People determine the success or failure of a business or project. No matter how perfectly drawn up a strategy may be, without capable people nothing can happen. We need people who can manage and overcome unexpected issues. This requires strong leadership.

Many Japanese companies nowadays make earnest efforts to develop and hire global human
resources. Some CEOs seem to think that such global resources are Japanese who speak fluent English. Hopefully this is a rare case. Global business is carried out by many nationalities in many local areas around the world. There is no question about the importance of some degree of fluency in English. However, I think it essential that global human resources possess the following skill set: (1) The ability to conduct business independently in an unfamiliar and diverse environment, (2) Being adaptable and thinking outside the box, (3) Being able to develop social capital rapidly.

There are not many training courses that develop such a skill set. I ran across one called the GIFT Young Leaders Programme and volunteered to participate in the program as a mentor. Over the course of the two-week program, participants gain the experience of designing a business and formulating a plan to solve real-life social issues in rural Asia. At the end of the session, the plan is presented to social investors and NGOs alike. The participants saw a remote corner of the world and experienced a multi-stakeholder relationship first-hand. We need many more courses like this to become available soon.

From BOP (Base of the Pyramid) to GSR

The definition of GSR presented in this paper is similar to BOP as defined by Prahalad and Hart, who were the first to recognize BOP as a business opportunity. However, GSR does not only address poverty alleviation but also serious social issues in developed countries such as malnutrition, along with other global issues like global warming and biodiversity. As such, the business opportunities addressed by GSR are far larger than BOP. The issues are also more complex, involving many powerful stakeholders. In order to promote GSR further and address these issues, we must extend inclusive business ecosystems and possibly develop new models as a business framework.

For those social issues involving powerful stakeholders such as global corporations, it will be difficult to attract their cooperation without the promise of commensurately high-value returns. In the area of energy issues, Japanese companies have used their unique technology to create innovations that are still few in number but high in value. They address GSR opportunities that go beyond poverty alleviation. In order to promote GSR globally and address a wider variety of global social issues, there is an urgent need to create a center of expertise in Japan like the CSR Initiative at the Harvard Kennedy School, and accelerate research and development on GSR.

1 http://www.nikkei.co.jp/gsr/global/index.html
Chapter 3

Toward the Further Development of GSR Research

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Professor, Kwansei Gakuin University

Introduction

It would be impossible to discuss GSR research during fiscal 2011 without referring to the Great East Japan Earthquake of March 11. This disaster on an unprecedented scale raised new questions about the global social responsibilities of private companies. The interruption of corporate supply chains had repercussions for the global economy, and the nuclear accident that followed has the potential to alter the policies of other countries with nuclear power plants. Rebuilding areas devastated by the earthquake and tsunami and bringing the nuclear accident under control have come to be seen as the responsibility not only of the government but also of businesses.

The March 2011 disaster reminded people in Japan of their close global links and the importance of social contributions. It is hardly surprising that the GSR Research Group spent a great deal of time exploring reconstruction-related issues during its final year of research.

This paper reaffirms the significance of the three-year research on GSR, summarizes the group’s major findings, and suggests some issues to be tackled in the future.

Significance of GSR Research

Some will regard the evolution of corporate social responsibility (CSR) into global social responsibility (GSR) as a natural outgrowth of globalization, as many multinational companies have become fully aware of their responsibilities on a global scale.

Members of the research group believe that solving global problems requires corporate resources, such as technology and the ability to implement sustained operations, and that action should be taken to communicate this fact more broadly. This movement to fully utilize corporate resources, moreover, should be expanded to include many more companies, not just the most progressive ones.

In this sense, GSR can be characterized as an attempt to raise corporate awareness; it is an experiment to instill new values into businesspeople and other stakeholders regardless of company size or industry.

GSR also represents an attempt by companies to return to their origins. Japanese companies contributed actively to society from early on. In fact, many founders launched their companies with precisely this aim. This includes companies that are now members of the GSR Research Group. For example, Itochu Corp. founder Chubei Ito based his management ideas on the traditional Omi merchant’s creed that commerce should benefit not just the seller and buyer but also society as a whole (GSR White Paper 2009).

Through the 1980s and early 1990s, financial capitalism swept the world, and many companies appeared to drift away from their core principles. For many companies, profit turned into an
end in itself, rather than a means. Companies directed all their efforts at maximizing profit. GSR is an attempt to reverse this trend.

GSR thus raises important questions about the role of companies and capitalism. It is a movement that looks for a new approach while keeping sight of how companies started out.

In his *Building Social Business*, Nobel Peace Prize laureate Muhammad Yunus notes that it is a natural human instinct to run a business in a way that will benefit others. What is needed, he emphasizes, is to shake off the idea of “profits first” that has been planted by faulty economic theory. This is an idea that has much in common with GSR.

The March 2011 disaster prompted many Japanese companies to embrace social and unselfish motives more strongly. There is also increasing awareness that recovering from the calamity is a global responsibility; this, in turn, has led to heightened interest in other global issues.

The “R” in GSR stands for “responsibility,” but this should not be interpreted as a “duty.” It is not something that we do unwillingly; rather, it points to an impetus for action through which our lives will become sustainable.

**Future Issues**

Over the past three years, the activities of the GSR Research Group have deepened our own awareness of GSR-related issues, and we have sought to communicate this concept more broadly. However, much more must be done before GSR becomes a household word. We are still in the early stages of research, and much remains to be done. Future issues are clear.

First, GSR research must lead to action. It should not become an end in itself. It must have an impact on society, and for this a strategy is needed. Much remains to be learned from the approaches employed by Ashoka, one of the world’s largest nonprofit organizations, which has been cooperating with our research. Social entrepreneurs around the world have become Ashoka fellows, helping the company undertake reforms at the local and national levels. The networking of fellows has further enhanced their global impact.

Henceforth, member organizations of the GSR Research Group should serve as centers of GSR initiatives along with universities in order to spread GSR ideas throughout industry and the community. “Creating Our Planet’s Future with Students,” a GSR contest for university students in which students were asked to come up with specific GSR proposals involving participating companies, has been held twice. Consideration should be given to conducting similar contests in other parts of the country.

Second, in order to establish and develop GSR, it will be necessary to target a wider range of issues from a long-term perspective. This implies bringing about social change. Indeed, substantial results will be impossible without a full commitment to social change.

Of particular importance is the development of the next generation of GSR leaders. The importance of education cannot be overemphasized. Conventional approaches are not adequate to producing the kind of human resources needed to confront the new challenges before us. Muhammad Yunus emphasizes the importance of education that encourages the overturning of stereotypes.

GSR must be promoted at universities. A GSR study group launched in December 2009 in the School of Policy Studies at Kwansei Gakuin University, where I teach, has been quite active. In addition, there are plans to establish a Global Policy Institute at the university, whose activities will include
conducting research into GSR.

Education should be promoted from the primary level as well. As Ashoka CEO Bill Drayton has argued, the key question is whether a person is sensitive to the pain of others. Without this sensitivity, the idea of contributing to a global society would never occur. Being able to feel the pain of others is fundamental to GSR. Societies—both global and local—in which pain is widely shared, are able to solve many problems. Drayton notes that it is not enough to “understand” the pain; only when it is “felt” will action to alleviate such pain naturally follow. The “Youth Venture” initiatives targeted at teenagers, are a natural direction for his work to take, as they help familiarize youths with global and social issues. It is no exaggeration to say that a country’s fate depends on the success of such educational initiatives.

Third, we need new ideas that go beyond theories of responsibility and social contribution. As mentioned above, “responsibility” means something more proactive than a mere sense of duty. Making our life on this planet more pleasant is neither a responsibility nor a duty; it is an innate desire within all of us. What is needed is to take the initiative to seek those changes that we feel will improve society. I would thus propose a new concept, perhaps to be called GSA or Global Social Action, to turn GSR ideas into reality.

**Conclusion**

GSR is not something that is undertaken by just a handful of companies or leading members of society; it is an idea that needs to be shared with the broader corporate community. The members of the GSR Research Group will continue their efforts toward this end from their respective positions.

Finally, I would like to add that the March 2011 tragedy demonstrated the close social nature of the Japanese people. The word *kizuna* (bond) that was frequently heard in the wake of the disaster is a symbol of this basic sense of community. I am confident that the process of recovery and reconstruction will serve as a model for the resolution of the many social problems confronting the world today.
Chapter 4

The Concept of Global Social Responsibility and Fundamental Business Ethics

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Recent Developments in Corporate Social Responsibilities

I would like to introduce several features of the theory of corporate social responsibility at the turn of the twenty-first century, and to discuss these features from the perspective of normative ethics.

The primary characteristic of developments in recent years has been the geographical and spatial expansion of responsibility brought about by the globalization of business operations. Globalization describes a situation in which people, goods, money, information, technology, and other management resources are distributed on a global scale. Globalization in the late twentieth century and early twenty-first century has enabled cross-border exchanges of unprecedented scale, volume, and speed, making them completely different from exchanges of the past. This process gave rise to a need to address responsibilities for people living in distant lands with whom one had no previous contact. The concept of responsibility had hitherto applied to people and communities with whom one had direct ties, and few contemplated responsibilities for people living on the other side of the planet.

The second characteristic, which is related to the first, is the globalization of information brought about by the spread of the Internet. Information technology has evolved dramatically since the 1990s, and there has been a dramatic jump in the amount, quality, variety, and accessibility of information—text, voice, and video—available immediately, easily, and bidirectionally from around the world. There is no question that this has transformed our lives. It has also created concepts of information ethics and responsibility for dissemination. Furthermore, it has raised new issues regarding the reliability of information, privacy, and the digital divide.

The third characteristic is that we have become more clearly aware of responsibilities for nonhumans. This is an idea that emerged in the 1970s when the Club of Rome warned of a crisis in human ecology. Although errors were later found in the group’s model, it represented the first computer-simulated analysis of human responsibilities for environmental degradation.

This subsequently gave birth to the fourth characteristic—the concept of responsibility toward future generations through notions like sustainability and sustainable development intended to maintain a healthy natural environment for those who will come after us. Whereas the first characteristic extends the concept of responsibility to distant people in spatial terms, this calls for responsible action toward people in the future who do not even exist yet.

Responsibility in the twenty-first century is thus characterized by spatial and temporal perspectives that are incomparably larger than previous concepts. This can be regarded as a “globalistic” worldview in which micro-level factors within a macro framework are organically linked in a single, massive Earth system. In the long history of humankind, it is only in the past half century that we have
come to confront global responsibilities of such scope and scale.

**Changing Consequentialism**

How should global responsibilities be considered from the standpoint of normative ethics? There is a tradition in Western ethics of consequentialism, supported by mainly US and British scholars. The two basic currents of consequentialism are ethical egoism, which seeks the greatest happiness for oneself, and utilitarianism, which aims to maximize happiness for the greatest number. These two currents have been implicitly assumed in traditional business management and economics.

From the standpoint of ethical egoism, responsibility toward others is justified only when it contributes in some way to self-interest. Ethical egoism is the underlying concept behind so-called strategic CSR, which management scholars have been advocating in recent years. In this view, CSR is justified as long as it benefits oneself, one’s company, or one’s country. Socially responsible investment and businesses targeting the base of the pyramid (BOP) market are also, fundamentally, an outgrowth of this ethical orientation.

Indeed, strategic thinking in itself can be regarded as being premised on ethical egoism; it is an orientation, though, that is fast becoming obsolete. As mentioned above, global responsibility entails adopting a bird's-eye perspective of our planet, requiring not only companies but others to adopt a view transcending narrow self-interest. If business administration is seen as a study aimed at maximizing corporate profits or the returns of shareholders—who are the company’s owners—then, as Milton Friedman notes, CSR and GSR are unnecessary. In that sense, both strategic CSR and GSR are positions that are fundamentally self-contradictory. Reconciling these two positions would require either altering the basic premises of CSR or those governing business administration.

I personally find that for private-sector companies to focus on GSR is a positive development, for it compels them to pursue not only their own interests but activities in keeping with the public interest—that is, the community of various stakeholders. Business administration is essentially an opportunistic discipline and is untroubled by incorporating fundamentally contradictory values; if the promotion of CSR and GSR activities leads to enhancing its contribution to society, these concepts would surely be welcomed.

Utilitarianism, a fundamental principle of ethics that seeks the greatest happiness for the greatest number of people, is also being forced to undergo a fundamental change in the face of emerging global responsibilities. For the first generation of utilitarian thinkers, such as John Stuart Mill and Jeremy Bentham, the "greatest number" meant their British compatriots, or at most their European neighbors. A domain covering everything on Earth would have been unfathomable to them. In the global context, moreover, the "greatest happiness" can have different meanings to different people, and it is impossible for culturally and religiously defined notions of happiness to be objectively measured or even to be shared by all. In the global context, therefore, "the greatest number" and "greatest happiness" become almost meaningless concepts.

**Confusion over Principles**

Another current in normative ethics consists of the deontology of Immanuel Kant and the theory of justice advanced by John Rawls. This is concerned with offering the normative values that
contribute to determining the a priori frameworks that provide the foundation for the rules and mechanisms governing how management operates, global standards, and other norms, as opposed to consequentialism, which weighs empirical advantages and disadvantages derived from experience. The decisions regarding such standards have been swayed, until now, by one’s view—either pro or con—of US leadership in this field, which has tended to shape one’s assessment of the existing norms and future expectations. This “hegemony” has crumbled in recent years, however, leading to the diversification of (or rather confusion over) the organizing principles. No longer are people certain of once-unquestioned basic principles, such as freedom and democracy, respect for human rights, and social welfare. The turn of the century has prompted various international organizations, including the United Nations, to present codes of conduct for companies to follow. Representative among them are the UN Global Compact and ISO 26000. Others include Social Accountability 8000 for human rights, the Principles for Responsible Management Education, and the Principles for Responsible Investment. All of these declarations are still at the stage of trial and error, however, and lack legal force, and some time will be required before any emerges as the definitive standard. One reason for this is that no international institution exists to oversee this issue; however, an even bigger factor has been a lack of consensus on the principles of global governance. While a number of key principles—such as sustainable development, peace, and coexistence—have been proposed, there is no bigger idea that can tie them all together. One potential idea is the concept of global responsibility, but it is as yet not fully developed, even in our research group meetings.

**Global Communitarianism**

The aim of this essay is not to make an overreaching—and probably unnecessary—attempt to draw any conclusions. But given that our research group has been debating this issue for three years, it would be useful to come up with a general direction. Many valuable hints have been offered, and I would like to conclude with a summary of some of the suggestions made.

The notion of global corporate responsibility will remain elusive without a firm sense of global community. Many people living in modern cities do not even have a sense of belonging to their local communities, but this does not mean that communities and the social environment no longer exist. “Global community” is a concept that only a handful of people can strongly relate to at this point; it has yet to be shared by a majority of people. Social networking services and other advances in IT have made the building of new types of communities possible. These remain underdeveloped and, perhaps because I come from an older generation, I have my doubts about whether a strong sense of responsibility or responsible actions will emerge from virtual communities of this kind.

I am nonetheless hopeful that the next generation of young people will come to share a sense of belonging to a global community. The key to creating this sense of membership and sharing it widely—not just through online networks but in physical reality—lies in promoting exchange. If future generations acquire a true sense of belonging, then new norms and principles of organization, including a new sense of responsibility, should emerge quite naturally. It is the role of the older generation to provide opportunities for such exchange. Universities and other educational institutions will take the lead in providing such opportunities, but companies, as promoters of human resources development, also have a major role to play.
Global social responsibility involves resolving global challenges and achieving positive social change through regular business operations. In this sense, corporate responses to the Great East Japan Earthquake of March 11, 2011, can be seen as an important test of the concept’s viability. Following the Great Hanshin Earthquake, people from across the country flocked to Kobe to offer assistance, and 1995 become known as “Year One of Volunteerism” in Japan. The year 2011 will no doubt be remembered as the first time that government, business, and civil society came together to coordinate their relief efforts under a common platform. In addition to the efforts by the Self-Defense Forces and nongovernmental organizations, many businesses made major contributions to the recovery and reconstruction of affected areas through corporate social responsibility activities. In many respects, these activities have helped to reinforce the concept of GSR.

