

Corporate Citizenry in Japan

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Most suitable for a course in: IB Business Management

Lesson overview: Corporations act as citizens within communities. As such, many of their actions impact individuals and societies in which they exist. To become “good” corporate citizens, corporations employ a variety of programs and actions that improve the communities in which they operate. While there are many techniques and programs that exist in communities around the world, in these mini-lessons students will explore three aspects of corporate citizenry that are evident in major Japanese corporations. Students will explore Corporate Social Responsibility (CSR) as evident by the Sony Corporation; relationships with stakeholders, as evident by the East Japan Railway Company (JR East); and, environmental responsibility as memorialized by the Yokkaichi Pollution and Environmental Museum for Future Awareness in Yokkaichi, Japan.

These lessons could be completed as one mini-unit, with more in-depth coverage of each of these examples as further- developed case studies. The mini-lessons also operate as stand-alone lessons if shorter time exists. The goal of this lesson is to have students find United States-based corollaries to the programs of the Japanese companies. Are there examples found in the United States to describe similar events?

Background information for the Teacher:

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is the concept that applies to those businesses that consider “the interests of society by taking responsibility for the impact of their decisions and activities on customers, employees, communities and the environment” (Stimpson & Smith, 2016, p. 45). While this is often associated with a business taking environmental measures within its own operation, sometimes CSR programs are utilized to gain advantages within a community. In practice, we tend to see CSR programs initiated to fulfill social or environmental goals.

Relationship with Stakeholders

A stakeholder is someone or some entity that a corporation has a duty or responsibility towards. Examples of internal stakeholders, those internal to the corporation, include the employees, the managers, and the shareholders. External stakeholders, those external to the organization, include suppliers, customers, banks and creditors, and the government. Each of

these entities has an interest in the company and, likewise, the companies have a responsibility to each of their internal and external stakeholders. Stakeholders may vary based on the nature of a particular business but there are some common entities regardless of the industry. All businesses have some kind of customer or beneficiary of the particular product or service offered. Likewise, most governments have an interest in the work businesses do within their borders. As such, all businesses have some entity they must satisfy as they operate.

Environmental Responsibility

The goal of most businesses is to earn a profit. At times that goal comes at the expense of doing what's best for the company but perhaps not best for other stakeholders. This is especially true with respect to environmental issues. All businesses will have some type of interaction with the environment, whether that be dealing with waste disposal, packaging decisions, preparing for natural disasters, or developing infrastructure. The United States has a history of environmental abuse by business and industry leading to decades of reform and regulation. The Environmental Protection Agency (EPA) was established in 1970 under President Richard M. Nixon. The purpose of the EPA is to draft and enforce regulations based on laws passed by Congress. Such regulations force an organization to act responsibly when it comes to actions which may impact the environment. When environmental disasters occur today, the business community is faster with a response and most disasters become contained easily.

Procedure:

Before the lesson, introduce students to the various concepts presented above. Supplement the information above as necessary based on the level of student knowledge. In an IB Business Management course, this lesson could easily fit or follow Unit One, Business Organization and Environment (Stimpson & Smith, 2016).

See the following pages for more specific procedures for each of the mini-lessons in this unit.

Summative Assessment:

Use the students' completed assignments as a measure of assessment. In addition, provide the following as a culminating assessment. Have students write a response to the following prompt

Using examples and information learned from these lessons, support or refute the following statement:

It appears as though much of the corporate citizenry in Japan stems from inside the corporate culture. In the United States, most often the impetus has stemmed from external factors. In Japan, there is greater self-regulation as opposed to the United States, where there is a much greater emphasis on external regulation.

Sources:

Books:

Stimpson, P. and Smith, A., 2016. *Business management for the IB Diploma*. 2nd Ed. Cambridge, England: Cambridge University Press.

