

Corporate social responsibility and management process in Japanese corporations

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Abstract: This paper seeks to explore how corporate social responsibility (CSR) is embedded in corporate organisations. The major questions examined are “How the CSR institutionalisation has been developed” and “How it functions in the organisation” While recent literature argues that CSR is important to a successful business strategy, and that CSR and corporate governance are intricately connected, this paper demonstrates how CSR is, or rather is not, actually incorporated into management processes and corporate governance, and argues that simply establishing the relevant institutions is not enough to ensure the automatic functioning of CSR. A qualitative interpretive research methodology was adopted with CSR managers of six major corporations in Japan. CSR departments should be given practical commissions and its roles should be clarified within organisations. When establishing a CSR mid-term plan, it should be linked to any concurrent mid-term management plan.

Keywords: corporate social responsibility; CSR; management process; corporate governance; institutionalisation; embedding; mid-term management plan.

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1 Introduction

This study seeks to explore how CSR management has been developed and how it functions in Japanese companies. In this paper, CSR is understood to be a set of policies and practices that are integrated into management processes and business operations. Many insist that proper consideration of CSR is important to develop a successful business strategy and to ensure trust and competitiveness in the market (Epstein, 2008; Porter and Kramer, 2006; Vilanova et al., 2009). However, Utting and Marques (2010) criticise conventional CSR activities as follow; the financial crisis, its economic and social fall-out, and all that has been revealed of corporate practices that underpinned the crisis, provides clear evidence that critical issues were left off the mainstream agenda. It is also posited that CSR will function practically in an organisation if it is incorporated into corporate governance and core management systems. Moreover, corporate governance functions more effectively when integrated with proper CSR management because a company should be responsible toward its various stakeholders and be accountable to them in order to improve its reputation in the market and thereby create value for those same stakeholders (Aguilera et al., 2007; Jamali et al., 2008).

CSR and corporate governance have been discussed independently, but some recent studies have argued that an intricate interrelationship exists between them. However, how do companies correlate and unify these two concepts in actual business practice? This study aims to figure out how Japanese companies understand CSR and incorporate it into their core management processes and governance systems.

CSR has been a buzzword in Japan since around 2000, and the institutionalisation of CSR in management has rapidly developed in most listed corporations. For example, majority of listed companies have established a CSR department and also created the position of a CSR executive officer. A survey on CSR in 2009 carried out by the Japan Federation of Economic Organisations (Nippon-Keidanren) shows that even in the aftermath of the financial crisis most Japanese companies have not changed their basic CSR principles or behaviour, and likewise that the majority of them consider CSR to contribute to making society more sustainable. However, do the CSR institutions work effectively and what is their understanding of CSR in the first place? Might it be the case that CSR institutionalisation has narrowed their focus on CSR-related issues to visible forms, such as strategic philanthropic activities and development of eco-friendly products? This paper will examine these questions, and examine what has changed and what has remained the same in management practices as a result of the introduction of these CSR institutions.

2 Japanese companies and CSR management

CSR management systems have been rapidly institutionalised since the ‘CSR boom’ that began around 2003 in Japan. In this paper, the institutionalisation of CSR in business organisations is understood to refer to such activities as establishing a CSR department, putting in place a CSR director, and publishing CSR reports. According to the CSR Database of TOYO KEIZAI Inc. (a data collection first published in 2005), which surveys over 1,000 listed Japanese companies, as of 2009, ‘establishing a CSR department’ had been completed by 64.5% of companies (Figure 1), ‘establishing a CSR

executive’ by 58.1% (Figure 2), and the ‘documentation of CSR policy’ by 40.7% (Figure 3).

