

ESR: A Foundation of CEO Successor Development in Family Corporations

Learning from “Toyota CEOs’ Five Main Principles” and 2017 Tokyo Metropolitan Government’s Survey of 2,230 manufacturing companies with more than 50 year longevity.

Tadao Onaka
Professor, The NUCB Business School

What is ESR, Entrepreneurial Social Responsibility?

Corporate management's supreme commitment to sustainable corporate evolution for social contribution

Zhongming Wang

SREEN Conference, October 23-25, 2017

Zhejiang University

Hangzhou, PRC

What is the difference between ESR and CSR?

ESR is defined as the highest corporate mission and philosophy with which all corporate policies, strategies and systems are to be in accordance.

Meantime, generally CSR, Corporate Social Responsibility is defined and perceived as one of strategies to realize the corporate mission and philosophy of maximizing stockholders' value.

Why can ESR be a foundation of
CEO successor development in
family business corporations in
Japan?

Step1 Answer

ESR's core value of Social Contribution is almost commonly shared in corporate missions and philosophies of more than 50 year longevity corporations in Japan.

Step1 Answer additional explanation

A typical example of such longevity corporation's mission and philosophy is Toyota Koryo: The founding family's mottos of Toyota Motor Corporation (more than 70 year longevity).

TOYODA Koryo

Major factor 1: Contributing to societies of current and future

Major factor 2: Enhancing and exploring Innovation

Major factor 3: Respecting employees as family members

- Always be faithful to your duties, thereby contributing to society and to the overall good.
- Be at the vanguard of the times through endless creativity, inquisitiveness and pursuit of improvement.
- Always be practical and robust, and avoid extravagant and frivolous practice.
- Always strive to build a homelike atmosphere at work, one that is warm and friendly.
- Be reverent, and show gratitude for things great and small in thought and deed.

Step2 Answer

As have been observed in Toyoda Koryo, corporate missions and philosophies of more than 50 year longevity corporations in Japan also emphasize Employee's Dignity Respect and Innovation Exploration for Social Contribution.

Step2 Answer additional explanation 1

In other words, those companies assume that Employee's Dignity Respect and Social Contribution are both necessary wheels for Innovation Exploration.

Step2 Answer additional explanation 2

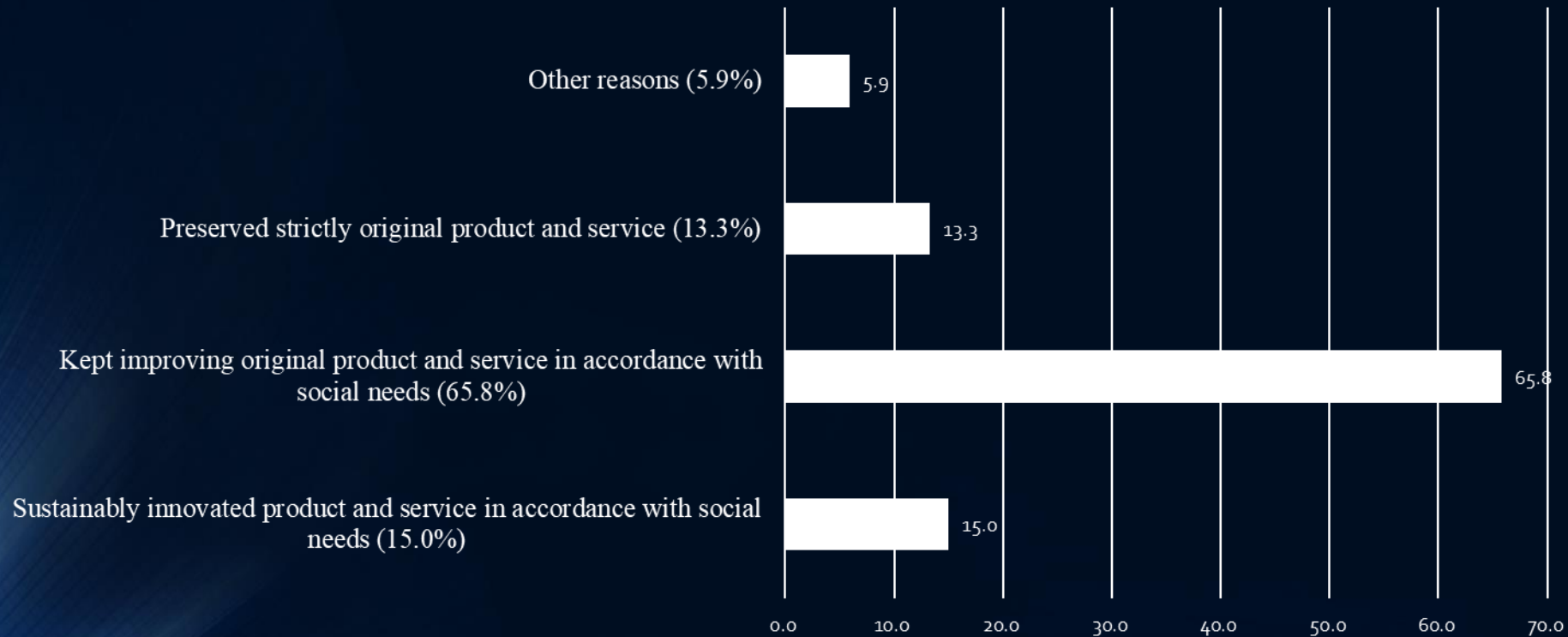
They assume the synergy that the highest corporate commitment to Social Contribution stimulates employees sensitivity to social needs and changes and that, therefore, together with Employee's Dignity Respect by management, it incubates Innovation, Innovative Culture and Innovation Exploration mandatory for their sustainable evolution.