In the business world, Keidanren’s strong leadership moved many companies to action (Figure 1). In addition to the monetary donations and provision of relief supplies that often follow major tragedies, many new, company-wide CSR initiatives were taken. Corporate employees volunteered their time, farm and other products from affected areas were actively marketed, and produce from such areas was served in corporate cafeterias. Some ICT companies offered computer-related support, which represents a form of GSR, as socially responsible activities were provided as part of these companies’ regular business operations.

**Table 1. Examples of Keidanren’s Leadership**

<table>
<thead>
<tr>
<th>Type of cooperation</th>
<th>Support provided</th>
<th>Summary of activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donation</td>
<td>¥100 billion</td>
<td>Establishment of Great East Japan Earthquake Taskforce and call for donations</td>
</tr>
<tr>
<td>Relief supplies</td>
<td>Relief Supplies Hotline</td>
<td>300 tons of supplies (drinking water, food, daily items, etc.) delivered to evacuees with the support of the SDF, Yusen, and ANA</td>
</tr>
<tr>
<td></td>
<td>Provision of equipment and personnel for local volunteer center</td>
<td>Construction materials for prefabricated homes, automobiles (lease), bicycles, IT equipment</td>
</tr>
<tr>
<td></td>
<td>“Uru-uru Pack” project</td>
<td>School supplies, cosmetics</td>
</tr>
<tr>
<td>Volunteers</td>
<td>Corporate employees</td>
<td>2,100 employees of 49 companies volunteered for three days</td>
</tr>
<tr>
<td></td>
<td>ICT support</td>
<td>1,475 PCs donated by 8 groups</td>
</tr>
<tr>
<td></td>
<td>Stuffing of Uru-uru Packs</td>
<td>530 employees at 80 companies in Tokyo and Nagoya</td>
</tr>
<tr>
<td>Farm products</td>
<td>Corporate-sponsored market</td>
<td>Sale of produce from affected areas by 24 companies</td>
</tr>
<tr>
<td></td>
<td>Worker cafeteria</td>
<td>Use of produce from affected areas in worker cafeterias at 18 companies</td>
</tr>
</tbody>
</table>

Source: Prepared by the author.
**GSR of the Future**

Figure 2 summarizes the business-related support provided by various companies. Nissin’s initiatives may serve as a model for future GSR activities; the company not only donated its own food products but also dispatched mobile kitchens, funded with employee donations. Notable examples of companies that contributed their expertise include Softbank Mobile’s electronic bulletin board service for disaster-related information and Yamato Transport’s assistance with the delivery of relief supplies. Panasonic’s solar lanterns and Toshiba’s photovoltaic power generation systems hint at GSR activities of the future.

<table>
<thead>
<tr>
<th>Company</th>
<th>Support provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nissin Food Products</td>
<td>1 million servings of instant ramen, plus additional 1 million servings financed with employee donations; dispatch of mobile kitchens with hot-water supply</td>
</tr>
<tr>
<td>UniCharm</td>
<td>170,000 disposable diapers and sanitary supplies, the need for which is often overlooked</td>
</tr>
<tr>
<td>Nitori</td>
<td>Bedding, sheets, and blankets worth ¥600 million and donations of ¥1.2 billion</td>
</tr>
<tr>
<td>Panasonic</td>
<td>10,000 radios, 4,000 solar lanterns, setting up of Life Innovation Container fitted with solar panels and batteries in Minamisanriku</td>
</tr>
<tr>
<td>Toshiba</td>
<td>Photovoltaic power generation system for temporary housing and energy-saving electric appliances for 100 households</td>
</tr>
<tr>
<td>Komatsu</td>
<td>Construction equipment, forklifts, temporary housing, power generators, maintenance services</td>
</tr>
<tr>
<td>Yamato Transport</td>
<td>Squads to deliver relief supplies consisting of 200 two-ton trucks and 400 to 500 workers</td>
</tr>
<tr>
<td>All Nippon Airways</td>
<td>Free transport of relief supplies</td>
</tr>
<tr>
<td>Softbank Mobile</td>
<td>Free use of wireless LAN networks, disaster-related electronic bulletin boards, free rentals of cellphones</td>
</tr>
</tbody>
</table>

Source: Prepared by the author.

While corporate donations are nothing new, the scale of such assistance reached unprecedented levels, as noted above. Donations to the Japanese Red Cross totaled ¥342.5 billion (as of December 2011), nearly twice the amount given after the 1995 quake in Kobe. Mitsubishi Corp. president Ken Kobayashi announced the establishment of a ¥10 billion assistance fund as an example of shoki hoko—one of the company’s Three Corporate Principles for CSR that strives to enrich society both materially and spiritually—while Softbank president Masayoshi Son made a personal donation of ¥10 billion.

A donation “boom” occurred. Ichiro Suzuki of the Seattle Mariners donated ¥100 million, pop idol group AKB 48 gave ¥500 million, and Korean actor Bae Yong-joon donated ¥73 million. While donations are a form of income appropriation and are not, strictly speaking, GSR, their position from a GSR standpoint merits study on account of their broad public influence.

**Closer Collaboration with NGOs**

A number of international cooperation NGOs with a strong track record in overseas refugee assistance and post-disaster relief were, for the first time, active in a domestic emergency. Collaboration between such NGOs and businesses is also an important facet of GSR. Figure 3 shows the types of
collaboration undertaken with NGOs belonging to the Japan Platform, a leading system of emergency humanitarian assistance developed in Japan. Companies publicized the kind of products on offer, while NGOs provided a list of the goods needed in stricken areas. This was the first ever such attempt to match needs with available supplies, and it represents a deepening of business-NGO cooperation.

With the exception of Kinki Nippon Tourist’s arrangement of accommodations and tickets, though, the assistance offered did not go much beyond traditional relief supplies. Rather than providing supplies unilaterally, businesses should incorporate GSR perspectives and work with NGOs as equal partners in joint projects. For example, the disaster-relief agency Civic Force collaborated with Oshima Kisen in Kesennuma, Miyagi Prefecture, providing ships to carry Oshima’s island residents—stranded when ferries were washed away by the tsunami—to and from the mainland. And Fuji Xerox employees used their “volunteer leave” to help remove debris in Oshima. This represents one model for future business-NGO collaboration.

### Figure 3. Cooperation with Japan Platform

<table>
<thead>
<tr>
<th>NGO</th>
<th>Company</th>
<th>Areas of cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICA</td>
<td>Kao, Shiseido</td>
<td>Hand gel, soap</td>
</tr>
<tr>
<td>SVA</td>
<td>Ryohin Keikaku</td>
<td>Blankets, bath towels</td>
</tr>
<tr>
<td>NICCO</td>
<td>Fuji Heavy Industries</td>
<td>Power generators</td>
</tr>
<tr>
<td>AAR, WVJ</td>
<td>Nisshinbo Holdings</td>
<td>Toilet paper</td>
</tr>
<tr>
<td>CCP, SVA</td>
<td>Fujifilm</td>
<td>Masks</td>
</tr>
<tr>
<td>JPF</td>
<td>Toyota Industries</td>
<td>Forklifts</td>
</tr>
<tr>
<td>Five NGOs</td>
<td>Kinki Nippon Tourist</td>
<td>Arrangement of accommodations and tickets</td>
</tr>
<tr>
<td>AAR</td>
<td>Japan Airlines</td>
<td>Batteries, flashlights</td>
</tr>
<tr>
<td>ICA</td>
<td>Daikin Industries</td>
<td>Air purifiers</td>
</tr>
</tbody>
</table>

Note: Other forms of cooperation: Provision of vehicles, folding desks, chairs, notebook PCs, music software, sanitary products, copying machines, electrical appliances, solar panels, heaters
(1) 993 types of products were provided to Japan Platform by 159 companies
(2) 22 NGOs provided information on local needs
(3) 216 business-NGO links were formed

Source: Prepared by the author.

Figure 4 shows examples of cause-related marketing that are closely linked to the businesses of the aid-offering companies. Such activities are often criticized as being aimed simply to increase sales, but Felissimo’s “wood bells” have strong social-contribution implications. Volunteer tour packages offered by H.I.S. and convenience stores opened by FamilyMart adjacent to temporary housing can be regarded as GSR-induced business initiatives.
Figure 4. Business-related Assistance

<table>
<thead>
<tr>
<th>Company</th>
<th>Contributions to disaster-stricken areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gunze</td>
<td>¥1 donation to Ashinaga scholarship foundation for each piece of underclothing sold, total of ¥10 million donated</td>
</tr>
<tr>
<td>Felissimo</td>
<td>Production of “wood bells” using timber from forests in Tohoku, with part of the proceeds donated to disaster relief</td>
</tr>
<tr>
<td>Manulife Life Insurance</td>
<td>¥200 donation to disaster-stricken areas for each new insurance policy, total of ¥9.59 million donated</td>
</tr>
<tr>
<td>Kirin Brewery</td>
<td>¥1 donation for each can of “Japan National Team” Tanrei alcoholic beverage sold, total of ¥550 million donated</td>
</tr>
<tr>
<td>Kyodo Milk Industry</td>
<td>Proceeds from sales of Home Run Bar ice cream donated to purchase baseball equipment for disaster-stricken areas</td>
</tr>
<tr>
<td>American Express</td>
<td>$1 donation to an NPO for each reconstruction message submitted from around the world to Facebook page</td>
</tr>
<tr>
<td>Adidas Japan</td>
<td>Donation of all proceeds from sale of 10,000 replica jerseys of the Japanese national soccer team</td>
</tr>
<tr>
<td>H.I.S.</td>
<td>Weekend tour packages for volunteers to help with Tohoku’s reconstruction</td>
</tr>
<tr>
<td>Nomura Securities</td>
<td>Donation of half of commission fees on transactions of new investment fund for the reconstruction of East Japan, total of ¥100 million donated</td>
</tr>
<tr>
<td>FamilyMart</td>
<td>Opening of a convenience store for temporary housing residents in the town of Kawamata, Fukushima Prefecture</td>
</tr>
</tbody>
</table>

Source: Prepared by the author.

Investment-based Reconstruction

GSR is not just a big-company concern; ideally it should be undertaken regardless of company size. In this sense, the activities of social businesses and social entrepreneurs deserve special mention. Examples of initiatives by smaller companies include (1) a restaurant’s addition of Tohoku-grown soybeans on its menu as “reconstruction edamame” (boiled green soybeans), (2) an apparel maker’s launch of the “Tohoku Cotton Project,” under which it plants cotton in salt-damaged rice fields and markets a new line of clothing, with part of the proceeds being channeled into reconstruction, and (3) a nonprofit organization’s efforts to enlist the services of a local taxi company to start a taxi-sharing scheme for evacuees, many of whom were left without a means to shop for necessities. Companies have come up with many innovative approaches to address problems on the ground.

The disaster areas are now out of the emergency phase and are at the stage of reconstruction. Important factors hereafter will include continuity, local ownership, and injections of new funds. Japan Platform has identified three priority areas, namely (1) community assistance, such as the construction of temporary housing, (2) safety nets for elderly persons and people with disabilities, and (3) livelihood assistance for affected companies, farms, and fisheries. Some of the donations collected have been pooled into a “Living Together Fund” to support the activities of local NPOs, but further innovations are needed to fully utilize local resources.

The injection of reconstruction funds should be premised on inviting investment, rather than assistance. The stage of eliciting donations and providing material relief is now over. What will be needed henceforth is the revival of local industries. Civic Force is launching a ¥500 million investment fund for the Tohoku area, to be used to support traditional handicraft industries—such as inkstone making in Ogatsu (in the city of Ishinomaki, Miyagi Prefecture)—that are without successors, as well as smaller
shipbuilding firms operated by local leaders. Financial assistance will be in the form of private placement bonds and equity investments, rather than loans. This is a new and noteworthy development.

Another interesting project is being advanced in the city of Rikuzentakata in Iwate Prefecture based on concepts advanced by environmental activist and localization pioneer Helena Norberg-Hodge. Born of a meeting between local business leaders—such as the president of a driving school and owners of long-established shops—and a network of social businesses in Tokyo, including environmental company Amita Holdings, the project envisions the launching of such attractive ventures as a biomass power generation system, eco-agriculture farms, car sharing arrangements, recycling station, and a fair-trade center. It will be interesting to see how far local governments will cooperate with this scheme.

The following issues and conclusions may be gleaned based on an analysis of the above from the perspective of GSR.

1. While the March 2011 disaster was centered on the Pacific coast of northern Japan, it has many points in common with natural disasters around the world, and the assistance offered in its wake offers valuable lessons for eventualities in other countries.
2. Administrative functions remained underutilized, but a unified response is crucial to strengthening collaboration among businesses, NGOs, and NPOs.
3. Japan’s civil society, consisting largely of NGOs and NPOs, is still maturing. Reinforcing their presence can enhance the impact of GSR activities.
4. Social businesses have proven to be effective, and they can help nurture a market targeting the bottom of the pyramid (BOP). This, in the future, can contribute to poverty reduction in developing countries.
A GSR Revolution in 2012

Takeshi Miyamoto (Vice Chair, GSR Research Group)
Secretary General, Global Compact Japan Network

Three years have elapsed since GSR Study Meetings among scholars and corporate representatives were launched in April 2009 by the Japan Center for Economic Research and Nikkei Inc. I have been a corporate participant since the second year and served as a Vice Chair in the third year, by which time I had also become a secretary general of the Global Compact Japan Network (GC-JN).

I initially thought that the purpose of the study meetings was to find ways for companies to address global issues through their CSR (corporate social responsibility) activities. At the time I was in charge of a division responsible for my company’s CSR program, and thinking about CSR was part of my job. In examining GSR issues, my first thought therefore tended to be: How could I persuade senior management—and in particular the core business leaders—of the need for the company to address global social issues? I remember that I started by looking for benefits to the company and relevance to the company’s core businesses. In terms of promoting GSR was concerned, I believed that my role was to help management identify areas of our business that were relevant to GSR and objectively demonstrate the benefits to the company of closer involvement. I believe such sentiments were generally shared by people in similar roles at other companies.

Impact of the March 2011 Disaster

I became secretary general of the GC-JN in January 2011, just two months prior to the Great East Japan Earthquake. For me as for many others, the disaster was an eye-opening experience that exposed the mistaken nature of my previous preconceptions.

Prior to March 2011 the prevailing feeling in Japan’s business community was that our chief concern should be to maximize profits, as propounded by neoclassical economists. Another way of putting it would be to say that any altruistic action represented a breach of trust to the shareholders. This feeling intensified after the collapse of Lehman Brothers, but the March 2011 disaster changed all that. Thousands of lives were lost in the earthquake and tsunami; people lost their loved ones, friends, homes, and hometowns. The people of Japan—not just those directly affected—found themselves reexamining their priorities in life. Words like “prayer” and “ties” were heard much more frequently after the disaster.

There was a perceptible shift in people’s attitudes to religion. Relatively speaking, people in Japan have been reluctant to believe in things that cannot be seen or measured. With memories still fresh of terrorist attacks perpetrated by a religious cult, religious faith as a whole came to be regarded as a kind of taboo. At one point, only about 30% of the Japanese population professed any faith, something that would probably be unthinkable in many countries. Since the earthquake, however, one hears more often of people seeking solace in religion.

Management perspectives also underwent a transformation. The earthquake and tsunami
damaged not only companies’ own facilities but also those of business partners in the supply chain. Frantic efforts were made to keep businesses going in the face of the devastation. But at the same time, businesspeople became genuinely concerned about the safety of their customers, employees, and partners. People were united by the determination to rebuild. This shift in thinking among managers was perhaps more pronounced the closer they were to the areas affected by the disaster.

