21. The Japanese perspective on responsible management

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INTRODUCTION

The traditional Japanese philosophy of business responsibility emphasizes harmonious relations with stakeholders. In the past, authorities and a feudalistic society encouraged harmonious relations with stakeholders. The industrial modernization of Japan resulted in the transmission and application of this philosophy, which was supported by Buddhist and Confucian ethics. In addition, natural disasters promoted attitudes of harmonization with nature and society.

In recent times, the devastation caused by the Second World War highlighted the importance of employment in Japan. In particular, if core male workers could have sustainable income and living conditions through long-term employment security, it would satisfy the constituents of society. A company's most influential contribution in a psychological contract was lifelong employment (Kuriyama, 2017: 46–47). Security of employment was considered the most important responsibility for employers during the successful productivity movement in Japan.

Konosuke Matsushita, the founder of Panasonic, was the symbolic leader of Japanese responsible management during the period of high economic growth after the Second World War. Matsushita's successful leadership suggests some common factors in organizing responsible management competences. Under the motto of 'Co-existence and Co-prosperity,' he delegated decision making to employees and also empowered other stakeholders, such as suppliers, retailers, and the community (Laasch & Conaway, 2015: 43). Further, he formed collaborative and decentralized networks. Under Matsushita's leadership, there was a vision shared with different stakeholders and promotion of responsible management through employment and business development.

Maintaining harmonious relations requires bridging the gap in stakeholder requirements. Harmonization requires adapting one's basic perspectives to the reality of counterparts. This process of harmonization takes a long time for both sides, and should involve interactive communication and activities.

Through this process, both sides expect conciliatory (bottom-up) actions to bridge the gap in stakeholder requirements; this is not regarded as a compromise. Compromise is meeting halfway. However, bridging actions require efforts from both sides over time. It may be suitable to provide interactive support to improve situations and meet current requirements better. This approach not only examines the traditional Japanese methods of responsible management, but also its current practices. A fine example is the sustainability sourcing code of the Tokyo Olympic Games in 2020. Further discussion is necessary on the differences in the decision-making process of harmonization and optimization (Laasch & Conaway, 2015: 41).

In the context of Japanese business, balancing stakeholder values requires a long-term commitment and approach to align with different requirements. This can be summarized as the 'enabling approach'. It is worth exploring the Japanese version of the enabling approach as

a model of responsible management. Laasch and Conaway (2015: 43) indicated that 'Organic structures enable social interaction necessary for responsible management and also provide an excellent precondition for connection to stakeholders'. Kazuo Inamori, a contemporary Japanese business leader, wrote an influential book called *Amoeba Management* in 2013.

In the global business environment, universal human rights in supply chains have become a critical issue for Japanese companies operating overseas. Japanese managers are at the cross-roads in implementing responsible management, even as they review the traditional meaning of responsibility.

1.   SPIRITUALITY IN TRADITIONAL JAPANESE RESPONSIBLE MANAGEMENT

1.1   *Wa* – Respect for Harmony with Weak Locus of Control

Prince Shotoku (571–623) emphasized '*Wa*' (harmony) as the most important value to follow in the Seventeen-Article Constitution, which combined Buddhist and Confucian spirituality. The Confucian culture of social reciprocity and indebtedness emphasized the preservation of the environment and close cooperation with social stakeholders to maintain harmony. Frequent disruptions caused by earthquakes, typhoons, and tsunamis devastated the lives of the Japanese people, resulting in an adaption to the circumstances and a weak locus of control.

All these values are based on a long-term perspective. It takes time to harmonize when using a multi-stakeholder approach. Such spirituality forms the basis of the Japanese sense of responsibility, morality, and philosophy. Thus, the approaches to business ethics, accountability, and sustainability are rooted in this understanding of spirituality (Warner, 2010).

1.2   Business Responsibility of Baigan

In the early eighteenth century, Ishida Baigan (1685–1744) preached merchant social responsibility, the precursor to the idea of corporate social responsibility (CSR) in Japan. He was influenced by Confucianism, Buddhism, and Shintoism – the three most popular religions in Japanese society. Bellah, who regarded Confucianism as the base, integrated it with the teachings of Buddhism and Shintoism. He emphasized the importance of frugality and saving for the future. He also stressed the Confucian principles of honesty and hard work, noting that his ethics were comparable to Protestant ethics; this contributed to the transformation of Japan from a feudalistic society to one that was part of the pre-modern age and an early adherent of capitalism (Bellah, 2000). Baigan preached that a merchant's responsibility was to render service to society, and not to maximize profit at the expense of others. The sensitivity of the corporation to society was an integral virtue of business. This idea was borrowed from two integral concepts in Confucian philosophy: *Jin*, which represents benevolence or compassion, and *Gi*, which stands for righteousness or justice, and promotes an obligation towards all members of society, particularly the poor and the handicapped (Bellah, 2000).

