

Corporate Philanthropy and CSR

Based on a comparative study on Japanese and American Corporate Philanthropy

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Differences between Japanese and American corporate philanthropy

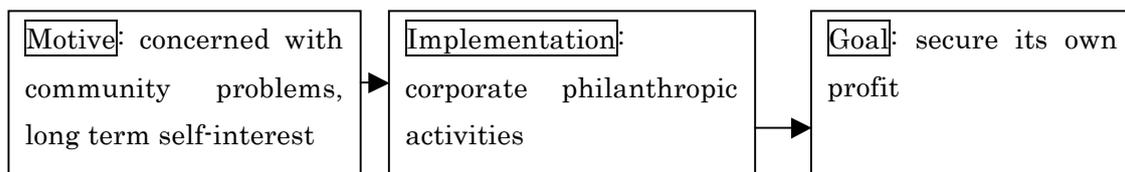
We can understand the conceptual differences between Japanese and American corporate philanthropy when we discern each philosophy which forms the primary motive for their own corporate philanthropy. In order to delve into the philosophy of American corporate philanthropy, we will refer to Peter Drucker's remarks, which seem to capture the essence of American corporate philanthropy. According to Dr. Drucker's view,

Firstly, corporations should seek economic rationality to fulfill its primary function, thus, their corporate philanthropy must comply with their own technical competence, their visions and their values.

Secondly, corporate philanthropy is regarded as social responsibility in that it helps nurture healthy and dynamic communities. We should not define it just as charitable deeds. Corporate philanthropy does accord with companies' own profit.

From the long term view point, it lends itself to their own self-interest.

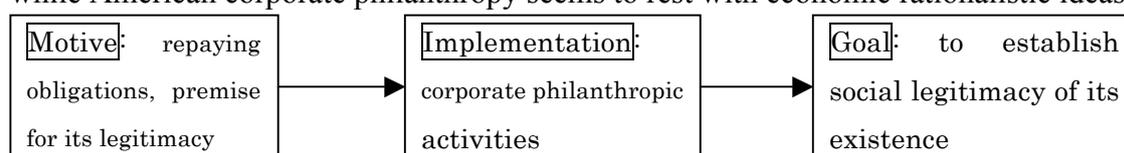
Dr. Drucker's thought is lucid and realistic. We will be able to call it 'corporate philanthropy underpinned by economic rationality'. In his theory economic rationality motivates corporate philanthropy and also gives it its final goal. Here, corporate philanthropy is considered to be as an investment toward the future.



On the contrary, majority of big corporations in Japan regard corporate philanthropy as a way of giving back their profit to the society. It has, at the core, the same meaning of 'repaying obligations'. From the economic viewpoint, most Japanese corporations take corporate philanthropy as an indispensable social cost for their existence or more precisely, basic premise for their legitimacy. The legitimacy derives from practicing

high ethical standards, including compassion for the distressed and disadvantaged in the society. In this way, Japanese corporations carry out philanthropic programs. In my understanding, most of top management and people responsible for corporate philanthropy in Japan believe that their companies will be rewarded some day by firmly maintaining high moral principles. It is said in Japan that accumulation of our good deeds or virtues will, as a result, necessarily bring us the benefit in the future.

Thus, Japanese corporate philanthropy is more likely to be based upon moral principle while American corporate philanthropy seems to rest with economic rationalistic ideas.



Shonindo—headstream of Japanese Corporate philanthropy

The historical and conceptual origins of Japanese corporate philanthropy can be traced back to the pre-modern or Edo period [1603-1867]. Shonindo, the principles of the Japanese merchants, which was established in the Edo period as economic ethics to be kept in their business and in their daily life, included the concept of philanthropy.

Shonindo, the principles of the merchants was significantly influenced by the economic ethics developed by the *Jodo-Shin* sect of Buddhism. Under the lessons of the *Jodo-Shin* sect, which had developed as the biggest religious sect in Japan in the Edo period, its believers practiced a stoic life in order to make their religious faith more stable. The main virtues in the economic ethics of the Japanese merchants, formed up through such religious practices, were diligence, honesty, economy and patience.