These changes were reflected in the increase in charitable donations and volunteers. In the past, people in Japan had been somewhat ambivalent about money. On the one hand, they were eager to earn more, respecting money as the only absolute and objective evaluation index available. On the other hand, they felt a twinge of guilt for being “greedy” or for offering only monetary donations to people in need. These attitudes, too, changed dramatically in the wake of the disaster.

The Role of Stakeholders

Even now, at the start of a new year, many issues relating to the survivors and affected areas remain unresolved. Japan, though, is not the only country facing a mountain of social problems. There is an endless list of issues confronting many regions and countries. These include human rights violations, ethnic conflict, and hunger and poverty induced by climate change.

The time is at hand for Japanese businesses to free themselves completely from the stranglehold of neo-classical economics by sustaining the changes that have occurred in their thinking. Companies should openly pursue their social responsibilities as corporate citizens and members of society and proactively contribute to resolving the issues confronting society. There is no need to stop to think first about the benefits to the company or to find a connection with core business operations. And of course there is no reason to feel guilty about making monetary donations. There are signs that this new thinking is gaining ground.

Pressure and support from various stakeholders will be indispensible in order to encourage this shift and prevent a reversion to previous ways of thinking. Publicly traded companies typically imagine that their highest-priority stakeholders are the company’s shareholders. This becomes clear when large corporate budgets for investor relations are compared with the comparatively meager amounts spent on CSR. The growing emphasis on socially responsible investment (SRI) is certainly an encouraging trend that contributes to changing corporate behavior, but this alone is not enough. Individual investors who entrust their financial assets to mutual funds and other institutional investors must also awaken to the need for responsible action. Approaches to foreign institutional investors will also be necessary, through partnerships with citizen investors in the United States and Europe.

Incidentally, since 2006 the United Nations Global Compact has been working with the Finance Initiative of the United Nations Environment Program (UNEP FI) on a program called Principles for Responsible Investment, which promotes investment by institutional investors in companies that are actively addressing environmental, social, and governance (ESG) issues. As of July 31, 2011, some 920 institutional investors around the world with total assets of more than $30 trillion had signed on to the PRI.

Besides shareholders, another important stakeholder for businesses is the customer. In B2C transactions aimed directly at the consumer, customers are private individuals. But even in B2B arrangements, individuals are the ultimate end users. This means that individuals must awaken to the
need for social responsibility. A virtuous circle in which wise consumers nurture wise companies, and wise companies nurture wise consumers, should help promote the healthy and sustainable development of society.

Under the influence of the pattern of mass production and mass consumption, for example, many people in Japan turned their backs on the traditional virtues of frugality and thrift, treating things with care and repairing them when necessary, that were second nature to previous generations. Companies today launch new models one after another, and it is often cheaper to buy a new model than repair an old one. This pattern has resulted in higher emissions of greenhouse gases, has depleted energy and other resources, and led to the escalation of global-scale issues. Only if individual consumers adopt a more enlightened approach will this trend be brought to a halt.

Another key group of stakeholders for companies is employees and their families, who have a direct bearing on the reality of business activities. They must take it upon themselves to act to promote human rights, improve working conditions, protect the environment, and fight corruption, working with other stakeholders to support sustainable corporate reforms.

**Global Leadership**

Last year, a pro-democracy movement centered on younger people swept through the Arab world, leading to the toppling of decades-old dictatorships in several countries. These events demonstrated how an awareness of the need for change on an individual level, helped by the latest information and communication technology, can coalesce into a very powerful movement.

In June this year, the Rio + 20 UN Conference on Sustainable Development will be held in Rio de Janeiro, Brazil. It is my earnest hope that this will be an opportunity to heighten awareness not only among business managers but among all private citizens in Japan, turning Japanese companies into global leaders in the field of GSR capable of spearheading an economic revolution in 2012.
Chapter 7

Four Social Philosophies and Corporate Social Responsibility
~ Approaches and Issues for Companies

Iwao Taka (Advisor, GSR Research Group)
Professor, Reitaku University, the Graduate School of Economics and Management

Corporate social responsibility involves implementing activities that meet society’s expectations. What, then, does society look for from companies?

Companies are subject to an array of demands from various stakeholders on a daily basis, but not all of these can be considered as the expectations of society. The most rational way of understanding what we might term society’s essential expectations is to look at four social philosophies that have survived historical evaluation and criticism. These are post-eighteenth-century utilitarianism, libertarianism, new liberalism, and communitarianism. Ideally, this examination would focus on what each of these philosophies expects of "economic entities" (companies). Generally, however, these philosophies are interested in larger social, political, and economic issues, and do not directly address the role of the company per se. Nevertheless, I believe that a meaningful attempt can be made to glean what each of these schools of thought would expect from companies.

The four philosophies often have conflicting expectations. Utilitarianism, for instance, would demand that companies maximize happiness, while libertarianism would seek free competition. New liberalism would prioritize equality and rights, while communitarianism would seek to balance autonomy and order. Essentially, corporate social responsibility involves fulfilling these expectations. The challenge, of course, lies in how to reconcile these mutually conflicting demands. I believe this requires companies to (1) become aware of both the demands made and the issues raised by each philosophy, and to (2) stand before the business challenges based on this awareness.

This paper focuses on the first of these two criteria, attempting to outline the demands each of the four philosophies makes of companies and summarizing the issues raised by them.

Utilitarianism

Utilitarianism calls on companies to maximize the overall happiness of society. In addition to the happiness of the overall society, a company must also satisfy stakeholders with whom it has a direct relationship. These requirements are simple enough, but they give rise to two issues:

First, even if a company increases the happiness of society as a whole, and also satisfies its direct stakeholders, there is a risk that the interests of certain groups might be sacrificed. Cost cuts, for example, may lead to the greater happiness of one group at the expense of another.

Second, someone has to determine whether society or specific stakeholders are happier than before. If the government performs this role, it may intervene actively in the company’s operations on the pretext of public welfare. If the company takes this role itself, it may apply arbitrary criteria, and its judgments may go unchallenged.
**Libertarianism**

Libertarianism calls on companies to maximize shareholder profits within basic legal parameters. According to Milton Friedman, the role of corporate managers is to meet the expectations of shareholders, by whom they are commissioned to maximize profits through free and open competition without resorting to fraud or deception. Because the results of competition are regarded as legitimate, government intervention to redistribute income is not necessary. This is a philosophy emphasizing freedom and a market economy, but it raises the following issues:

First, because it prioritizes shareholder benefits, it may increase profits for shareholders even while it causes economic and social losses for other stakeholders. Because different shareholders have different expectations, moreover, the level of satisfaction may also differ.

Second, a libertarian assumes an almost perfectly functioning market, but some imperfections are bound to remain. A company might try to increase its profits by exploiting legal loopholes, for example (without actually violating the law).

Third, because competition is regarded as legitimate, there is a possibility that ends will be used to justify the means.

Fourth, libertarians believe that companies should focus on seeking profits rather than solving social problems. While many companies may not regard philanthropy as an area of core competence, they may nonetheless have a better understanding of issues confronting their communities than charity organizations feel in the distance.

**New Liberalism**

New liberalism recognizes the right of companies to earn profits by utilizing their strengths, but it believes that this should be conditioned on, firstly, their providing equal employment opportunities and, secondly, improving the lives of people living under poor circumstances. This second condition is based on the idea that the social returns from the benefits created by companies should be shared as widely as possible. Because markets are considered imperfect, new liberalism seeks government intervention and corporate compliance with additional regulations. The government thus indirectly encourages companies to behave ethically and make social contributions. With the importance it gives to the role of government and its emphasis on equality (and rights), new liberalism can be seen as considerate of the socially disadvantaged, but it is also criticized for the following reasons:

First, there is no clear definition of “people living under poor circumstances.” It can refer to people in a certain region of one’s own country or people living in the least developed countries of the world.

Second, a company may abuse government policies to protect its vested interests. For example, industries that are not internationally competitive may assert that since workers and subcontractors are the ones who find themselves placed in the unfavorable and unfortunate circumstances, their interests should be given precedence over those of consumers.

Third, companies may become complacent, believing it is enough to simply follow government instructions and abide by regulations. Whereas utilitarianism stresses overall happiness, new liberalsists emphasize the role of government. This means that companies will be tempted to give greater weight to government assessments. This may result in companies disregarding the interests of their community.
Fourth, stakeholder benefits should ordinarily be secured through a strong sense of corporate social responsibility, but if this is motivated instead by government incentives and instructions, the direction of such activities may go astray.

**Communitarianism**

Communitarianism calls on companies to respect and ascribe to core community values (autonomy, order, social bonds, and virtues like trust). Whereas libertarians emphasize shareholder interests and new liberalists seek to benefit people at the bottom of society, communitarians focus on the interests of the community. This is because companies are viewed in a historical and social context. Communitarianism does not set much store by values like liberty and equality (rights) if they are derived from a selfish individualistic desire to shake off social constraints. It attempts to resolve the contradictory demands of freedom and equality (rights), but also has the following problems:

First, the concept of community is ill defined. Almost any grouping—from the country of corporate registration and the region where factories and offices are located to entities in the supply chain, customers in general, employees, shareholders and investors, and industry groups—can be interpreted as constituting a “community.”

Second, it is also unclear how the core community values are to be determined. A company may regard its management philosophy as such a set of core values, but members of the community in which it operates (customers or local residents) may not agree. Agreement may be fostered through dialogue, but this gives rise to the separate issue of whether the other party in such dialogues truly represents the community.

Third, even if agreement is reached on the appropriateness of core values, it is possible that these values may actually obstruct proper judgment and actions. For example, an emphasis on in-house “harmony” could discourage efforts to redress improprieties.

Fourth, by emphasizing its ties with the community, a company may achieve close bonds among employees, gain customer loyalty, and win the trust of local residents. But some companies may take advantage of such achievements to act in ways that betray the community’s trust.

* * *

In the foregoing, I have attempted to summarize the major concepts that have shaped corporate initiatives to fulfill their social responsibilities. I hope this will be useful in helping companies address business issues with innovative solutions.
GSR Study Meetings 2011
Vol.1 Global-Scale Disaster and GSR: What Companies Can and Must Do

On April 26, 2011, Tadashi Saitō, Director, Political & Social Affairs Bureau Nippon Keidanren (Japan Business Federation), delivered an address as a guest speaker. Responding to the theme "Global-Scale Disaster and GSR: What Companies Can and Must Do," he discussed work to assist the people and regions affected by the Great East Japan Earthquake.

Lecture Summary

1. Nippon Keidanren established the Great Eastern Japan Earthquake Taskforce on March 14. Efforts to provide assistance to people and regions affected by the disaster comprise four main areas of activity, described below.

(1) Cooperation on Aid and Charitable Donations

Nippon Keidanren has called on member companies and organizations to help with both disaster relief donations delivered directly to disaster victims and contributions to fund volunteer activities. There are three main types of volunteer activity funding: 1) Providing funding to the Council of Support for Projects of Volunteer Activities in Disaster Relief (Support P), 2) Donations to the designated "Red Feather Support of Volunteer and NPO Activities Fund," and 3) Providing funding to the approved NPO, Japan Platform (JPF). By late April, the total amount of donations and aid pledged by member companies and organizations had exceeded ¥80 billion.

(2) Providing Material Assistance Through the Relief Supplies Hot-Line

Nippon Keidanren established a network consisting of the governors of affected prefectures and other leading figures, and asked them what materials they needed. Member companies and organizations then provided the materials free of charge, delivering around 300 tons of supplies by sea, air, and land with the cooperation of local governments, the Self-Defense Forces, Nippon Yusen Kaisha (NYK LINE) Group, and All Nippon Airways Co., Ltd.

(3) Support to Disaster Volunteer Centers

Nippon Keidanren supplies the materials and machinery necessary to set up and run
disaster volunteer centers in local municipalities. It also takes part in the “Uru-uru Pack” project, which gathers needed supplies outside the affected areas and packages them together for distribution to individual households within the affected areas. Nippon Keidanren is also helping to recruit volunteers for the corporate volunteer program run by Support P.

(4) Assisting Affected Areas by Reviving Consumption: Ensuring Food/Produce Safety

In order to assist people working in farming and fisheries and all those involved in food-related industries in the Kantō and Tōhoku regions, whose businesses have suffered either directly as a result of the disaster itself or from the loss of public confidence following the nuclear crisis in Fukushima, we have called on member companies and organizations to support disaster areas by organizing food fairs at employee cafeterias and retail markets set up on company premises. Companies that have sponsored such events include Sumitomo Chemical, JX Group, Toyota Motor Corporation, Komatsu, and ANA Group.

2. Appeals and Recommendations on Reconstruction Policy Made to the Government

On March 16, Nippon Keidanren published an Urgent Appeal for an Early Recovery and Restoration from the Unprecedented Earthquake Disaster, calling on the government to take steps to rescue human lives, support affected disaster areas, rebuild people’s daily lives, and revive the regional economic base. In addition to providing support to disaster victims, we called on the business community to lend its assistance to keep companies running or help those that had closed to reopen as soon as possible, and to support electricity conservation measures. On March 31, we issued an urgent policy proposal that included recommendations for a basic law on recovery measures and putting together a strong recovery system, incorporating steps for rebuilding regions and towns, industrial recovery, maintaining and securing employment, securing sources of funding for restoration, and ensuring fiscal soundness. On April 5, we appealed to the government to implement immediate-term employment policies to provide support for companies and reemployment support for those who have lost their jobs. This was followed, on April 11, by our publication of the Nippon Keidanren Voluntary Electricity Peak-Cut Action Plan; and on April 22, Nippon Keidanren lobbied the government to support stable financial markets and systems and to maintain a sound financial environment.

Discussion

- One person asked if Nippon Keidanren planned to join the debate or issue recommendations regarding the nuclear issue or the possibility of relocating administrative functions away from
Tokyo. Saitō replied that Nippon Keidanren probably would debate the nuclear issue. His comments included the following: "I don’t think anyone in industry would argue that we don’t need nuclear power. But things cannot continue the way they are now. We need to take another look at safety standards and start thinking from scratch about where the problems lie. As far as Tokyo is concerned, simply relocating administrative functions will not be enough to get rid of excessive centralization. We need to introduce a system of regional government and reduce the size of the central government."

- Asked to comment on the outlook in terms of the damage done to the country’s reputation by the nuclear crisis and Nippon Keidanren’s calls on the government to limit damage, Saitō said there had been problems with the way the government had released information to the public and offered his hope that "government leaders will be proactive in traveling overseas and conveying to the world the message that Japan is all right."

- With regard to funding reconstruction, one member commented that raising the consumption tax would have a negative impact on the economy. In response, Saitō said that “financing reconstruction and achieving fiscal soundness should be thought of as two separate issues” and that "Nippon Keidanren will wait to issue its recommendations until a bit more time has passed."

- One member offered the following observation: "It is impossible for Japan to decommission all its nuclear power stations in a short period of time. Instead, Japan should put its energies into decontamination technology. Moreover, the government has not done enough to keep the public informed about electricity conservation." Saitō, in response, said it is vital to ensure that people understand the importance of saving electricity, and that the government needs to do more to educate and inform the public on this issue. Meanwhile, with regard to electricity rates, one person said that “raising prices is a natural choice and if implemented would likely contribute greatly to saving electricity.” Others commented that the government should look into restarting power stations that were lying idle but could be brought back into operation, and that greater use should be made of “smart meters” that make it easy for consumers to get a detailed breakdown of electricity consumption according to time of day and device used, suggesting that this would have a knock-on effect for the effort to save electricity.

- In response to a question asking for examples of companies that had assisted the affected disaster areas though their primary businesses, Saitō cited numerous examples, including rent-a-car firms that had provided cars and communications companies that had provided services free of charge. "Companies should act autonomously and take the initiative without waiting for instruction from Nippon Keidanren,” he said. "That is what CSR is all about.”
On May 25, 2011, Keiko Kiyama, chairperson of Japan Platform (JPF) and secretary general of JEN, both authorized nonprofit organizations (NPOs), delivered an address as a guest speaker. Responding to the theme "Global-Scale Disaster and GSR: What Companies Can and Must Do,” she discussed work to assist the people and regions affected by the Great East Japan Earthquake from an NPO perspective.