1.3 Business Practices to Benefit the Customer, Vendor, and Society

The concept of *Sanpo yoshi* (benefit for all three sides) – propounded by Ishida Baigan – holds that merchants should simultaneously consider the benefits to the customer, society, and the vendor. This philosophy was embodied by the *Ohmi-shonin*, a group of merchants from the central Ohmi region (located between the big cities in the latter part of the Tokugawa feudalistic regime). These merchants were itinerant traders and vendors with extensive networks across the nation. In 1754, one of the representative *Ohmi* merchants wrote the family precepts for his business successors; these reflect the essence of their business philosophy.

   Intoku (unseen virtue) is a well-known way of implementing corporate philanthropy. The hidden or anonymous acts of virtue will lead to a visible reward (*Intoku-Yoho*). The donation of a big public street lamp to smooth the flow of traffic is a popular example of this principle. It is more important that an ordinary business contributes to society, rather than improves its public image through an identifiable donation. This idea originates from the integration of Confucianism, Buddhism, and Shintoism. *Ohmi* merchants did not differentiate between these philosophies, and respect for their ancestors was central to their worship (Iguchi, 2003: 20).

2.   BUSINESS RESPONSIBILITY DURING THE TRANSITION TO A CAPITALIST SOCIETY

2.1 Meiji Restoration and the Initiatives of the New Government

After the Meiji restoration, which began in 1868, strong initiatives by the new government to modernize Japan created a robust link between government and business, leading to a Japanese version of Colbertism, which had been initiated in France (Humbert, 2014: 18). Enlightened despotism under the Emperor took hold in this period. The new government regarded the Confucian virtues of hard work, frugality, filial piety, and respect for authority, as useful morals for national governance. The Confucian virtues were identified as being part of Japanese traditional culture in the Imperial Rescripts in 1890 and 1908 (Sagers, 2018: 181).

   The Japanese government led various initiatives for improving the country's competitiveness against Western countries through policies, such as *Syokusan Kogyo* (increase production, encourage industry). Many state-owned companies were set up in various industries. At the same time, many private companies, which would later grow to become leading companies, were also set up. Iwasaki Yataro set up the Mitsubishi Trading Company in 1874. Toyoda Sakich invented the steam power loom in 1896, which was the starting point for the Toyota Motor Corporation.

2.2 Morality of Capitalism by Shibusawa

Shibusawa Eiichi (1840–1930) is still revered as the 'father of Japanese capitalism'. This former government official set up more than 500 promising joint-stock companies in banking, shipping, textiles, paper, beer, and railroads, among others. He helped set up the Tokyo Stock Exchange, the Tokyo Dai-ichi Bank, and the Tokyo Chambers of Commerce and Industry. He contributed to the capacity building of the private sector in the initial stages of capitalism, during the building of a nation-state. His portrait will feature on the new 10,000 yen bill to

be introduced in 2024 (The Tokyo Organizing Committee of the Olympic and Paralympic Games, 2017).

His capitalism is known as *Gappon* capitalism, and it involved generating capital through credit-creating functions. Shibusawa's model led to the creation of the Zaibatsu (big industrial groups), which are based on the function of the financial market. *Gappon* capitalism is the idea of advancing enterprises by assembling the most appropriate human and capital resources to pursue public interest (Kimura, 2017: 129–130). The stockholders and other stakeholders attempted to share long-term common interests, forming a basic approach to business development in the initial stages of modernized Japan (Shimada, 2014).

Gappon capitalism also means capitalism infused with moral values (Kimura, 2017: 123). In his later career as a business leader in Japan, Shibusawa propagated the philosophy of responsible management. He wrote *Rongo to Soroban* (The Analects and the Abacus) in 1916. The analects represent morality and the abacus stands for the economy. He insisted that business should be guided by morality. In a speech broadcast on radio in 1923, he said that 'harmonization between morality and economy is an eternal principle accepted both in Asia and the West', quoting *The Wealth of Nations* by Adam Smith in support of his assertion (Shibusawa, 1937).