Figure 1 Establishing CSR departments

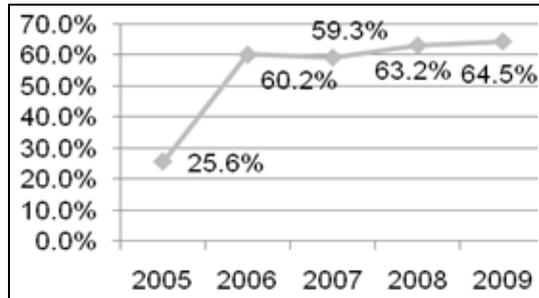


Figure 2 Establishing CSR directors

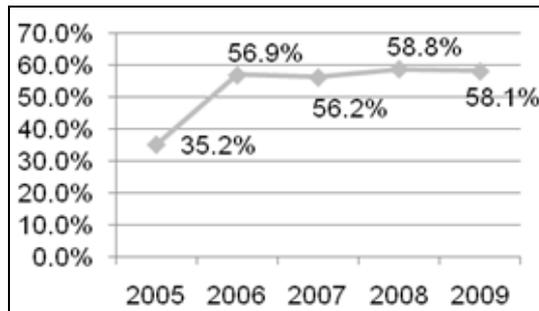
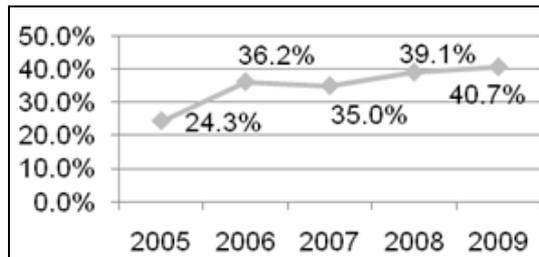


Figure 3 Documentation of CSR policy



We can see that introductions of CSR institutions have peaked around 2005–2006. This is likely due to the tendency of many Japanese companies to adopt the best practices taken up by leaders in the same and other industries. From a relational perspective, managers have always faced external pressure based on other companies’ movements in the industry, and this kind of movements or trends might push companies toward implementing greater CSR (Aguilera et al., 2007). In response to pressures in the organisational field, the number of companies introducing CSR institutions has rapidly grown in just a couple of years.

The institutionalisation of compliance management has been carried out earlier than that of CSR management and has been more extensively developed. Many Japanese companies were involved in a series of corporate crimes and scandals in the 1990s. In response to severe criticism from market, these companies have been forced to increase their interest in compliance and establish compliance institutions since around the end of the 1990s. Almost all companies have already completed the set up of compliance institutions as shown (Table 1). About half of the respondents answered that a compliance manual had already been drawn up in their company prior to 2003.

Table 1 Compliance institutions

	<i>Formulating compliance manual</i>	<i>Establishing executive for compliance management</i>	<i>Establishing compliance department</i>	<i>Establishing compliance committee</i>
2006	86.0%	80.1%	60.9%	71.7%
2009	97.6%	90.5%	69.1%	84.4%

Notes: Respondents: 2006 = 1,214 companies, 2009 = 1,041

Source: Of primary data: Japan Fair Trade Commission (2009)

The institutionalisation of CSR and compliance has developed significantly, and there has been gradual decrease in the number of corporate scandals and crimes. For instance, the number of companies served with legal dispositions for violations of the Anti-Monopoly Act has decreased, as shown in Table 2.

Table 2 Number of businesses taking legal dispositions

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
928	805	405	472	492	73	193	49	84	109

Source: Japan Fair Trade Commission (2011)

But the process is not easy. How has the increasing institutionalisation of CSR and compliance system worked in the organisation to curb the number of corporate scandals and crimes? This paper will examine how those institutions function well or not within an organisation and initiate change.

3 CSR and management process

The concept of CSR is approached from different theoretical frameworks, such as social performance (Caroll, 1979), social contract (Donaldson and Dunfee, 1994), stakeholder management (Freeman, 1984), sustainability (Elkington, 1997), and corporate citizenship (Waddock, 2000). CSR can be defined as voluntary incorporation of social and environmental concerns into whole management processes and development a good relationship with stakeholders.

CSR is a transversal management issue that affect different practical activities in the organisation, such as corporate reputation (Fombrun, 1996), human resources (Aguilera et al., 2007), communication (Mosing and Beckmann, 2006), disclosure (Caby and Chousa, 2006), business strategy (Porter and Kramer, 2006), and philanthropy (Porter and Kramer, 2002), which should be managed by a holistic and strategic approach. CSR

has an impact on the entire management processes and then require a strategic management. Strategic CSR management changes business model to integrate CSR in the all different business processes (Mirvis and Googins, 2006) and to monitor them regularly.

