

The Basics of Business Ethics and CSR in JAPAN

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Abstract

Ethics chiefly pertain to our inner sense of value or moral standards which are outside the control of legal system. Ethics concern the norm coming from the inside of people, namely the dictates of conscience. They are not social norms set up outside, but imperatives coming from deep down in each person's heart which is unknown to anybody. Business ethics is not unrelated to social norm, ethics constitutes the inner value of the organization; ethics and social norm co-exist.

The problem here is that both the ethics and social norms change with progress in economic activities. This paper will grasp the business ethics from the view of evolution of social norm, also market economy. First, the basics of business ethics, second, the concept of business ethics, third, changing of social norm, fourth, the trend of CSR & CSV, fifth, diversity management.

Key Words:

Public criticism, fair business activities, social justice, corporate property, tangible assets-visible property, intangible assets-invisible property, common sense, dictates of conscience, code of conduct, group-think, social norms, organization-priority sentiments, ethics standard, legal standard, certain rules, huddling, market economy, Copenhagen Declaration, Global Compact, CSV, diversity, surface-level diversity, deep-level diversity.

1. The Basics of Business Ethics

(1) The Relationship Between Business and Society

In 1993, a group of businessmen and academic scholars including me started the Japan Society for Business Ethics (JABES). Interest in Business Ethics (in Japanese "Kigyo Rinri") in Japan was first aroused by a series of scandals in banking and securities business circles which occurred during the bubble economy in the latter half of the 1980s. The way in which the management of these industries behaved at that time exposed them to severe public criticism. What was questioned then concerned the fundamental place of a corporation in the community. It goes without saying that the primary purpose of a business is to achieve a successful economic performance. However

other questions are: What are corporations for in the first place? And have their profits been earned by fair business activities with regard to social justice? Business Ethics deals with the relationship between businesses and society, or between corporations and the people. But it is questionable as to whether the industrial world has really shown any deep appreciation of business ethics and understands its importance. Since achieving successful economic performance is a prior objective of businesses, sacrificing other things for this purpose has been more often praised than criticized. In other words, unethical decision making has sometimes been justified for the sake of profits.

(2) Ethics as an Intangible Assets

In recent years, however, the way of looking at these issues in Japan has become much more strict. Thus, if a business undertakes an unethical action which might adversely affect the community or the public good, and thereby becomes a target of public criticism, the pecuniary compensation to repair the damage could be enormous.

If a simple plus/minus scale is applied to economic performance and the cost of doing business, the cost of compensation for the damage brought about by unethical business practices could be a significant minus. If a company then fails to pay compensation, it must be prepared, in the worst case, to end up in bankruptcy or dissolution.

Corporate property can be divided into two groups; tangible assets-visible property, such as human resources, goods, and money, And intangible assets-invisible property such as information, management know-how and technology. From this point of view, business ethics, like goodwill, should be classified as invisible property. While visible property can be bought or sold quickly, invisible assets cannot be created easily, but is building up through daily business activities, and fostered over a long period of time. Business ethics is irreplaceable, unlike visible property, which is universally purchasable.

2. The Concept of Business Ethics

(1) The Concept of Business Ethics

Ethics is derived from the Greek term which means “character”. Because most economic activity now takes place through organizations, today we are interested less in the character of individual businessman than in the decision-making process of business firms. Consequently, the terms “corporate social responsibility” and “business ethics” tend to be used almost interchangeably. (David Vogel, Professor of Business Ethics, University of California at Berkeley).

The subject matter of chiefly pertain to our inner sense of value or moral standards which are outside the control of the legal system. This is where the sense of the value of the top executive,

directors, managers and employees at all level of organizations become important.

While public morality, religions, and the law involve norms imposed from the outside, ethics concerns the norms coming from the inside of people, namely the dictates of conscience. They are not social norms set up outside, but imperatives coming from deep down in each person's heart which is unknown to anybody.

What can be said from the above-mentioned view of the difference between ethics and the law is that the former deals with the realm of the people's hearts, which is not often covered by the latter.

(2) Individual Ethics and Organizational Ethics

Then what are the norms of behavior dictated by conscience? Are personal norms of behavior equal to a corporate code of conduct? There should be a difference between the norms of behavior for individuals and those for members of a group. People belonging to a group are supposed to act to the group's objective, so even if an individual has a high-flown sense of ethics, he or she may sometimes be expected to act in accordance with the norms of conduct expected of the group. In an organization, the norms of conduct expected of its members sometimes come before a personal sense of ethics, even though the latter is the dictate of each person's conscience.

