The Outstanding Japanese Success in Business and Society, without CSR

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CSR, Corporate Social Responsibility has been considered in the USA and in the EU as a necessary tool to reconcile Business and Society. However, forty years or so after the discussion of CSR started in the USA, there was no mention of CSR about and in Japanese management yet (see for example, Debroux, 2008; Tanimoto and Suzuki, 2005). One reason is certainly the following one. The 70s and the 80s were difficult years for the Society and the Business in the Western countries whereas they were flourishing years for Japanese Society and Business that enjoyed a collective race to overtake the first movers of the industrial world.

Even if a detailed account should precise a complex set of reasons for this puzzling difference, we may state that there is something specific at the root of this Japanese blend of Business and Society. To be sure it is partly linked with the reorganisation of society that took place just after the end of world war two, but its core came from behaviours that were adopted decades before.

Just 4 years after 1945, we may already observe a deep involvement of Japanese companies in welfare programmes for their employees, as seen in table 1 below (Moriguchi and Ono, 2004: p.33). This cannot be, but a legacy of the past, that is long before world war two. Thus, this paper will try to propose an answer to the question: where do come from this successful blend of Business and Society in Japan until the 80s?

I would like to argue that, first, modern Japan was built, from the beginning, on a strong linkage between Government, Business and Society (I). Second: social progress - progress in the well-being of the people- was not the result of a fight, of claims or revolts, by the civil society to get it (II). Third, on the contrary, social progress was the outcome of a national or cultural alliance targeting to improve the wealth of the country (III). Fourth: the foundations on which the last point was built are made of a mix of traditions, as that on solidarity - but based on an immutable hierarchy- and of the Western ideal of equality, based on individual rights. This paradoxical mix was created under the guidance of a few people among which Eiichi Shibusawa played a prominent role (IV). Let us deal with these four points.
Table I: Corporate Welfare programs in 1949 (in % of firms)

<table>
<thead>
<tr>
<th>Welfare Program</th>
<th>All Firms</th>
<th>500 or more workers</th>
<th>100-499 workers</th>
<th>30-99 workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Housing</td>
<td>58.7</td>
<td>96.3</td>
<td>82.4</td>
<td>54.8</td>
</tr>
<tr>
<td>Dining Facilities</td>
<td>21.5</td>
<td>72.2</td>
<td>37.6</td>
<td>14.7</td>
</tr>
<tr>
<td>Company Loan</td>
<td>9.4</td>
<td>31.9</td>
<td>14.6</td>
<td>6.8</td>
</tr>
<tr>
<td>Medical Clinic</td>
<td>18.4</td>
<td>96.6</td>
<td>43.5</td>
<td>7.6</td>
</tr>
<tr>
<td>Health &amp; Safety</td>
<td>50.1</td>
<td>94.6</td>
<td>75.4</td>
<td>41.0</td>
</tr>
<tr>
<td>Recreation Programs</td>
<td>26.4</td>
<td>77.4</td>
<td>50.4</td>
<td>17.3</td>
</tr>
<tr>
<td>Athletic Facilities</td>
<td>22.0</td>
<td>87.7</td>
<td>46.9</td>
<td>11.8</td>
</tr>
</tbody>
</table>


I- Strong linkage between Government, Business and Society

Modern Japan was built on a new Colbertism. Colbertism is termed after Jean-Baptiste Colbert who was the French minister of Finance under Louis XIV, a very powerful king who enlarged the power of France in Europe. The doctrine of Colbert was that the wealth and the economy must be at the service of the State. He promoted (in France) the production in organizing, in controlling manufactures to sell abroad more than to buy from foreign economies (on Colbertism, see Minard, 1998). This was not based on laissez faire laissez passer, but upon tight State control and organization in a hierarchical society. This French experiment in the 18th has some similarities with what was organized during the Meiji era in Japan.