Step2 Answer additional explanation 3

Their belief that the highest commitment to Social Contribution incubates innovation and innovative culture is shown in the fact that 80.8% believe that flexibly responding to social need changes and transformations is the highest cause of their sustainable evolution realizing their more than 50 year longevity.

Step2 Answer additional explanation 3 Figure 1

Figure 1 Major strategy having realized more than 50 year longevity



Step3 Answer

However, they also believe that carrying such corporate philosophies and missions alone would not realize anything.

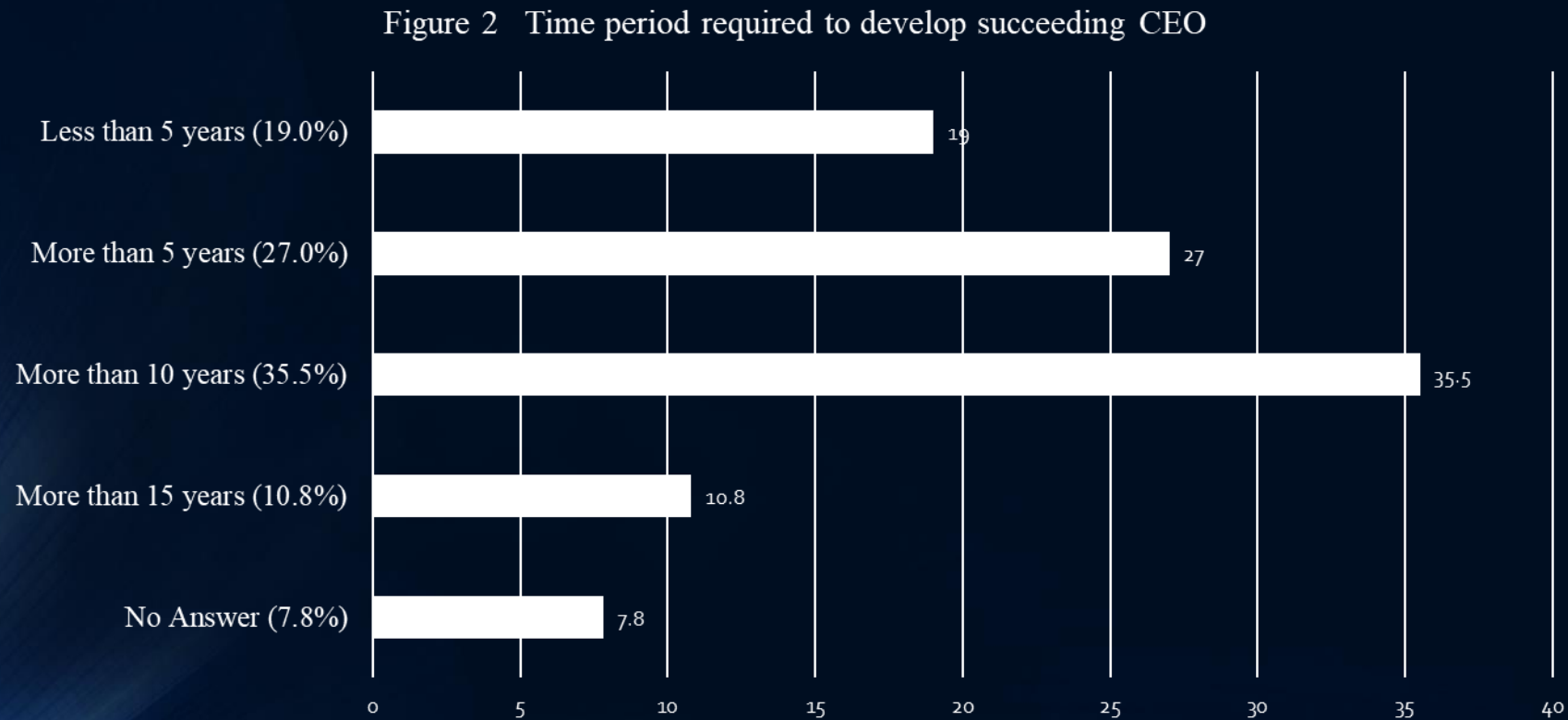
And then, they believe that CEOs who commit to and executes corporate mission and philosophy with highest priority are also necessary.