Organization-priority or company-priority sentiments, "group-think," tend to cause scandals in an organization where the ethical behavior of individuals is not respected. As has been proven in psychological experiments (Solomon Asch, "Conformity Experiment"), it is not easy for an individual to maintain independence of decision making in a group, more often than not a person is affected by the majority in the organization through the corporate code of conduct and how it leads to a unified decision in the entire organizations: this involves the principles or the philosophy of the organization as well as the leadership of its top-level executives. An invisible corporate climate or culture is cultivated by the code of conduct of the organization and predominates over individual norms of behavior. Since business ethics pertain to the organization's norms of conduct, it is different from the norms of behavior of individuals. Business ethics influences the extent to which the corporate creed, philosophy, and sense of social mission permeate the whole organization, in turn supporting the code of conduct.

(3) The Relationship Between Ethical and Legal Standards

In contrast to the law, there is no external compulsion for people to comply with ethics. Does this mean that there is no criterion or measure for norms of behavior? No, it does not. The norms of behavior relate to common sense judgements, that is the way of thinking held in common by the

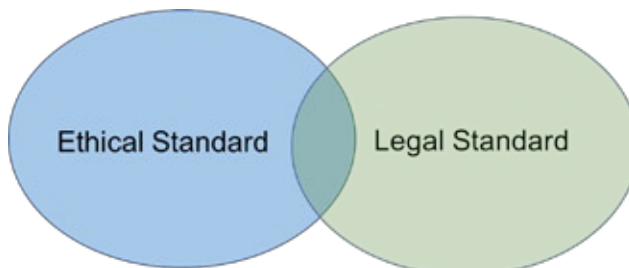
public, which serves as a model for our decision making. Social norms, in a nutshell, are common sense decisions, composed of habits and customs long cultivated in society. This being the case, ethics can be regarded as having much in common with social norms. Although social norms have no compulsory power, those who run counter to them are likely to suffer tangible or intangible censure or sanctions: a tangible example of that is the law. It is a matter of common knowledge that business activities today are under some restrictions or other, both tangible and intangible.

Here we need to think about what the law is. First of all, is it something so esoteric as to be far removed from our daily life? The essential purpose of the law is to maintain public peace and order. It is something that reflects the thinking shared by the public. The American jury system is based on the tradition of common sense judgments by the public. A similar system is being introduced into Japan, and the people have been participating in trials from 2009. In America, it is citizens who decide whether or not the suspect is guilty, while professional judges assess the severity of the sentence to be passed.

Since judgements by law are made judgment by people, and its interpretation will be divided; where to draw a line between ethics and the law will differ from one person to another. Any existing corporate organization reveals glimpses of the essence of the norms underlying its conduct. Business ethics is not unrelated to social norms, although the former constitutes the inner value of the organization; ethics and social norms co-exist. The problem here is that both the law and social norms change with the times or with progress in economic activities. New laws have been enacted successively in Japan in recent years to tackle questions of environmental conservation, improvement in working conditions, the globalization of business activities, etc.; new laws deal with sexual harassment, equal employment opportunity, PL (Product Liability), derivative actions, unlawful employment of immigrants, and so on. These indicate that the progress of economic activity has made the reconstruction of social norms inevitable. Our social norms are changing with the progress of our society.

Then what specific aspects of the social norms are changing, from the standpoint of running a business?

Figure 1 The Relationship Between Ethical and Legal Standard



3. What are Examples of Practical Illegal Conduct in Business?

What kind of scandals in Japanese business circles have triggered dispute over business ethics? Unfair indemnity for deficits, insider trading, violations of the Antitrust Law, product liability, huddling, window-dressing settlements as well as the recent recall of defective automobiles, improper evaluation of earthquake proof structures, and so on have been some of the scandals successively disclosed since the 1990s. These were all offenses against the law. In a constitutional democracy like Japan, companies must run their business according to certain rules prescribed by the law. “Certain rules” refer to various legal standards for Japanese businesses. Hence the awareness of business ethics is now arousing much controversy in Japan about the laws prescribing business rules. Naturally, offenders are to be punished under the law, which has the power of enforcement upon those who do not obey. Huddling (Dango in Japanese), window-dressing settlements and other offenses are subject to social sanctions for their infringements of the law. As well as these, there is a wide range of cases relating to employees, the local community, consumers and so on, in which business ethics is dispute because of their violation of the law.

Example of typical business scandal — unethical business behavior against business law

Bribery: the giving or taking of bribes.

Window Dressing: the fact of doing in a way that creates a good impression but not the real fact.

Tax Haven: the crime of deliberately not paying all the taxes that you should pay.

Antitrust: preventing companies or groups of companies from controlling prices unfairly.

Insider trading: the crime of buying or selling shares in a company with help of information known only by those connected with business before this is available to everybody.

PL (Product Liability): a company must be responsible and make safe products.

Recalls: car makers must repair defective parts for free after purchased.

I have classified business ethics into eight specific type of infringement

- Competition — price fixing, price discrimination, unfair bargaining, industrial spying, patent infringement, rebates, bribery, etc.
- Consumer/customer — unscrupulous trading, false advertisement, harmful products, defective products, etc.
- Investors — insider trading, window-dressing settlements, indemnity for deficits, etc.
- Employee — occupational accidents, workplace disasters, death due to excessive work, employment discrimination, sexual harassments, etc.

