

# ESR Management

## Requirements, Achievements and Objectives

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.

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## Main Reporting Theme:

Management principles commonly observed among more than 2,200 manufacturing corporations, or family corporations, with more than 50 year longevity (2017 Tokyo Metropolitan Government Survey) can be summarized as ESR, Entrepreneurial Social Responsibility, Management.



# Agenda:

1. What is ESR ?
2. What is family corporation?
3. What is ESR management?
4. What has ESR management achieved?
5. What will ESR management aim at?
6. What are the requirements to realize ESR management?
7. Why can sustainable evolution be realized by ESR management?

What is ESR, Entrepreneurial Social Responsibility?

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

Zhongming Wang

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Hangzhou, PRC

# What is Family Corporation?

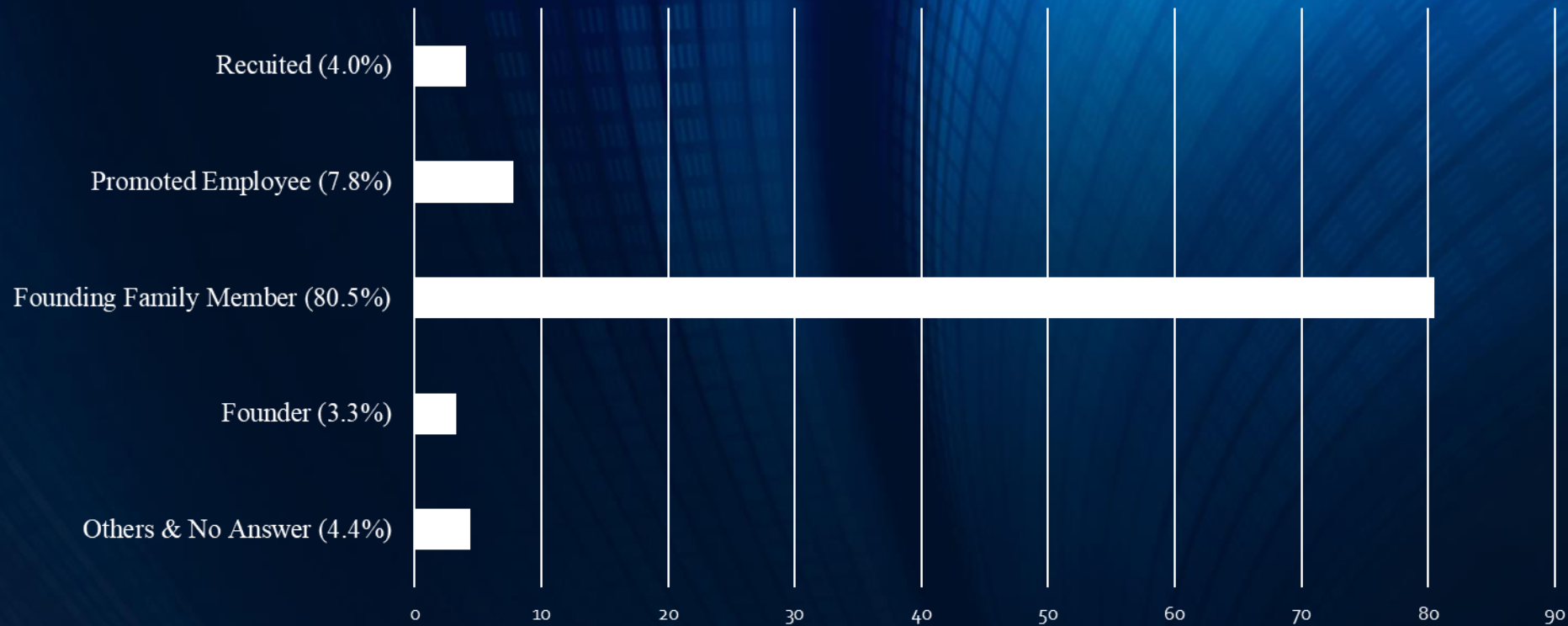
83.8 % CEOs' of 2,230 manufacturing companies more than 50 year longevity are from founding families: 80.5% are successors and 3.3% are founders. (2017 TMG's Survey)

Family corporation is the one succeeding founders' mission and philosophy of family motto. Therefore its CEO is supposed to have not only respected it but also executed the founder's social contribution mission and philosophy with highest priority.