His philosophy was principally based on Confucianism. However, he tried to integrate the common values of Buddhism, Christianity, and other religions. For example, 'Buddhism can contribute to creation of the modern workplace by addressing individual empowerment while releasing the creativity and sense of community of individuals' (Debroux, 2014: 57).

Shibusawa devoted himself to disseminating his ideas throughout society. He set up the *Kiitsu Kyokai* or Association of Concordia in 1912. However, this did not yield the expected outcomes. Additionally, he set up the *Kyochoh Kai* or Cooperation Society in 1919 for better labour–management relations. Because he was more involved in this organization, it contributed to the formation of constructive labour relations. With the equal participation of social partners, it provided workers with education and mediation in labour disputes. It offered a model for dispute mediation under a neutral external third party (Shimada, 2014: 154). It led to harmonious labour relations in Japanese enterprises.

The manifesto of the Cooperation Society in 1920 suggested the mutual exchange of generosity to create better relations between capitalists and workers, and stressed mutual responsibility for conciliation based on justice and humanism (Humbert, 2014); it stressed that the essence of Japanese management was to maximize employees' benefit based on cooperative labour relations (Kikkawa, 2017: 186).

2.3   Concept of Rights in Confucian Capitalism

Some reasoning is necessary to separate right from wrong during ethical decision making in business. This reasoning includes virtue ethics, ethics of rights, ethics of justice, ethics of duties, and so on (Laasch & Conaway, 2017: 86–92). Confucianism is clearly a code of virtue ethics. Shibusawa said that 'if it is not built on virtue, wealth will not last. Therefore, the Analects and abacus must be brought together' (Shibusawa and Moriya, 2010: 15).

On the other hand, Shibusawa discussed Confucianism as being the ethics of rights, while noting the lack of a clear concept of rights in Confucianism (Sagers, 2018: 187–189). He contrasted Christianity's statement of 'Do unto others what you would have done unto you' with Confucius' 'Do not do to others what you do not want them to do to you'. He argued that

this illustrated the difference between the two systems, with Christianity taking a more active approach to rights ethics than Confucianism. He concluded that Confucianism includes the concept of rights as part of civilized thought (Shibusawa and Moriya, 2010: 141).

3.   BUSINESS RESPONSIBILITY AFTER DEMOCRATIZATION

3.1   Competencies of a Responsible Manager by Matsushita: Responsible Management in Times of High Economic Growth in Japan

Matsushita Konosuke (1894–1989), the founder of Panasonic, pioneered the economic development of Japan for three decades after the Second World War. He also promoted better working conditions and autonomous decision making through the division of power, delegation, and responsibility. He insisted that the mission of an industrialist is poverty alleviation. A business can alleviate poverty by producing goods in abundance and supplying them at very reasonable prices, like providing water to the poor. This idea spread nationwide, gaining sympathy from the democratic movement. His sense of responsibility was expressed in the phrase '*Kyozon Kyoei*' (Co-existence and Co-prosperity), which would exist under free and fair competition (Matsushita, 2005: 68). He certainly had strong social competency based on his strong feeling of empathy (Laasch & Conaway, 2015: 39). He listened attentively to others, respecting collective wisdom.

Matsushita's leadership suggests the competencies of responsible managers, particularly in the process of stakeholder engagement (Kuriyama, 2018: 11–12). First, he worked with employees to develop constructive labour–management relations. The monthly management consultation meeting comprising top management and the labour union has been held since July 1946. The joint consultation body comprising the labour union and the managers was set up in 1956. The committee meets once a month to share insights on topical issues for facilitating mutual understanding.

Matsushita implemented a five-day working week and a 40-hour week in 1965. Subsequently, the personnel department propagated the 'Own your home at the age of 35' campaign that same year. Matsushita had a strong sense of responsibility to stabilize employee relations and the lives of employees.

Second, he extended dialogic engagement with the other stakeholders. He was heavily engaged in dialogue with retailers. He sent several illustrative messages, which symbolized 'Co-existence and Co-prosperity', to various stakeholders. He tried to build relations with retailers that led to mutual prosperity. He expanded the external sales networks by partnering with small shops and retailers. Matsushita provided support in various forms, such as shop reform, electrical signboards, and bonuses to shop owners that agreed to become exclusive dealers of Matsushita Electric products.