- Local community — industrial accidents/disasters, lockouts, strategic bankruptcy, etc.
- Global Environment — environmental destruction, environmental pollution, etc.
- Government — tax evasion, bribery, illegal political donation, etc.
- International affairs — tax avoidance, social dumping, money laundering, etc.

4. Changes in Social Norms

(1) Intangible Assets

It is usual for the value of a company to be assessed by such visible economic results as the proceeds of sales, profitability, or capital ratio, as well as the value assets for stockholders or the sale price of the company. Consequently, the whole company strives to maximize these economic results. The following are characteristic ways of running a Japanese business; establishing the attainment of economic value as the greatest goal and making a dash for it; long working hours; company-oriented sentiments; producers' companies; and an avalanche of investment, unclear marketing, closed trading among affiliated or related companies, and so on. However, now this mindset of Japanese companies, namely, struggling to achieve good economic performance at any cost, is being questioned.

According to social psychologist Abraham Maslow (1908-1970), people's desires focus on the basic needs such as survival or safety, and will shift to higher-level desires such as social approval, dignity, or self-realization once those basic needs are met. The primary objective of Japanese companies so far has been to meet Maslow's basic needs. But now that many companies have attained a world high economic performance, they have to outgrow the stage in which economic efficiency is the one and only measure: they are now expected to tackle higher human aspects such as their corporate culture and their social contribution as well as their corporate relationship with stakeholders, the degree of employee satisfaction, etc. In other words, the challenge now is to their business ethics or moral character.

Like corporate culture, business ethics is a precious value shared by many people. It is an invisible asset, like "goodwill" so to speak, which is vitally important to the companies of today. As mentioned earlier, business assets or corporate resources consist of both tangible and intangible resources, the former being visible assets such as products, materials, and money, whereas intangible assets include information, management know-how, technology, corporate culture, business ethics, etc. Intangible assets are not formed overnight; they are accumulated by each specific company over the course of its long operation. If business ethics or other valuable invisible assets which have been nurtured over a long period of time should be suddenly impaired, it takes considerable time and cost to recover from the damage.

Tangible assets:	Intangible assets
Physical assets that can be touched: product, land, building, equipment, machine, manufacture plant, others	Assets that are not physical in nature: patent, trademark, goodwill, corporate culture, business ethics, others

(2) The Relation to Stakeholders-the Evolution of the Market

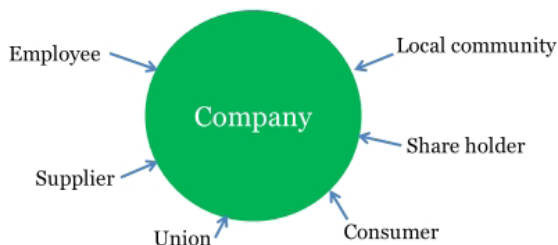
Secondly, the corporate relationship with consumers is in question. During the 1960s and the 1970s, when Japan was enjoying a high level of economic growth, corporate managerial behavior was dominated by product logic. In times when merchandise was scarce, when the more you made, the more you could sell, the logic on the part of producers was predominant in economic activities.

What business valued most among interested parties at that time was their relationship with their employees, especially a close cooperation with labor unions, through which they aimed principally to enhance production efficiency. In other words, the most important managerial task was to deal successfully with the labor unions, which was in itself the touchstone of successful management's ability.

But then the progress of the economy from the 1980s onward brought about increasingly intense competition among manufactures, leading to the overproduction characteristic of the so-called "mature society" in which priority is given to the consumers' view-point, and raising the issue of selling a plethora of products. In short, how to meet consumer needs and how to develop managerial strategies favorable to consumers became crucial role of management in such a society. This means that the range from which to choose among competing goods becomes wider. The wider range of options enhanced consumers' knowledge of merchandise as well as their sensitivity to any defective products. Consumers with sufficient knowledge are also clever enough to know what to do; if a company fails to deal with them properly, that company will face social criticism on a large scale.

Now, in the early part of the 21st century, consumers have considerable knowledge. The market has been greatly developed. It is not consumers alone that are making progress; all the parties concerned with which companies have direct contact, such as labor unions, local communities, stockholders, municipalities, employees, etc. are also doing so. Interested parties are monitoring what companies are doing for society: these include stockholders as investors and employees from the viewpoint of ethics. From the 1990s onward in Japanese industrial circles a dispute has existed about the significance and relations consumer knowledge has to CSR today.

