

# Ending of Stockholders' Property Corporations, Revival of Social Entity Corporations

Long-lived SMEs  
as a Source of Sustainable Social Evolution

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## Abstract

The study is initiated by reviewing how and why 1600 large manufacturing corporations in Japan have stagnated during the past 20 years while these firms focused on or had self-perception of stockholders' property.

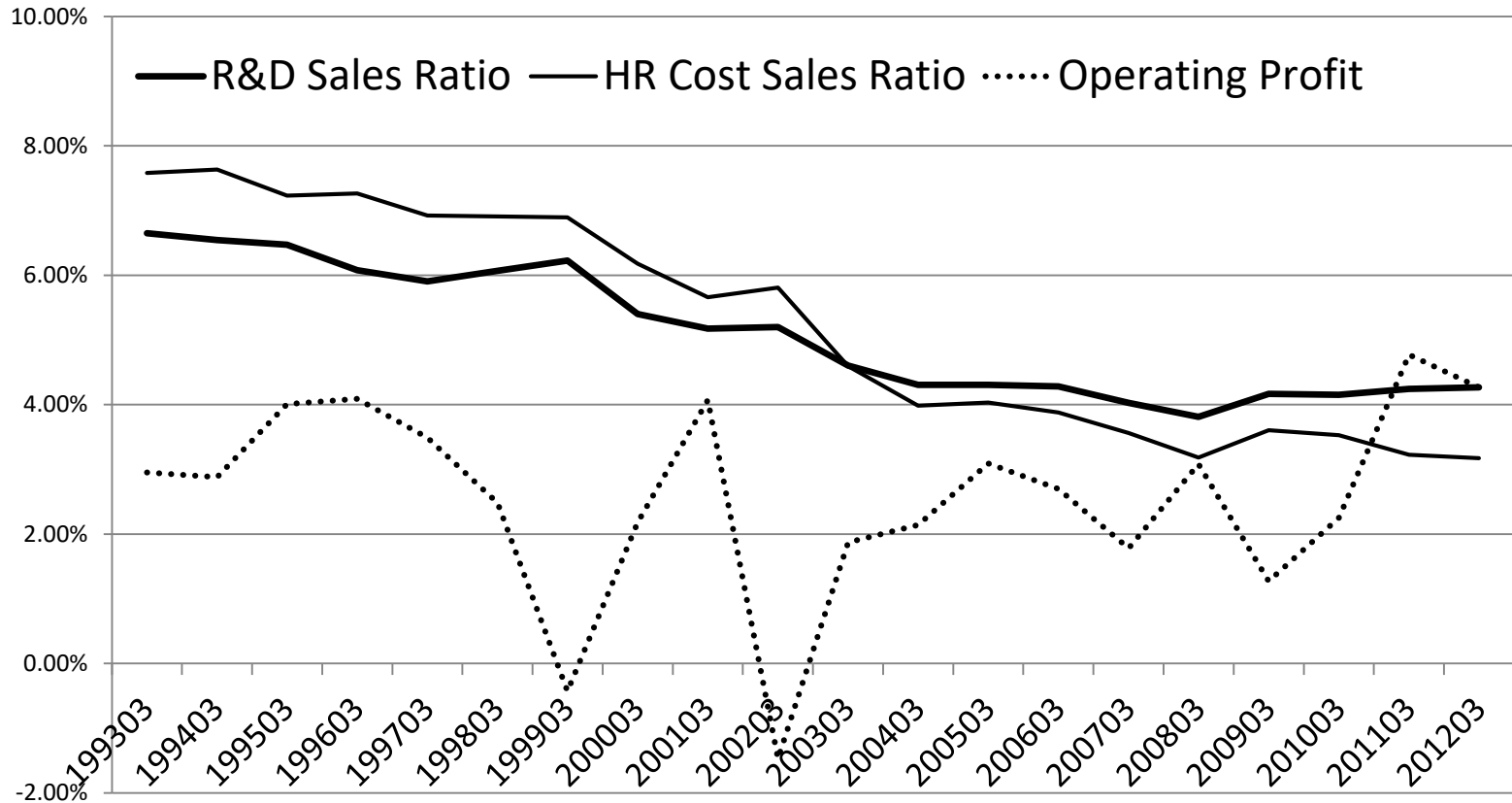
The findings of this study reconfirm the need to revisit the sustainable creative foundation of the SME management system which was also commonly observed among 2000 manufacturing corporations (98% are SMEs) with more than 50-year longevity in Japan in the survey by Tokyo Metropolitan Government in 2017.

Learning from the SMEs' management of sustainable corporate evolution, this paper explores how firms can be synchronized with social change and evolution and what is the management system enabling firms sustainability?