### Gist of the speech

1. **Conditions in the affected areas**
   
   In the past, JPF was essentially concerned with supplying emergency aid following disasters overseas. But on the very day of the March 11 disaster a decision was taken to begin activities in the affected regions. Even now, three months after the disaster, only 4% of the debris has been cleared. It is estimated that a total of 72,000 units of temporary housing will be needed—at the moment, construction work is proceeding slowly.

2. **Stages of relief**
   
   Responses to disasters can be divided into three stages: (1) the emergency period, (2) the transitional period, and (3) the reconstruction period. The emergency period is about saving lives, and the main priorities include setting up and running evacuation centers, delivering supplies, and repairing infrastructure. The transitional period is when disaster victims resume a normal life; key tasks include helping evacuees move into temporary housing and recover a means of livelihood. The reconstruction period is the stage at which independent communities are reestablished, with such agenda items as rebuilding homes, restoring industry, and providing ways of making a living. The disaster in Japan has yet to reach the second stage.

3. **Delays in reconstruction**
   
   It has been said that the only places in the world where reconstruction has proceeded so
slowly are Afghanistan and East Japan. In the case of relief operations overseas, the normal procedure is for an emergency response headquarters in the affected country to collect and supply information on conditions and divide up the work among such actors as the United Nations, international organizations, local governments, and nongovernmental organizations (NGOs), taking the specialties of each into account. In the wake of the Great East Japan Earthquake, however, the Councils of Social Welfare were put in charge of relief efforts by private-sector parties, and has treated NPOs and all other such actors as volunteers. We NPO personnel have found it frustrating to be placed in the same category as temporary volunteers.

4. Collaborating with companies and future tasks

We ask companies to help by supplying financial donations, materials, services, labor power, and specialized skills. In coming up with a new approach to fishing and farming in the region for the future, it will be important to incorporate an outside perspective. Full use must be made not just of money but also of expertise and technology. We hope that companies will implement a framework for ongoing assistance.

Discussion

• In response to the question, "Why are aid efforts not making more progress?" Kiyama said one factor was that the country itself had not, in general, broken down. "People lack a sufficient sense of urgency and an awareness of the severity of the situation, and end up throwing themselves into whatever job happens to be directly in front of them. It is vital to look at the overall situation and establish priorities." She added, "Relief activities have also been obstructed by the reluctance of some local disaster management headquarters to accept outside help."

• Responding to a question on what NPOs needed from companies, Kiyama said, "Companies are helping us with by providing funds, supplying the goods they produce, and sending employees as volunteers." She gave high marks to the contributions companies have made. Henceforth, she said, "It will be important to consider not what should be done to restore the affected regions to their original conditions but what should be changed for the construction of new communities. "We hope that companies," she said, "will offer support in this innovative area, working together with us to plan and build a new future for these communities."

• One of the study meeting members suggested a pairing arrangement along the lines of the "one company, one village" campaign in South Korea as a model for future corporate involvement
in relief efforts, with sponsor companies matched with municipal bodies for the support of reconstruction. "Ideally, NPOs and NGOs involved in the region would help to ascertain local needs and work in collaboration with corporate partners."

• "Creating mechanisms for assistance is crucial," one participant remarked, suggesting that government, NPOs, NGOs, companies, and others needed to work together to formulate a long-term vision. Kiyama said she hoped that the disaster management headquarters would take steps to incorporate and make use of the rich experience of NPOs and NGOs. Another participant said that rather than have individual groups work separately, the national government, Keidanren [Japan Business Federation], JPF, and other relevant groups should get together for talks aimed at building an overall framework for relief and reconstruction.
Vol.3 Responding to the Great East Japan Earthquake

On June 15, 2011, Motoo Tomomura, secretary general of the Aeon 1% Club and a member of our Global Social Responsibility (GSR) Research Group, delivered an address on the theme, “Responding to the Great East Japan Earthquake.” He spoke chiefly about efforts to assist the people and areas hit by the March 11 earthquake and tsunami in the Tōhoku region of Honshū.

Gist of the speech

1. Corporate social responsibility in the Aeon Group

   The Aeon 1% Club and the Aeon Environmental Foundation are the basis for the Aeon Group’s corporate social responsibility (CSR) activities. The group’s main companies donate 1% of their pretax profits to the 1% Club. The club manages funds amounting to almost ¥1 billion and conducts activities divided into three main categories: environmental conservation; international exchange and human resource development; and revitalization of local cultures and communities. In line with the Aeon Group’s desire to work hand-in-hand with customers, the club matches donations from individual customers for disaster relief and other purposes. The club’s contributions are about the same size or slightly larger than the donations.

2. Initial response to the earthquake and tsunami

   Twenty-two Aeon employees lost their lives in the disaster, and a further five are still missing. At 3:00 pm on March 11, immediately after the quake, Aeon set up a countermeasures center in its head office and began work to ascertain the damage to its stores and the safety of its employees. At 5:00 pm a local countermeasures headquarters was set up in the Aeon office in Sendai, Miyagi Prefecture. Extra support personnel were dispatched the next day. The Ishinomaki store in Ishinomaki, Miyagi evacuated customers to outside the building immediately after the quake, but started to evacuate to the roof instead when a major tsunami warning was issued. Later everybody was escorted to the mall in the store, where merchandise was handed out for free. The Tagajō store in Tagajō, Miyagi, managed to get all the customers safely evacuated, but
the damage to the store and surrounding streets was so severe that the store has yet to reopen.

3. Channeling goods, people, and money into ongoing assistance

Aeon’s Tôhoku center, one of several regional logistics centers located throughout Japan, was put out of commission by the disaster. The main causes were (1) damage to local roads, (2) breakdown of the automatic control system, and (3) shortages of electricity, gasoline, and trucks. Other centers, such as the Chûbu center in the Nagoya region and the Kansai center in the Osaka region, have been helping out by transporting goods directly, but keeping goods flowing smoothly has proved to be difficult. Volunteers have been dispatched to provide assistance. Many Aeon employees have shown interest in taking part, and a schedule is in place for the next six months. To provide financial support, Aeon conducted a disaster relief fundraising campaign from March 12 to March 31 at 7,700 locations in Japan to collect donations from customers and employees. Some of the money raised was earmarked for orphans of preschool age. Donations from customers and employees came to about ¥1.1 billion; an additional ¥2.5 billion was contributed by the Aeon Group. The money was handed to prefectural disaster management offices and other local authorities in the affected regions for immediate use.

4. Emergency communications system

Aeon has a system in place for communicating with employees via satellite. After the disaster the system was used to e-mail all employees to ascertain their safety. Responses were received from almost all within about six hours. Satellite communications have also proved useful for collecting information on inventory shortages and surpluses in each region.

5. Long-term tasks

The foremost long-term issue is how to rebuild the economies of the devastated communities. Aeon has been supporting festivals in Tôhoku. Continued support of this kind may provide one means of helping communities get back on their feet.

Discussion

- One participant asked whether it would not have been possible for Aeon to specify how donations were to be used. Tomomura replied that the extent of damage varied greatly from place to place. “Some areas suffered numerous fatalities and injuries,” he said. “In other areas, the biggest problem was the number of people forced from their homes by the nuclear
accident. Even in places where relatively few people lost their lives, there was often severe
damage to buildings and infrastructure. We decided to give the relevant local authorities a free
hand in how they used the money, and handed it over without strings attached. I think it would
have been unreasonable to ask prefectural governors to give us a precise accounting of how
the money was spent. In the case of nonprofit organizations with specific missions, however,
we’ve requested detailed reports.”

• Another person asked about the best way to discuss the relationship between a company’s main
business and the assistance it provides to disaster-stricken areas and victims. “I don’t think we
should make too much fuss about only providing assistance in a form linked to our main
business,” Tomomura said. “If global social responsibility specifically involves contributing to
global society through efforts connected to a company’s business lines, a lot of what Aeon is
doing would probably not count as GSR. As I see it, though, making contributions unrelated to
the main business is what GSR is all about.” The deputy examiner of the research group
commented: “In theory, GSR does involve a company using its main business in a responsible
way to help resolve global problems. But we should give a broad interpretation to what this
business involves.” Another member argued that there was no need to obsess about whether
there was a direct connection to the company’s normal business activities; whether the
activities were sustainable or not was much more important. Another said it was important not
to confuse GSR with volunteer activities.

• Corporate members made further comments on the relationship between GSR activities and a
company’s main business. “My company aims to contribute to society through its main
business,” said one. Another company was making an indirect contribution by allowing
employees to take special volunteer leave during the week. One participant said that GSR
should be considered by breaking it down into categories. These included (1) A company’s
regular business activities, (2) Social contribution activities such as the free supply of
resources, (3) Social contribution activities that might reap financial dividends in the future,
and (4) Social contribution activities likely to result in non-fiscal benefits, such as by
improving the morale of employees and enhancing the reputation of the company. It was only
natural for a company to seek returns in one form or another, the participant said.
Vol.4 CSR in emerging economies in Asia: What is the role for Japanese companies?

On July 13, 2011, Richard Welford, chairman of CSR Asia (Hong Kong), one of Asia’s foremost authorities on CSR research, gave a talk titled “CSR in emerging economies in Asia: What is the role for Japanese companies?”

Gist of the speech

1. Community involvement and contribution

   Every year, CSR Asia tracks ten major issues facing countries in Asia and asks a panel of experts to rank them in order of importance. “Climate change” (amended in 2011 to “climate change and water”) has come out on top every year for the past four years. Another serious issue is “community development and poverty alleviation” (“community investment” in 2009); it was ranked as the fifth most urgent problem in 2009 and 2010, and as the fourth most urgent in 2011. “Community involvement and development” is also a priority according to the ISO26000 standard, which breaks the subject into seven key issues: 1) community involvement, 2) education and culture, 3) employment creation and skills development, 4) technology development and access, 5) wealth and income creation, 6) health, and 7) social investment. Of these, 3), 4), and 5) are the most relevant for businesses and the private sector.

2. Employment creation and skills and technology development

   Creating employment and developing technology are particularly important issues. Providing employment opportunities to the poor and helping them develop their skills can play a part in boosting efforts to eradicate poverty and hunger in developing countries. Rather than simply transferring easily replicable technology, companies should consider developing local knowledge and technologies. In this respect, it is crucial for companies to employ local people and develop partnerships with local communities. In many poor countries there is a tendency to depend excessively on one particular industry. Companies providing support should help economies to break away from such dependency by supporting initiatives that stimulate the diversification of economic activity. Companies should contribute to programs that help local
community members (especially women) establish businesses, and support the creation of employment opportunities.

3. Misunderstandings and other issues related to Bottom of the Pyramid (BOP) strategies

Simply selling products and services to poor sections of the population will not work. It is important to respect the values and customs of local communities, to build a strategy based on an understanding of how their needs can be met, and to provide a package of goods and services. In concrete terms, companies should focus on: 1) providing products and services with a purpose (clean water, nutritional foods, small-scale electricity generation), 2) meeting the community’s needs, and 3) creating a network of small businesses to facilitate sales.

Discussion

- In response to a comment that Japanese companies seemed to be lagging behind and struggling to make a success of BOP businesses based in the least developed Asian countries, Welford said it is important to start by responding to basic needs and working to provide and develop basic technology. Companies could help with basic needs by providing nutritious food, clothing, and other basic necessities. Technological assistance might include infrastructure for energy and water purification. Welford suggested that there are good prospects for low-cost, small-scale hydroelectricity systems. He said that although the Japanese government has provided support for Japanese companies expanding into the developing world, it tends to think exclusively in terms of selling goods and services. But mechanisms for employment creation are in fact more important, and Welford said companies should look to establish BOP innovation centers to work together with universities and other research centers and compile case study data.

- One participant suggested that BOP is a marketing model and that it would be a mistake to think of it in CSR terms. Welford admitted that this criticism had often been made in the early days of BOP research. But today, he said, pioneering companies do not look at BOP in direct, short-term business terms. Rather, they regard it as part of their community investment or CSR efforts. Companies are looking to engage on a long-term, ongoing basis in order to boost their branding power. Shareholders in European and American companies tend to see BOP as part of the company’s CSR activities, he said, because BOP strategies help to boost the corporate brand image and build relationships of trust in ways that are difficult to express in monetary terms.
One attendee who had spent time in a farming village in Bangladesh said that although Bangladesh is often described as a poor country, in fact many people there have plenty to eat and even own mobile phones and televisions. Was there not room for a twin approach to BOP in such countries—a marketing-based approach on one hand, alongside efforts to help people who are really struggling in their daily lives on the other? Welford said that people in rich countries have no right to push a pattern of life on developing economies. Rather, people in advanced economies should take a look at their own lives and consider the stresses and strains that arise from the need to work long hours. But it is a fact that people in many poor countries have continued to suffer from short life expectancy, inadequate education, and discrimination against women. He said that if companies from developed countries are serious about developing BOP business opportunities in poor countries, the only way to do it successfully is to talk directly to people in the local communities. Ask people what they really want, the attendee suggested, and find out how your company can meet the needs of the local community.
Vol.5 On Issuing a GSR Proclamation

On August 2, 2011, the Global Social Responsibility (GSR) Research Group hailed an extraordinary study meeting to discuss whether to issue a GSR Proclamation (provisional title) as the result of the first three years of the GSR project and, if so, what the content of such a proclamation should be.

Draft presentations by the deputy examiners

1. Deputy Examiner Takahashi

GSR is part of CSR efforts to find solutions to the global agenda; whether a project takes place on the global or local level is not important. A company’s reasons for taking part in efforts to solve the problems of global society can be divided into two categories, “economic motivations” and “social and environmental changes.” In the context of stagnant economic growth in the world’s leading economies, it is only natural to regard efforts to tackle global issues as an opportunity for sustainable growth. Unless companies can develop a framework for pursuing these activities and increasing profits at the same time, they will not be able to survive. In terms of compiling the results of the GSR study meetings, the project should focus on research into inclusive business models that incorporate poorer people into all value chains and make the results of this research publicly available.

2. Deputy Examiner Harada

It is vital to analyze research results and formulate an agenda. Some people might regard this as tantamount to issuing a proclamation. But a binding proclamation would risk making the study meetings less valuable. In the context of a constantly evolving reality, it would be ineffective to insist on a fixed definition of GSR. The basic perspective that inspired the decision to launch the study group in the first place should form the foundation of any proclamation. GSR can be summarized as striking a balance between philanthropy and economic returns. Business involves products, service, and periphery. CSR is an essential part of companies’ supply chains on a global level—hence the importance of GSR.
3. Deputy Examiner Miyamoto

In the past, many CSR projects have been little more than variations on regular marketing activities. However, many people have suggested that Japanese CSR has changed since the March 11 earthquake and tsunami. There is a real sense that recent undertakings have been driven by genuine feelings of sympathy felt both by management and employees, inspired by their shared experiences as witnesses to conditions in the affected disaster areas. This may mark the first shoots of a new kind of corporate citizenship awareness, and the true starting point of a kind of GSR that will focus companies’ attention on finding solutions to global problems. GSR can be defined as corporate efforts based on genuine empathy and cooperation to find solutions—starting with local, close-to-hand issues and reaching all the way to global problems—with the ultimate aim of contributing to the sustainable viability and development of human society. In particular, the necessity for cooperative efforts should be made clear.

4. Deputy Examiner Koike

Globalization has created a pressing need for solutions not just to environmental issues but also to a wide variety of negative issues. Sovereign states or international organizations with such states as members cannot solve these problems alone. It is important to mobilize the strengths possessed by all the relevant actors. In particular, it is vital to make fuller use of the strengths of companies. In this sense, GSR can be seen as a morphological development of CSR. It can be defined as corporate-based efforts to find solutions to global problems using the strengths of all actors. The GSR project should encourage greater efforts from all the relevant actors, but the main emphasis is on corporate activities, in particular on efforts to find solutions via the company’s main line of business, although significant results can also be expected from activities that go beyond a company’s core business.