CSR management requires more than just setting up CSR management institutions; they must be subsequently embedded within the organisation, and have appropriate authority to facilitate the practice of socially responsible business. CSR should be integrated into core management processes and into corporate governance. CSR and corporate governance have often been discussed as if independent of each other. Some researchers, however, have claimed that they are in fact connected and interdependent (Heath and Norman, 2004; Beltratti, 2005; Bhimani and Soonawalla, 2005; Ho, 2005; Elkington, 2006; Jamali et al., 2008). Jamali et al. (2008) insist that, as notions, CSR and corporate governance are mutually related and overlapping. If this is indeed the case, CSR should be rooted within a corporation in the context of a solid internal corporate governance foundation, and corporate governance should be made more effective with the assistance of a sustainable CSR approach. This is because companies must respond to the needs of stakeholders in order to be profitable and to create value for its shareholders.

Regarding corporate governance, several researches have emphasised the significance of the design of the framework in place to protect shareholders and of the efficacy of its mechanism (Daily et al., 2003). The overwhelming emphasis in governance research has been on the control of executive self-interest and the protection of shareholder interests. However, this is a rather narrow conceptualisation of corporate governance. There is a need to create mechanisms to control managerial behaviour (Tricker, 1994), establishing both appropriate systems for corporate boards and the vision, management plan and strategy required to lead the company (Cadbury, 2000; Page, 2005). Such measures are also vital in order to enhance accountability to all stakeholders, thereby protecting shareholders' rights as well as other stakeholders' rights (Keasy and Wright, 1997). Blair and Stout (2001) note that directors serve as mediating hierarchies charged with balancing the sometimes competing interests of a variety of groups that participate in public corporations. Aguilera et al. (2007) note that CSR fosters positive social relationships both within and between a company and community, and that consequently CSR can increase the trustworthiness of a company and strengthen its relationships with stakeholders. Corporate governance should not be assumed to be a narrow concept of the relation between executives and shareholders, but rather is a set of broad concepts for enhancing corporate performance and accountability to all stakeholders. Corporations cannot enhance value for their shareholders unless they respond to the expectations of the stakeholders on economic, environmental and social issues.

Should a company's reputation become tainted, stock prices may decline sharply and the loss of stockholders' trust cannot be easily regained. Looking at the stock price performance of 50 companies in Japan involved in corporate scandals, for example, it becomes clear that the price declined by average of 11% in the five days after the first press coverage of the relevant corporate scandal. Four of the 50 experienced a sharper decline, with the price dropping by more than 35% (*Asahi-Newspaper*, 3 February 2008, p.1).

We have little understanding of how companies incorporate CSR practically into their management processes and corporate governance systems. This paper focuses on researching the issues of how companies actually set up the CSR department and practice the CSR management in the organisation. This paper will explain how companies try

to/fail to establish leadership, authorise CSR department, and govern the whole management process.

4 Interview research

The research was undertaken with in-depth interviews with chief/assistant managers of the CSR departments of 12 major listed corporations in Japan, including financial, energy, construction, electronics, telecommunication, motorcycle, and trading companies. They have developed CSR institution relatively earlier than the other companies. This paper picks up six cases and the following section refers to the cases of the companies A–F. These are all large-scale, listed corporations, and mainly owned by Japanese financial institutions and corporations. Each company's interview lasted three to four hours, spread over a total of two to three sessions on average, and was carried out whilst referring to confidential meeting minutes and internal data. I conduct triangulate both interview data and documents data to reduce the misinterpretation by achieving redundancy of data using multiple perceptions (Stake, 2000). Interviews were carried out in between 2008 and 2010. The interviews did not follow a rigidly structured questionnaire and were not tape recorded; instead, notes were taken by hand. It is admitted that this style of interview may not maintain as high a level of objectivity as other methods, but the author was careful to note the worries and questions experienced by interviewees in their day-to-day work in the organisation. The interviews progressed well and can be considered to have provided honest accounts of the activities the interviewees actually carry out in terms of daily management. The names of individuals and companies cannot be revealed because of agreements. A guarantee of confidence about the content of the interview was also a crucial factor in the success of the interviews.