Figure 2



5. The Beginnings of CSR and Corporate Crisis Awareness

(1) The Development of Market Economics and Crisis Awareness

① Expansion of Market Economy

Corporate Social Responsibility originated questioned in the United States, considered the leading country of the free economic system, and then spread to become solving “Social Contract” between business and the community. A problem in the Western world in Japan, the UK, Germany (formerly, West Germany), and so on. After Second World War , with the free economic system as their base, the United States and the countries of the western world, while with the eastern socialist planned economy at their center were the former Soviet Union (now Russia) and Eastern Europe. Though these groups were involved in the Cold War, it was the Western countries of the United States, Japan and Germany, and others, that achieved a remarkable economic development. The East-West Cold War continued, the trigger for the end of the socialist planned economic system, that can be considered a turning point in economic history, occurred with the “collapse of the Berlin Wall” in December 1989.

Germany before the Second World War was one country with its capital in Berlin. Due to the defeat in the war, the nation was divided into East and West Germany, and the capital, Berlin, that was in East German territory, was also divided. Politics there took place a very distorted form. After nearly half a century had passed since the war, West Germany (and West Berlin in the West) underwent dramatic economic development, whereas the economic disparity with East Germany (and East Berlin) only increased. With the progress of the information-oriented society, people in the East who saw the richness of the Western countries and were frustrated with the nature of their social system due to this economic disparity.

As a result, an explosion of dissatisfaction among young people led to “the collapse of the Berlin Wall”. With the opportunity presented by this collapse, the unification of East and West Germany was rapidly achieved, and the collapse of the Soviet Union and the collapse of Eastern

Europe economic systems constituted a fundamental reform in the nature of the social system. First, economic reforms mainly consisting of the introduction of a “market economy” based on the principle of competition which is the basis of the free economic system were introduced. This influence spread further to the socialist nation of China (Peoples Republic of China) which tested a “socialist market economy”, a mixed social system based on the separation of politics and economy. While persisting with socialism through the one party control by the Chinese Communist Party in politics, economics was based on the principle of competition introduced by market economics. Under the leader Deng Xiaoping, the policy of the “Opening of China” engaged the 1.3 billion Chinese populace and the market economy accelerated.

② Issues Surrounding the Introduction of Market Economy

Then the introduction of the market economy in the former Soviet Union, Eastern Europe and China further intensified economic competition. Companies in the world seeking new market expansion start investing in various forms following the trend of the “Globalization of Economic Activity”. The accelerating economic activity caused the problems of; resource acquisition, indiscriminate development, the location of factories, low wage labor, and environmental pollution. As a result of such rapid economic activity, the global spread of environmental pollution, including water pollution and the problem of exhaust gas from the spread of cars, the disparity between economic “winners” and “losers” due to market transactions, a continuing poverty problem, human rights problem due to cruel work practices, all became very visible.

The introduction of newly added market economies, while activating the overall global economy, creates various forms of social problems. In other words, a sense of crisis is burgeoning in the consciousness of citizens as to whether the Earth’s resources, environmental problems, the gap between the rich and poor, and human rights issues will really be solved if the market economy continues like this. That is, to say, that with market economic activity spreading on a global scale, can society continue like this into the future? In other words, people began to worry about the feasibility of a sustainable society which is the exact problem that CSR addresses. This has returned companies to their starting point and planted in people’s consciousness that now is the time that we must take seriously the questions of “What is the purpose of a company, and What is its social responsibility?”

(2) An Awareness of Crisis in Europe – The Birth of European CSR

① The Formulation of CSR in Europe

Within this awareness of crisis as was described above, CSR initially burgeoned in Europe and especially in European Union (EU). EU countries witnessed the issues with the environment and human rights due to the transition to market economies through economic reform in the neighboring countries of Eastern Europe. While the EU responded to issues of social exclusion, unemployment, employment issues, and issues involving the devastation of regional communities since the 1990s, it was further forced to deal with problems such as environmental problems, labor in developing countries accompanying globalization, human rights issues, what role should be fulfilled by corporations was questioned, and CSR began to be widely discussed.

The Lisbon Declaration at the EU Council of 2000 became the starting point for European consideration of CSR in earnest. The point was that the EU “aims to build a knowledge-based economy that will enable sustainable economic growth accompanying better employment and social integration by 2010”, and they believed that CSR would make an important contribution to the strategic objectives aimed at sustainable development. Based on this, the CSR Review Committee was set up within the EU, and in collaboration with employer associations, labor unions, NGOs, and others various forms of initiatives were begun in earnest.

② The Formulation of CSR Worldwide Network

At that time, the WBCSD (World Business Council for Sustainable Development), a network of managers of global corporations with its headquarters in Switzerland (Geneva), presented various policies concerning CSR and fulfilled a pioneering role concerning the role of corporations with social responsibility from the perspective of Sustainable Development.

Prior to this network organization, in 1992, the United Nations Conference on Environment and Development was held in Rio de Janeiro. Here, for the first time, official participation of NGOs (non-governmental organizations) was recognized on the theme of global environmental issues, and forums were held by a large number of NGOs. A comprehensive discussion was held on the environment and development, and an action plan seeking sustainable development, “Agenda 21”, was adopted.