Furthermore, Matsushita's focus was on achieving mutual prosperity through long-term engagement with suppliers. Matsushita established a suppliers' association in 1970, which comprised approximately 6,000 members. These suppliers depended heavily on production orders from Matsushita Electric. This association aimed to upgrade production capacity, develop human resources, and share information, as well as welfare benefits.

Matsushita adopted the 'enabling approach' as a methodological competency to organize relevant stakeholders through engagement, empowerment, communication, and dialogue

(Takahashi, 2018: 17). Their bottom-up approach with stakeholders fosters the capacity building of stakeholders to improve compliance with the required standards through long-term engagement. Matsushita's management philosophy was inherited by his successors at Panasonic (Matsushita Electric became Panasonic in 2008) and other business leaders, such as Inamori Kazuo (1932–) (Inamori, 2017).

3.2   Principles of the Productivity Movement in Japan

The 'Japan Productivity Centre' was established in 1955 to promote a nationwide productivity movement through cooperative industrial relations. The Japan Productivity Centre issued three guiding principles – adopted at the First Productivity Liaison Conference in 1955 – that influenced nationwide labour–management cooperation for many years. The official English translation, available on the Japan Productivity Centre website,[1] is as follows:

1. Security of employment
   In the long term, improving productivity should lead to employment growth. However, from the standpoint of national economy, a public–private partnership is essential in formulating valid policies to prevent the unemployment of surplus personnel through job relocation or other measures.
2. Cooperation between labour and management
   Labour and management must cooperate in researching and discussing specific methods to improve productivity by considering specific corporate circumstances.
3. Fair distribution of the fruits of productivity
   The fruits of productivity should be distributed fairly among labour, management, and consumers, in line with the state of the national economy.

These guiding principles, held by all social partners, can be summarized: as (1) employment security; (2) the joint consultation system; and (3) the fair distribution of the fruits of increased productivity. As the Japanese national employers' organization and unions adhered to these values and supported this movement, which was financially subsidized by the government, the movement led to the most successful nationwide consensus on responsible management in the post-war period. The execution of these principles contributed to the increase in the commitment of workers and enhanced cooperation between co-workers (Kuriyama, 2017).

   The first and second principles of the productivity movement in Japan suggest that employment security was a precondition for worker cooperation. It resulted in a psychological contract for high levels of commitment from core workers in Japanese industries.

   The value of fair treatment of workers is strongly connected to lifetime employment and employment security. As Hofstede's 'cultural value' explains (*see* Hofstede Insights, n.d.), Japanese working culture prioritizes the avoidance of uncertainty.

   In fact, as indicated in the first guiding principle of the Japanese Productivity Movement, employers were required to prevent redundancies through the job relocation of workers, or other measures. Large Japanese corporations applied these principles in various ways as part of their employment responsibilities, depending on the context.

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[1]   https://www.jpc-net.jp/eng/mission/principle.html.

4.   RESPONSIBILITY FOR EMPLOYMENT IN JAPAN

4.1   Japanese Sensitivity to Employees and Employment

The critical question is which value should take priority in a conflicting situation and which action properly aligns to those values. 'While certain values, such as honesty, respect, fairness, and compassion tend to be fairly universal, individuals from different cultural backgrounds may prioritize values differently depending on the context' (Manwaring et al., 2016: 96).

In Japan, value is certainly placed on a nationwide consensus on employment security. During the economic boom in the 45-year period after the Second World War, the Japanese population prioritized the value of long-term employment security. Even after the economic bubble burst in 1990, Japanese employers still safeguarded employment and tried to maintain responsibility, despite the growing cost of employment. The responsible employment measures taken by Japanese corporations during this time of crisis can be divided into numerical and functional measures.

A system for voluntary early retirement has been a standard measure of numerical flexibility adopted by large Japanese enterprises. A Keidanren (Japan Business Federation) survey revealed that 83 per cent of large Japanese companies tried to introduce an early retirement system and mid-career hiring against a backdrop of restricting pressures (Tateishi, 1997: 116). The additional allowances for early retirement were considerable, enough for it to be accepted and applied to employees (Kuriyama, 2017).

At Matsushita Electric, this allowance equated to a salary of 40 months, 45 months, and 50 months for union members, section chiefs, and department chiefs, respectively. It was believed that managers received JPY 50 million (USD450,000, as per the prevailing exchange rate) as an additional retirement allowance.