# More than 80% of more than 50 year longevity manufacturing corporations are family corporations.

Figure 1 CEO's Profile



## Inferences from Figure 1 of TMG Survey 2017

1. In more than 80% of more than 50 year longevity manufacturing companies, their CEOs have succeeded the founder's social contribution mission and philosophy.
2. Therefore, those corporations which prioritize highest the stockholders' value maximization, new mission and philosophy having emerged since late 80s' are not categorized as family corporations.

# What is ESR Management?

Corporate management pursuing ESR as its foundation and as its supreme mission and philosophy.

Note: Generally CSR, Corporate Social Responsibility is defined and perceived as a strategy or a requirement to realize the supreme goal of stockholders' value maximization.



## Examples of ESR Management Part 1:

Toyota CEOs' commitment to executing Toyoda family's founding mission and philosophy of dedication to societies in Toyota Motor Corporation (TMC): TOYODA KORYO

## TOYODA KORYO:

- 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.

Social Contribution   Sustainable Evolution   Employee Membership

# How TOYODA KORYO is succeeded and executed by TMC CEOs:

The mission and philosophy of highest commitment to dedication to society and its realization by founding and succeeding CEOs are referred and observed:

“Documents Collection of Kiichiro Toyoda” Kazuo Wada collection and assembly, Nagoya University Publishing, 1999

“Biography of Eiji Toyoda” Eiji Toyoda, Nikkei Publishing, 2000

“Biography of Shoichiro Toyoda” Shoichiro Toyoda, Nikkei Publishing, 2015

“Toyota CEOs’ Five Main Principles” Tadao Onaka collection and assembly and Toyota Accounting Service Co. in charge of English translation, Global Management Networks, 2018



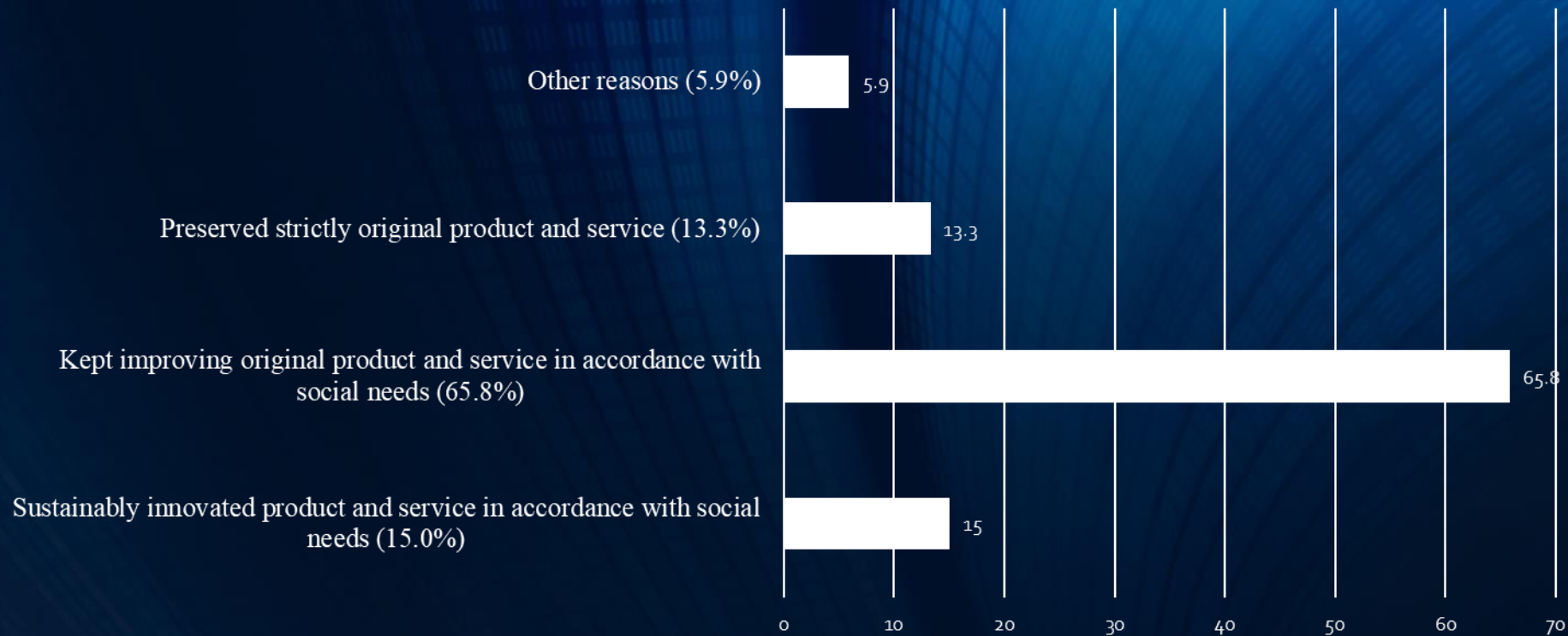
## Examples of ESR Management Part 2:

2,230 manufacturing companies more than 50 year longevity  
(2017 TMG Survey)

More than 80% answer that the most critical success factor having realized their more than 50 year longevity is corporate philosophy prioritizing highest their social contribution.

# Examples of ESR Management Part 2:

Figure 2 Major strategy having realized more than 50 year longevity



# What ESR management realizes and aims at?

1. Realizes corporate's sustainable evolution and longevity
2. Incubates and enhances entrepreneurship
3. Realizes industrial foundation beyond excess cost competition
4. Overcomes global economic stagnation
5. And, therefore, contributes to sustainable social evolution



# What ESR management realizes and aims at?

## 1. Realizes corporate's sustainable evolution and longevity

By prioritizing social contribution highest, ESR will grow the sensitivity and creativity to social change and evolution.

ESR, in other words, most substantially synchronizes corporation with society and social change.

# What ESR management realizes and aims at?

## 2. Incubates and enhances entrepreneurship

By succeeding founder's mission and philosophy of social contribution, successors naturally succeed founder's mind-set pursuing innovation contributing to current and future society.

ESR, in other words, is one of most effective philosophy to succeed entrepreneurship itself.





# What ESR management realizes and aims at?

## 3. Realizes industrial foundation beyond excess cost competition

Corporations, industries and societies based on abundant entrepreneurship management can overcome the excess global cost competition.



# What ESR management realizes and aims at?

## 4. Overcomes global economic stagnation

By securing and enlarging the industrial and economic foundation, entrepreneurship and sustainable longevity of corporation will solve the current global economic stagnation caused originally and fundamentally by short-termism management dominant in corporations in advanced societies.

# What ESR management realizes and aims at?

## 5. And, therefore, contributes to sustainable social evolution

Corporations and industries solving the current global economic stagnation caused mainly by the shortage of creative innovation caused originally by short-termism of advanced society corporations, will, therefore, further contribute to social evolution globally beyond current political and economic turmoil caused by nationalism and conservatism.

ESR synchronizes corporations and societies toward mutually sustainable evolution.



# Requirements for ESR management

1. Corporate mission and philosophy pursuing with highest priority the contribution to current and future society, and therefore, defining corporation as Social Entity not Stockholders' Property
2. Management system and culture enhancing employees humanity, pride and integrity for creativity
3. Process development and commitment to grow CEO and its candidates who can devote their lives to realizing ESR mission and philosophy



# Requirements for ESR management

1. Corporate mission and philosophy pursuing highest priority the contribution to current and future society, and therefore, and defining corporation as Social Entity not Stockholders' Property

Among 2,230 manufacturing corporations with more than 50 year longevity, 90% of them with more than 100 employees have succeeded corporate mission of social contribution. (2017 TMG Survey)

Among 2,230, more than 60% of those with more than 80 year longevity regardless of employee numbers have succeeded corporate mission of social distribution. (2017 TMG Survey)

# Requirements for ESR management

1. Corporate mission and philosophy pursuing highest priority the contribution to current and future society, and therefore, and defining corporation as Social Entity not Stockholders' Property

ESR mission and philosophy embodies the reason of corporate existence in history beyond CSR of a strategy maximizing stockholders' value.

CSR alone is not sufficient for ESR, as ESR is requiring to be positioned as the highest priority of corporate management . ESR, therefore, is also an evidence of corporate commitment to long term prosperity and sustainable evolution beyond stockholders' short term value maximization desires.



