

2022 The 5th Annual Conference of Silk-Road Entrepreneurship Education Network Sustainable Entrepreneurship and Leadership Development

Four-Region Distribution Analysis of ESR and Corporate Sustainability Development

(Note: ESR = Entrepreneurial Social Responsibility by Prof. Zhongming Wang)

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Abstract:

By utilizing **ROE** and **GCP Growth** figures of 50 prime corporations in Tokyo Stock Market for 5 years of 2017-21, **a proof** that **CEO's ESR commitment is one of the most critical determinants for the development of corporate sustainability and longevity.**

ESR (Entrepreneurial Social Responsibility) is the theme Professor Zhongming Wang proposed as a creative leadership model with highest priority on social contribution, at the SREEN conference, Zhejiang University in October 2017.



Abstract:

By utilizing **ROE** and **GCP Growth** figures of 50 prime corporations in Tokyo Stock Market for 5 years of 2017-21, a **proof** that **CEO's ESR commitment** is one of the most critical determinants for the development of corporate sustainability and longevity.

Definitions of Measurement Indexes, ROE and GCP:

1. ROE, Return on Equity = an index evaluating the level of corporation's short-term profit maximization management with stockholder primacy mission.

=> indicating that the level that a corporation commits on stockholder's value maximization and short-term profit maximization by sacrificing all others necessary for future growth.

2. GCP, Gross Corporate Product = a corporation's total value creation amount:

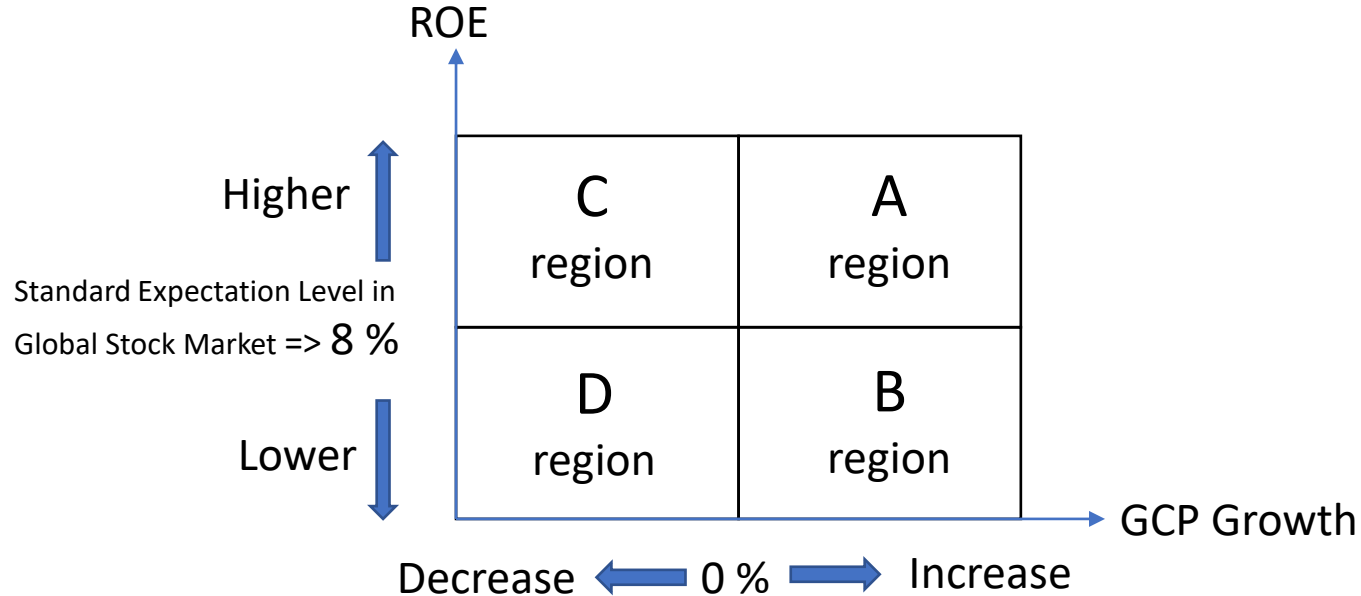
GCP = Total Compensation + Profit + Income Tax

(= a corporation's net creating value after deducting from total sales amount all values that the corporation purchased from others)

=> indicating that the level that a corporation **realizes** creating values for all social stakeholders; **employees, investors and government.**

Method:

Classifying 50 prime corporations in Tokyo Stock Market into 4 regions by two axes of the level of ROE and GCP Growth, **examine the difference of the average Corporate Sustainability Index figures among 4 regions.**



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Definitions of the 4 regions:

A region = ROE is higher than standard 8% and GCP is growing.

Corporations in this region realize higher ESR (social value maximization) by allocating values in good balance among all social stakeholders.

B region = ROE is lower than standard 8% while GCP is growing.

ESR is not well enhanced: Value allocation for all social stakeholders has some problem, as the value allocation for stockholders (investors) is less than the standard 8%.

C region = ROE is higher than standard 8% but GCP is declining.