The second major tool of numerical flexibility is *Shukkoh* (inter-firm transfer of employees). It refers to the practice of outplacement of an employee while continuing to be employed by the original company. When necessary, *Shukkoh* has been used as a means of employment adjustment that facilitates workforce reduction. An excess of workers prompts large companies to use *Shukkoh*. Often, the original company covers most of the salary of the dispatched employee to maintain their employment security. Employers recognize the significance of employment security to retain the psychological contract of long-term employment.

Employment security can be maintained even if workers are sent to another company. Surprisingly, the corporation transferring the worker pays most or all of his or her wages. In general, employee flow is unilateral – from the parent company to a subsidiary.

A 1989 survey related to *Shukkoh* reported that 10 per cent of the employees in the surveyed corporations were subject to *Shukkoh* and transferees made up 20–30 per cent of the workforce in the recipient corporations. Moreover, the transferees held higher managerial positions at the recipient companies; 85 per cent of the presidents of the recipient companies were transferees, and transferees held more than half of all managerial positions.

On the other hand, Japanese corporations sought functional flexibility measures for in-house job training. Multifunctional skill development through broad periodical transfers beyond job category (e.g. transfer from a floor worker role to one in sales) is a common practice in Japanese human resource management.

Tateishi Nobuo (the chairman of OMRON Corporation) indicated that the emphasis had shifted from strength to sensitivity based on a human-centred management philosophy

(Tateishi, 1997: 116). The later argument of Socially Sensitive Enterprise Restructuring is relevant to the above Japanese cases.

4.2 International Discussion on Responsibility for Employment and Japanese Perspective

Undoubtedly, redundancy has many negative effects (Bratton & Gold, 2017: 132–134). It has negative effects on the mindset of employees. Because redundancy is a violation of a psychological contract, both the retrenched and remaining workers can easily lose their commitment to, and involvement with, the organization. The remaining workers tend to feel guilt, mistrust, insecurity, and disloyalty. There is an increase in absenteeism and work environment-related increase.

Employment can produce rewards for employees. In addition, for the general population, employment is the major source of income to manage their cost of living. Employment can secure livelihood and a continuous income stream is necessary to pay for necessities. Further, employment is significant in developing the national economy through consumption and tax revenue, and improving the quality of life in the community. Unemployment has several negative societal effects, such as poverty, wasted human resources, and an increase in criminal activity. Securing employment can create opportunities for people to apply their resources and improve their well-being.

Therefore, employment generation is a national and social agenda of the utmost importance. Employment is the first strategic objective to create decent working environments, besides the right to work, social protection, and social dialogue. As such, employment can be regarded as an integral part of CSR. Employers play the role of social partners and are responsible for stabilizing the economy and society. Furthermore, the International Labour Standards (ILO Convention No. 122) promote productive, freely chosen, and full employment, thereby suggesting the employers' responsibility to employment. Economic growth in a decent working environment has been set as a target of the United Nation's (UN) Sustainable Development Goals (SDGs).

A representative of international employers, commenting on this Convention (Wisskirchen & Hess, 2001: 137), stated that a successful employment policy must be formulated in harmony with numerous other policy lines. However, there should be no adverse effect on investment. Because investment is a precondition to growth and employment, this implies the need to achieve a balance between the degree of responsibility and other relevant factors.

In fact, the current business environment does not allow secure employment for employees challenged by globalization, cost competition, and shifts in demand. A company might shut down midway through an employee's career; therefore, it is difficult to guarantee lifelong employment in a globalized economy. Employment security is declining, giving way to training for employability, which implies the ability to obtain work. The focus is on employability rather than employment.

However, the Japanese sense of responsibility in employment stands in contrast to this international trend. Japanese companies seem to be very keen on employment responsibility, as a part of their corporate culture. Nonetheless, the universal agreement of employment responsibility should, at least, be secured during restructuring and redundancies. The EU Commission suggested socially responsible restructuring as part of an organization's CSR agenda (European Commission, 2008).

The EU countries and the International Labour Organization (ILO) promoted a similar term, socially sensitive enterprise restructuring (SSER), to prevent the negative effects arising from redundancy (Rogovsky et al., 2005). There may be some commonality in Japan and EU's interpretation of employment responsibility.

A company can adopt effective measures to mitigate any negative effect by using the following tools: counselling, skill assessment, training, internal job searching, external job searching, small- and medium-sized enterprise (SME) creation, mobility assistance, early retirement, alternative work schedules (part-time, subcontracting, flexible leave, etc.), and severance packages (Rogovsky et al., 2005: 9). Thus, the scope and validity of SSER remains open for debate.