Philanthropy was understood as “*In-Toku*” or doing something good for others in a secret manner. This was a virtue paired with economy. *In-Toku* was originally a word in the *Dokyo* (Taoism). Later, it was introduced into Buddhism. Since *In-Toku* is composed of a word that means “calm, inconspicuous or unwilling to flaunt ones’ deeds” and a word meaning “virtue”, many people understand it to represent “secret charity”. But its original meaning is an ascetic practice of altruism with inner love in his or her heart. What one’s deed looks outwardly is not important. The bottom line is inside of your heart. In the Zen sect, *In-Toku* has a very practical meaning. It is the cook’s duty that a trainee monk has to do. It can be understood as a manifestation of the return toward the grace of Buddha and all sentient beings.

Another meaningful influence on the formation of *Shonindo*, the principles of the Japanese merchants was given by *Sekimon Shingaku*, a religious philosophy and movement, established by *Ishida Baigan* (1685-1744), that combined Shinto,

Confucianism and Buddhism. It continued to have major influence on the economic ethics of the Japanese merchants for a hundred years from the middle through the end of the Edo period. *Ishida* believed that the human ideal was integration with “*Ten*” which was the nature of the supreme beings. He thought and preached merchants who came to listen to his lectures that they should put economic ethics into practice so that they could achieve supreme awareness. Japanese merchants were despised as the lowest class in the Edo period on the grounds that they made a profit without producing any useful goods. Baigan expressed sharp disagreement with such an ideology convenient for the ruling class. He taught that making a profit would be justified if they followed high ethical principles just the same as those followed by the Samurai. He thought that merchants’ profit was equivalent to the Samurai’s salary for their job paid by their feudal lords.

The highest virtues he suggested were economy and honesty. He thought economy was linked to compassion. He taught merchants that the practice of economy would create surplus and that then using the surplus for the people who needed help would enable the merchants to love the people generously. We can see that the basis of his ideas about philanthropy originated from “*Jin*” which is the highest virtue in the Confucianism. Moreover, such stoic and diligent economic ethics linked deeply to the loyalties expressed to “holy superiors”. This mental climate enabled the Japanese people to accept the Meiji Restoration that gave the Emperor the super status that embodied the nation as well as to accept rapid modernization and the ‘policy of increasing wealth and military power’. It was the misfortune of such a brilliant new nation to fall into the trap of the intolerant nationalism.

Modern history of corporate philanthropy in Japan

Thus, the sense of Japanese corporate philanthropy had already been formed in the Edo period before modernization and was kept through the Meiji era that was the period of the rapid industrialization. *Eiichi Shibusawa* (1840-1931), an exponent of the Japanese modern leadership type of business managers, put his blood into philanthropy as well as devoting himself to the development of a wide range of industries. The companies *Eiichi Shibusawa* was deeply committed to help establish were more than 500. He was, moreover, involved in over 600 social enterprises. While he recognized himself as a loyal subject of the Emperor and an adherent of Confucianism, he was neither an obstinate proponent of the restoration nor a narrow-minded militarist. The land of his dreams was a modern, rich nation with high public morality. He had a strong aspiration for free economic activities to be promoted by the private sector with respect for high

social norms. In his view, ethics and richness were compatible and had to be consistent. He summed up his philosophy in a simple phrase using an interesting metaphor — ‘Compatibility between the Analects of Confucius and the abacus’. It means business activities (making a profit = using an abacus) must be put into operation based upon high moral standards (observing the teaching of Confucius). When we pay due recognition to his devotion to philanthropy, it will be considered reasonable that his high moral standards included philanthropy. He dedicated himself to philanthropy with this way of thinking. However, in spite of significant efforts by him and other business entrepreneurs, Japanese corporate philanthropy showed only a germ of development and never bloomed in the period between the Meiji Restoration and the end of World War II. The main reason for that lack of development is that modern Japan chose the way of militarism and imperialism, investing everything into military affairs instead into ways to enrich social welfare.