# Requirements for ESR management

2. Management system and culture enhancing employees humanity pride and integrity for creativity

Corporate philosophy defining employees as family members:  
TOYODA KORYO

Compensation system enhancing family ties: Thoughtfully controlled performance pay for executives and employees and Avoidance of compensation cut or adjustment for short term profit realization

Management evaluation system with 'Balanced Scorecard (Robert S. Kaplan)' enhancing investment for future and long-termism

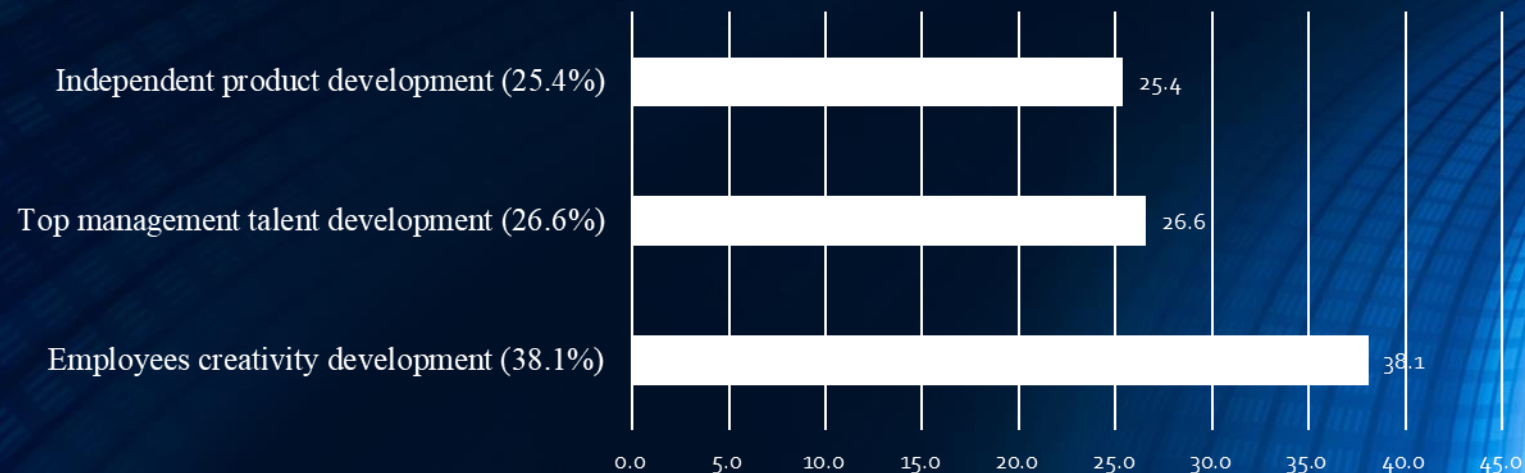


# Requirements for ESR management

2. Management system and culture enhancing employees humanity pride and integrity for creativity :

38.1% believe in the importance of Employees creativity development for innovation.