Step3 Answer additional explanation1

Such their belief is observed by the fact that 73.3% spend more than 5 years for CEO development in the TMG 2017 survey.

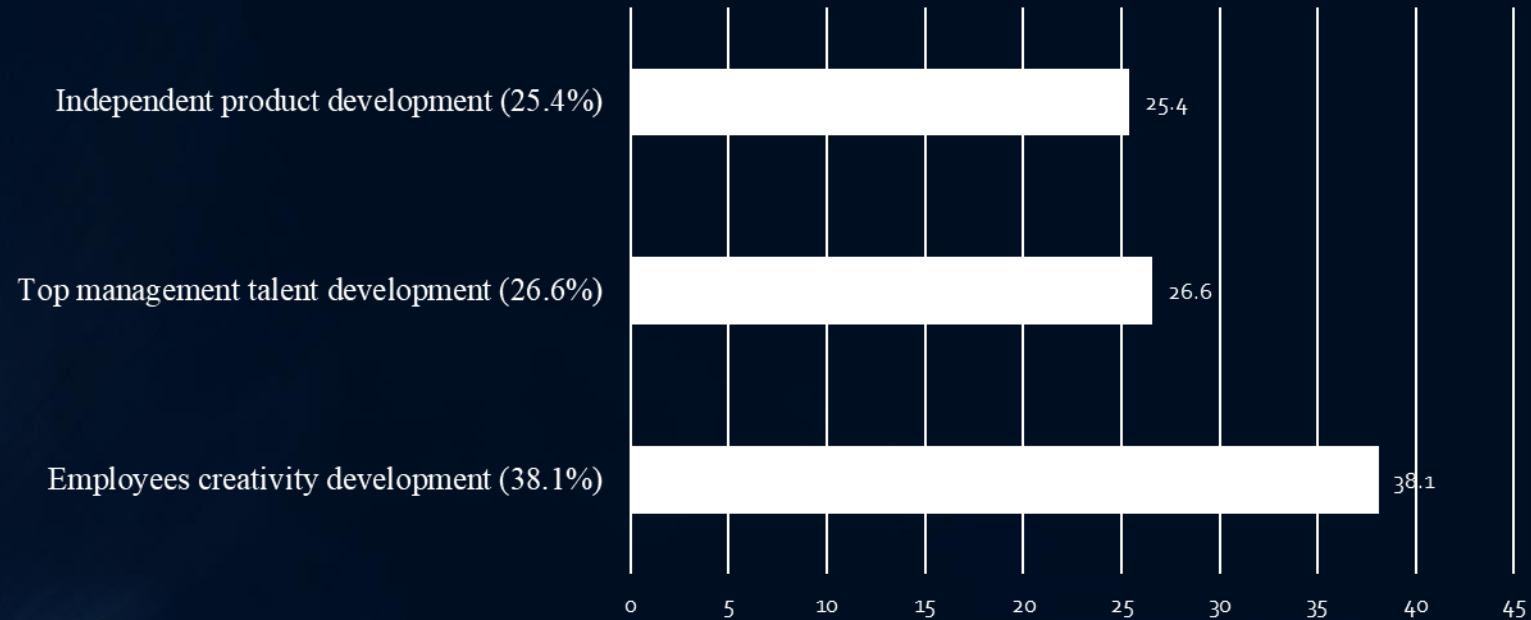
And it is also observed by the fact that 26.6% believe CEO development is mandatory for their innovation as well as 38.1% believing the importance of employees creativity and innovative mind development.

Step3 Answer additional explanation1 Figure 2



Step3 Answer additional explanation1 Figure 3

Figure 3 Important subjects of innovation



Step4 Answer What are CEOs elect or candidates supposed to learn for more than 5 years?

Corporate Mission and Philosophy until they can synchronize them with their daily thinking and actions.

It is indicated that 90 % with more than 100 employees answer that they have succeeded Corporate Mission and Philosophy.

Step5 Answer What are succeeding CEOs supposed to do based on synchronizing them with corporate missions and philosophies?

Realizing innovation by fulfilling emerging social needs:

As shown in Figure 1 above, 80.8 % answer that the main driver for their sustainable evolution is that they have constantly innovate products and services in accordance with social needs and social evolution.