Corporations don't realize ESR due to their overemphasis on value allocation for stockholders (investors) by sacrificing value allocation for all other social stakeholders.

D region = ROE is below market expectation and GCP is declining.

Corporations don't realize ESR leadership nor value creation for all stakeholders.



Result:

“A” region corporations show that their average CSI is more than 1.0 and is growing, while all other 3 region corporations show that their average CSI is less than 1.0 and not well growing or shrinking for 5-year period of 2017-21.

C CSI = 0.92 CSI Growth = -3.2%	A CSI = 1.13 CSI Growth = 1.4%
D CSI = 0.78 CSI Growth = -8.2%	B CSI = 0.80 CSI Growth = 0.4%

CSI = Corporate Sustainability Index = Corporate's Ratio of **Total Output / Total Input**



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Definitions of Measurement Indexes, CSI and GCI:

3. CSI, Corporate Sustainability Index

CSI = GCP (Gross Corporate Product) / GCI (Gross Corporate Investment)

=> Indicating that a corporation creates more output value amount than that of total of all input value amount.

4. GCI, Gross Corporate Investment = a corporation's total investment amount:

GCI = Total Compensation + R&D + Facility Investment

=> indicating that the level that a corporation **commits on investing** for creating values for all social stakeholders.

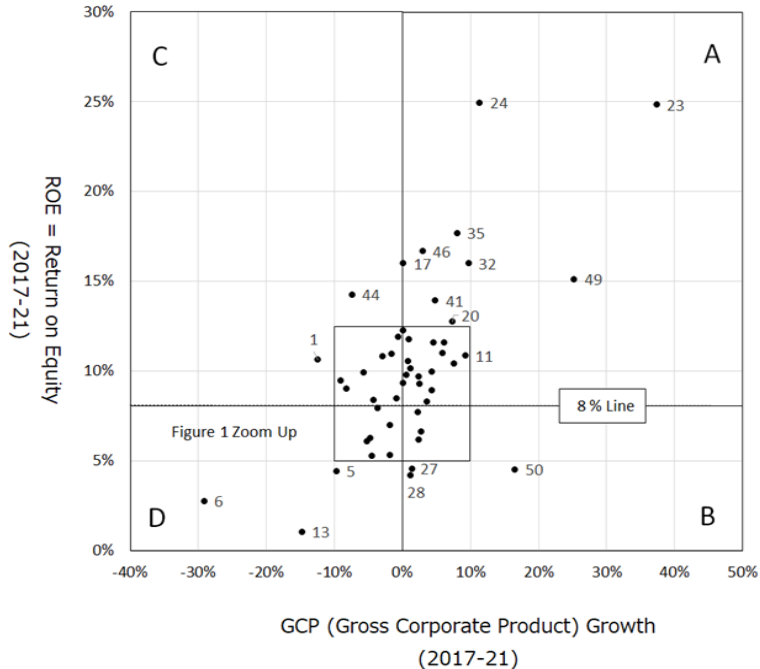


Data:

Source: Annual Reports 2017-21

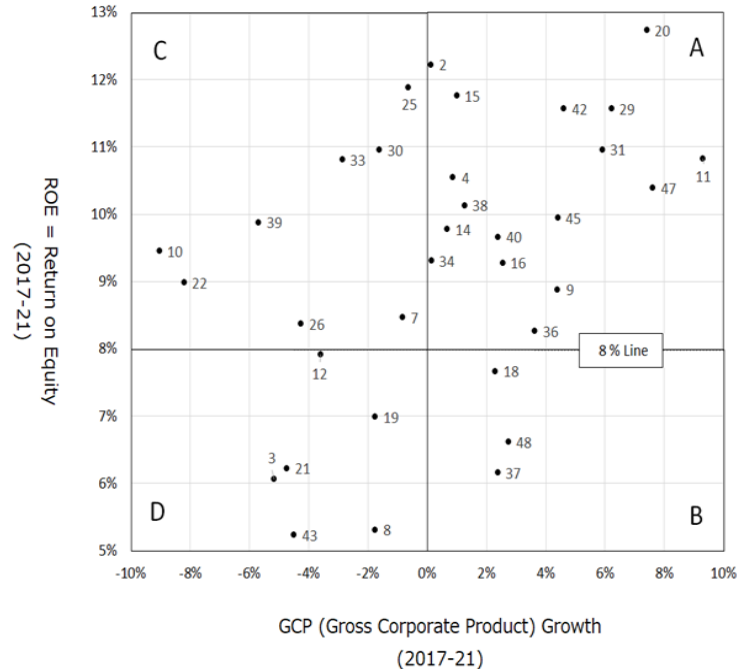
Calculated by Tadao Onaka: Available at onaka@nucba.ac.jp

Figure 1. 4-Region Distribution of GCP Growth and ROE
50 Prime corporations of Tokyo Security Market (2017-21)



GCP = Y1-5 Total Compensation + Y1-5 Total Profit + Y1-5 Total Tax
GCP Growth = Y1-5 GCP Coefficient / Y1-5 GCP Average
ROE (Return on Equity) = Y1-5 Total Compensation / Y1-5 Total Capital