Figure 3 Important subjects of innovation

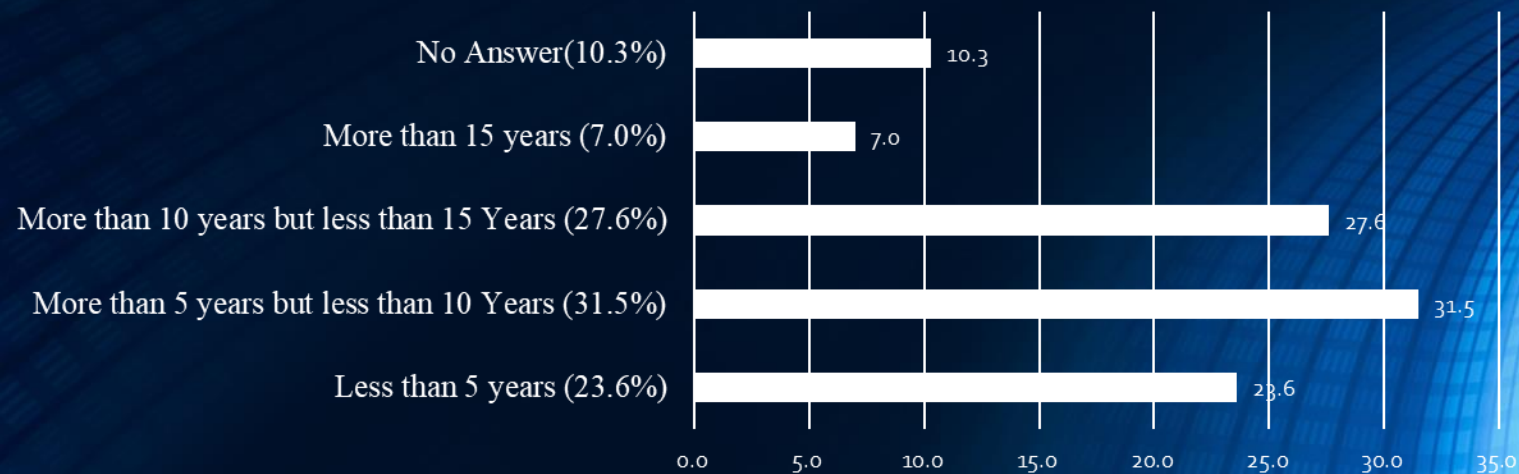


# Requirements for ESR management

2. Management system and culture enhancing employees humanity pride and integrity for creativity :

66.1% assume to keep investment for more than 5 years and 34.6% more than 10 years to develop professionals.

Figure 4 Time period assumed to develop professional



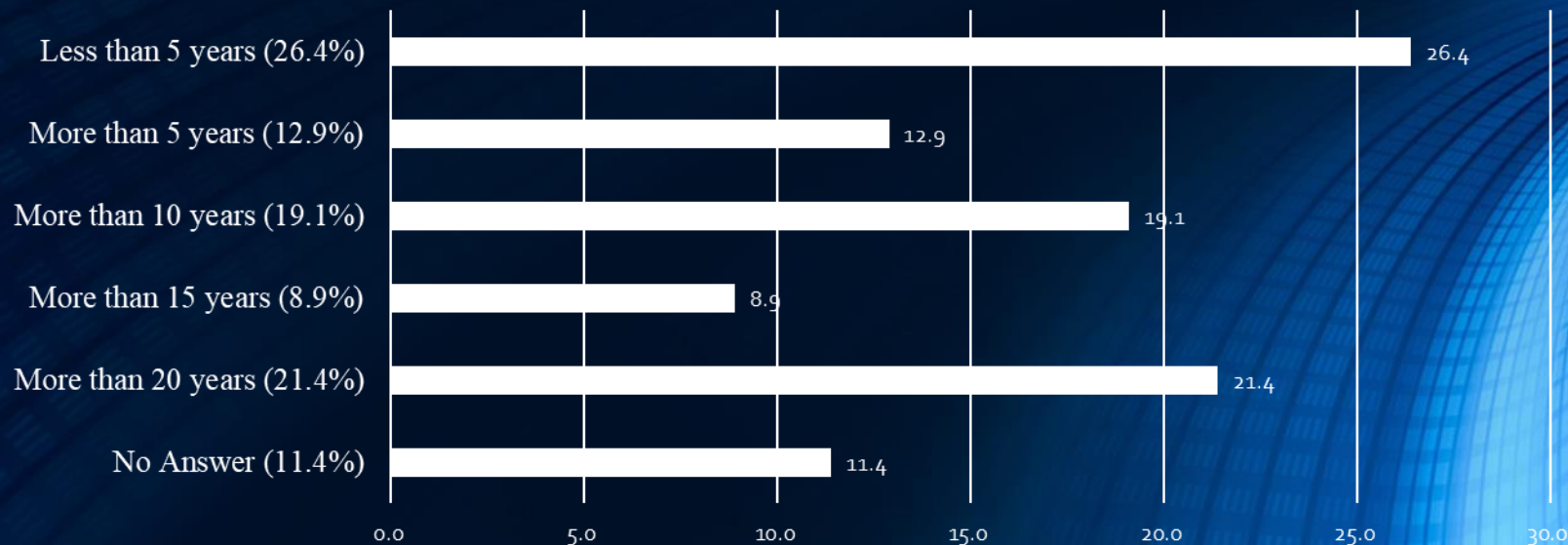


# Requirements for ESR management

3. Development of process and commitment to grow CEO and its candidates who can devote their lives to realizing ESR mission and philosophy:

More than 62.3% assume more than 5 years, around 50% assume more than 10 years for CEO selection and succession.