Two years later in 1995, the “World Summit for Social Development” was held in Copenhagen, Denmark. There, the “Copenhagen Declaration” that human-centered social development based on social justice and human rights at the issue of the 21st century was adopted, and they held discussions on a broad range of societal issues of the eradication of poverty by sustainable development and employment and social integration. NGO forums were also held simultaneously,

the problems of the global market economy were also discussed, and taking this as an opportunity the social responsibilities and roles of corporations involved in globalization will be discussed in earnest. Until then, the existence of NGOs was as small network organizations, but they would undergo a rapid spread and come to have more influence due to the spread of the internet. In particular, the NGO networks dealing with problems related to the negative aspects of globalization expanded and came to occupy important positions at international conferences.

③ Human Rights Issues by Expansion of the Market Economy

While the change to market economies is progressing, with the globalization of business activities, various frictions are appearing in the countries where it is advancing. Global corporations are advancing into emerging and undeveloped regions to seek low wage labor for cost cutting. There, they hire workers at low wages and have them to carry out labor which is sometimes under harsh conditions. At the home country headquarters, this generates considerable profits, while on the other hand they are only paying low wages that ignore a human fundamental rights. When it was discovered that the global sports shoes brand, Nike, was making people work for an hourly rate of only 17 Cents, around 20 Yen, at factories in Indonesia and Mexico, it became an international social problem.

This is the nature of CSR for a global company now being raised internationally, and it was an opportunity to raise fundamental human rights even at the United Nations. Human rights are the minimum rights necessary for individuals to live in society. The United Nations' Declaration on Human Rights states that "individual dignity and equality and fundamental human rights common to the human race as a whole are the cornerstone of worldwide freedom, justice, and peace." It was taken up on the stage of the UN that human right insist on the right of all human beings to live on the planet is being threatened, and a widening gap is being created between the rich and poor due to the progress of globalization.

The UN Secretary-General at the time the issue was first taken up, Kofi Annan, proposed an initiative called the Global Compact. This is formed by ten principles starting from the four items of human rights, labor, the environment and anti-corruption. The foundation of the Global Compact is the concept of the social contract theory that "corporations exist for the sake of society and must minimize any negative impact to society and maximize any positive impact." This emphasized that preserving human dignity and promising minimum human rights, people are able to work safely, while being guaranteed wages by which health and vitality are maintained, satisfying minimum labor standards, and minimum efforts for the protection of the global environment are the social responsibility of corporations, an CSR.

It is interesting, as of December 2013, the groups which have signed the Global Compact have exceeded 12,000 worldwide (with around 8000 corporations, the participation of EU corporations is proportionally high, 1st: Spain, 1698 corporations, 2nd: France, 987 corporations), and within that, Japan has 210 groups (among those, 110 are listed companies: as survey by Professor Nobuhiro Tanaka of Kyorin University). In this way, while corporations and various groups worldwide approve of the Global Compact, the spread among European corporations is especially strong, and a worldwide spread is visible in addition to the EU NGOs and NPOs are further supporting this.

The Ten Principles of the UN Global Compact

<Human Rights>

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights and

Principle 2: Make sure that they are not complicit in human rights abuses.

<Labour>

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: The elimination of all forms of forced and compulsory labour,

Principle 5: The effective abolition of child labour, and

Principle 6: The elimination of discrimination in respect of employment and occupation.

<Environment>

Principle 7: Businesses should support a precautionary approach to environmental challenges,

Principle 8: Undertake initiatives to promote greater environmental responsibility, and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

<Anti-Corruption>

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

6. The CSR Trends in Japan

(1) The Start Up in Japan

As mentioned above, after the foundation of the Japan Society for Business Ethics in 1993, although business ethics were questioned due to the scandals that occurred in the 1990s, the CSR issue was not considered so serious an issue. Business ethics are inherently a problem of corporations and society, and it has a deep connection with the problems of corporations' social responsibility. However, on entering the 2000s, within our domestic industry and also at academic societies also, discussions, research presentations and the publication of books, etc., concerning CSR rapidly increased.

Interest in CSR in Japan is said to be from 2003, "the first year of CSR". This turning point was due the Japan Association of Corporate Executives, a gathering of managers in Japan's industry sector, having published a corporate white paper on the theme of CSR, " 'Market Evolution' and Socially Responsible Management" in March 2003, in light of the growing interest in CSR originating in Europe. However, before this, the Kansai Economic Federation discussed CSR at the "Corporate and Social Committee" in 2000 and published the report "New Relationships between Corporations and Society" in March 2001. The feature of the Japan Association of Corporate Executives' white paper was it not only established a code of conduct, but also introduced tools for checking compliance, adding 110 items in five fields, to the CSR self-evaluation sheets. In the 2000s, with the industrial sector taking the lead it was taken up and rapidly spread with the spread of CSR, appointment of staff members responsible for CSR, the establishment of a CSR department, concrete actions for CSR activities, and the creation of CSR reports summarizing the state of those activities. It is thought that the spread of CSR today is because business ethics were in question the successive at a series of scandals since the 2000s. So, what is different with the current management with its cornerstone of CSR?