The principle research questions covered in interviews focused on how CSR is implemented in the relevant organisation, how CSR is incorporated into management systems, how strategic plans are made and how their activities are made accountable to the stakeholders, and what difficulties the interviewees have in implementing CSR management and coordinating with related departments in the organisations.

5 Findings

Despite efforts to institutionalise CSR management, prompted by the recent surge interest in CSR, many Japanese companies still face various challenges, as CSR fails to function well. This section will clarify the details based on interview research.

5.1 Cases in which the company was not able to avoid corporate scandal because CSR was not embedded in the organisation, despite the fact that a CSR department had been already established before the CSR boom

In some cases, scandals led companies to reflect upon and rebuild their corporate systems, thereby making CSR institutions work. Typical examples are A and B-Company. A-Company, financial business, established an earth environment office in the early 1990s, launched a compliance committee at the end of the 1990s, and got

involved with philanthropic activities in the beginning of the 2000s. In 2000, the office developed further to work as an independent department, collaborating with the legal department. The company has shown a progressive approach on CSR elsewhere, such as setting regional CSR management offices nationwide.

The company, however, has caused compliance issues and has been severely criticised by the market in 2005–2006. This company had fully established compliance systems and CSR policy in place well before the occurrence of corporate crime and scandal. This was not, however, sufficient to prevent them; the offices and policies failed to function well.

Interviewer: “Your company was committed to compliance and CSR since a relatively early time. Why do you think these institutions did not function well?”

CSR department manager: “We had been emphasizing that we needed time for our awareness of compliance to mature more fully, and kept trying to hold training sessions for the employees. But we did not have a sufficient system for checking business processing and keeping track of our finances. We cannot deny the fact that we had a corporate culture where teams were put together primarily to achieve sales goals, and which tended to neglect compliance issues.”

In response to the question, “How would you answer a question at the shareholders’ meeting on the precise nature of what the CSR department had done to prevent the scandal?”, the manager replied:

“Honestly speaking, we would not be able to excuse ourselves at all. We would have to say that CSR had not yet been embedded in the organisation and that it was not functioning practically.”

After the scandal, the company reviewed its management systems and rebuilt systems of personnel education and evaluation. The company also revised their evaluation system, moving away from an annual performance-based assessment which focused on goal achievement to a new method which includes an evaluation of employee implementing of issues such as compliance and CSR. At the same time, the CEO has visited almost all the company’s sales offices nationwide to give an explanation directly to the employees about the company revitalisation plan. The company also engaged in dialogues with employees as they contemplated what they needed to do in order to regain customer trust. He added: “Each one of us has to raise our own awareness of relevant issues, and then we have to get together to tackle them”. This allowed the company’s staff to work on strengthening the corporate structure and improving the quality of management by developing foundational elements such as corporate governance, risk management and compliance performance, and improving them to be more effective. It can be said that these management efforts have, eventually, led them to achieve the incorporation of compliance and CSR into their management processes. The manager said, “This experience gave us a chance to start renovating the company with immediate effect”.

B-Company, which is a long-established trading company, created a compliance code early in the 2000s in response to the demands of the time as well as those of other companies. However, it was not able to prevent corporate scandal, which occurred in the following year. B-Company set up a compliance department after the event and published a CSR report the same year. In the next year, however, they were again struck by scandal, and faced harsh criticism from the market. This criticism was severe enough

to prompt the company to review itself and put in motion an entire makeover. They reconsidered their overall management philosophy, formulated a new CSR policy, and established a CSR promotion department.

In response to the question, “Why did such a series of scandals occur?”, the CSR manager answered:

“Although a compliance code had been created, it was a mere formality and far removed from the daily operations of the company. Given the fact that the employees did not understand it well at that time, I have to say the compliance code was not embedded at all”.

The company did manage, however, to learn a lesson from these scandals, and it has, ever since, been trying to not only strengthen compliance-related institutions but also to improve organisational culture in order to embed CSR into the whole group, all under the strong leadership of top management, by asking itself what kind of efforts should be made. The manager said; “each one of us looked back to the time of our establishment, and tried to reaffirm our central policies on how to work and how to contribute to society”. As for the company’s renewed understanding of CSR, he said:

“some of the employees were still showing a lack of understanding, mistakenly thinking that CSR is some kind of charity which separate to and beyond the core business. To change this, we provided employees with more opportunities to enhance their awareness of CSR through training.”