Discussion

- Regarding the GSR concept, one member expressed the opinion that GSR could be defined as a collection of efforts and innovations bringing together solutions to global agenda issues and corporate short-term profits. One person proposed that rather than a proclamation, the group should issue as a mission statement comprising the following three aims: (1) promoting CSR activities from a global perspective, (2) building a framework to bring together social and economic returns, and (3) engaging in study and dialogue to develop and share new efforts and innovations together. Many people were against the idea of a binding proclamation.
On the question of whether GSR ought to be presented as an opportunity for profit, one person said that appeals to corporate managers based on fellow feeling or sympathy would have little resonance. It made more sense to emphasize economic motivations to make sure that people understood the economic returns that will follow. In order to gain the understanding and cooperation of managers, another attendee suggested, it was necessary to address the potential of the project to contribute to profits. Another said that unless it was possible to convert the economic value of a GSR undertaking into concrete figures, it would carry little persuasive weight. Opinion was divided as to whether any proclamation or mission statement ought to specify that a company’s “core business” should be the focus of GSR activities.

**Conclusion**

A decision was taken to release a non-binding vision statement rather than a proclamation. There would be no demand that member companies fulfill the terms of the statement. Potential keywords include "CSR from a global perspective" and "a matching of social and economic returns." Further thought will be given to more readily understandable and concrete expressions. We will also incorporate the idea that “companies have a responsibility for the problems in global society, and should acknowledge this responsibility.” Making appropriate use of the draft GSR pronouncement presented by Deputy Examiner Miyamoto, we will work to incorporate concrete guidelines.
Vol. 6 Inclusive Prosperity Beyond Consumption Led Growth

On September 20, 2011, Chandran Nair, the Founder and CEO of the Global Institute for Tomorrow (GIFT), a think tank dedicated to fostering human resources, discussed the topic “Inclusive Prosperity Beyond Consumption-Led Growth.”

1. Fostering next-generation leaders

If the current pace of growth in Asia continues, it is likely that limitations will be revealed with regard to resources and the environment. It will be important to foster human resources and create problem-solving businesses premised on a recognition of these limitations. The leaders of the next generation will need to (1) engage in honest inquiry, (2) be familiar with Asia’s worldview, and (3) put ideas into action. Based on the recognition that fostering such leaders is a vital task, GIFT launched its Global Young Leaders Program (YLP) in 2005. The program brings together outstanding young talent from participating corporations in order to broaden their perspectives beyond the Western model of consumption-led growth that has been dominant up to now. YLP includes three different “modules.” Module One is a one-week taught component in which participants learn about the role of government, business, and civil society in Asia. The focus of Module Two, which lasts between six and eight days, is an immersion learning experience, where participants create a business plan in the course of a field project at a selected location in Asia. Finally, in Module Three, the participants present their results, including a presentation of their business models to potential investors and corporations.

2. Social investment

All of the GIFT programs involve social investment by corporations. Such efforts go beyond the level of philanthropy or charity, where donations create systems of dependency and do not lead to true solution. GIFT is focusing on seven challenges facing Asia (agriculture, water shortages, housing and sanitation, waste disposal education, healthcare, and energy), based on the view that addressing these issues can contribute to inclusive growth that can benefit everyone.
Investments made by corporations fall into the categories of social investment (such as charitable donations) and the traditional profit-oriented investment; but there is an area between the two categories, called “impact investment,” where the investment aim is to change society for the better. Such investment strives to address social and environmental problems, while at the same time generating returns on par with or even surpassing traditional investments.

3. Impact investment

An examination of the corporate social responsibility (CSR) activities carried out by many global corporations up to now suggests that they are heading in a mistaken direction. Corporations and most banks are not engaging in activities and investment aimed at the markets that constitute the largest segment of the world’s population. In China, for example, an organic cotton farming project is underway that will require $2 million to build its supply chain. No investment has been made by banks in China or other countries. This is a case of a “missing middle”—an untapped segment of intermediate investment in the realm of social finance. It is important for corporations to invest in this segment for the sake of harmony with society and to ensure their own growth and future viability. The concept of “sustainability” has also been proposed, but this is an area where only the government can truly play the leading role. Corporations are certainly an indispensable partner when it comes to sustainability efforts, but ultimately this is an area where the government can play a more meaningful role.

Discussion

• Asked to clarify why he thought CSR activities among global corporations are heading in a mistaken direction, Mr. Nair offered the following response: “Many companies view CSR as a part of public relations, and those in charge of CSR often have no real authority. It would be better for corporations to incorporate CSR within their core business models.”

• In response to the observation that “corporations surely must be capable of contributing to sustainability,” Mr. Nair said: “Corporations cannot always concern themselves with the public good. For instance, automakers are not going to stop selling cars because of their exhaust emissions. While I recognize the positive efforts they are making, corporations are essentially about striving for ‘more.’ In contrast, it is the notion of ‘less’ that is at the heart of sustainability. This is therefore an area where the government must play the leading role.”

• Asked what accounts for the “missing middle” he spoke of, Mr. Nair provided the following explanation: “Large banks normally do not invest in any project with a price tag under $1
million. At the same time, the $1-million scale is too large to be covered by microfinance. This results in the missing middle between those two extremes. If just one Japanese bank would cover even a portion of investment in this segment it could lead to new growth.”

• In response to a question about why Japanese people often lack leadership skills, Mr. Nair said “decision-making is fundamentally lacking in Japan because of the importance of reaching a consensus and showing respect to others, which is why leadership is not fostered there, I think.” And he pointed out that “once advanced countries have reached a certain economic scale, the democratization process seems to become paralyzed.” He also pointed to a need in Asia “for strong but even-handed governments” and described China and India as offering a sort of “large-scale experiment” with regard to this issue.
Vol.7 On Issuing the GSR Vision Statement

On October 11, 2011, the Global Social Responsibility (GSR) Research Group carried out discussions on the tentatively titled GSR Vision Statement, which the group aims to issue as the result of its three years of activities.

Explanations from the secretariat

Based on the results of discussions carried out at the August 2 extraordinary study meeting and on other occasions, it was proposed that the group issue what was provisionally titled the GSR Vision Statement, summarizing such topics as the concept of GSR, to represent the results of its three years of activities. The basic items on which agreement has been reached to date are as follows.

- GSR as a concept is encompassed within CSR, where it represents corporate approaches aimed at solutions to issues on the global agenda in particular. It does not refer only to the social activities of companies that operate on the global stage; if a local firm whose business activities are limited to a certain geographic region is engaged in measures that help to solve global agenda issues, then that is GSR.

- There will inevitably be cases where the long-term societal returns from solutions to global agenda issues are not matched by short-term economic returns, but GSR means the measures implemented as part of efforts to match these two types of return.

Ideally, the statement will comprise a main text and supplementary explanations. The composition of the main text will be along lines defined by the basic items of agreement listed above. No decision has been reached on how to craft the supplementary explanations and individual case studies.

Discussion

- With respect to the outline of the statement, a range of views were heard: while some argued that the document should set forth the concept of GSR, others said that it would not be so
meaningful to give a detailed explanation of GSR, and the statement should focus instead on the three years of GSR Research Group activities; or that a report should summarize what the group members have learned during those three years. On the subject of whether to make the statement broad and abstract or detailed, some stated that the report ought to be more abstract and dignified in tone, while others argued that an abstract statement could make it difficult to differentiate between its core and other ideas, or that avoiding a highly abstract presentation would make it easier for companies to take its message to heart and adopt it as a tool for concrete actions. In addition, some participants stated that an ideal report would present a direction for companies to take in tackling the issues; that thought should be given to the question of just what companies can do, going beyond traditional concepts of CSR as practiced by multinational corporations; and that the statement should not be one with binding force. Another suggestion was to make the statement something like the declarations issued at international conferences.

**With respect to the connections between GSR and economic returns, some participants noted that there was some resistance to the idea of positioning GSR as a profit opportunity. There was discomfort with making the document strongly business-oriented by including information on “entering BOP (base of the pyramid) markets” or “comprehensive business models,” and arguments were heard against the idea of companies taking part in GSR because it would lead to profit. However, others noted that corporations are unlikely to be moved solely by terms like “empathy and cooperation.” They argued that the statement should clearly touch on GSR as an effective profit opportunity. Noting that acts of charity were not sustainable, they pointed out that the discussion to date had included views in favor of indicating that GSR could lead to profit.**

**On the topic of Japanese companies and GSR, a variety of opinions were heard. Some stated that the statement should be a means of communicating the excellence of Japan’s firms to the world, and indeed that the report would be meaningless if it did not broadcast Japan-specific approaches. Other suggestions included using the statement to declare what Japanese companies should pursue on the global stage now that they are beginning to free themselves from the protection and constraints of the state and making it something that could serve as a spiritual foundation for Japan’s firms as they set out to globalize their operations.**

**On the wording of and phrases to go into the statement, the view was put forward that stating too frequently that certain acts “should be done” or that “there is a responsibility” to do them could give the document the tone of something with binding force, and that such phrases should be avoided as much as possible in the interest of making it easier for member...**
companies to attain internal consensus on the statement. Participants also stated that the statement would be more understandable if described as a “summary” of discussion, rather than a report on “results”; that it should include a clause stating that companies will tackle social issues, and ensure that their activities are cyclical, in order to grow and survive; and that the phrase “global agenda” may be a good fit for environmental issues, but does not seem so connected to BOP, poverty, and related topics.

Conclusion

With respect to the content of and direction to be taken in the statement, the group members decided to make what they had learned over three years of discussion the focus of the statement’s main text. The members will submit a list of “what has been learned” to the secretariat. At that time, they will also forward their views on such questions as (1) whether to make the document ambiguous or concrete, (2) whether to issue only the main text or to provide supplementary explanations, (3) if supplements are included, how to amend the drafts created by the secretariat, (4) whether to craft the statement in strict or flexible language, and (5) whether to make the document a “statement” or a “report.”
Vol.8 GSR and the Inclusive Business Model

On November 15, 2011, a Study Meeting was held on the theme of “GSR and the Inclusive Business Model.” An overview of inclusive businesses was given by Hideaki Takahashi, professor at the Keio University Graduate School of Media and Governance and deputy examiner of the GSR Research Group. This was followed by an introduction to Ajinomoto Co.’s social business ventures in Ghana by Yasuhiko Toride, director of the company’s R&D Planning Department.

Gist of the Presentations

An inclusive business model is one that includes low-income groups in a company’s value chain. The low-income segment participates not only as consumers of products and services but through employment, enabling the poor to obtain jobs and achieve economic independence. “Inclusive business” is a narrower concept than GSR, which addresses environmental and educational problems as well. But since poverty is closely connected to many of those problems, alleviating it through inclusive businesses can have a major impact on the broader issues as well.

One successful example of an inclusive business is the Coca-Cola Company’s Micro Distribution Center (MDC) model in Africa, and another is Sumitomo Chemical’s Olyset Net project, also in Africa, to locally manufacture bed nets with high mosquito repellency. Some operations are particularly well suited for inclusive businesses, such as sales of food and water as well as security and financial services, telecommunication, and tourism. Companies today lack the skills and understanding needed to tap the BOP (bottom of the pyramid) market. Another barrier to their entry into inclusive businesses is a lack of market information, regulations, and poor infrastructure.

1. Launching a Social Business in Ghana

Malnutrition is a serious problem in many developing countries. In Ghana, for instance, people are often protein deficient because of insufficient meat and beans in their diets. Ajinomoto, in response to this problem, decided to launch a social business in 2009 aimed at
improving nutrition in the country. We added lysine—which is an essential amino acid—to a traditional baby food called koko, made from fermented corn, to create a more nutritional food. The business, which targets the country’s middle-income sector (the roughly 900,000 people earning 200 yen a day per household), will soon start local production. For us, this venture will be part of a project commemorating our 100th anniversary, but we also view it as a sustainable business.

Compared to our main seasonings business, the koko venture is more of an “intrapreneurial,” cross-sectional, cooperative, and long-term effort, aimed at making a greater contribution to society. By making the business profitable, we hope to create employment opportunities in Ghana while also improving people’s nutrition and alleviating poverty in the country.

2. Working with Multiple Stakeholders

Our operations in Ghana are being advanced within a multiple-stakeholder framework. We are partnering with CARE—an international NGO with a track record of delivering food to the poor in Bangladesh—to develop a product distribution system based on CARE’s Village Savings and Loan Associations (VSLA) model for reducing poverty through the employment of women to make sales calls. We are also working with Ghana’s Ministry of Health, the US Agency for International Development (USAID), and the Japan International Cooperation Agency in order to promote maternal and child health. And we will work with local companies to manufacture the product.

3. Future Prospects and Issues

We hope to launch full-scale production and sales by 2013, after completing our product tests and pilot marketing campaign. We will also consider extending the venture to other West African countries. The partnerships we have initiated in Ghana are expected to boost employee morale, especially among younger workers, and could help our efforts to recruit outstanding human resources. In these ways, the project can raise our corporate value, but there are still many hurdles to overcome, such as: (1) formulating a long-term approach, (2) securing the vital commitment of top management, (3) addressing the inefficiencies of many processes in the BOP market, (4) establishing good working relations with NGOs and other partners, and (5) making a large, pre-launch investment.
Discussion

• A question was asked regarding whether Ajinomoto had clear plans regarding the scale of its Ghana operations, the amount to be invested, and the recovery of its investment. Ajinomoto’s Toride responded that because of the venture’s experimental nature, it is difficult to come up with specific figures. The business was launched as a pilot case to see whether it will be viable as a for-profit business, but research costs have been higher than anticipated, making it necessary to seek supporting donations from a variety of organizations. Deputy Examiner Takahashi added that inclusive businesses require additional costs for the education of the low-income groups who become part of the value chain. Such costs, he said, are often covered by donations.

• It was pointed out that should the Ghana venture prove to be successful, other competitors might decide to enter the market as well. Toride commented that Ajinomoto has taken the lead in creating a multiple-stakeholder framework through partnerships with NGOs and other groups. This is something other companies will not be able to easily do, so it could act as a barrier to new market entries.

• One participant suggested that this venture gained management approval because the company was marking its 100th anniversary. Toride admitted that this might be true, but he added that there is a need for the company to expand its core seasonings business to include poorer countries in the future. He expressed his belief that launching a social business in Ghana would serve as a model for subsequent ventures in other developing regions.
On January 17, 2012, Professor Shigeki Sadatō at the Institute of Business and Accounting of Kwansei Gakuin University delivered an address on "University Social Responsibility" (USR). He titled his address "Nurturing Global Talent in Universities: Raising the Issue of University Social Responsibility."

### Gist of the address

1. **The coming age of universal college education**
   
   The university environment is undergoing radical change. Japan’s dwindling birthrate has led to a rapid decline in the number of eighteen-year-olds. Nevertheless, the number of colleges and universities increased between 1992 and 2009, from 523 schools to 773. In 2010, the percentage of high school graduates going on to college or university reached 51%. If those continuing on to junior college or vocational school are included, the percentage of students entering higher education was almost 80%. The arrival of this age of almost universal tertiary education has intensified competition among universities and colleges, roughly 40% of which failed to meet their enrollment targets. Almost 30% are operating at a loss, and schools without the qualities to make them stand out from the competition face the prospect of shutdown.

   MEXT, the Ministry of Education, Culture, Sports, Science, and Technology, has embarked on a structural reform of higher education. It plans to reorganize and merge national universities, turning them into incorporated bodies, and to introduce the principle of competition through third-party evaluations. The Central Council for Education, a MEXT advisory body, has unveiled a proposal entitled “A Vision for the Future of Higher Education in Japan.” In it, the council calls for colleges and universities to contribute to local communities and society as a whole in addition to performing their traditional roles of research and education. The council also proposed a substantial increase in the number of overseas students as part of a policy to promote internationalization, but this program has stalled as a result of budget cuts necessitated by fiscal constraints.
2. Initiatives at Kwansei Gakuin and other private schools in the Kansai region

Several prestigious private universities in the Kansai region have undertaken ambitious plans for expansion and globalization. Kansai University has opened a new campus in Takatsuki, Osaka, and Ritsumeikan University has decided to branch out into Ibaraki, Osaka. Doshisha University is in the process of an expansion program, increasing the number of departments to fourteen by the academic year 2013 (April 2013 to March 2014), up from seven in 2004. Doshisha is also making progress on efforts to develop a network of affiliated primary and secondary schools.