(2) The Difference Between 20th and 21th Century in CSR as a Part of Business Core Strategy

To understand that, it is good to refer to and consider the "corporate personality in the 20th century" and the "corporate personality in the 21st century". Today's CSR is in response to environmental problems and economic disparities spreading around the earth, effecting poverty and human rights issues, as well as the change in values accompanying rising citizen awareness and international corporate codes of conduct. It is necessary for corporations to grasp this as a deductive idea of asking what they can do. Doing so, CSR is not a matter of passively responding and just saying that nothing "must be done" as part of corporate activities, but that it is possible

to view it as forward-looking, positive, new business creation. The thinking of the former can be considered as “defective CSR”, the latter may be considered “offensive CSR”.

For example, due to the Lehman Shock in the US in 2008, the world’s largest corporation, GM (General Motors), went bankrupt the following year. GM continued to make large vehicles in pursuit of immediate profits. In contrast, Japan’s Toyota and Honda have gained explosive popularity by developing environmentally friendly ecocars. They have anticipated the nature of 21st century enterprise, creating a new business by improving the core business, and this is what CSR is. That is, CSR is the innovation of a product with reduced fuel consumption that anticipated the global environmental needs. Thinking in this way, for Japanese corporations, energy-saving technology, environmental technology, development of new materials, robot technology, developments in the medical field, and so on, are fields leading to new business creation for the future.

In the early 1990s, corporations were returning part of the profits of corporate activities to society, by sponsoring to volunteer activities, donation activities for charitable enterprises, and patronage and philanthropy to fulfill social responsibilities. However, even if these were “charitable activities”, they are not “charitable projects” attributable to the firm’s core business. Until now, environmental measures have been a cause of cost increases for companies, but in recent years they have had the benefit of increasing competitiveness by eliminating waste. Thinking of CSR as “offensive CSR” like this, we can establish as one of the corporation’s core businesses for solving various problems such as the poverty problems, environmental energy, male and female employment problem and education issues.

7. From CSR to CSV—What is Strategic CSV ?

In recent years, the term “CSV” began to be used together with “CSR”. This was first in the paper “Creating Shared Value” posted in the 2011 in the “Harvard Business Review” by Professor Michael Porter, and now well known as Harvard University’s Management Strategy Theory. In this paper, Porter proposed a next generation management model that creates both social value and economic value by solving social problems. If CSR is also considered as related to the creation of social value, both are in the same domain.

Porter used the term “strategic CSR” in his paper and pointed out the need to respond to social challenges in projects carried out by one’s corporation’s businesses. Porter further advanced beyond “strategic CSR”, by saying CSV is not strategic but is to be made part of strategy itself. CSR is the current “corporate social responsibility” but CSV makes Shared Value the pillar of creating business. In other words, it is to make it the central axis of the management strategy. However, although this idea created a sensation as the creation of new business value, the essence

of CSR does not fundamentally differ from CSV. However, the 1970s social environment in which corporations' social responsibility became a problem in Japan the CSR born from the current social environment, and the CSV proposal are essentially different.

One of the major trends in the background of this is the rise of emerging countries. The globalization of corporations by developed countries has caused various social problems engulfing emerging countries. This is a new problem that could not have been conceived of from economic activities among developed countries heretofore. It is not a problem solvable by a single company but a global issue. This will also lead to the creation of more social value and economic value in the 21st century.

8. The Diversity of Management and Business Logic

The Meaning of Diversity

In management strategy, if we say "diversity" or "diversification", it used to mean diversification through entry into new business fields. However, in recent years, it has come to mean the raising of a corporation's competitiveness by actively appointing women or actively employing foreign staff. When considering the appointment of a variety of staff, it certainly fits the etymology of "diversity". Speaking of the roots of the concept of diversity, we think of the United States. The United States is said to be a "crucible of races" originally made up of immigrants, which means that how to manage the diversity of various ethnic groups to achieve organizational goals has become a basis of US business.

In this sense, the concept of diversity was not a new idea in US business society but completely natural. The trigger for thinking in earnest about diversity was the establishment of the Civil Rights Act and the Equal Employment Opportunity Act in the 1960s and the 1970s. These bills eliminated racial discrimination and advanced the employment and promotion of women, and with this as the trigger, corporations began to consider diversity to comply with the law and avoid litigation and during the 1980s active promotion of this was being carried out within US corporations. Then, the trigger that spurred on that promotion was the globalization of economic activities accompanying the change in market economies due to the collapse of the Berlin Wall in 1989.