By and large the old feudal Japan did not follow – to become an industrialized country- the path of economic and political freedom, this combination of free market and democracy pioneered by Western societies. Japan, hierarchically, organized its economy to set-up a strong Japanese State able to cope with the Western states in the international scene. Up to a certain extent it looked like Colbertism but, step by step, in the regulated markets, firms got more freedom, and the State, less room: in the meantime, in the political scene, limited rights and freedom opened very slowly some possibility of political debate at least until 1931. The government did not encounter strong opposition either from thinkers or from social movements contrary to what happened in France where it led to a revolution. This slightly enlightened despotism was also corrected by a cultural context very different from the French one. Let recall some key elements.

Since the US intrusion, a host of dynamic Japanese people, from everywhere in the country, went to learn abroad how to catch-up in science, technology, economy, management and poli-
tics, and imported all they could and first, arms. The Tokugawa shogunate did it at the State level, but not as far as their internal opponents wanted. The new oligarchy organized a development state and chose another (Chinese) slogan: Fukoku kyōhei (富国强兵) "Rich country, strong army".

They wanted a place in the world geopolitical scene of the time and, for that, behaved as the Western countries did. They entered in a first war with China in 1894 which ended with the colonization of Taiwan (1895, previously temporarily invaded in 1874 - Taiwan Shuppei: 台湾出兵). Then, they participated with seven Western powers to quell the boxer rebellion in China in 1900. They were not pleased with the growing place of Russia in China and finally the war burst in 1904 against Russia. They won and this ended in a treaty signed in San Francisco. Russia withdrew from Manchuria and from Korea letting the latter as an influence zone for Japan; finally Korea protectorate was turned into a Japanese colony in 1910. Later Japan participated in the 1st world war with the allies and to the preparation of the treaty of Versailles. Japan was one of the founders of the ILO\(^1\) in 1919.

This geopolitical change was made possible by a fantastic techno-economic catching-up\(^2\). It was based on five forces.

**First** and foremost, action of the oligarchy governing the State, importing foreign machineries and experts, setting up state-run companies in all types of industries with the slogan shokusan kōgyō (殖産興業) - Increase production, encourage industry. They will sell many of them later to the private companies in 1882, when the debt became too huge and bureaucracy inefficient in markets. They reduced the debt to almost nothing in 1890 keeping an eye and a word on the industrial strategy.

**Second**, pre-existing large family businesses, as Mitsui and Sumitomo, were oriented by the State thanks to subsidies.

**Third**, previous dynamics of some Han were reoriented. This could give birth to new family businesses intricately with state money and bureaucratic influences. It was for instance the case of Mitsubishi in 1874, which starting point was the trading house of the Han of Tosa and a timber merchant, Iwasaki Yatarō (岩崎弥太郎).

**Fourth**, there were new businessmen, importing new ideas, as Shibusawa Eiichi (渋沢栄一), favoring to join forces, either private or government ones. Himself he co-founded the Tokyo

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1 International Labour Organisation with headquarters in Geneva.
2 An interested and well-documented analysis of the "development" of Japan has been published by Ohno (2005) and translated into English (2006). However, the following is my own interpretation of facts (closed to his' on many points.)
stock exchange, in 1878, and went on establishing joint stock companies, in total not less than 500.

Fifth the relative success of the Kokutai cement; land became tradable in 1872 but peasants went on farming, sending their daughters, here and there, in silk or cotton companies, or activating small family workshops. No revolution as the French or the Russian one. Japan society went on with a different, but with a still strong hierarchy.

In terms of quantities and values the engine of industrial growth came from the textile industry, whereas the population, in 1914, was still working principally outside manufactures, mainly in agriculture (60% for only 4% -1 million- in industry).

In 1909, 40% of the production in the manufactures was in the textile where they employed 53 % of all workers in establishments with more than 5 people. Silk exports - Japan became the world leader- made 40% of all exports in 1904, a significant proportion of which came from the 400,000 small scale family traditional workshops. Imported machines and foreign assistance plaid its role, but there were also Japanese innovations and innovators. A son of a farmer and carpenter, Toyoda Sakichi, for example, invented in 1896 the steam power loom in the cotton industry, that was the first step of the famous Toyota company.