Kwansei Gakuin, with a history of more than 120 years since its establishment in 1889, has also been expanding. A School of Policy Studies and a School of Education opened in 2009 and a School of International Studies in 2010. As of the end of May 2009, the student body was 24,537. The university’s strategic plan for the decade 2009–18 outlines seven goals, including strengthening ties with the local community, business, and global society; becoming a world center for research appropriate to the university’s ideals; and establishing a system to manage rapid change and evolution. Kwansei Gakuin is also pursuing an active international strategy. It is making a major increase in its overseas partner institutions, stepping up the numbers of overseas students, and working in partnership with the United Nations and international nonprofit and nongovernmental organizations.

3. Contributing to society through collaboration among industry, academia, government, and community

Colleges and universities can contribute to society in a variety of ways. For example, they can transfer intellectual property to the private sector, start up business ventures, support entrepreneurs and managers, provide opportunities for lifelong learning, and cooperate in endeavors to energize communities. In the area of contributions made through industry-academia-government collaboration in science and technology, Kyoto Research Park is widely recognized as one of the success stories of the Kansai region. Established in 1987 by companies from the Osaka Gas Group, it has built up an impressive track record of assisting ventures and fostering infant industries in cooperation with such partners as Kyoto Prefecture, the Ministry of Economy, Trade, and Industry, and local universities. Kwansei Gakuin has also been involved in a number of projects, a notable example of which was an urban revitalization project carried out in partnership with the city of Takarazuka in Hyogo Prefecture.
Discussion

- On the subject of the recruitment of new graduates by Japanese companies, Professor Sadatō commented, "Many companies claim to be prioritizing globalization, but they are not actually that keen on hiring students who have studied abroad. Another problem is that the job search process takes too long. Students neglect their studies, and this results in a major loss for the country overall.”

Several corporate members in attendance responded to this comment. One pointed out that recruitment would expand faster overseas than in Japan in the future, and suggested that it was natural for companies to hire locally at their overseas operations, since “global human resources” does not imply Japanese workers alone. Instead of recruiting almost exclusively among new graduates, one person said, companies should hire more experienced people in midcareer. Another said that Japanese corporations often apply the same standards to recruitment and employee evaluation. Because they tend not to value creativity when assessing the performance of their workers, they also tend to ignore creative job applicants. Major changes are needed in corporate culture, including separating the criteria for hiring new workers from the criteria for evaluating existing workers.

- On the topic of educating a more globally minded workforce, one corporate member remarked, “The Danish educational model might be a good reference for Japan. Under Danish law, children cannot be tested or graded until they reach the age of 13. With class size restricted to 12 pupils, children in elementary school grow up in a free and easygoing atmosphere.”

- A member with experience in academia observed, “Universities are fairly secluded communities. Despite the goal of making them more international, reforming existing departments is not easy.” Another person commented that the current educational system, consisting of six years of elementary school, three each of junior and senior high school, and four of college, no longer fits the times. "In light of longer life expectancy and the increased number of people going on to higher education, it would make sense to merge junior and senior high into a single six-year school and extend college into a six-year program.”
On February 20, 2012, Toshihiko Fujii, Consulting Fellow at the Research Institute of Economy, Trade, and Industry and visiting professor at Saitama University, gave an address on the subject of "Japanese CSR from a Global Perspective."

Gist of the Address

1. Differences between CSR in Japan and Other Countries

It is not always easy to understand concepts that originated overseas. CSR is no exception; the term means different things in Europe, where the concept originated, and in Japan, where it was taken up later. In Europe, CSR emerged in the second half of the 1990s as a part of efforts to address the problem of increasing unemployment, particularly among the young, which was threatening social stability. The unemployment problem could not be solved by compliance and social contributions (charitable donations and philanthropic activities, etc.) For this reason, the authorities asked for cooperation from industry, and CSR became defined as companies 1) working to solve problems on a voluntary basis; and 2) integrating problem-solving into their business (changing the way they do business in order to help with problem-solving). In other words, CSR is defined as activities a company undertakes voluntarily, and therefore does not include compliance and other legally required actions. Social contributions are also not included in the standard definition of CSR, as they do not change the way a company conducts its business.

In Japan, on the other hand, it was illegal activities that brought the CSR idea to prominence: failure to recall defective products by automotive companies, and problems with misleadingly labeled food products. Companies involved in scandals set up CSR committees as part of their efforts to address the problems. But from a European perspective it is hard to understand why legal compliance is included in the CSR concept. There is also a tendency in Japan for CSR to be used as a convenient catch-all term that can include everything from environmental protection to good corporate conduct, including the so-called Japanese way of management. The result is that the CSR concept has become so broad that it is hard to know what
it encompasses, exactly.

Another factor behind the differences is that in Europe and North America companies often come under pressure from NGOs. In the United States, NGOs organized a boycott of Nike products in the second half of the 1990s. This was caused by revelations of problems including the use of child labor in Nike’s contract factories in Vietnam and other countries. As a result, Nike’s US sales fell by as much as 70% in a year. This fractious relationship with civil society is a major factor behind CSR efforts in the West. In Japan, on the other hand, there is little risk that companies will clash with NGOs, and there was no boycott of Nike products. From the perspective of companies in the West, it can be puzzling to understand why Japanese companies bother to engage in CSR activities, despite the negligible risk of confrontations with NGOs.

2. Changes in CSR in Europe and North America

In Europe, a new concept regards CSR as encompassing products and services that contribute to the solution of social problems. But not everything that contributes to solving such problems should automatically be classified as CSR. To count as CSR, a company must create products or services that contribute to solving social problems even if this means sacrificing opportunities to maximize profits. Accordingly, it would be considered inappropriate for a soy milk producer to believe that it was carrying out CSR by producing soy milk that is good for people’s health, or for a pharmaceuticals manufacturer to claim that it was contributing to CSR by promoting good health. The same is true of the Prius hybrid car produced by Toyota. This has been described as a good example of CSR, because of the contribution it has made to improving fuel efficiency. But personally I cannot agree with this assessment. If producing cars with good fuel performance counts as CSR, the whole small-car industry would have to be considered as CSR.

In recent years, human rights issues have become important to CSR efforts. In the United States, General Electric has placed a particular emphasis on human rights since 2007. The Ruggie Framework, which defines the relationship between companies and human rights, and guidelines issued by the Organization for Economic Co-operation and Development, are also important. CSR has gone beyond the stage of being simply an injunction to “obey the rules and do good.” Today, a company’s relationships with society, and how these relationships might change the way the company does business, are extremely important questions.
Discussion

There was a question from the floor regarding the Ruggie Framework. Fujii said that on the subject of human rights, the framework did not instruct companies to do good. Instead, what was written in the rules was an exhortation to “do no harm.” Refusing to sign contracts with a company that has violated labor laws, for example, would constitute “not doing harm.” It is not possible to eradicate or correct bad companies by this means alone, and there is a limit to what companies can do in this area, which falls under the responsibility of the government. There is a difference between CSR that aims to bring about good, and CSR that aims to avoid doing harm, Fujii explained, and the international community in general is looking for the latter.

In response to a suggestion that Europe was trying to use CSR as a kind of non-tariff barrier, Fujii admitted that there was this aspect to the situation. “But even if Japan objects, the European side will not see it in this way, and the idea is a non-starter as an argument. Besides, it is European companies that suffer the most as a result of CSR.”

Another question concerned the differences between CSR and a company’s activities relating to the environment, society, and governance (ESG). Fujii said that whereas ESG was concerned with a single bottom line, and only assessed a company’s activities according to their economic aspects, CSR was more like a triple bottom line, assessing a company’s activities according to the three criteria of economy, environment, and society. In other words, he replied, CSR evaluated things that the markets did not evaluate, but the triple bottom line did not function particularly well.
NIKKEI GSR Project
Events 2011
Senior executives from some of the world’s leading companies spoke at the 13th Nikkei Global Management Forum, held at the Imperial Hotel, Tokyo on October 24 and 25, 2011 under the joint sponsorship of Nikkei Inc., the Swiss-based business school IMD, and the Japanese Center for Economic Research. A session on GSR was held, titled “Global Social Responsibility (GSR): From Japan to the World.” Masatoshi Satō, Chairman of Sompo Japan Insurance, Inc., delivered the keynote address, and then participated in a panel discussion along with Dominique Turpin, president of IMD, and Harvard Business School professor Hirotaka Takeuchi.

Keynote Address

The Importance of Multiple Stakeholders

Chairman, Sompo Japan Insurance Inc.
Masatoshi Satō

In order to realize our aims of achieving sustainable growth and earning the trust of the public, our company focuses its efforts on four areas. These are: 1. Adapting to and alleviating climate change; 2. Risk management in the interests of safety and security; 3. Solving social issues by CSR financing; and 4. Promoting cooperation in local communities. Today I want to talk about categories 1 and 4 in particular.

There has been an increase around the world in major natural disasters in recent years. Last year alone saw winter storms across Western Europe, a heat wave in Russia, hurricanes in the United States and Australia, and floods in Pakistan and China. There are two basic approaches to dealing with climate change of this kind: adapting to change and working to alleviate damage. Insurance companies can make a balanced contribution by combining both approaches. Examples of adaptation measures include providing improved insurance coverage for natural disasters and
offering risk management and consulting services. Alleviation measures might include efforts to reduce greenhouse gas emissions indirectly by developing and selling insurance products that promote the wider use of renewable energy, or promoting eco-funds to invest in companies that show consideration for the environment.

At the moment Thailand is in the news for the major floods affecting the country. But in fact drought is a more common problem there. As one of our company’s adaptive measures for dealing with climate change, we developed Weather Index Insurance for farmers. This is a microinsurance product that pays out an amount equivalent to 15% or 40% of loans from the Bank for Agriculture and Agricultural Cooperatives (BAAC) in the event that rainfall drops below a certain level. This helps to prevent poor farmers from falling even deeper into poverty as a result of drought. We developed the product over a period of three years, starting in 2007, carrying out exhaustive research and surveys in cooperation with the Thai Meteorological Department, the Japan Bank for International Cooperation, and BAAC. The product represents a new business model based on three criteria; namely, the product should: 1. Be easy to understand; 2. Involve no retail costs; and 3. Pay out promptly. We also offer microinsurance products aimed at poverty alleviation in India.

In terms of promoting collaboration in local communities, in 1993 we established the Sompo Japan Chikyu (Earth) Club, a volunteer organization in which all employees are enrolled. The group collaborates with NPOs throughout the country on a diverse range of activities. Another effort is the Save Japan Project, in which customers can take out automobile insurance online, both reducing the amount of paper used and allowing our company to protect endangered species by contributing to environmental NPOs around the country.

Solving global-scale issues such as climate change and poverty requires partnerships between multiple stakeholders. Human resources are an essential part of this, which is why we have worked on providing training not only to company employees but to students and members of the general public as well. In 1999 we founded the Sompo Japan Environment Foundation, which works with NPOs on various environmental education activities. Since 1993, the foundation has also run a series of open lectures on the environment for the general public. A cumulative total of 16,000 people have attended these lectures. In 2000 we started the CSO Learning Program, an internship program that dispatches undergraduate and graduate students to work at environmental NPO and NGO organizations.
TAKEUCHI: Recently, there is a broad consensus that participation in CSR or GSR type activities is indispensable to a company’s survival. Why is this? What makes this type of activity different from the charitable activities or endowments in which companies have always been involved?

SATŌ: In the past, Japanese companies thought it was enough to fulfill the minimum requirements in terms of their responsibilities and duties to society. If they obeyed the law, paid their taxes, and maintained employment, that was good enough. In recent years additional requirements such as compliance, risk management, and benevolent donations have been added to those traditional obligations. But all these activities were what might be called “defensive CSR.” Today, the population explosion and environmental pollution threaten the sustainability of the earth itself, and globalization is increasing poverty and wealth discrepancies in society. In order to solve these problems, a new kind of “offensive CSR”
is essential. That is where GSR steps in.

TURPIN: In Europe, governments and consumers now have a strong influence on companies’ CSR activities. In some countries, major companies and investors are required to publicly disclose the contents of their CSR programs, and many consumers choose the products of companies that are passionate about CSR.

TAKEUCHI: I co-authored an essay called “The Wise Leader” with Ikujirō Nonaka, professor emeritus at Hitotsubashi University, that appeared as the cover article in the May issue of the Harvard Business Review this year. We emphasized how important it is for companies to work for the benefit of the people of the world, and introduced ten key leaders, of whom nine were Japanese. Japanese companies have traditionally believed in the idea of sanpō yoshi, or three-way satisfaction, which holds that a transaction or business undertaking should benefit not only buyer and seller but also society at large. I think this idea that businesses need to contribute positively to the wider community is quite close to the ideals of “offensive CSR” or of GSR. What is important is undertakings by multiple stakeholders—corporations, international organizations, governments, NPOs, NGOs, and so on.

SATŌ: Because of the huge scale of the problems facing the global community, such as the environment and poverty, the causes are complex, and the measures to deal with them must be multifaceted and wide-ranging. In the past we have depended on responses from governments and other authorities, but in the future mutual assistance will be the key. It is vital that multiple actors align their vectors and work together.

Coexistence with society, competitive benefits

President of IMD
Dominique Turpin

TURPIN: Mutual assistance is becoming increasingly important. In the manufacturing industry in particular, companies need to demonstrate social responsibility in all their activities across the board. This is why Nestle has undertaken comprehensive environmental initiatives, involving such efforts as providing farmer education, eradicating pollution from the manufacturing process, and properly
disposing product packaging. Many other companies are aiming to reconstruct their value chains with multiple stakeholders.

TAKEUCHI: CSR or GSR activities can sometimes mean decreased profits for a company. Is this something that shareholders are prepared to tolerate?

SATÔ: These worries are based on a short-term perspective. In the medium- to long-term, these efforts are essential to companies’ survival, and will surely contribute to profit. Another important factor is that young people tend to be acutely interested in GSR. Companies that neglect CSR will struggle to attract talented employees.

TURPIN: There are various types of capitalism. The Anglo-American model puts value to stockholders first, but the German model, for example, values coexistence with society. Japan is perhaps somewhat closer to the German model. It is hard to set a monetary value on something like coexistence with society, but ultimately it will bring a competitive advantage and pay its way economically as well.

The GSR traditions of Japanese companies

Harvard Business School professor
Hirotaka Takeuchi

TAKEUCHI: Economic value and social value cannot be viewed in isolation from one another. Companies need to produce both or they will not survive. I think it is extremely important that a company develop its GSR efforts in line with its main business. This will allow the company to make the most of the resources at its disposal in terms of human resources, technology, capital, and managerial expertise.

SATÔ: It’s important for a company’s CSR activities to develop in line with its main business. One key point for insurance companies, for example, is working to reduce road traffic accidents. Some 1.3 million people around the world lose their lives in road accidents every year, most of them in developing countries. We decided we had a duty to transfer Japan’s road safety knowhow to people in developing countries, and we are working with distribution companies and other stakeholders to create international standards with regard to road safety rules.
TAKEUCHI: Personnel development is another important factor in developing CSR or GSR programs.

SATÔ: A lot of people still don't have a good grasp of the meaning of CSR or GSR. We need to reach out to these people and help them to see the value of GSR. Companies must do more to create opportunities for improving understanding. The open lectures on the environment that our company holds for the public allow us to develop the personnel who can create these kinds of opportunities.
The 2nd Nikkei GSR Project Idea Contest for Students

A “global social responsibility” idea contest for students on the theme of “Creating Our Planet’s Future with Students” was held on December 8, 2011, at Meiji Gakuin University in Minato-ku, Tokyo. The competition called on teams of university students to create a business plan using the resources of two major companies that would contribute to the solution of pressing global issues. This contest was the second to be held; last year’s winner—Shonan Fujisawa Campus of Keio University—was again awarded the top prize this year.