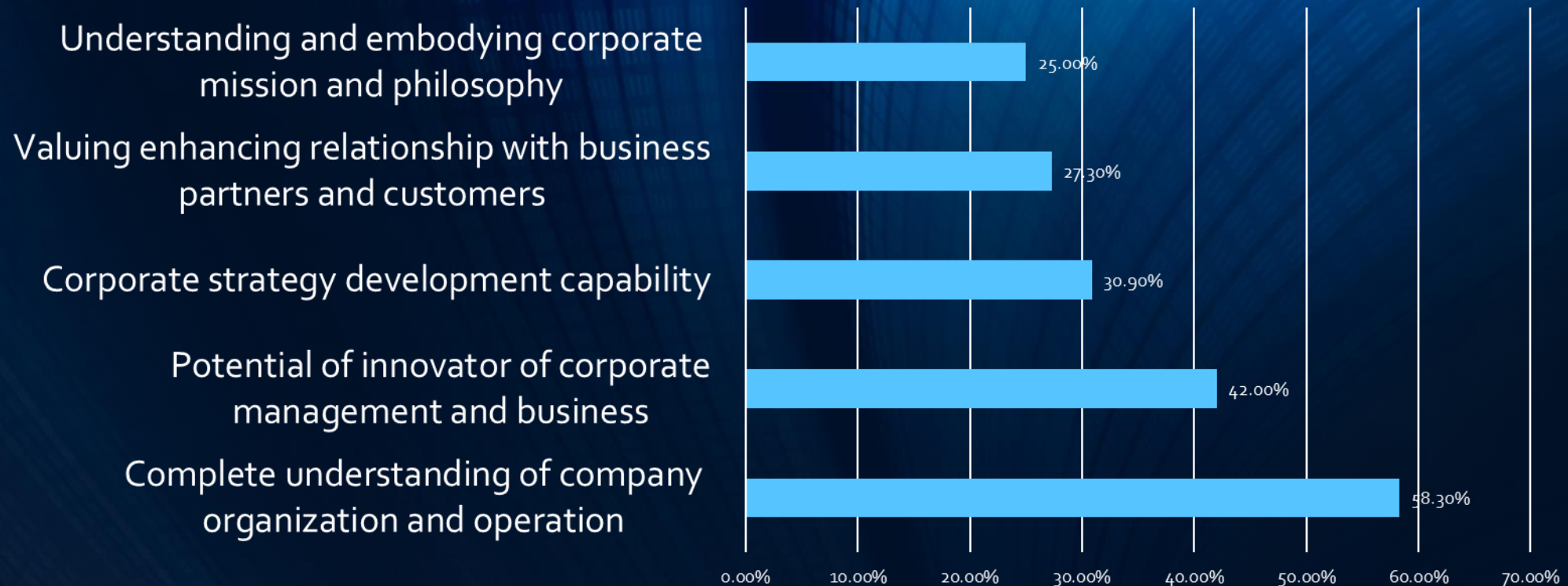
Step5 Answer What are succeeding CEOs are supposed to do based on synchronizing them with corporate missions and philosophies?

Additional Explanation 1

It is also indicated in the CEO selection criterion shown in the 2017 TMG survey: 42.0% answer that it is the potential for innovation while 58.3% answer that complete understanding of organization and operation.

Step5 Answer Additional Explanation 1 Figure 4

CEO Selection Criterion in 2017 TMG Survey



Step 6 Answer

In Summary: what are CEOs and their successors expected to have in family business in Japan?

A sustainable entrepreneurship for social contribution and for resulting corporate sustainability, which is ESR, Entrepreneurship Social Responsibility mind set.

Step 6 Answer Additional Explanation 1

Why ESR be a foundation for CEO successors?

Because ESR suggests three factors for CEO to realize sustainable evolution of corporations:

Sustainable Evolution

Synchronization with Social Evolution



Social Contribution
Mission & Philosophy

Individual and Organizational Creativity



Employees Membership
for Dignity & Pride

Presenter Profile:

Tadao Onaka (大中忠夫)

Professor, Nagoya University of Commerce and Business Administration (2009–)

Mitsubishi Corporation (1975–1991: including Mitsubishi–Westinghouse Nuclear Power Plant Site Representative (77–81) and Distribution Planning Director of Mitsubishi Motor Sales of America Inc. (83–88)), IT Service Manager of GE Medical Systems (1991–94), Director of PricewaterhouseCoopers (Currently IBM) (1994–2001), Managing Director of Hewitt Associates Japan (Currently AOM) (2001–04), CEO of Global Management Networks Co., Inc (2004–)

“Management Development for Corporate Sustainability” No.1,2 and 3, 2014, “Innovation of Corporate Governance” 2015, “Corporate Sustainability Governance” 2015 (English, Co–Author), “Bushido AI Programming” 2016 (English, Co–Author), “Toyota CEOs’ Five Main Principles” 2018 (English Translation by Toyota Accounting Service Co.)

BE, Nuclear Engineering, The University of Tokyo (1975), MSIA, Graduate School of Industrial Administration, Carnegie Mellon University, PA. USA (1983)