Corporate websites:

Sony Corporation (Available at https://www.sony.com/en_us/SCA/index.html)

East Japan Railways (Available at <http://www.jreast.co.jp/e/index.html>)

Mini-Lesson #1: CSR and Sony:

Materials needed for this lesson:

- Handout 1: Background of Sony Corporation. This handout can assist the teacher or student.
- Students will need access to computers for this assignment to research company websites.
- *Access to the following digital documents:*
Sony's CSR report (Available at https://www.sony.net/SonyInfo/csr_report/)
"Founding Prospectus" (Available: <https://www.sony.net/SonyInfo/CorporateInfo/History/prospectus.html>)

Procedures:

1. Introduce students to the study of Sony Corporation and their CSR.
2. Have students access Sony's "Group Code of Conduct". This document is available at https://www.sony.net/SonyInfo/csr_report/. Discuss with the students the major ideas of the document just from glancing at the Table of Contents. What concerns might Sony be addressing?
3. Have students read individually or as a group the main provisions of the document.
4. Students will then choose a United States-based company to examine. Have students visit the company's website to locate the organization's CSR plan. If students have trouble locating this, have them examine a different company. Typically, the larger the corporation, the more likely this information will be located. If students are struggling, some examples to consider are: Microsoft, Google, Walt Disney Company, and Apple.
5. Once students have accessed and read CSR information about Sony and a U.S.-based company, direct students to complete Activity 1: Comparing CSR in Japan and the United States. Students will complete the Venn Diagram connecting big ideas about Sony's plan to the plan of the company of their choosing.

Mini-Lesson #2: Relationship with Stakeholders and JR East

Materials needed for this lesson:

- Handout 2: Background of East Japan Railway Company (JR East). This handout can assist the teacher or student.
- Students will need access to computers for this assignment to research company websites. The website for JR East can be accessed at:
<http://www.jreast.co.jp/e/index.html>

Procedure:

1. Introduce the JR East case study. If available, show students the 12-minute video "Urban Railways of JR East." This video is published by JR East.
[**NOTE: This video also shows the life cycle of JR East's products and is good to use with a discussion of corporations who control all aspects of their business, as manufacturer and supplier to customer provider and as an example of vertical integration.]
2. Review the concept of stakeholders and have students identify the major stakeholders of JR East. Examples might include: employees, the government, passengers, shareholders.
3. Again, ask students to choose a United States-based corporation for comparison. Have students brainstorm the various internal and external stakeholders of this corporation. If they are struggling, have students visit that corporation's website to understand what the organization does. Every business (and government agency) has stakeholders so students should be able to easily identify an organization to use for this lesson.
4. Using the information gathered for both companies, have students complete the chart in activity 2.

Mini-Lesson #3: Recognizing Environmental Responsibility

Materials needed for this lesson:

- Handout 3: Background of Yokkaichi Pollution and Environmental Museum for Future Awareness. This handout can assist the teacher or student.
- Students will need access to computers for this assignment to research company and event websites.
- PowerPoint with pictures of the time period

Procedure:

1. Introduce the Yokkaichi Pollution and Environmental Museum for Future Awareness case study.
2. Review the events that led to the pollution disaster memorialized by the museum. Use the attached PowerPoint to illustrate the situation.
3. Again, ask students to research a United States-based environmental event for comparison. If students are struggling to choose an example, have students consider the Love Canal (1978), Exxon Valdez oil spill (March 1989), or the BP's Deepwater Horizon oil spill (April 2010).
4. Students may also utilize the EPA's website for information (<https://www.epa.gov/>)
5. Using the information gathered for both companies, have students complete the chart in activity 3.
6. As an extension, students can be asked to complete the second part of activity 3: creating a museum.

Handout 1: Background of Sony Corporation

The company now known as Sony began in 1946 as the Tokyo Tsushin Kogyo K.K. (Tokyo Telecommunications Engineering Corporation) by Masaru Ibuka and Akio Morita. The company was started with 190,000 yen (approximately \$1,900 USD) and 20 employees, with the purpose to “establish an ideal factory that stresses a spirit of freedom and open mindedness that will, through technology, contribute to Japanese culture” (Corporate communication, June 27, 2017). The company has tried to utilize this spirit and create many world’s-first or Japan’s-first type products.

