Taking Responsibility: Japanese Companies and Corporate Citizenship

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The Japanese Presence in the United States

Japan’s direct investment in the U.S.:

- grew at a rate of 35% per year in the 1980’s
- reached an accumulated value of $70 billion in 1990, making Japan the 2nd largest foreign investor after the UK, with the total value of $120 billion, up from 7th in 1980.
- will surpass Great Britain’s by the end of 20th century.

But it is still relatively small. It constitutes less than:

- 1% of GNP and employment in U.S.
- 2% of stock ownership

American Views on Japanese Investment

The American public is still perplexed about the possible benefits of Japanese investment in the U.S., and somewhat concerned about its cost, but popular attitudes are still
surprisingly positive, particularly in areas where Japanese companies have established manufacturing bases. When leadership samples are surveyed, they are even more positive. Fully 68% in a study of "elites", carried out earlier this year by Gallup for the Foreign Ministry, said that "an increase of direct Japanese investment would benefit the U.S."

Those who view Japanese investment positively believe it creates jobs, fosters competitiveness, and helps underwrite the U.S. budget deficit with purchases of government bonds. But those who view Japanese investment critically, and even many who support it have nagging concerns about such things as:

- discrimination against women and minorities in Japanese-owned companies
- the displacement of domestic American businesses by Japanese ones
- excessive Japanese control over local management
- too easy access to American technology
o opposition to organized labor

o lobbying activities of Japanese companies, valued at $100 million in Washington DC and $300 million in local political networking, according to Pat Choate

All these concerns have led to two strongly negative perceptions:

(1) Japan is America’s number one economic competitor and keeps its markets closed to U.S. investment; and (2) it has more influence in America than other foreign nations, while Japanese companies and executives remain less likely to fit comfortably into U.S. society than those of other countries.

Japanese Initiatives

Against this background, Japanese corporations have begun to address issues of "corporate citizenship." The objective of corporate community involvement in any society is to maintain a favorable environment for conducting business, thus helping to
achieve corporate objectives. Japanese motives for community involvement also stem from a genuine desire to be accepted by the communities in which they do business. In short, they want to be "liked."

According to Craig Smith of Corporate Philanthropy Report, Japanese corporate investment in the U.S. has increased from $30 million in 1980 to little over $300 million in 1990. He projects that it will reach one half billion dollars within a few years.

A sampling of Japanese initiatives in corporate philanthropy in recent years include such actions as:

- 23 full-fledged corporate foundations have been established; the latest ones being banking institutions

- during the past 5 years, 30 chairs at U.S. universities were established, each with 500K to 2 million endowment,
200 grant making foundations exist today of which 30 have assets of 3 billion yen ($22 million) or more

Keidanren has established a "1 Percent Club" with nearly 300 corporate members enrolled already to commit 1% of their pre-tax profits and of their own executive salaries to charity.

Keidanren has also established a standing committee called the Committee for Better Corporate Citizenship (CBCC) with some 300 corporate members. Its purpose is to encourage greater corporate giving abroad by providing a mechanism for tax deductions through endorsement of projects

On the governmental level:

MITI and the Foreign Ministry and even the Ministry of
Finance began encouraging corporate giving by modifying tax laws (if only slightly) to give corporations greater incentive to make philanthropic contributions.

- The government has established the Japan Foundation Center for Global Partnership (the so-called "Abe Fund") with an endowment of 50 billion yen ($370 million). It is expected to make annual disbursements of $23 million to promote better U.S.-Japan relations and cooperation in tackling global issues.

But, then, with all of these good efforts, why does the notion persist in the United States that Japanese corporations are still not responsive to community needs and have not yet become good corporate citizens of this country? In my view, this question has profound implications not only for the Japanese business presence in the U.S., but for the future of the larger U.S.-Japan relationship and Japan’s place in an increasingly inter-dependent world.
Corporate Citizenship, American-style and Japanese-style

In the United States, the concept of corporate citizenship involves all aspects of business activity and conduct. These include such internal matters as recruitment and personnel policy and employee relations programs as well as such external concerns as procurement policy, supplier relationships and investment policy. These are in addition to philanthropic initiatives to influence greater community participation in social issues. In short, corporate citizenship is defined as the way a company conducts its business across the board, uses its resources and relates to its constituencies.