To fully benefit from the economic transformation, changes in external trade were indispensable. First it concerned the transportation of goods. With many difficulties, a lot of money, and internal battles between the different forces, the action of the Government finally succeeded in building a national capacity in this field. From about nothing the share of Japanese merchants in the external trade climbed to near 40% in 1900 when the amount of the trade had multiplied by more than 9 times.

Second Japan could modify the tariff system. After difficult and long discussions, backed by

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3 This was under Ōkuma (see supra) as Minister of Finance and with Mitsui (and others) as co-founder. For this reason Šibusawa is usually known as the father of the Japanese Capitalism. He was also a co-founder of the Tokyo Chamber of Commerce and Industry. However this may lead to a misjudgment as Šibusawa did not retain any controlling stake in these 500 companies, he was not willing to set up a holding like other did, building a Zaibatsu: this was against his business philosophy and his ethics about which I will say more later. When retiring from government in 1873 he worked as a president of the First National Bank, Dai-Ichi Kokuritsu Ginkō which he had co-set up previously. For this reason he is usually qualified as a banker. He retired progressively from business in 1900 (he was 60) refusing to Ito to enter the just created conservative party (Rikken seiyūkai, see supra) and did not accept to become Minister of Finance. He will give speeches and texts (more than a thousand) to express his views, participating to various associations and organizing some to discuss and disseminate his business and social philosophy. After world-war I, he promoted the active participation of Japan to the Society of Nations and to fully apply the principles of the ILO just created with Japan as co-founder (1919-20). He advocated for peace.
the emerging military and economic power of Japan, the revision of the treaties led in 1911 to the full recovery of the tariff autonomy.

II- No bottom-up efficient sources for social progress

What was doing “the civil society”? For long there have been in Japan, usual riots and disputes, 60% in the mining industry (Lewis, 1990). These unrests continued, mainly spontaneous, and often related to price increases, with immediate material demands; only a few were not organized by unions, they came mainly from the gathering —not of the poorest but— of the better paid workers (Nimura Kazuo, 2004). There were also some attempts to push some changes by a few leftist intellectuals who founded in 1898 (very late) a group of study of socialism leading to the birth of the first socialist party in 1901, immediately banned by the Government. In 1906 the Saionji (Saionji Kinmochi) government was closed to recognize the socialist movement provided it accepts to work within the boundary of the Constitution. But the party claimed to target a full implementation of socialism and thus, was banned. Part of the group turned from Marxism to anarchism and did not ask only for universal suffrage but advocated direct revolutionary action. They were falsely suspected to plot the assassination of the Emperor. Most of them were arrested in 1910 and 12 were sentenced to death the following year, among them Kōtoku Shūsui. The trial related abroad, as in the French Newspaper founded by Jean Jaures, L’humanité—did not trigger in Japan either popular reaction, nor reaction from the intellectual elite, writers and artists; they had travelled to France and to the West but although fascinated by liberal ideas,
they preferred their art rather than take care of the society as was the position of Nagai Kafū （永井荷風）. However, a few violent actions by small groups succeeded in killing notorious people and triggered violent repression by the police. They published newspapers often banned but coming back with another name. The Japanese communist party was formed illegally in 1922 and will keep clandestine until the end of world war two. All these did not profoundly affect the Japanese people and they did not expect anything from the sporadic and localized social movements as they were unable to give them a better material life.

Thus they were very few to join the several attempts to organize trade unions. One of the most advanced attempt to build a strong and revolutionary trade union was launched by Katayama Sen （片山潜） in 1897: Metalworkers’ Union （鉄工組合） was the most important but at its peak they had no more than 3,000 adherents, a mere 5% of the 60,000 workers employed in the metalworking industries, and fewer than half the members actually paid their dues (Nimura, 1990). Like the "politico-social movements, these trade-unions did not last each more than 3 or 4 years, as they had few adherents and as they encountered the opposition of the employers and the government police, totally opposed to let burst a revolution.