According to the Founding Prospectus (<https://www.sony.net/SonyInfo/CorporateInfo/History/prospectus.html>) Masaru Ibuka began the company shortly after WWII and some of the first products made were short-wave radios, electric rice cookers (a big failure at the time), and electric blankets. The biggest product for the new company was the transistor radio which made them portable. By 1955, when the company decided to market their products in the United States, they realized the Japanese names would be difficult for Americans to produce. Ibuka and Morita decided upon the name “Sony” crossing the Latin word *sonus*, meaning “sound” or “sonic” with the English word *sunny* to reflect this idea that the small company had lots of energy. The company officially became Sony in 1958, after debate over whether or not the company should have the same name as the product. Ironically, a robbery helped spread Sony’s name around the United States. From a warehouse in New York, 4,000 radios were stolen (only the Sony brand) and soon everyone was talking about it. This led to an increased demand for Sony radios.

To do business with Americans as an American business, the Sony Corporation of America (SONAM) was established on February 15, 1960. Sony flourished in the electronics industry. By 1968, Sony combined with CBS, Inc. to create CBS / Sony Records, Inc. Over the next decade, this company would grow to be the number one record company in the world. In 1989, the company purchased Columbia Pictures Entertainment, Inc. for \$3.4 billion. Today, Sony Pictures is one of the world’s largest movie production companies. In 1994, Sony introduced PlayStation, with 5 million units sold worldwide in the first two years alone.

In Japan, Sony has diversified a bit by selling life insurance as Sony Prudential Life Insurance. Although this endeavor took about a decade to turn a profit, this aspect of the company’s portfolio provided the greatest stability during the recent economic downturn. An additional market that Sony is participating is the nursing home business. Japan is one nation facing a growing aging population. While the country’s birthrate is declining, a need for elder care facilities across the country is increasing.

Source: Sony Corporate Website. Available at <https://www.sony.net/SonyInfo/CorporateInfo/History/SonyHistory/> (Retrieved August 27, 2017).

Handout 2: Background of East Japan Railway Company (JR East)

The East Japan Railway Company, more commonly known as JR East, was incorporated in April 1987 when the government-run Japanese National Railways (JNR) sought to privatize. By 2002, all shares of the company were sold to the public.

The company assumes all aspects of operation. It builds cars, operates the train schedule, and maintains and repairs the rail lines. The company touts six features:

- a vertical structure that enables a full integration railway model since the company owns the infrastructure and cars it uses;
- a horizontal feature that enables all categories of passenger railway transport. This includes the high-speed bullet train (Shinkansen) and regional and local subway trains;
- a business structure which includes non-transport business. Over 30% of the company's business comes in the form of non-transportation business, such as the retail operations at the subway stations. Tokyo Station alone brings in 10 billion yen (\$100 million USD) annually;
- a micropayment business which consists of the suica card, an electronic payment system that can be used for ticket and other consumer purchases;
- the entire rolling stock chain which enables the company to control the entire life cycle of operation, from research and development to railway maintenance; and,
- the two "withouts"—the company is very proud of the fact that it has not had to accept a subsidy from the government (they actually pay taxes, roughly in the amount of \$1.6 billion USD) and no fares or charges have been raised on passengers over the past 30 years with the exception of consumption tax increases.

Today, 16 million passengers ride JR East trains daily on roughly 7,400 km of train lines. Trains arrive every 2.5 minutes and suffer an average annual delay of one minute. The most common reason trains are disrupted is a person jumping on the train line. As of 2015, there were 1,665 stations that JR East operates using over 58,000 employees.

The company assists and operates railway projects in other countries, including Thailand, Indonesia, and most recently, the United Kingdom.