On being asked by the interviewer, “what do you understand CSR to be”, the manager answered:

“CSR itself may be a buzzword, but CSR is a big trend, and one which we cannot ignore anymore. Our company now does not regard CSR as a special issue, we understand it to be an activity which takes care of our stakeholders and increases their value.”

Furthermore, B-Company has revised its evaluation system. They changed the personnel review system in order to be able to evaluate the contributions to society made as a result of high aspirations, as well as daily business performance. They have changed it to an absolute evaluation system by introducing qualitative criteria from simply quantitative ones; this reflects the reformation of their former attitude of pursuing short-term profit. It is a measurable change that the company asks each employee to be socially accountable for their work, at the same time it works to rebuild the system into something capable of evaluating employees’ activities.

Those two cases show us the processes of change undergone at the companies; the scandals forced those companies to recognise that CSR had not yet been sufficiently embedded, and prompted them to review the effectiveness of the CSR institutions which had been set up in the early stages, and ultimately to start over with their efforts to incorporate CSR into their management processes in order to become a socially responsible company. As the manager of B-Company said:

“we tackled the issue of CSR in reaction to corporate scandal, which was rather easy to do, because there was a sense of crisis pervasive in the organisation which facilitated our efforts. Our next challenge is determining how to hold onto these measures and established them fully in times of peace”.

5.2 Cases in which a perfunctory CSR department has been introduced subsequent to the CSR boom but has not been given sufficient authority, and therefore has no practical power and no clear role within the organisation

When a company establishes a new CSR department in the organisation where it has already related departments dealing with such issues as environment, legal, personnel and customer service, it has to make the authority, role and budget of each existing department clear in relation to the CSR department, and to be sure that the new department coordinates effectively with each of the other offices. If not, it can be difficult for the newly-established CSR department to carry out its operations within the organisation due to conflict and/or overlap with these other departments.

Here is a case of C-Company, electronics business, which failed to delineate in advance borders of authority and role between a newly-established CSR department and the related ones at the introduction stage. As a result, the CSR department found itself in a 'niche field' within the organisation from the very beginning. C-Company established a CSR Office in the early 2000s, and started to issue CSR reports, comprising the former environmental reports with new information on social issues. At first, they faced fundamental questions, such as, "for what purpose and for whom should the report be made" and "how can the company's traditional management philosophy be balanced with the new ideas of CSR" (The CSR department manager). The manager and his colleagues had no practical answers to these questions and found the situation difficult. When the CSR office was set up, the office staff also faced a conflict over the separation and allocation of authorities and roles between the CSR office and related departments, including corporate ethics, environment, and customer management. Looking back at that time, the manager said, "At the initial stage we tried to look for 'a niche field' in the organisation". This was because, he explained, each department already had established authority and roles within its own field. "We had long discussions on how we should position the CSR Office in the organisation and what it should do". Socially responsible management requires the reconsideration of all aspects of business activity, including manufacturing, marketing, environment, personnel, compliance, risk, and customer management. Proper coordination among all the existing departments is indispensable for the effective functioning of any attempts at CSR because CSR should be implemented throughout the whole organisation. In many cases, however, a CSR office/department will experience some level of conflict or confusion, often as a result of a lack of concrete and actual direction from top management at the introduction stage, or of the appropriate organisational adjustments being made, such as scrapping departments or building relationships in advance. It is difficult for the manager of a CSR office or department to define and promote CSR throughout an entire company without extensive cooperation.