III- National -cultural- alliance for wealth and social progress

The surge of the economic power of Japan was correlated with the surge of more powerful companies that were fully established in the 1890s as there were at that time (Chandler, 1977) in the West; however, the goal and the mission of emerging big businesses in Japan was not principally to make profit for their owners as it had been at the birth of capitalism in the West. The mission assigned to business in Japan was clearly to boost the industrialization and to contribute to the wealth of the country. The slogan that applied to everyone, applied also to the firms as they were embedded in the society: chukun aikoku （忠君愛國）faithful to the emperor, love to the country.

Thus, competition between firms and concentration were not considered as a problem to be solved by a competition law. There was no problem as far as all Japanese were fighting for the

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7 His life, as for most of actors of the public scene in Japan at that time was very complex: born in 1859, adopted and living simply, after an apprenticeship, he had opportunity to study in the USA, where he became a christian, a socialist and joined the Labor Movement; then he came back to Japan, to help the birth of small socialist groups (with Kotoku) and the trade-union here mentioned; some years after, in 1903, he left thanks to a friend from Mitsubishi to set up a farming rice company in the USA, to come back again in Japan in 1907. Finally, after a time in jail, he went to California, in 1912, then attracted by the Bolshevik revolution of 1917 he went to Russia, as a communist and a member of Komintern, he stay there until his death in 1933.
national economy and as far as they were acting motivated not only towards the collective and
the top, but also motivated by an ethics about the way to behave in economics. Large
companies, Zaibatsu (財閥) were welcome provided that they bring wealth and social progress
and it is in this direction that the Government will intervene.

As a matter of fact the Labour and Social progress issue has been mainly addressed by the
Government. To be sure this came from a few ministers backed by techno-bureaucrats, all
well-educated people and almost all having made a tour in the liberal countries of the West; in
building on the traditional rules of solidarity that existed in the dying old Japanese society, and
avoiding to look as if they listened to the revolutionary minority, they tried to cope with the
more conservatives to bring more social equality and better material conditions for the poor
and first for the workers.

One among these progressive techno-bureaucrats has been Gōto Shimpei (後藤 新平) director
of the bureau of Hygiene in the ministry of internal affairs naimushō eisei kyoku (内務省衛生局).
He had in mind in 1890 a project of a Factory Law, he could launch it in 1891 and he
contemplated also a project of a Health and Illness Insurance Law that he was able to launch
in 1898 (finalized in 1922). To support the path of progress, a group of these progressive people
convinced the government to set up in 1896 a structure of discussion (it looks an idea close to
the spirit of the French Planification Bureau in the 1960s). It was the High council on
Agriculture Commerce and Industry nōshōkō kōto kaigi (農商工高等会議) gathering heads of
companies, academics, bureaucrats, civil servants, journalists to advise the government on their
projects. Shibusawa⁸ was one of the members of this council that discussed the project of
Factory Law and finally approved it. The council explained that they thought necessary to give
a legal framework to the relationship between company directors and the workforce in order
to avoid what was going on everywhere in the world: "the old relationship father-son, master-
disciple is weakened, replaced by a class consciousness" (quoted after Thomann, 2004).
However, they were reluctant, in order to improve the situation of the workforce, to copy the
West, i.e. to let an impersonal Law dictate the social relations by an egalitarian individualism to
be substituted to the traditional values of community and hierarchy; they believed that this will

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⁸ Shibusawa went on a tour in Europe (France World Fair 1867), back in Japan he was in charge of
economic reforms Kaisei Kakari, in the office of the Ministry of Finance in charge of reform. He resigned
in 1873 to become a founder of capitalist enterprises (at the age of 33). On Shibusawa see the Shibusawa
foundation in Tokyo which has collected all his writings and a copy audio-records available from NHK. See
the site of the memorial: http://www.shibusawa.or.jp/english/outline/history.html. (retrieved MH
November 2013)
lead to societal anomy. Their position, largely influenced by Shibusawa was not in favour of individualism, which was that of a few liberal intellectuals. They were led by Fukuzawa Yukichi (福沢諭吉), who, on this theme of a factory law, said he preferred something like the old British Poor Laws (enacted between 1349 and 1664) which avoided to encourage the laziness of workers. Shibusawa was opposed to this liberal position and also to that of the main Zaibatsu, which, through their Japan industrial club (Nihon kōgyō kurabu 日本工倶楽部) tried to block the evolution of the Factory law.