Figure 1 Zoom Up. 4-Region Distribution of GCP Growth and ROE
50 Prime corporations of Tokyo Security Market (2017-21)



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Calculated by Tadao Onaka:

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No.	Company Name	5 Year ROE	GCP Slope	CSI	CSI Growth	Region	CSI Average	CSI Growth Average
24	TEL	24.9%	11.4%	1.35	0.0%	A	1.13	1.4%
23	Lasertec	24.8%	37.4%	1.77	11.7%			
35	TOSHIBA	17.7%	8.1%	0.87	11.4%			
46	SHIONOGI	16.7%	3.1%	1.62	2.1%			
32	SONY	16.0%	9.8%	0.96	6.4%			
17	KAO	16.0%	0.2%	1.10	-0.8%			
49	CHUGAI	15.1%	25.3%	1.05	12.1%			
41	Daikin	13.9%	4.9%	1.10	-2.3%			
20	KEYENCE	12.7%	7.4%	2.55	0.4%			
2	Suzuki	12.2%	0.1%	0.92	-2.8%			
15	unicharm	11.8%	1.0%	1.20	0.3%			
29	muRata	11.6%	6.2%	0.88	2.9%			
42	TERUMO	11.6%	4.6%	0.97	-3.9%			
31	SHARP	11.0%	5.9%	0.81	3.9%			
11	ShinEtsu	10.8%	9.3%	1.22	1.4%			
4	TMC	10.5%	0.9%	1.07	0.0%			
47	ONO	10.4%	7.6%	0.98	6.3%			
38	SMC	10.1%	1.3%	1.56	-1.3%			
45	Eizai	9.9%	4.4%	0.72	-1.6%			
14	TOTO	9.8%	0.7%	0.93	-2.3%			
40	Komatsu	9.7%	2.4%	1.02	-1.8%			
34	MITSUBISHI ELETRIC	9.3%	0.1%	0.94	-1.1%	B	0.80	0.4%
16	AsahiKASEI	9.3%	2.6%	0.94	-4.9%			
9	Denka	8.9%	4.4%	0.81	-3.0%			
36	HITACHI	8.3%	3.6%	0.95	1.1%			
18	SUMITOMO ELETRIC	7.7%	2.3%	0.94	-0.6%			
48	Daiichi-Sankyo	6.6%	2.7%	0.63	1.5%			
37	IHI	6.2%	2.4%	0.80	1.7%			
27	ROHM	4.5%	1.5%	0.83	1.9%			
50	Takeda	4.5%	16.6%	0.67	1.0%	C	0.92	-3.2%
28	KYOCERA	4.2%	1.2%	0.95	-3.0%			
44	astellas	14.2%	-7.4%	0.95	-8.0%			
25	FUJITSU	11.9%	-0.6%	0.98	3.7%			
30	Nidec	11.0%	-1.6%	0.97	-1.9%			
33	Panasonic	10.8%	-2.9%	0.84	0.2%			
1	SUBARU	10.6%	####	1.01	-9.4%			
39	Olympus	9.9%	-5.7%	0.78	-6.9%			
10	MITSUBISHI CHEMICAL	9.4%	-9.0%	0.88	-7.9%			
22	FANUC	9.0%	-8.2%	1.15	0.0%			
7	Honda	8.5%	-0.8%	0.92	0.0%	D	0.78	-8.2%
26	RENESAS	8.4%	-4.3%	0.68	-2.0%			
12	TORAY	7.9%	-3.6%	0.82	-3.0%			
19	FUJIFILM	7.0%	-1.8%	0.97	0.1%			
21	Canon	6.2%	-4.7%	0.89	-1.9%			
3	DENSO	6.1%	-5.2%	0.76	-6.1%			
8	AGC	5.3%	-1.8%	0.78	-5.6%			
43	MHI	5.2%	-4.5%	0.79	-1.4%			
5	Mazda	4.4%	-9.7%	0.73	-9.6%			
6	Nissan	2.7%	-29.0%	0.66	-28.5%			
13	NIPPON STEEL	1.0%	-14.7%	0.61	-17.7%			



Conclusion:

25 corporations in “A” region prove their ESR leadership, their contribution excellency to all social stakeholders, by realizing more than 8% ROE (delivering values for investors, higher than market standard level) and positive GCP Growth (growing values for society and government) during 2017-21.

At the same time, these 25 “A” region corporations’ average CSI (corporate sustainability index) is 1.13, more than 1.0 and its average CSI growth rate is 1.4%, positive.

(Meantime, other 3 region corporations’ average CSIs are less than 1.0. Also, average CSI Growth rates are minus (-) in C and D regions and in B region, the average rate is 0.4%, slightly more than zero.)

The results indicate that 25 “A” region corporations, with higher ESR leadership, incubate corporate sustainability and longevity (Ave. CSI =1.13, Ave. CSI Growth rate= 1.4%), while realizing their ROEs (= shareholders’ values) higher than the market standard expectation level of 8%.



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“Four-Region Distribution Analysis of ESR and Corporate Sustainability Development”

This presentation material is available at onaka@nucba.ac.jp



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