Sources: Corporate communication from the International Department

Handout #3: Background of the Yokkaichi Pollution and Environmental Museum for Future Awareness

Following the destruction of Japan in World War II, the ensuing decades brought economic development enabling rapid growth in areas such as the petrochemical industry. Facilities built gave little regard to air quality, leading to numerous residents developing eye and lung problems and enduring lengthy hospital stays. Residents developed bronchial asthma, chronic obstructive pulmonary disease (COPD), and chronic bronchitis, among other ailments. In particular, the Yokkaichi area, in the Mie Prefecture just southwest of Tokyo, was specifically affected. A port area once known for the production of porcelain, cars, textiles, and chemicals, the area was considered one of Japan's first modern cities. By the 1960s, the lack of local regulation caused severe smog in the area. Chimneys of industrial buildings were raised in an effort to disperse the pollutants over a wider area and away from Yokkaichi.

From 1966 to 1970, about 2,000 residents of the area were found to be suffering from serious problems stemming from the pollution. The mortality rates from COPD were 10-20 times greater in Yokkaichi than the rest of the country. The government of Mie Prefecture established the Yokkaichi Area Pollution Plan outlining prevention and control measures to be implemented in eight stages before 2010. Following this plan, air quality dramatically improved.

In 1967, a class-action lawsuit was filed against several companies alleging their emissions negligently injured residents. This suit was one of four filed around Japan, and in all four, the court ruled in favor of the victims. The Yokkaichi case was decided in 1972 and the court claimed the companies had a duty to use the best available technology to control emissions. It ruled the companies failed and ordered a damage award of approximately \$100 million USD.

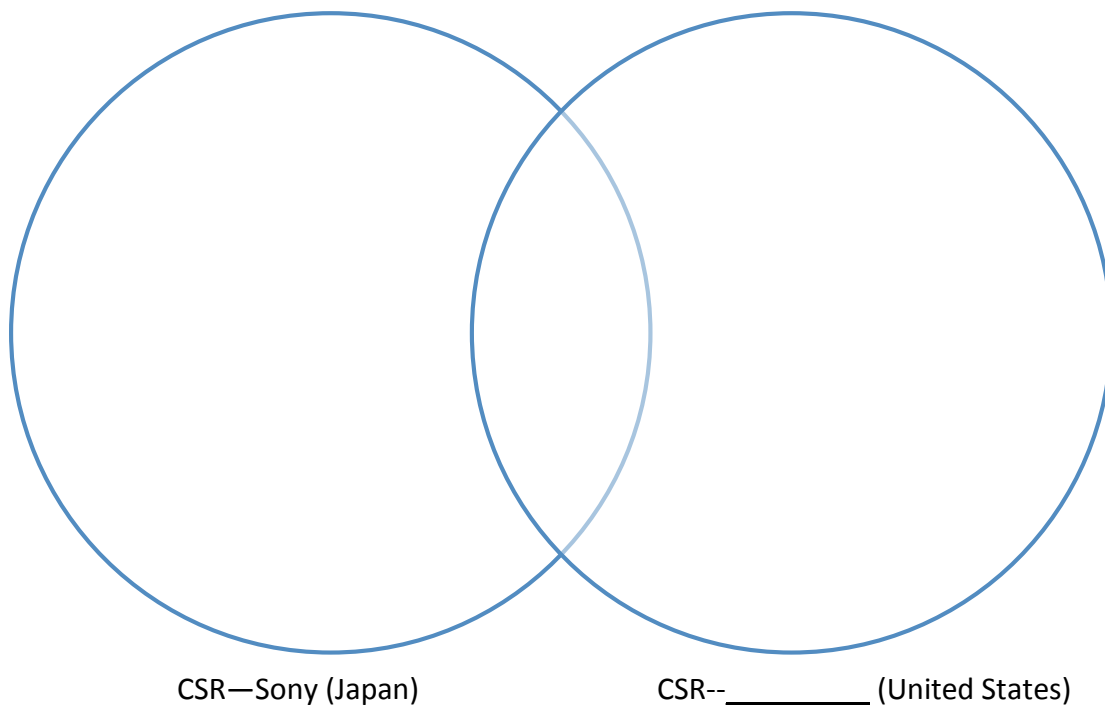
Following the lawsuit, the Japanese government passed environmental laws to strengthen and clean the environment. Some of the environmental measures the area undertook included improved public sewage treatment systems and the establishment of green areas. Local companies improved machinery and equipment to decrease the level of poisonous emissions. Efforts were steadily being made to improve the environment with the vast sum of 983.7 billion yen (approximately US\$8.2 billion) being invested by both the public and private sectors combined.