Figure 5 Time period between CEO candidate selection and succession



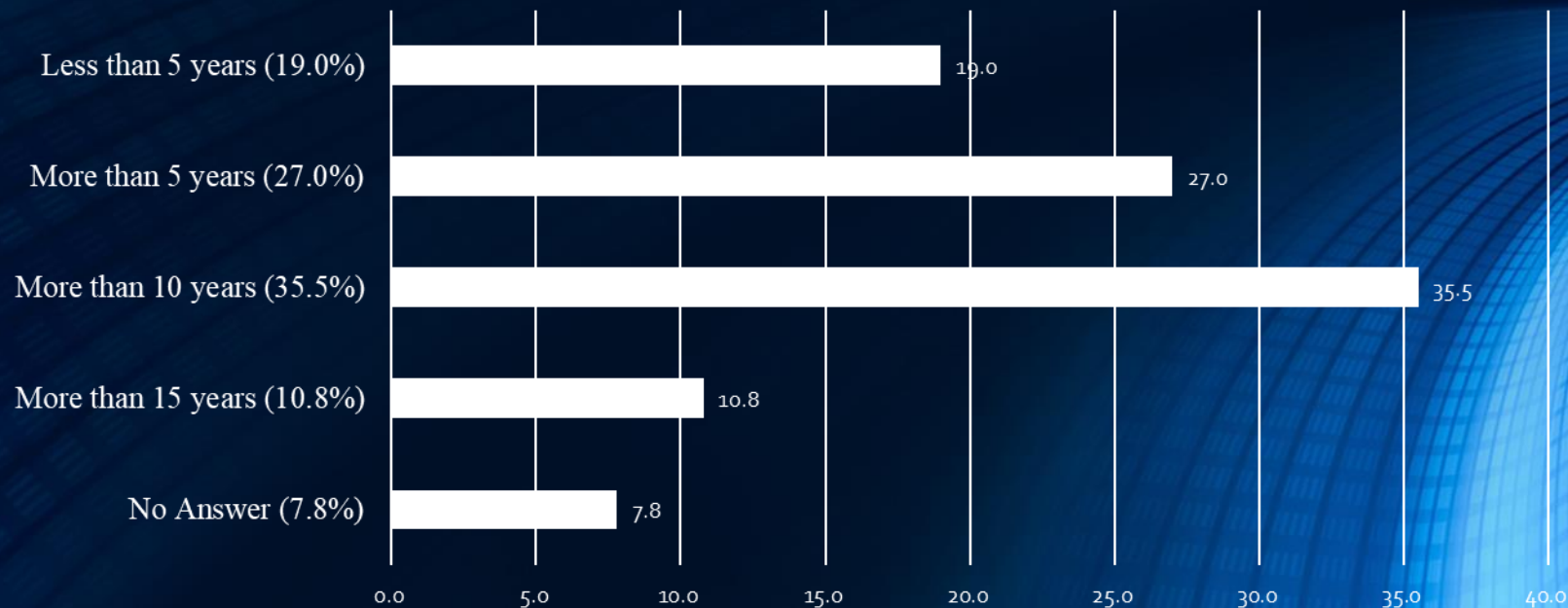


# Requirements for ESR management

3. Development of process and commitment to grow CEO and its candidates who can devote their lives to realizing ESR mission and philosophy:

More than 73.3% estimate more than 5 years, 46.3% more than 10 years.

Figure 6 Time period required to develop succeeding CEO



# Requirements for ESR management

3. Development of process and commitment to grow CEO and its candidates who can devote their lives to realizing ESR mission and philosophy:

What would be the core requirement of CEO successors development?

Executive coaching and development:

Replacing the mind-set of being employed by stockholders with the mind-set of entrepreneurial employer incubating employees' creativity for innovations

From aiming at current excellence evaluation by employers and stockholders  
To creating social evolution based on ESR mission and philosophy



In summary, the synchronization sequences between corporation and society toward sustainable evolution by ESR management





In summary, ESR suggests the three requirements for 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:

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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 Management – A Corporate Sustainability Programming” 2015, “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)