Eight teams participated in the event, namely: GSR Research Teams from Meiji Gakuin University and Kwansei Gakuin University, Keio University’s Shonan Fujisawa Campus, a joint University of Tokyo × STeLA team, the Kenichi Takayasu Seminar of Dokkyo University, the Masaru Karube and (some members of the) Seiichiro Yonekura Seminars of Hitotsubashi University, and the Eric Kasahara Seminar of Rikkyo University.

The participating companies were: Itochu Corp.; Shiseido Co., Ltd.; Sompo Japan Insurance Inc.; Daiichi Sankyo Co., Ltd.; Takeda Pharmaceutical Co., Ltd.; Chiyoda Corp.; Toshiba Corp.; and Fuji Xerox Co., Ltd. The students were asked to formulate a plan utilizing the resources of two of the eight companies.

Keio University’s Shonan Fujisawa Campus × Takeda Pharmaceutical Co., Ltd. × Fuji Xerox Co., Ltd.

Presentation Title

Bless All The Love: From Chernobyl and Fukushima to the Future

The Keio team’s “Bless All The Love: From Chernobyl and Fukushima to the Future” plan combined the medical expertise of Takeda Pharmaceutical and the information technology of Fuji Xerox to devise ways of mitigating health risks resulting from nuclear accidents.

Cases of radiation-induced thyroid cancer and mental illness have been increasing in areas of Belarus and Ukraine near the Chernobyl plant, and medical supplies to treat such patients are in short supply. Takeda Pharmaceutical will
furnish medicines while also collecting clinical data, which will be stored as big data (reaching over a petabyte, or 1 quadrillion bytes) with Fuji Xerox’s document integration technology.

This data will be employed in providing medical treatment for residents near the Fukushima Daiichi Nuclear Power Station, operated by the Tokyo Electric Power Company. Clinical data from Fukushima will also be collected and utilized in both treatment and the development of new drugs.

Jun’ichi Arai, chairman of the Japan Center for Economic Research who headed the panel of judges, commented that the proposal earned high points for devising a GSR business plan that tackled the March 11 earthquake and nuclear accident—the biggest developments of the year—head on.

Trailing closely behind the Keio plan were those proposed by the Takayasu Seminar of Dokkyo University, the Karube Seminar of Hitotsubashi University, and the Kasahara Seminar of Rikkyo University. These three teams received awards for excellence.

Kenichi Takayasu Seminar of Dokkyo University	Itochu Corp. × Fuji Xerox Co., Ltd.

Presentation Title

Save Bangladesh by life-network

The Takayasu Seminar proposal tapped the distribution network of Itochu Corp. and Fuji Xerox’s information technology to launch a business to deliver needed products and services to rural villages in Bangladesh—one of Asia’s poorest countries. Itochu’s international network will be linked with BRAC, one of the world’s largest nongovernmental organizations whose activities are centered on Bangladesh. Touchscreen, multifunction terminals developed by Fuji Xerox will be provided to BRAC officials working in the field to ascertain the needs of rural villagers.

Medicines and other health supplies and fertilizer will be transported to rural areas, while jute, sugarcane, soybeans and other agricultural products will be shipped to the cities and abroad. It is estimated that effective purchasing power would increase by 400 billion yen if 10 million households could be incorporated into a network of this kind.
Masaru Karube Seminars of Hitotsubashi University Daiichi Sankyo Co., Ltd. × Toshiba Corp.

Presentation Title

‘ASHA’ brings hope to women in India

The Karube Seminar, meanwhile, proposed to use the drugs and medical technology of Daiichi Sankyo and Toshiba’s medical electronic devices and information technologies to bring about a dramatic reduction in the infant (under-fives) and maternal mortality rates in India—which has the highest such rates in the world. Through a partnership with Asha, a group supporting women’s health in India’s rural villages, information can be obtained from pregnant women with Toshiba ultrasonic probes, to be supplied to Asha.

The data collected will be sent to a central IT center, where specialist physicians will determine what medical procedures are necessary. This information will be conveyed to regional primary health centers, from where midwives and Asha staff members can be dispatched. They will take Daiichi Sankyo drugs and nutritional supplements with them, which will be provided to expecting mothers and newborns.

Eric Kasahara Seminar of Rikkyo University Sompo Japan Insurance Inc. × Takeda Pharmaceutical Co., Ltd.

Presentation Title

Transferring the Home-medicines System of Toyama in Japan to Rural Bangladesh Using Micro-finance

The Kasahara Seminar team came up with the idea of applying a traditional Toyama sales practice for over-the-counter drugs in Bangladesh. A box of assorted drugs is kept in people’s homes, and only those items that are actually used are paid for. The Nippon Foundation launched a similar attempt in Mongolia, but the collection of fees was not very successful. Microfinance initiatives by Grameen Bank and others are well
established in Bangladesh, however, so combining such credit schemes with the Toyama approach may prove to be more effective.

Working with BRAC, again, Takeda Pharmaceutical products will be supplied to Bangladeshi villages, with credit insurance being provided by Sompo Japan, which can apply its microinsurance experience in India to Bangladesh. To fight malaria, Takeda Pharmaceutical is expected to develop soaps and creams that contain mosquito-repelling ingredients. If this can be achieved, it will lead to expanded incomes and employment opportunities for the villagers.

### Kwansei Gakuin University

#### Hope for women

The Kwansei Gakuin team focused on education as a key to encouraging more women to enter the workforce and expanding employment. The university will team up with Itochu and Toshiba to provide education and internship opportunities for young women in South Africa to enhance their job market potential. A new department focusing on teaching the business skills needed for the BOP (bottom of the pyramid) market will be established in an existing university to accommodate approximately 30 South African female students. In the future, a system will be set up similar to the posting system that now exists between Japanese and US professional baseball leagues, under which outstanding graduates can be recruited by companies around the world.
Your Beauty, Another's Hope

The University of Tokyo × STeLA team combined Shiseido’s and Sompo Japan’s resources to offer a solution to the widening wealth gaps in Thailand and to promote economic growth in the country.

Specifically, it called for Shiseido to launch cause-related marketing in Thailand, offering high-income earners cosmetic products whose price includes a donation. The donations will be used to pay for weather-indexed crop insurance offered by Sompo Japan, which compensates farmers for damage incurred due to abnormal weather conditions, like the massive floods that received widespread media attention around the world this year. Under the thambun concept of Thai Buddhism, donating to charity and other virtuous activities are regarded as a means of ensuring one’s happiness in the afterlife. Cause marketing is thus believed to be a realistic option in Thailand.

Madagascar Organic Series

Members of the Yonekura Seminar devised a poverty eradication plan for Madagascar, an island nation off the southeast coast of Africa, using the resources of Chiyoda Corp. and Shiseido. Some 80% of poor people in Madagascar are engaged in agriculture, a sector that is plagued by undeveloped water infrastructure.

While Chiyoda’s business is centered on energy plants, the company also possesses water purification and photovoltaic power generation technologies. It will construct a small plant in a rural district that lacks running water and electricity, while Shiseido will develop cosmetic products using Madagascar’s herbs and other locally grown agricultural products.
Drive to the human health in South Sudan

The Meiji Gakuin plan calls for establishing a telemedical system in South Sudan, which gained its independence in July this year. It combines a satellite image-transmission system developed by Chiyoda Advanced Solutions, a subsidiary of Chiyoda Corp., with Daiichi Sankyo’s mobile clinics to enable more efficient treatment through the sharing of medical data.

Daiichi Sankyo has launched a mobile clinic service in India following its acquisition of a local generic drug maker, Ranbaxy Laboratories Ltd. This has led to dramatic reductions in the infant and maternal mortality rates in some villages, and this experience can be used in South Sudan as well. A mobile clinic service can help narrow the medical gap between urban and rural areas, particularly in the prevention and treatment of HIV/AIDS.

The proposals were judged for how well they combined the chosen companies’ resources, originality, feasibility, social impact, and presentation skills. In addition to JCER Chairman Arai, the judging committee included Fumiyou Nagaoka, professor of economics at Hosei University; Mariko Kawaguchi, executive director of the ESG Research Department, Daiwa Institute of Research; and Kunio Saijo, senior staff writer, The Nikkei.
Reference Reports:
Practical Approaches
Asahi Kasei Corporation

Contributing to Human Life and Human Livelihood

GSR Research Group Company Member 2011

As part of its corporate credo, the Asahi Kasei Group is committed to “contribute to human life and human livelihood” through “constant innovation and advances based in science and the human intellect.” “Human life” here implies a society in which each individual can live in health and comfort, while “human livelihood” implies a society that develops in harmony with the natural environment. We believe that helping to build a society with both attributes, through diverse business operations geared to the environment and to human health and comfort, is the proper path for the Asahi Kasei Group and sums up our corporate responsibility.

The Asahi Kasei Group’s business operations range across such diverse fields as chemicals, homes, pharmaceuticals and health care, fibers, electronics, and construction materials. In each field our companies are engaged in a variety of operations designed to contribute to the environment and to human health and comfort. In this report we focus on two examples of our China operations to illustrate how our business activities are benefiting the environment and human health overseas: in the environmental field, our water treatment business; in the health care segment, a blood-cleansing technology called apheresis.

Asahi Kasei’s water treatment business is involved in the purification and treatment of water in both the supply and sewage systems. In China today, the MicrozaTM hollow-fiber membrane filter developed by the Asahi Kasei Group is used not only for treatment of drinking water and wastewater but also for emergency water supply in times of disaster. In this way we are playing an important role in improving water quality in China.

Apheresis, a technology for cleansing the blood outside the body and then returning it to circulation, is believed to hold great promise for the treatment of intractable diseases. In China, we are working to promote widespread use of apheresis in emergency care. Thus far our apheresis technology has been successfully used in the emergency treatment of crush syndrome in victims of the 2008 Sichuan earthquake and other disasters and has played an important role in improving patients’ quality of life.

Keeping in mind our corporate credo, “contributing to human health and human livelihood,” the Asahi Kasei Group will continue to address global social problems through active pursuit of these and other business activities, making use of our unique products, technologies, and services to build a society that develops in harmony with the environment, where people can live in health and comfort.
Asahi Group Holdings, Ltd.

Working to Prevent Harmful Use of Alcohol

GSR Research Group Company Member 2011

Given that alcoholic beverages account for 66% of the Asahi Breweries Group’s consolidated net sales (2009 results), the group’s CSR program places high priority on addressing problems stemming from inappropriate consumption of alcohol. In this report we outline the initiatives that the Asahi Breweries Group, along with others in the industry, has embarked on in order to put into practice the World Health Organization’s Strategies to Reduce the Harmful Use of Alcohol, adopted by the World Health Assembly in May 2010.

Globally, corporations in the alcoholic beverage industry have launched a joint CSR program called Global Actions on Harmful Drinking, which sets various targets to be met by 2012. Focusing on developing countries and emerging economies, the program promotes action in the three areas of industry self-regulation, drinking and driving, and noncommercial alcohol. Asahi Breweries is actively involved as a member of Japan’s liquor industry trade associations.

On the domestic front, the Brewers Association of Japan, of which Asahi Breweries is a member, launched the Stop Underage Drinking project in 2005. Since 2002 it has sponsored an underage-drinking-prevention poster and slogan contest among Japanese schools. These programs can claim a measure of success.

While placing primary emphasis on participation in industry-wide efforts in Japan and overseas, Asahi Breweries has also been pursuing its own efforts to address alcohol-related problems through its Fund for the Prevention of Underage Drinking, established in 2005. In this way we are striving to fulfill our social responsibility as a brewing company at both the global and local levels.
Together with our Customers ~ the AEON 1% Club

GSR Research Group Company Member 2011

① Corporate Purpose
As a retailer, the source of our value is to contribute to our communities. Profits are not the ultimate purpose of companies. What is important is how the profits are used.

② The AEON 1% Club
The AEON 1% Club was established in 1989, primarily for projects in the three fields of (a) environmental protection, (b) the revitalization of local communities and cultures, and (c) international cultural and interpersonal exchange and human resources development. As a funding source, AEON Group companies each donate 1% of their pre-tax profits.

③ History of the AEON School Construction Support Project
We devised a uniquely AEON approach to supporting the construction of schools in Asian countries, providing assistance together with our customers and taking advantage of our outlets, which are visited by many customers.

④ In Collaboration with Customers and the Japan Committee for UNICEF
(1) Construction Partner: Japan Committee for UNICEF
Local UNICEF offices were responsible for the construction management and school construction locations, while AEON was in charge of soliciting funds from customers and collecting donations at outlets. The project is designed for the schools to be self-supporting in the future.

(2) Funding Cooperation
Funds donated by customers at AEON outlets nationwide are matched by funds from AEON and the Japan Committee for UNICEF.

⑤ School Construction Support Project Progress
One hundred forty-nine schools were opened in Cambodia between 2001 and 03, and 57 schools were opened in Nepal in 2004 and 05.

⑥ Laos School Construction Support Project
There were various impediments to the project in Laos, but school opening ceremonies were finally held with support from the government of Laos. A total of 100 schools were opened as planned between 2006 and 08.

⑦ Future of the School Construction Support Project
While there are debates regarding the necessity of CSR activities and their relations with business fields, this CSR project must be considered from a long-term rather than a short-term perspective. The AEON Group intends to continue advancing our School Construction Support Project.
At ITOCHU, we believe that CSR means keeping alive the spirit of *sampo yoshi* (good for the buyer, the seller, and the public) practiced by our founder, Chubei Itoh, by coexisting harmoniously with the community as a good corporate citizen and meeting society’s expectations through our business operations.

To promote effective CSR through our business operations, our Division Companies, or our business divisions, independently works through to formulate CSR action plans.

Supply chain management is increasing its importance as one means of addressing environmental problems and social concerns regarding human rights and labor practices. As a corporation that conducts business all over the globe, we regard management of our supply chains as a critical CSR issue.

For this reason we have responsible personnel in each business unit who carry out supplier surveys to keep up to date with suppliers’ practices. If a problem comes to light, we will work to resolve it through dialogue with the supplier. We have also issued the “ITOCHU Corporation’s CSR Action Guidelines for Supply Chains” to promote better understanding of our policies among suppliers.

Another aspect of our efforts in this area is the ongoing Documentary Report Project on Supply Chains, in which we are tracing, documenting, and disclosing the complete supply chain for the products we handle.

Because of the nature of our business, society has high expectations of ITOCHU with respect to supply chain management. We believe that we are practicing GSR by sustaining and further developing our unique approach to supply chain management as one way of contributing to the development of a sustainable society and the resolution of social problems around the world.
OMRON Corporation

CSR Grounded in Our Corporate Principles

GSR Research Group Company Member 2011

At Omron our business practices are firmly grounded in our corporate motto and corporate principles, which govern our operations around the world. Omron’s motto and principles are also at the heart of our CSR, linking the sustainable development of our business to the sustainable development of society as a whole.

Ever since Omron’s beginnings, management has been oriented to solving social problems and contributing to society through our business activities. In fiscal 2004, cognizant of recent trends in corporate social responsibility, the company decided to go a step further by explicitly adopting a CSR program aligned to three basic policies and implementing it globally.

In recent years the climate surrounding CSR has changed dramatically, and corporations are being called on to play an ever greater role in solving global social problems. Under these circumstances, we believe that it is no longer sufficient for corporations to pursue their own CSR initiatives in isolation. In today’s world, businesses need to collaborate with a variety of stakeholders and play an active leadership role within larger frameworks and organizations committed to solving global problems.