On these grounds opened by the State (government, techno-bureaucrats, advisers) the expression of workers, in the present but evolving institutional framework, was accepted whereas there was a harsh repression against Marxist, communist and anarchist revolutionary ideas and groups. Thus in 1912 Suzuki Bunji (鈴木文治), a graduate from Tokyo Imperial University, formed the Yuaikai (友愛会: the Friendly Society). It started as a friendship society for workers which aimed at the improvement of the social status of working people and promoted the development of a trade-union movement. It became Japan’s first durable union and was renamed the Japan Federation of Labour (Nihon Rodo Sodomei 日本労働総同盟) in 1921. At that time Tokonami (床波 see infra) suspended the application of the 1900 police Law against this union and its activities. Two years later Yuaikai had a membership of 100,000 in 300 unions (Weathers, 2009).

IV- Important contributions to the Japanese special social blend by Shibusawa Eiichi

Shibusawa with the help of Tokonami Takejiro (床波 竹二郎) minister of the internal affairs created in 1919 kyōchōkai (協調会: Association of conciliation or cooperation). It was a public benefit foundation (財団法人, 財団公益法人) issuing a bulletin of social policy shakai seisaku jihō (社会政策時報). It was co-funded by the Business and the Government to promote a Japanese way for social progress, adapted to the tradition: it keeps the enterprise within the society and does not break the society into pieces, disembodifying the economy from it. They promoted harmony and cooperation between workers and employers. Until the work of Dean and Kinzley (1991) the importance of Kyōchōkai was usually downplayed, and considered as a mere

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9 It is in one of his most famous books Seiyō-jijyō 西洋事情 the conditions of the West, that he stated this idea.
10 He could get agreement in the government to cancel this law and it was mainly for this reason that Suzuki refused to participate in the foundation of Kyōchōkai, see infra.
11 In Tsutsui (2009), pp.493-510.
12 The importance for the making of the specific brand of Japanese capitalism, and here let say to design the specific link between Business and Society, through kyōchōkai has been enlightened by Dean Kinzley (1991). Previously it was taken as a tool to fight against trade unions.
propaganda against trade unions.

As a matter of fact the Manifesto (宣言) of Kyōchōkai (published in 1920) disseminated the position of Shibusawa that was clearly different from the paternalistic stance that some Zaibatsu partly imported or justified from some examples of Western firms in Germany (Krupp) or in the USA (Cash register). This led to some of the corporate welfare introduced by the main large companies during the 20s - with factory committees, life time employment and seniority system- which was based on a familialistic concept, that of kazoku shugi (家族主義) a kind of Japanese variety for paternalism, termed also onjō shugi (温情主義), principle of generosity. Shibusawa expressed13 his total opposition to this way by which the stronger would give a favor to the weaker. To his mind, it was against the spirit of Kyōchōkai which is that of kōon shugi (交渉主義), a mutual exchange with generosity to have a better relationship between capitalists and workers. The manifesto of Kyōchōkai14 made explicit the mutual responsibility for conciliation based on justice (seigi: 正義) and humanism (jindō: 人道). This implies that human beings cannot be treated as objects, but are an end by themselves, i.e. that the respect of their person (jinkaku: 人格) is at the root of the spirit of cooperation (kyōchō seishin: 協調精神). But it discarded the idea that conflicts are the sole means to raise the status of laborers, refusing class struggle.

Thus, it is sure that up to a certain extent, government facilitated, and a few people as Shibusawa played a leading role to promote, an alliance between government, workers, employers and Enterprises that was more cultural than nationalistic15 for the benefit of all in the Society.