4.3   Responsibility at Employment Termination: Sympathy by Japanese Employers, and Opposition by International Employers to ILO Convention (1982, No. 158): Termination of Employment

The adoption of ILO Standards by employers conflicts with their employment responsibilities. The Termination of Employment Convention 1982 (No.158) and Recommendation, 1982 (No.166) set out provisions for layoffs and downsizing, as well as individual dismissals. They aim to balance the need for employment security with the employer's need for flexibility in hiring and firing. These international standards encourage managers to pursue an approach based on functional flexibility. Companies should rely on multiskilling and flexible work assignments to provide flexibility with minimal job losses.

Convention No.158 also encourages management to inform workers before restructuring to allow them effective preparation for the next stage. Severance benefits should be provided as income replacement, and rehiring retrenched workers should be prioritized. Assistance, such as job search, time-off for job search, and skills training, should be offered to retrenched workers.

The following alone constitute valid reasons for termination of employment:

● The worker can no longer perform the work needed or behaves in a manner that is incompatible with the workplace;
● Conditions (economic, technological, and so on) have changed, which necessitates the elimination of the worker's post.

Dismissal should never be based on any of the following criteria: union membership or serving as a union officer, filing a complaint, giving evidence against the employer, race, sex, colour, national extraction, social origin, political opinion, material or family status, and temporary illness or injury.

A representative of international employers expressed strong opposition to the ILO Convention (Wisskirchen and Hess, 2001: 11). He opposed the strict and demanding requirements of the convention. He explained that employers had their own interest in retaining workers, particularly when they had invested in their training. However, he opposed any move to offer protection beyond the employer's capacity to adopt operational or general economic changes. The payment of a severance allowance, even in the case of justified dismissal, was deemed inadequate.

Japanese employers seem to sympathize with this core idea of the convention. Nonetheless, ratification by member countries is low; even the Japanese government has not ratified this

convention. This suggests that it is difficult to reach a consensus on the degree of employment responsibility that should be assigned at the termination of employment. Japan is facing a widening gap between the employment offered by the secure sector and precarious workers, such as part-time and contract workers, who often face termination of employment without any protection. Here again, an argument must be made for responsible management in contemporary Japan and the extent of protection an employer should offer at the termination of employment.

5.   BUSINESS AND HUMAN RIGHTS ISSUES IN CONTEMPORARY JAPAN

After the adoption of the UN's guiding principles of 'Business and Human Rights', its 'Protect, Respect, and Remedy' framework has gradually permeated the Japanese corporate sector. The practical implementation of due diligence procedures was often discussed in business fora. For example, Caux Round Table Japan set up the Nippon CSR Consortium to encourage Japanese companies to integrate due diligence into the systems and activities of ordinary management. It reported the frequent discussions and views on the implementation of human rights due diligence issues in a series of workshops in 2013 and 2014. One major discussion revolved around the need for a more holistic approach. In principle, the distinction should be between fundamental human right issues and the risk to consumers and community, and the voluntary sphere of CSR. In addition, it is necessary to obtain a contextual understanding of particular cases for better implementation (Ishida, 2014).

In January 2017, the Tokyo Organizing Committee of the Olympic and Paralympic Games formulated the Tokyo 2020 Olympic and Paralympic Games Sustainability Sourcing Code, which outlines the overall direction and qualitative objectives for a sustainable Olympic Games. The Commentary of the Code explains the Japanese way of sustainably sourcing through the adoption of a bottom-up approach based on the principle of co-existence and co-prosperity (Takahashi, 2018: 17–19).

In terms of the encouragement of supply chains' effort towards sustainability, various adverse effects of the top-down type management method have been pointed out; these include one-sided requests that supply chains comply with the Sourcing Code, and auditing the status of compliance. A request that ignores the conventional practice of sourcing may needlessly increase a supply chain's cost of complying with the Sourcing Code, and may increase the audit cost of order-placing companies.

Therefore, it is desirable to promote sustainability as a joint effort between order-placing companies and their supply chains. Such bottom-up style efforts can be said to match the culture of 'symbiosis' unique to Japan, which value medium- to long-term relationships of trust.