Let us look briefly at differences between the American and Japanese concepts from a historical perspective:

America's experience with volunteerism in the community did not originate solely from altruism inherent in its Judeo-Christian
tradition. Rather, it comes from more pragmatic realities of the frontier era when government was not able to extend its authority to the outer territories. People in remote communities had to govern themselves, which made it necessary for each citizen to contribute whatever support was needed for the protection and development of their community. This has profoundly influenced the American notion of individualism and spirit of community cooperation. Business needed to contribute whatever it could to the community as a means to assure that a market would exist for its products or services and so it could find skilled workers to employ.

The notion of "enlightened self-interest" as practiced by business institutions throughout the nation's history was formally acknowledged by the Federal Government in 1935 when it instituted a corporate tax deduction of up to 5% of pre-tax income for charitable contributions.
The Consumer movement, with activists such as Ralph Nader, and the civil rights movement of the 1960's have cemented the imperative that corporations are responsible to the communities in which they conduct business beyond making monetary contributions. They must become part of the solution to social problems through hiring practices, training programs and participation in community activities.

Historically, American business involvement in community has always been based primarily on "enlightened self-interest." What constitutes that necessity has changed over time. As the American work force has become better educated and better informed through such legislative programs as "community's right to know" and as companies in various industries have competed for the most skilled workers, good companies have come to offer their employees a greater range of benefits. These include education or re-training, healthcare and other services that foster employee loyalty and enhance a company's reputation in the
community and a range of leisure time activities that add to employee’s lifestyles.

Let us now look briefly at the Japanese historical analogy. According to a Japanese historian, the word "charity" refers to "Kanjin." A "Kanjincho" (as in the title of the famous Kabuki play) was a document to solicit contributions for the renovation and rebuilding of such community-shared institutions as temples and shrines. As in the U.S., only merchants (shonin) who possessed monetary wealth contributed. The contribution was for the same pragmatic reasons as for businessmen of pre-industrial America.

Business’s contribution to society has been in the form of generation of wealth which in turn creates tax revenues and provides stable employment. Since the Meiji Restoration, Japan has always maintained strong and paternalistic government, which, although no longer feudal, is constituted to provide all needs of
the society with its costs paid for by taxation.

The Japanese term that comes closest to "philanthropy" would be "Jizen." Japanese experiments with "Jizen" have taken the form of local groups, such as trade guilds and the like, which help with both money and services to local organizations. These groups operate like extended families. Their contributions to the community are gathered through coercive peer pressure, whereby all the members of the group feel an obligation to each other ("giri" or "on gaeshi").

The reasons for an absence of philanthropy both in the corporate world and society at large in Japan can be attributed to a deep-seated Japanese tendency: suspicion of the motives of such acts unless there is a direct relationship between giver and recipient. It is this tradition that until recently caused the Japanese government, and Ministry Of Finance in particular, to resist giving tax incentives, except to religious and educational
institutions, for charitable or philanthropic contributions.

Japanese Companies as Corporate Citizens in the U.S.

Japanese firms find the demands and expectations placed on them by communities in the U.S. perplexing. While wishing very much to be accepted, Japanese companies often find it difficult to respond or relate effectively and in some cases promptly to the needs of the communities in which they operate. The Japanese company's response to and attitude toward community involvement clearly reflects its insular way of doing business and cultural inhibition to become involved. So much so that they even seem to lack genuine commitment to live up to their good intentions.