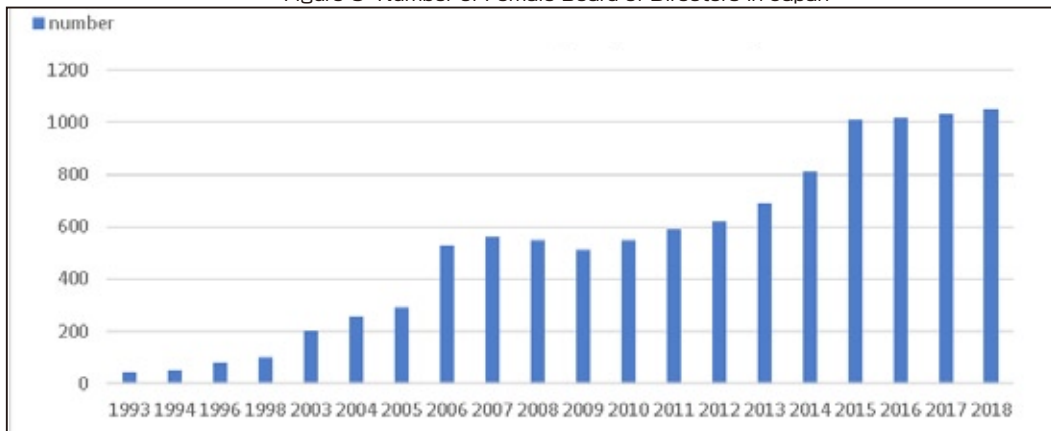
With the expansion of the global market, it became necessary to appoint staff that could respond to diverse needs. For that purpose, diversity of human resources was advanced, it became necessary to make use of that in management strategy. Amid this trend, since the latter half of the 1990s, many cases have been shown linking the promotion of diversity in companies to the in business success of those companies, and from this time the ratio of female managers in the United States has begun to dramatically grow remarkably.

Today it is becoming clear that appointing diverse staff and making use of this in management

strategy is a competitive advantage for the corporation. In fact, no matter what kind of workplace you got to in the United States, diversity is a matter of course, and that provides some of the dynamic competitiveness of US corporations. And in recent years women are not only in major posts in the government, but are also CEOs in representative corporations such as GM, Xerox and HP which are major public corporations. Considering this in comparison with Japanese corporation, it seems that there is a remarkable difference at present.

Incidentally, the ratio of women occupying management positions in the United States is over 40%, top among the OECD countries, while Japan is below Korea, and was the lowest ranked alongside Turkey (2006). Figure 3 shows the trends from 1988 to 2018 in data by Gender Equality Bureau Cabinet Office, Japan.

Figure 3 Number of Female Board of Directors in Japan



9. The Relationship Between Japanese Corporations and Business Ethics

(1) The Equal Employment Opportunity Law

The takeoff of diversity management in Japan is said to have begun after the implementation of the Equal Employment Opportunity Law revised in 1985. In other words, the diversity of working styles by gender was recognized through improving the treatment of female employees and enhancing welfare programs, and a variety of systems began to be organized to actively utilize this. From this time, the introduction of a childcare leave system and recruitment of women to managerial positions began to be adopted among several Japanese corporations.

However, at this time, the significance began to be recognized more after the establishment of the Equal Employment Opportunity Law, not from the point of view of diversity. The term “diversity” entered Japan in earnest from the 1990s, especially as US corporations conducted business activities in Japan, the idea of diversity that had already spread widely in the United States, became actively

adopted as a method to secure competitiveness in human resources among Japanese corporations, too.

Later, as a major item of the CSR report which is a compliance requirement of ISO 14001 established in 1996, active disclosure was required concerning efforts regarding the treatment of specific employees such as respecting fundamental human rights in the workplace, the utilization of women, and employment of persons with disabilities. On the other hand, amidst advancing global expansion of Japanese corporations, we are beginning to see a situation where further business expansion cannot be achieved without appointing more foreign member.

So, what is the relationship between diversity management and business ethics? In this paper I have stated that business ethics need to be understood from the positive aspects and the negative aspects. The negative aspects are the violations of the law that are features of the scandals and unethical behavior distinct from today's social norms. Despite the fact that the Equal Employment Act was enacted, should the actions of Japanese corporations in not actively adopting it be considered problematic even from the view of business ethics?

Then considering the positive aspect, considering the global business expansion of Japanese corporations today, there is concern that business expansion that is Japanese- and male-centered and centered on the Japanese headquarters will not be able to compete globally. When delving deeply into the problem of diversity, we often find that it has a strong connection with the problem of business ethics.