In terms of the bottom-up joint efforts, communications with supply chains are important, rather than the one-sided imposition of on supply chains of compliance with the Sourcing Code. 'By identifying effective and efficient response measures, according to the levels of risks through information exchange with supply chains, both parties can enjoy the advantage of reductions in the cost of compliance and auditing costs' (The Commentary of the Tokyo 2020 Olympic and Paralympic Games Sustainability Sourcing Code, in The Tokyo Organizing Committee of the Olympic and Paralympic Games, 2017). The process of enforcement, engagement, empowerment, communication, and dialogue with suppliers is important for

implementing ethical sourcing. An integral business model by a Japanese company has led to a long-term commitment to the fostering function of the supply chain for local suppliers. This approach is represented by the philosophy of Matsushita's *Kyozon-Kyoei*. A bottom-up approach to formulating consensus in supplier decision making can improve capacity building and empower supply chains.

The current CSR approach in Japan still seems to reflect 'Confucian values emphasizing sense of duty to the in-group and hierarchy; harmony, loyalty, hard work, learning, perseverance and patience typical for collectivist, high-power distance, low uncertainty avoidance cultures' (Bustamante and Gronznaya, 2014: 126).

6.   NEW PERSPECTIVES AND REVISION OF THE KEIDANREN CODE OF CONDUCT

The Charter of Corporate Behaviour was issued by *Keidanren* in 1991 and used to lay down the principles for responsible behaviour by corporations. It was revised in 2017 to integrate the new requirements of international agreements, including the Guiding Principles on Business and Human Rights (2011) and the Paris Agreement (2015), along with the United Nations' SDGs (2015).

The charter emphasizes the creation of new value-add and generation of employment that will be beneficial to society. It also emphasizes the extension of stakeholder engagement. Further, it states that member corporations should encourage behavioural changes, not only within their own corporations, but also in their group companies and supply chains, by fostering partnerships and collaborations with a diverse range of organizations. Furthermore, it promotes working together and collaborating with a broad range of stakeholders, including non-profit organizations, non-governmental organizations, local communities, government agencies, and UN agencies, to contribute to the development of society (Keidanren, 2017).

The charter was revised to include additional text reflecting recent developments in fair business practices, fair disclosure of information and constructive dialogue with stakeholders, respect for human rights, relationships of trust with consumers and customers, reform of work practices and enhancement of workplace environments, engagement in environmental issues, involvement in the community and contribution to its development, and crisis management.

The new age is called 'Society 5.0' in the charter, and it proposes a new perspective on corporate conduct in a globalized society. This new perspective must incorporate the international standards of responsible management. Moreover, traditional Japanese ideas, such as harmonious and long-term engagement for co-prosperity with multi-stakeholders still strongly suggest the practical application of responsible management according to the changing context.

7.   FUTURE RESEARCH DIRECTIONS

Consider the following interesting research questions on responsible management in Japan and Japanese stakeholders' relations in global supply chains:

1. Influence of Confucianism in Japan and China on responsible management.
2. Effects of enabling a bottom-up approach of Japanese responsible management.

3. Responsibility for employment security.

First, Confucianism had a significant influence on the concept of responsible management in Japanese business. Of course, Confucianism has its roots in China. The rapid expansion of Chinese direct investment must balance stakeholder values in the local community and Chinese managers are increasingly examining their traditional ethical concepts of Confucianism. The One Belt One Road initiative will further diffuse the ethical concept of responsible management with the spread of Chinese foreign direct investment. Chinese enterprises will have to harmonize management with the local stakeholders in recipient countries. Comparative studies can compare the commonalities and differences of their cases with those in Japan. For example, the popularity of the philosophy of *Inamori* by Chinese managers is an interesting topic for further exploration.

Second, empirical studies should examine the effects of enabling a bottom-up approach of Japanese responsible management. Competencies of a responsible manager by Matsushita suggested interesting insights. However, is Japanese harmonization equivalent to the optimization of responsible management? A possible deference of Japanese harmonization to stakeholders is the low locus of control of Japanese management. The Hofstede value study revealed that individualism in Japanese management is low (*see* Hofstede Insights, n.d.). Harmonization emphasizes the situation of others, while optimization implies subjective actions. How do we apply the enabling approach in human right issues so that it does not compromise others? It is an issue of leadership.

Third, it is important to re-examine the responsibility for employment security. What is the extent of an employer's responsibility to secure employment? An argument must be made about responsible management in contemporary Japan, and the extent of protection an employer should offer at the termination of employment. These topics should be examined with reference to social protection and the employment insurance system.

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