Omron has started its long-term vision for the next 10 years. Under this new long-term vision, we are calling for renewed efforts, predicated on developments to date and recent changes in the CSR environment, to ensure that Omron and global society develop together in a sustainable manner.
In March 2009 Kaneka established the CSR Committee, the company’s first organizational unit devoted exclusively to CSR. In the September 2009 Declaration of Kaneka United, outlining our long-range vision for the next 10 years, we identify four strategic domains for priority investment of business resources: environment and energy, health care, information and communications, and food production support. Of these, at least two—environment and energy and food production support—overlap with global issues that have been highlighted as critical challenges facing humankind. As we see it, GSR means striving for the global expansion of business operations that can play a role, however small, in resolving these problems. In this report we focus on our business undertakings in solar cells, biopolymers, and agricultural and livestock-feed supplements, discussing their possibilities and challenges.

At the same time, we realize that we cannot expect our businesses to make a truly meaningful contribution to the solution of global problems merely through conventional business activities undertaken out of the profit motive. For this reason, we also acknowledge the need to go beyond our current local activities with initiatives conceived from the unique perspective of each country or region where our businesses operate.
At Kikkoman, we believe that CSR and good business practices are one and the same. In the process of providing quality goods and services and receiving what they are worth in return, we fulfill many responsibilities to a variety of stakeholders. Moreover, fulfilling these responsibilities is a minimum condition for our survival as a business. At the same time, we are aware that a company bears responsibilities not merely to the stakeholders with whom it interacts directly in its business activities but to a wide range of entities, including the local community and the global environment. In addition to conducting our routine business operations in a conscientious manner, we at Kikkoman do our best to contribute to society through our own distinctive community outreach program and other voluntary initiatives.

Kikkoman’s commitment to CSR is clearly set forth in our Business Principles, and that commitment is also a key element of our Global Vision 2020, which outlines our goals and strategy for the future.

Global Vision 2020 calls for accelerated global growth of our core soy sauce business through expansion into Asian markets in particular. The expansion of our business will bring with it greater responsibilities, and as the makeup of our stakeholders changes, so will the nature of our responsibilities. Each time Kikkoman expands into a new country or region, we will need to carefully consider how best to apply the principles of the UN Global Compact and our own code of conduct. Meanwhile, we remain deeply concerned about global issues and committed to do whatever we can to address them.

In short, at Kikkoman we are deeply aware of our corporate responsibility, and while we see the fulfillment of that responsibility as a major challenge, we also see it as the key to our value as a corporation.
Shiseido is currently drafting its next three-year CSR plan (2011–13), which clarifies the company’s basic thinking on GSR by (1) specifying priority areas and outcomes for CSR activity uniquely suited to Shiseido and (2) introducing the concept of “business benefits” to social initiatives.

Firstly, the plan designates three areas of CSR in which Shiseido can put to use the unique strengths the company has developed over the years: women and cosmetics (beauty), the environment, and culture. Within these areas, we intend to work globally, with a focus on Asia, to (1) offer women physical and emotional care, lift their spirits, and support an active role for them in society; (2) work for a sustainable society in which humanity and the earth can live together in harmony and beauty; and (3) continue to create beauty rooted in a deep sensibility and understanding. We believe it is important to move toward these goals patiently and steadily, one step at a time, through cumulative collaboration with our stakeholders.

In terms of “business benefits,” we have established key performance indicators for the four basic goals of creating new markets, expanding existing markets, boosting employee competence and motivation, and strengthening the corporate brand. A committee reporting directly to the Board of Directors will periodically evaluate the company’s progress with respect to these KPIs.

To illustrate this approach, let us take as an example the Shiseido Life Quality Beauty Program, introduced in the GSR White Paper 2009. Under this initiative, we are working on a global level to improve the quality of life of elderly and infirm persons by using cosmetics and beauty to help them look and feel better. Through this activity, we are finding ways not only to benefit society but to strengthen our core business as well. As a result, we win the approval of shareholders, investors, and other stakeholders, which in turn allows the initiative to evolve into a sustainable program. In the same way, we believe it is important to extend our support for young artists, a program that has been going on for more than a century now, to the next generation and throughout the world, while clearly communicating the fundamental value and significance of the initiative.
Toward Global Sustainable Development

The idea of benefiting society as well as the company through our business activities is one of the most cherished principles of management at Sumitomo Chemical. The notion that our company has a responsibility to contribute to the sustainable development of society through our business activities is deeply rooted in our corporate culture. In the 2010 Corporate Vision, Sumitomo Chemical’s long-term business policy, we pledge to marshal the full potential of chemistry to “help meet pressing global challenges, such as energy and food security, and contribute to sustainable development of the global community.”

The central pillar of CSR at Sumitomo Chemical is “responsible care”—our commitment to safety, environmental protection, and quality throughout the lifecycle of our products, from development, manufacture, and sales to use and disposal. To address the growing global crises affecting the world’s natural resources, energy, and environment—the problem of climate change in particular—Sumitomo Chemical has been working tirelessly to achieve a level of energy efficiency surpassed by few companies in the world, while developing processes and products that help reduce carbon dioxide emissions.

As part of a larger effort to meet the Millennium Development Goals adopted by the United Nations in response to the crises facing human society, Sumitomo Chemical is helping to fight malaria in Africa with our revolutionary Olyset® Net mosquito netting. We are also creating local jobs by manufacturing the netting in Africa, while providing support for education and pursuing a variety of other initiatives closely connected to the Millennium Development Goals.

In 2005, Sumitomo Chemical announced its participation in the UN Global Compact Summit, and since 2008 we have participated in the preparation of various guidelines as the first Japanese company represented on a Global Compact working group. We intend to continue participating actively in CSR activities as a member of the international community in partnership with a wide range of stakeholders.

At Sumitomo Chemical, we want our business to play a proactive role in the mitigation of global problems and contribute to the sustainable development of global society by improving the lives of people in countries and regions around the world and by helping to resolve the world’s energy issues and environmental problems.
Creating a Green Real Estate Market

GSR Research Group Company Member 2011

In recent years the real estate sector has come under increasing pressure to reduce its impact on the environment. In an economic sector that accounts for about one-third of Japan’s total CO2 emissions, reducing energy consumption is a matter of particular urgency. It is true that Japan has developed an index called CASBEE (Comprehensive Assessment System for Built Environment Efficiency) to evaluate the environmental performance of buildings, and the environmental awareness of the construction industry in Japan is by no means low. Still, in comparison with the United States, which is moving ahead systematically by developing an environmental real estate market, Japan is being left by the wayside.

Meanwhile, responsible property investment—that is, real estate investment driven in part by environmental, social, and governance considerations—is a rapidly spreading phenomenon. In an industry where the habit of repeatedly “passing the environmental buck” from one stakeholder group to the next has made substantial progress impossible, there is a growing need for multiple stakeholders to work together for environmental (sustainable) real estate development.

Sumitomo Trust & Banking has been active in this area for some time. We have advocated the concept of environmental value added in real estate, set up a cross-sector sustainable real estate research group, and taken part in RPI-promoting efforts as a core member of the Property Working Group under the United Nations Environment Program Finance Initiative. We believe these activities have allowed us to act as a bridge between Japan and other countries and play a pivotal role in the development of an environmental real estate market in Japan. Looking ahead, we will recommend linking CASBEE with the market mechanism and aligning it with comparable systems elsewhere in the world, while investing aggressively in the growth and expansion of our own environmental real estate business.
Sompo Japan Insurance Inc.

Consistent Approach to Environmental Issues

GSR Research Group Company Member 2011

Sompo Japan has been actively pursuing environmental issues since establishing the Department of Global Environment in 1992. The company received ISO 14001 environmental management certification in 1997, and became the first Japanese financial organ to issue an environmental report in the following year.

Sompo Japan is presently addressing climate change mitigation and adaptation as an important CSR issue. In particular, we are addressing adaptation to climate change as an issue making use of the strengths of our main business as an insurance company. The spread of nonlife insurance as a response to the increase in natural disasters throughout the world accompanying climate change is an urgent issue for fragile developing countries and an effective countermeasure. As one example, the Sompo Japan Group has developed weather index insurance for farmers in northeast Thailand, linked to the volume of rainfall, which compensates farmers for drought damage. This product development is an important step to increase the adaptation capabilities of developing nations, where nonlife insurance remains undeveloped. A new public-private partnership is being sought on a global scale combining such insurance with adaptation funds and other public support.

Another example of Sompo Japan’s CSR activities is support for puppet theater performances of The Fire of Inamura (rice sheaves), which is said to be a masterpiece of Japanese tsunami disaster prevention education. Sompo Japan has promoted this puppet theater disaster prevention education project to convey information on tsunami evacuations in an easily understood manner. This project has also been introduced to the countries of Asia as part of the Japanese government’s tsunami disaster prevention assistance. The Fire of Inamura was taken up as an example of good private-sector efforts at the UN Asian Conference on Disaster Reduction held in Bali, Indonesia, in November 2008.

What both these examples have in common is an emphasis on preventative measures. The key to addressing climate change, biological diversity, poverty, and other global issues lies in devising such preventative measures. Moreover, the graver the impact that these issues are expected to have, the greater the need for preventative action. And as noted in the Stern Review, which discusses climate change from an economics viewpoint, the cost of taking action is far less than the cost of not taking action. Sompo Japan will continue to focus our energies on providing preventative solutions for a sustainable, safe, and secure society.
The Daiichi Sankyo Group’s mission is “to contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs.” The Group carries out corporate activities that demonstrate the high standard of ethics and social sense suited to a life-science oriented company. With the addition of the Indian pharmaceutical company, Ranbaxy Group, in 2008, the Group’s reach was expanded beyond developed countries to emerging markets, and its workforce was also further diversified. The Daiichi Sankyo Group is pursuing a Hybrid Business Model that seeks to meet diversifying medical needs, including innovative pharmaceuticals (new drugs), established pharmaceuticals,* vaccines, and over-the-counter drugs.

Daiichi Sankyo’s Second Mid-term Business Management Plan (2010-2012) clearly posits the promotion of CSR as an essential management task, pursuing the balanced expansion of social, economic, and human value. It has also formulated the Mid-term CSR Policy as a set of specific guidelines for implementation. The policy identifies five goals for the Daiichi Sankyo Group to work toward. A corporate officer in charge of Group CSR and a team of employees has been tasked with promoting CSR initiatives on a full-time basis as part of the Group’s global system.

One of the five CSR goals is to broaden the opportunities of access to medical services, including medicine, globally. The aim is to make a responsible contribution to society befitting a global pharmaceutical company, by addressing the international task of putting in place a global system that provides support to developing countries in the areas of health and medical care. Having worked to contribute to society through its core business and in a variety of other ways, the Daiichi Sankyo Group is now seeking to further enhance its social contribution activities to address global issues and to improve its reporting through both internal and external communications and the introduction of key third-party evaluations. The Group has articulated its intention to contribute to the attainment of the Millennium Development Goals (MDGs) that are directly related to medical care (Goals 4, 5, 6), issues that the international community as a whole must address, and has set specific indicators for implementation. The Group will implement a program of mobile healthcare field clinics to provide basic medical services free of charge in India, Cameroon and Tanzania beginning in fiscal 2011 for a period of five years. The Daiichi Sankyo Group will continue to strategically address the MDGs that are directly related to medical care as is expected of a global pharmaceutical company, working at the same time to enhance its own corporate value.

* A term created by Daiichi Sankyo to refer to generic pharmaceuticals and some of its long-standing products.
The driving force behind CSR at Takeda Pharmaceutical Co. is our corporate mission: to strive towards better health for patients worldwide by leading innovation in medicine. Benefiting patients and medical practitioners through our core business is Takeda’s most important responsibility to society. But we are also aware that the sustainability of our business depends on a sound and sustainable society. For this reason, we believe that corporate citizenship and CSR are no less important than our core business operations, and we are determined to make optimum use of all our business resources—people, goods, money, information—to benefit society.

In March 2010, one year after signing the UN Global Compact, the company launched the Takeda Initiative, a concrete GSR program designed with the UN Millennium Development Goals in mind. One of the biggest problems in the area of global health is the threat of infectious disease, particularly the “big three” of HIV/AIDS, tuberculosis, and malaria. The Takeda Initiative will provide ongoing financial support over a period of 10 years to the Global Fund to Fight AIDS, Tuberculosis, and Malaria in order to nurture and improve the skills of health-care personnel (doctors, nurses, pharmaceutical chemists, laboratory technicians, and others) in three African countries (Tanzania, Nigeria, and Senegal).

Takeda Pharmaceutical is also actively involved in advocacy in the global health arena. This commitment was evident at the G20 Business Summit in Seoul in November 2010, when Takeda took part in the release of the report “Increasing Access to Healthcare in Developing Economies” and the submission of a set of proposals to the G20 government delegations.
Chiyoda Corporation

People, Technology and Trust, and Contribution to the International Community
GSR Research Group Company Member 2011

(1) Introduction

① The key concepts are people, technology and trust, and contribution to the international community.
② The Chiyoda Group corporate philosophy is: “Enhance our business in aiming for harmony between energy and the environment and contribute to the sustainable development of society as an integrated engineering company through the use of our collective wisdom and painstakingly developed technology.” We have been developing technologies and advancing our business toward resolving energy and environmental problems based on this spirit ever since the company was founded.

(2) The Chiyoda Group’s Unique CSR leading to GSR

① Creating the future with Chiyoda’s energy and environmental technologies: In the booklet Legacy for the 21st Century, published in 1972, Chiyoda Corporation gave a clear message to society at large regarding the scale of the responsibility corporations should bear for pollution and declared it would take the initiative to develop technologies and solve energy and environmental problems. Based on this understanding, the Chiyoda Group has advanced diverse activities in accordance with the needs of the times to contribute toward the realization of an abundant society.
② Contributions to harmony between energy and the environment and the development of a sustainable society: Chiyoda has contributed to global society in terms of the stable supply of energy, global environmental conservation, and human resources development through projects for the design and construction of LNG (liquefied natural gas) plants, which provide a clean energy source. Moreover, the Chiyoda Group has maintained safety as a common core value throughout all our projects, always upheld the spirit of cherishing people, and conducted thorough safety management and education based on those priorities.

(3) Constantly Embracing New Challenges

The Chiyoda Group contributes to the global issue of realizing a low-carbon society through our business operations. We will contribute to society with the understanding that the center of our business activities lies in using our strengths in LNG as the core of efforts to develop technologies to reduce carbon emissions from the existing energy sources of oil and coal, and in expanding our business domain into new energy fields. In space development, which leads to new solutions, we will make full use of cutting-edge engineering to embrace the challenges of the diverse development required to realize boundless dreams. We believe these Chiyoda Group activities will lead to GSR.
Aiming to become an Eco-Leader

GSR Research Group Company Member 2011

As a corporate citizen of planet Earth, Toshiba Group is striving to be one of the world’s foremost eco-companies through its efforts to create a world where people enjoy more affluent lifestyles in harmony with the Earth. We aim to minimize the environmental impact of our business activities and contribute to reducing global environmental impact to a sustainable level through our products and services. We are also contributing to improving quality of life by providing comprehensive support for activities in a wide range of areas, spanning everything from individuals’ lives to the construction of social systems.

In order to become one of the world’s foremost eco-companies, Toshiba Group is seeking to develop three Green initiatives under its new “Toshiba eco style” global brand: Greening of Process, Greening of Products, and Greening by Technology.

Working to Become One of the World’s Foremost Eco-companies

Improving the efficiency of manufacturing facilities and processes

Striving to achieve the lowest CO₂ emissions*¹ in the world

Contributing to protecting the global environment through products and technologies with the highest level of environmental performance

Annual reduction of 750 million tons of CO₂ emissions by advanced technologies*² (in 2020)

*¹ CO₂ emissions per unit production (per production, per number of units manufactured, per sales, etc.) by business segment

*² Calculated by adding together annual reductions in CO₂ emissions achieved by all Toshiba products in operation, including those that were shipped in the past; annual reductions in CO₂ emissions are calculated in comparison with the level of conventional products and average technologies

Reference Reports: Practical Approaches
GSR Research Report

“GSR White Paper 2011”

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