(2) The Concept of Diversity

Diversity basically utilizes the diversity of human resources and the issue is how to best connect this to strengthening the competitiveness of the corporation. For human beings, differences are not only on the surface such as race, gender, age, or the presence or absence of physical disabilities, but there are also inner differences such as religion and values, social background, way of living, way of thinking, character, attitude and preferences. Mami Taniguchi (Professor of Waseda) explains the difference from the perspective of the former as "surface-level diversity" and the latter as "deep-level diversity".

In other words, when we say diversity, we can image the utilization of women and foreigners and tend to think of the surface-level part that can be judged by appearance, but real diversity incorporates the deep-level differences that cannot be judged from appearance. It is said that it is this that will lead to the activation of business activities.

① “Surface-level Diversity”

Differences in gender (sex) – Males and females

Differences in physical condition – healthy persons and physically disabled people,
differences of race, nationality, ethnicity and religion

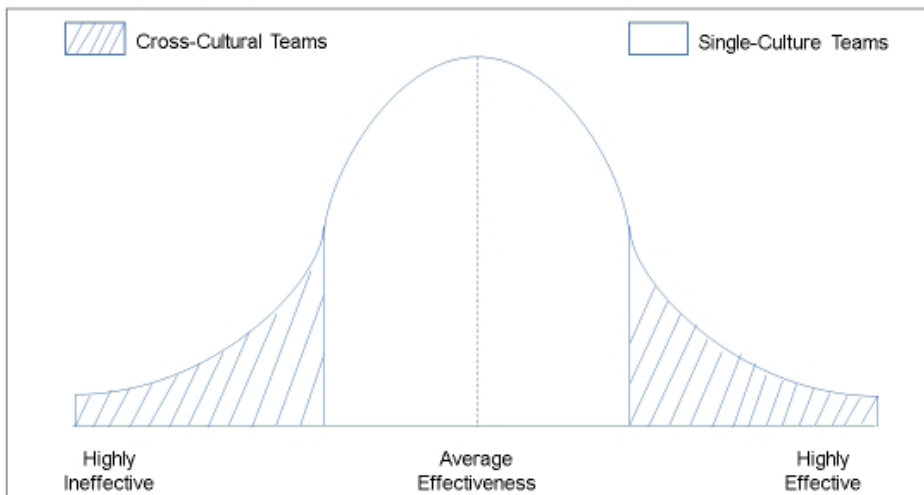
Differences in generation – elderly people and young people

② “Deep-level Diversity”

It is said forward that deep-level diversity can be utilized to create a mutually encouraging environment leading to better motivation work. However, simply appointing diverse personnel does not necessarily produce good results. By suddenly advancing diversity, the collision of differing values may cause a negative aspect to appear.

In an experiment conducted by Professor Carol Kovach of the University of California, Los Angeles (UCLA), comparing a multi-cultural team and a uniform team, to see whether the multi-cultural team was most effective or most ineffective was actually divided into the two (Figure 4). In other words, good results are obtained if diversity is used well, and if not then it may be ineffective. The issue is to combine that person’s “individuality” with the “role” in the organization, and to clarify what results are produced.

Figure 4 Team effectiveness



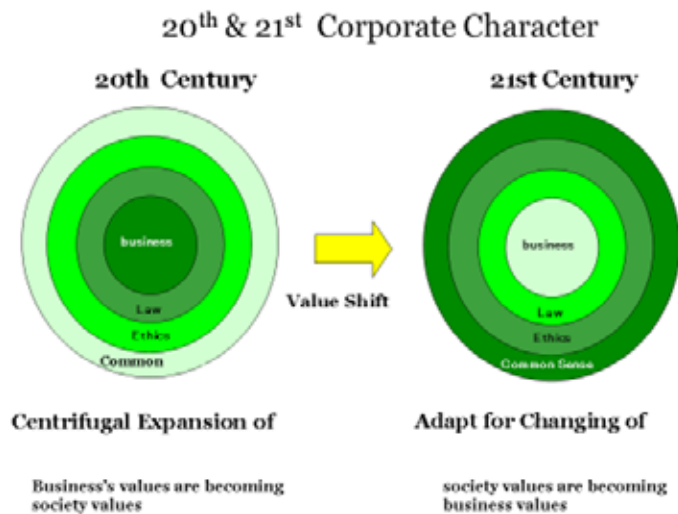
Source: Based on Dr. Carol Kovach's research conducted at the Graduate School of Management, University of California at Los Angeles(UCLA).

10. Conclusion

As has been demonstrated above, managerial environment surrounding business is changing, and so are social norms. The days are gone when companies were at the center of society and when their conduct was explained in the context of centrifugal expansion to solve global environmental problems as well as social problems. Corporate character is now based on the question of whether the company can coexist with society, and how it can make the most of its organization to solve global environmental problems as well as social problems. We are in the midst of a tide of innovation which we should understand from the viewpoint of a “value shift,” as indicated by the title of the book (Value Shift), written by Lynn Paine, My diagram is refer to Figure 5.

Figure 5

Changing of Corporate Character



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