We have seen, then, that establishing a CSR department does not automatically lead to CSR becoming embedded in the organisation. D-Company, energy business, did not have shared understanding of CSR in the organisation at the initial stage. But they became increasingly aware of the importance of CSR management through their experiences making CSR reports. The CSR office asks representatives from each department to write about relevant departmental activities as part of the CSR report creation process. Each department's commitment to the process of making the report enables the department to review their operations clearly and provides opportunities to recognise the importance of communication inside and outside the company

(D-Company established its CSR office in the public relations department). A director in charge of one department said: "In the process of making the report, I realized that this is a meaningful tool for internal communication, and also learned, from the experience of participating in the company's CSR committee, that CSR is crucial". As such, it can be said that the understanding and awareness of CSR among the staffs have actually changed. The CSR manager stated: "By making the report through this process, we are able to develop the awareness felt and efforts made within the company and provide better disclosure of information". Furthermore, the CSR Office staffs keep themselves inspired by regularly attending external seminars and learning about other companies' disclosure policies. He added: "this allows us to better understand our efforts in comparison with other companies", and that "when looking at how other companies have managed to improve their services in response to customers' demand, we felt that we should be more active in disclosing information". As noted before, publishing CSR reports and communicating internally and externally are activities which help to make the organisation more aware of which goals or objectives are not being achieved, and assist in the promotion of CSR efforts being made by the company. For D-Company, this is a good opportunity for them to review the PDCA cycle of each relevant CSR task.

5.3 Cases in which CSR is explicitly stated in the mid-term management plan (MTMP), but in which such mention is perfunctory and not integrated in management process actually

Although the institutionalisation of CSR has rapidly developed in many companies in Japan in the aftermath of the boom, still quite a few companies continue to fail to incorporate CSR into their management processes. For example, E-Corporation, financial business, established a CSR department, a CSR Promotion Committee and a new code of conduct for CSR in the mid-2000s. Moreover, CSR was heralded as an important issue in its new MTMP, which started in the same year, but the plan was lacking any relevant practical strategies or measures on how to achieve the CSR activities described. The company has not incorporated CSR on a departmental level, either. E-Company, however, has aimed to become a responsible corporation for its stakeholders and has set out three mission statements as follows:

- 1 contribute to the deliverance of greater prosperity to society
- 2 develop the company sustainably
- 3 make sure the employees are happy.

CSR is regarded as the foundation of all of these mission statements. Despite these statements, they did not concurrently have or put in a place any clear policy on how to make a bridge between the abstract CSR goals and practically-focused management goals emphasised in the MTMP, such as the growth of the business, the improvement of business budgets, and the formulation of practical measures for implementing CSR. This policy itself is the most crucial, but they went no further than providing a general philosophy and notional image. The manager of the CSR Office said: "Our CSR activities have just started in an extremely harsh managerial environment. We simply established the institutions, but were not able to ensure they worked well".

By contrast, some companies are making efforts to incorporate CSR into their MTMP and set up and implement action plans for each department. For example, F-Company, petroleum business, not only established a CSR office in the department of corporate communication and built up a system to promote CSR, but also set up a CSR mid-term (three-year) plan for the group in addition to MTMP. Furthermore, it defined policies for environment and safety for each department and all affiliated companies in the middle of 2000s. Firstly, their principle ideas are based on the philosophy that “our two wheels of management are a stable revenue base and the pursuit of socially responsible management, and we keep a balance between them”. Their goal is “raising awareness of CSR and becoming a company supported by the stakeholders”. The approach that appears to make them differ from other companies is their decision to formulate MTMP for each area of environment, safety and human rights/personnel management. Based on a positive experience of having a dedicated environmental mid-term plan, the company drew up a three-year plan on how to set up and develop a CSR mid-term plan. In each of the three areas, they create a vision and then a practical theme and goals. The CSR Manager explained:

“We emphasize setting clear numerical goals in each area as much as possible, and conducting CSR management based on employees’ voluntary participation in each department. However, during the first stage of the CSR mid-term plan, the main focus was on the formulation of CSR institution and raising awareness of CSR in the company. This first stage did not extend to settling and implementing the PDCA in each department”.

Now, however, the plan is in its second stage, and the company has a committee for each area of environment, safety and human rights/personnel management and with regard to each goal. It remains hard to see a clear statement in the plan that explains how all these activities will be bundled together to “enhance the shareholders’ value” as the CEO states. This is the challenge for them. As the manager explained:

“So far, we have had our MTMP and CSR mid-term plan separately, but in the next three-year CSR mid-term plan we should position it within the overall MTMP and make steady efforts to achieve the goals in coordination with each department.”