Two other institutions than Kyōchōkai, set up by Shibusawa, were of some influence among the elite, sufficiently to shape a special Japanese relationship between Business and Society that has survived until the mid-20th century. First, he established Ryūmon sha16 (龍門者) Society at the gate of the Dragon, (symbolizing a Gateway to Success) in 1886 (Suzuki, 2012) for

13 In a paper “Fundamental principles to address the Labour Issue” (労働問題解決の根本義) published in the first issue, n°1, September 1920, of the Kyochkai Review, shakai seisaku jih, with an a
14 Kyokkai sengen (協議会宣言) was published in the Issue n°4, December 1920, of their Review, shakai seisaku jih. Quoted after Thomann (2004), p.34.
15 Shibusawa was a pacifist as the main part of the Japanese elite in the 1920s was; but later, in early Showa era, incidents driven by nationalists and militarists turned Japan into a more and more aggressive warlike country. Shibusawa died in 1931.
16 According to the Shibusawa memorial, the name was devised by Odaka Junchu, instructor of the group in Confucian classics and Shibusawa Eiichi’s cousin, inspired by the Chinese folktale of a carp that climbs a
ethical advancement of the people in business. Around 4,000 members along years approved ideas of integrating capital and human resources, ideas of harmony between economic and moral conduct. Moreover it issued a magazine specialized in economic issues that was one of the first of this type in Japan (Chang, 1993).

Second, he co-founded in 1912, the Concordia Society (Kiitsu Kyōdai), a small think tank, with an ambitious goal of research. Believing in the oneness of different faiths and religions, they wanted to build the foundation of a collective spirit for future civilizations. On practical grounds this led to a Manifesto and a series on the theme of "Collaborative responsibility for social morality\(^{17}\)".

There and in books and speeches Shibusawa recalled the sino-chinese epistemology of keizai, economy, which kanji are taken from keisei saimin 經世濟民: manage the world, relieve the people. On that ground he advocated "Let economy and moral go together\(^{18}\)", referring both to Confucius (in Japanese kōshi: 孔子)\(^{19}\) and to Adam Smith, who, firstly studied the moral sentiments, based on mutual sympathy, and secondly inaugurated the modern analysis of the economy. Thus, "harmony between economy and justice is an immutable and recognized principle in the West and in the East as well". His thought was ingrained in thousands of minds of the Japanese elite, like Ōtsuka Banjō (大塚元郷 (see Prince, 1997: p.64)). This future founder of Keizai doyukai (経済同友会 see infra) claimed since the 1930s that if stockholders are providing capital, managers provide management and workers provide labour so that they would have voting power in managerial councils (keiei-kyōgikai: 経営協議会) what is clearly the basis of the stakeholder model of management.


\(^{18}\) "Dōku keizai gitsu setsu" I used a translation quoted from a recorded speech of 1923 by NHK into French from the Japanese, by Morvan PERRONCEL. Quel l’économie et la morale s’accordent with a presentation by Claude Hamon in Ebisu, n° 34, 2005, pp. 149-162.

\(^{19}\) Shibusawa Eiichi published in 1916 a book with this title: The analects [of Confucius] and the Abacus (Rongo to soroban: 論語と算盤), where he exposed his argument.
Therefore it is not surprising that as soon as Keizai doyukai (経済同友会) the Japan association of corporate executives was created in 1946, they attempted (in 1947) – surfing on the current of post war “democratization” – to ask for the democratization of the Enterprise. During their national conference in 1955, Keizai Doyûkai declared “Enterprises exist for the sake of the development of the national economy, and the fundamental idea of management must be that managers hold a responsibility to respond to the needs of the nation. This was followed by the affirmation in 1956 of the Social responsibilities of Employers.

This was a surviving stance from the ideology created during the Meiji Era and Taishô era on which Business and Society have been built in Japan. The reluctance of the top business in Keidanren in 1947 had to get into a compromise after unproductive strikes at the beginning of the 60s and cooperation lasted at least until the end of the 80s. Since then Japan needs CSR...

References

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22 It was in March 2003 the theme of the 15th Corporate White Paper of this still vivid association: “Market Evolution’ and CSR Management: Toward Building Integrity and Creating Stakeholder Value.”