Such procrastination by the subsidiaries in the U.S. is all the more confusing in view of the new surge of interest in Japan to become a good corporate citizen as evidenced in the initiatives I described.
When my firm produced "Joining In", a handbook for corporate citizenship for the Japanese Chamber of Commerce and Industry of New York, we tried to show that to be a good corporate citizen does not require large commitments of money and manpower, but a strong personal bond of involvement. The point of all this is that corporate citizenship and philanthropic activities for Japanese are human issues. It is a profound personal and cross-cultural challenge to each Japanese executive who lives and works in the U.S.

With some exceptions, U.S. subsidiaries of Japanese companies are not yet ready to deal with their companies' involvement in community affairs. Nor, in fact, have they yet made much progress in corporate giving. According to a Japan Society study, 20% of 1,600 leading U.S. subsidiaries have not made any charitable contribution at all and 44% indicate that they made contributions of less than 0.5% of their pre-tax net earnings. Although empirical data is not available, much of that $300
million comes either directly from Japan; or, as with any other aspect of Japanese corporate operation, Tokyo makes the decisions for its subsidiaries, even on contributions as small as $1,000! Most U.S. subsidiaries, therefore, do not have any coherent strategy or policy for conducting their community relations programs on their own. Often no one in the local company is given the responsibility to take charge of such activities.

Chuzaiin's Dilemma

A Japanese executive assigned to such a task is usually not prepared to deal with, nor interested in, community relations. For those who take an interest, it becomes yet another point of conflict in a common pattern of tension between headquarters, which wants to impose authority, and the field office, which recognizes local necessities or dynamics that the home office doesn't appreciate. As a loyal team player, the Japanese executive must be careful not to appear to have been too
Americanized during his tenure in the U.S. Nor must he nag Tokyo with ideas that do not fit policies already dictated by headquarters. But as gate keepers, he and his colleagues in the American field office are the ones who are exposed to all of their company's U.S. constituencies, both internal and external.

Despite all the talk about the need for Japanese companies to become more internationalized, the Japanese executive in the U.S. still tends to remain aloof from the local community. Why? Because it is a safe way to protect his career when he returns home to be "Japanese" again.

Therefore, unless local managers are encouraged, or at least allowed, to exercise their own judgment in determining proper action, Japanese companies will continue to be isolated and viewed with suspicion and distrust.

An interesting case which illustrates this excessive control and
decision making power by headquarters relates to the 1989 San Francisco earthquake. Ultimately, Japanese companies were praised for their generosity in providing relief support that amounted to $9.5 million, including 500K in toys for displaced children and emergency loans for excavators for construction work. Initially, however, community leaders in the Bay area wondered why their requests made to local Japanese affiliates for small contributions in the days just after the quake went unanswered. But soon thereafter, they began receiving checks for tens of thousands of dollars directly from Tokyo.

New Opportunities and Challenges

Under the banner of the "Mecenat" movement, interest in support for the arts and cultural activities has intensified to the extent that an endless parade of visitors from Tokyo can be found shopping for worthy programs to support. In fact, arts and culture ranks as the top category of Japanese funding in the
U.S.; 50% of all organizations making donations in the U.S. give to arts and culture causes. This is followed in the ranking by education, health and social welfare. Environmental causes are at the bottom. The contribution pattern of U.S. companies is the opposite, with education representing 37% and art and culture at the bottom with 11%.

One reason for this trend in Japanese giving is that arts and culture are "safe" subjects for the Japanese. They can participate passively—just by observing a play or exhibition. It is also a tangible form of activity where results of support can at least be measured in the Japanese context. Other volunteer activities require a form of deep interpersonal communication and participation that Japanese still find difficult and forbidding.

Environmental activities, for example, require some sort of advocacy, which is too personal, too politically controversial
for the comfort of most Japanese executives. Yet in my view it
is on the environmental activity front that the future lies. For
one thing, despite its potential for controversy, the environment
is a subject that unites Japanese with other peoples. There is
an intrinsic interest in the environment both historically and
culturally in Japan. The problem lies however in how Japanese
individuals and organizations can establish lines of
communication with individuals and organization form other parts
of the world who share this interest. It is the communication
challenge and the tremendous degree of self-revelation it
requires, that is intimidating to Japanese.