After World War II, Japan enjoyed a remarkable long-term high economic growth, and it was in the early 1970s—when Japan was in the process of transition from the high economic growth to the stable growth that Japanese companies started to work on corporate philanthropic activities. It was just the time when there was increased consumer’s criticism and demand on companies to demonstrate social responsibility. The rapid industrialization of Japanese society had brought prosperity never before experienced. It had, at the same time, brought negative impact on both at home and abroad by causing serious problems like defective products, exaggerated advertisements, environmental pollution and expansion of anti-Japanese movements due to the rapidly increased Japanese companies’ presence abroad. The emergence of social responsibility meant that Japanese companies, which had only pursued economic growth through innovation in technology and marketing after World War II, faced the issue of social justice seriously for the first time. As a reaction to severe criticism of society, Japanese companies raised their consciousness on corporate social responsibility and began to give attention to increasing their contribution to the society as well as improvement of their main business. In the 1980s, while the Japanese economy was enjoying continuous prosperity and a financial boom brought on by the easy money policy of the Japanese government, Japanese companies could afford to expand to the U.S. and to introduce the know-how of corporate philanthropy, learned in the U.S. into Japanese society. The rapid rise of Japanese corporate philanthropy in the beginning of the 1990s started in this way and it was employee volunteering that was introduced as a new form of corporate philanthropy. The introduction of employee volunteering had a spillover effect on other types of corporate philanthropy, most of which increasingly

came to be designed in a style that encouraged employee participation. This participatory style became a leitmotif of Japanese corporate philanthropy in the 1990s. Nevertheless, the enlightened self-interest that is the basic motivation of philanthropy in American companies has not yet penetrated into Japanese companies until today. The majority of the Japanese companies believe that setting a high value on morality, the essence of the *Shonindo* is at the heart of Japanese corporate philanthropy.

Corporate philanthropy and CSR

The attitude of Japanese companies toward corporate philanthropy in the 1990s was shaped by three major changes in the Japanese society: “the impact of the post industrial society;” “the insufficiency of the Japanese economic system;” and, “globalization.” These three social changes are pressing Japanese companies to give a first priority to facing social justice. Especially, globalization is demanding companies regardless of size to respond more actively to social justice including environmental problems on a global basis. The International Organization for Standardization (ISO) has begun to develop an international standard of Corporate Social Responsibility (CSR) in the context of the request from international organizations such as the United Nations, Caux Round Table, an international network of business people and OECD that companies practice a code of conduct. The internationally standardized CSR if it is officially established, will be regarded as a tool for monitoring a variety of aspects of corporations’ attitude toward social justice— a comprehensive check system for consumers and organizations taking critical stances toward the private sector to force corporations to improve management so that they will comply with social justice. At the same time, from the viewpoint of corporate side, it can be stated that the CSR standard may be used as a management tool for building good relationships with various stakeholders (consumers, shareholders, employees, communities, and NPOs) in order to maintain sustainable growth in the society.

The substance of CSR, which is now under review by the working panel of ISO, is considered to be prevention of bribery and corruption, heightening of corporate ethics, contribution to the community (philanthropy), environmental protection (partially philanthropic), safety of work place, protection of human rights, observance of the labor standard, etc. If we take a close look at it, we will easily find that what we might call “compulsory” CSR and “optional” CSR are intermingled. Compulsory CSR means a responsibility that companies must fulfill by law and by demand from a consensus with the general public. Optional CSR means a contribution that companies perform voluntarily to solve social problems according to their capacity and resources. “Social

responsibility” and “philanthropy”, two different concepts in theory, are bound together in the deliberation on CSR by ISO. If ISO determines that CSR should include corporate philanthropy, it means that legal and social obligation has gained the right to make inroads into the area of voluntarism. Isn't it, however, to neglect the basic differences between CSR and corporate philanthropy and also to exceed the competence of social responsibility? We need to remind us again that corporate philanthropy is originally an ascetic practice of altruism with inner love in his or her heart. No one can force any corporations to practice such altruism. It is not the matter of ‘social coercion or legal obligation’. It relates with compassion and voluntary initiative of top management and employees of corporations, which gives distinctive radiance to their acts.

CSR seems to be in the middle of fad among the business circles and the media in Japan today. Some companies are beginning to take in the concept and method of CSR. I would like to give them a time-tested proverb. ‘The farthest way about is the nearest way home’. If they sincerely want to CSR to be a useful and effective tool, they should return to the starting point and calmly begin again from the discussion about the fundamental differences between corporate philanthropy and CSR.

Some representatives of Japanese economic organizations insist that a paradigm shift is needed to make CSR and corporate philanthropy the investment for the future – that is philanthropy for profit, as in Europe and the US. However, there is a fear that if companies think of social responsibility and philanthropy as a means for profit-making, there will be a loss of ethics. We in Japan should insist on CSR and corporate philanthropy based upon the sense of ethical value, the insistence on CSR and corporate philanthropy for justification of the social presence of the profit sector or for an effusive manifestation of gratitude for the support of people and society. This is the Japanese way.

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