Today, the area boasts clean air and is a model for demonstrating how to clean the environment. The Yokkaichi Pollution and Environmental Museum for Future Awareness is a timeline of that process. The Museum details the history before the era of polluted air, documents the trials and emphasizes the path Japan took to clean the air.

Sources: http://japanupclose.web-japan.org/other/o20160115_1.html
<http://devastatingdisasters.com/yokkaichi-air-pollution-1961-1988/>
Nishimura, H. (1989). *How to conquer air pollution: A Japanese experience*. Elsevier Publishers. Available on Google books.

Activity 1: Comparing Environmental Responsibility in Japan and the United States

Directions: Choose one U.S.-based corporation to complete this exercise. Identify the organization's CSR. Access the CSR document for Sony. Read both documents and complete the Venn Diagram below. Identify the aspects that both reports have in common and add them to the center, overlapping part of the circles. Then, answer the questions that follow.



Answer the following questions:

1. What were the major similarities between the two corporate plans?
2. What were the major differences between the two corporate plans?
3. Why do you think many technology-based companies tend to have strong CSR plans?
4. Try to examine the impetus for creating the CSR plans. Was there an internal push from within the company to create this plan? Was there an external push (i.e., as a response to a lawsuit or governmental requirement) to create this plan?

Activity 2: Comparing Relationships with Stakeholders in Japan and the United States

Directions: Complete the following chart with the required information about stakeholders for JR East and the chosen U.S.-based company. Then, follow the directions below the chart.

| | | Identify the stakeholder/ group | Identify at least one example to illustrate the relationship between the stakeholder and the company. | |
|-----------------------|--|---------------------------------|---|--------------|
| | | | JR East (Japan) | _____ (U.S.) |
| Internal Stakeholders | | | | |
| | | | | |
| | | | | |
| External Stakeholders | | | | |
| | | | | |
| | | | | |

Using the above information, write a one-paragraph discussion identifying trends that you notice between the two companies. Are you able to draw any conclusions about how a business connects to its shareholders?

Activity 3: Comparing Responses to Environmental Disasters in Japan and the United States

Directions: After reading about Yokkaichi, research an environmental disaster in the United States. Complete the following chart about both situations.

| | Yokkaichi (Japan) | _____ (U.S.) |
|---|-------------------|--------------|
| Historical context: What was going on in the country prior to, or at the time of, the disaster? | | |
| What happened? What was the extent of the damage? | | |
| How did the business community or government respond? --Describe any lawsuits or changes in legislation that may have followed the disaster. | | |
| What is the condition of the area in 2017? Is the environment worse off, the same as, or better than it was just prior to the time of the disaster? | | |
| Does this area serve as a model for other countries facing similar concerns? Explain. | | |

Try this:

The Yokkaichi Pollution and Environmental Museum for Future Awareness memorializes the damage and effects of the disaster, but also chronicles the path Japan took to eradicate the pollution and to make the area environmentally cleaner and safer for residents. Assume the same for the U.S.-based disaster researched above. If a museum was to be created for your disaster, what would be in that museum? Design and describe what each of the rooms look like? Use the chart above to help you.

Assume each row represents a room in the museum and each room has artifacts on display. What artifacts might you display to demonstrate the historical context of the disaster? What about the second room, representing the actual disaster? Complete the plans for the five-room museum.