Japan has developed a good record in the past 20 years on air
pollution, energy efficiency and reduction of industrial waste.
Carbon dioxide emissions are lower in Japan than anywhere else in
the industrialized world. Japan also uses only half as much
energy as the U.S. per unit of GNP.
On the other hand, Japan has a poor record and equally poor image in such areas as international marine and fishing standards because of its persistence in the use of drift-net fishing practices. It also scores poorly on the importation of endangered animal species, tropical deforestation, and the preservation of wildlife habitats.

Yet in the eyes of international environmentalists, how Japan and its environmental groups perform will be critical to the international environmental movement because of Japan's financial clout, and its highly advanced environmental technology.

"Japan is probably going to be the single major factor in determining what happens to the global environment," said one prominent American environmentalist last year.

One important indicator in the direction Japan will take in environmental activities may be found in a local debate in the
town of Zushi, a seaside resort southwest of Tokyo. There, a grass-roots citizens movement has sprung up in opposition to a proposed housing development project for U.S. military families in Ikego Hills, an underdeveloped, thickly forested tract of land in an area that is otherwise becoming over-developed. The citizen's movement resulted in sweeping political changes in Zushi, including the recall of a pro-development mayor and the election of a younger mayor sympathetic to the conservationist movement, as well as a gradual transformation of the city council. This citizen's movement has been called the first successful grass roots political campaign in modern Japanese history. Its major beneficiary, the conservationist mayor, has been quoted for his views on democracy. One statement of his is particularly interesting:

"The older politicians understand democracy with their brain; with me, it is in my breath and my skeleton. It is the sense of liberty and individuality."
As an outside observer has stated, "The fight over Ikego is part of the Japanese experiment in trying to achieve local autonomy and residents sovereignty by overcoming a feudalistic way of thinking."

The dilemma facing Japan in trying to adapt and maintain participatory democracy in its truest meaning is that any opinion critical to the established orthodoxy is branded as extremist. Voices of opposition to orthodoxy are always kept on the outside in Japan's version of the 2-party system - where the parties are the "Ins" and the "Outs." Those calling for any kind of change are almost always fated to remain on the outside. Yet the only chance for reform or change to take place is if those ideas attain the legitimacy of being drawn inside the establishment.

That is what makes the Zushi/Ikego Hills story so remarkable: a group of "outs" was actually able to become the "ins" and gain the respectability and legitimacy that goes with that position.
But as far as the central Japanese government is concerned, the new order in Zushi is still on the outside.

So in a very interesting way, a domestic environmental problem which grew into a major political upheaval in one locality in Japan may point the way toward future change by Japanese organizations on an international level. Also, in my view, it is a metaphor for how overseas offices and chuzaiins are struggling to gain "autonomy" from their headquarters in Japan.

Conclusion

Japanese companies are joining in the vanguard of a new international trend toward the growth of the transnational corporation. Japanese companies, which have depended for their ability to grow on international expansion, are feeling the pressures of the need for "internationalization" more extremely than their counterparts in other countries. But the
inter-dependent world in which we now live will increasingly

demand that the best companies, wherever they may have

originated, must become "borderless" international corporate
citizens - adaptable to the local requirements of the U.S. or

whatever nation they do business in. I suggest that the Japanese

business community focus on environmental issues as the major

thrust of their corporate citizenship efforts. Japan is already

the world leader in environmental technology. Environmental

issues are inherently global, cutting across national and
cultural boundaries. As I said earlier, the Japanese have a

natural sympathy for this issue from Japanese historical and
cultural perspectives on man's relationship to nature. That is

why the environment should be an easier issue for Japanese

companies to become involved in than very culture-specific ones

like and drugs and homelessness and other contemporary American

social problems. One of the keys to making this happen will be

the degree to which managers at Japan-based companies in the

U.S., both Japanese and Americans, can convince their superiors

back in Japan that this is the right way -- the necessary way --
to go.