## Stagnation of 1600 large manufacturing corporations for the past 20years.

The study is initiated by reviewing how and why 1600 large manufacturing corporations in Japan have stagnated during the past 20 years while these firms focused on or had self-perception of stockholders' property.

## A typical example: A giant electric equipment corporation in Japan from FY1993 through 2012:



“Corporate Sustainability Governance”, T. Onaka, N. Denscombe, 2015

「武士道マネジメント-持続進化経営プログラミング」 大中忠夫 2015

The fact of 20-year stagnation shows the need to revisit the sustainable creative foundation of the SME management system

The sustainable creative foundation of the SME management system was commonly observed among 2000 manufacturing corporations (98% are SMEs) with more than 50-year longevity in Japan in the 2017 Tokyo Metropolitan Government Survey.

Why have those longevity corporations been sustainable and able to adjust to social changes and economic uncertainty or downturns while their larger counterparts had difficulty adjusting?

It is because they have management system synchronized with social change and evolution and therefore incubating creativity.

What is found in the 2017 Tokyo Metropolitan Government Survey of 2000 manufacturing corporations with more than 50-year longevity (98 % are SMEs) :

It is another management system beyond Scientific Management while assuming the necessity of Scientific Management for efficiency pursuit.

It is also contrastive or complementary to Scientific Management.

However, the contrastive or complementary nature of the SMEs' succeeding management system is the major reason that it can enable their sustainable corporate evolution which Scientific Management cannot realize.

We name it Sustainability Management as it enables sustainable corporate evolution. Why so and What is it?

## What is Scientific Management?

Before examining the Sustainable Management, we need to know what is Scientific Management?

It was originally proposed by Frederic Taylor in the early 20th century with quantitative analysis and time management for maximizing business owners' benefit while also realizing fair income and assignment for labors.

The quantitative analysis and time management of Scientific Management has been the epoch-making tool to realize the best efficiency in pursuing return on investment throughout the 20th century among advanced industry countries and corporations.

## Rise and Fall of Scientific Management

It had been also promoted by US business schools' graduates, MBA holders. It was also highly appreciated and enhanced by short-termism pursued by the Monetarism Theory defining corporations as Investors' Property, emerged since early 1960s.

Scientific management had been making everything and every firm successful specially before the current excess global cost competition started by the initiatives of low labor cost manufacturers from under development countries but not after.

Why?

It is because Scientific Management is not the system to enable the critical competency to concur the global excessive cost efficiency competition.



Creativity, as the fundamental competency to concur excessive global cost efficiency competition:

What is the critical competency to overcome the global excessive cost efficiency competition?

It is creativity, the creativity of people and corporation which realizes corporate evolution alongside social change and evolution. Creativity makes possible the new products and services realizing profitability by uniqueness.

However, it is unavailable under Scientific Management as it assumes people as rational existence and resource for best realizing efficiency, in other words, expects people to get rid of humanity or human emotion and to become as much as possible close to rational existence to be perfectly realized if by current days' robots and AIs

## Why creativity is unavailable by Scientific Management?

However, “Creativity” is unavailable under Scientific Management as it assumes people as rational existence and resource for best realizing efficiency, in other words, expects people to get rid of humanity or human emotion and to come as much as possible close to rational existence to be perfectly realized by current days’ robots and AIs

Under such assumption, the creativity, a basic human nature is overlooked and even omitted, which has been another face of Scientific Management.

It is proved by the fact that majority of large, opened to public, corporations have become stagnated due to the lack of its creativity realizing new and unique products and services.

## Why Sustainable Management can realize the creativity unavailable in Scientific Management?

The 2017 Tokyo Metropolitan Government Survey shows that more than 50-year longevity SMEs' management, Sustainability Management, is contrastive and complementary to Scientific Management.

By understanding two contrastive and complementary factors between Scientific and Sustainable Management as shown next page, it would be understood that Sustainability Management has two critical factors to incubate and grow creativity among people and corporations.

## Sustainability Management vs Scientific Management

Scientific Management assumes that corporations are properties of investors and that people are required to be rational resource or existence.

Meantime, Sustainability Management inherited by most of SMEs with more than 50-yearlongevity prioritizes people's humanity as family members and assumes that corporations are Social Entity, in other words, it is to contribute to society as the highest priority rather than to stockholders.

Prioritization of people's humanity realizes working environment incubating creativity and prioritization of social contribution enhances their sensitivity to social change and evolution as well as people's desire to grow and evolve alongside them.

## Go for Sustainability Management beyond Scientific Management

Why NOT?

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