6 Discussion

In researching the current situation of CSR management in Japanese companies, this paper finds that the institutionalisation of CSR has developed rapidly since around the mid-2000s, but it has not guaranteed that CSR would be automatically embedded into the management processes and governance systems of these companies. This paper has researched this theme based on the three points and the discussion leads to three propositions as follows.

- 1 Although some companies did establish CSR-related institutions before the CSR boom, these institutions had a narrow and selective focus on CSR activities at that time, and did not function to ensure the incorporation of CSR into daily management process. A and B-Companies, as a result of severe criticism prompted by the corporate scandal, were forced to undertake a company-wide review of the organisational structure of their CSR activities and policy. The successful

functioning of CSR requires awareness of CSR by all employees in every department, and the incorporation of CSR into the daily management processes of each department, as well as practical communication between and implementation by all employees. The practical incorporation of CSR into an organisation and its functions can also be facilitated by changing the conventional evaluative measures of business operation and work performance in each department, by including evaluation criteria based on the performance of CSR-related activities as we reviewed at the A and B-Company. For those companies which have previously caused scandal, the severe backlash of criticism that followed in fact provided an opportunity for them to revise their understanding of CSR and to improve their organisation and corporate culture. Under 'peacetime' conditions, however, the question of how to develop a sense of CSR for all employees and to embed socially responsible management within the organisation becomes another distinct challenge.

Proposition 1 Establishing a CSR institution is not enough to ensure that CSR itself will sufficiently function. CSR needs to be incorporated in the management process of each department, and not be kept separate from routine managerial procedure.

- 2 Many companies established CSR department having been influenced by the CSR boom. In the C-Company's case, however, CSR departments was set up but not given any practical authority or role, and was therefore essentially prevented from functioning well within the relevant organisation. A number of companies have just followed and adapted the best practices of CSR management prevalent in their industry, rather than making any strategically reasoned policy for their CSR; this is called the mimetic isomorphism of an institution (Meyer and Rowan, 1977; DiMaggio and Powell, 1983) and certainly in many cases CSR is not necessarily embedded into the management process. It is not an easy task for any company to establish a CSR department and determine how it will function within the organisation. Just like C-Company, without any coordination in the introduction stage between a CSR department and related departments, it is inevitable that a power struggle will occur among the departments. If the CSR department is not duly authorised in an organisation, then it will not be able to clarify its relationships with others. In order to prevent conflict, ex-ante adjustment and leadership from top management are crucial in setting up a successful CSR department. The CSR department itself needs to be in ready communication with the related departments and to be proactive in asking employees to try to understand the importance of CSR. The staff of D-Company came to figure out the importance of CSR inside/outside the organisation through completing the CSR report.

Proposition 2 A CSR department needs to be given a practical commission and roles, to be clarified within and authorised throughout an organisation. The department has to specify its position in the organisation through communication with related departments.

- 3 E-Company includes the word 'CSR' in their MTMP, but without any plans for practical application and without any real efforts to incorporate CSR into the management process. CSR will not just function even though the message of CSR is touted at the head line in a MTMP, nor will it work simply by stating at the top of the first page of the CSR report that the company places the utmost importance on

CSR as a message from the top management. As F-Company's case suggests, there is a need to formulate an actual strategy and action plan for each department within the MTMP, and then to check progress and problems regularly at management council. In other words, CSR cannot work well without any system which runs a PDCA-cycle on routine work within each department. But it is not easy task to combine the CSR plan in a practical process of each department.

The following survey shows how CSR plans can be incorporated into MTMP in Japanese companies. This is conducted in collaboration with the Center of Public Resources Development (NPO) in January 2009, concerning the relation between MTMP and CSR showed the following results. 329 valid responses were received from listed companies. 50.6% of these respondents confirmed that CSR was included in their MTMP. 12.7% answered that their CSR mid-term plan is interlocked with MTMP. 7% stated there was no link between their MTMP and CSR mid-term plans. 25.5% had no CSR mid-term plan, and 4.2% has no MTMP. The number of the companies which include CSR in their MTMP was more than half. The number of the companies in which the CSR mid-term plan was interlocked with the MTMP, however, was just only one-eighth of the total. There are also still a few companies who establish a practical CSR action plan for each department and link it to their MTMP. By industrial classification, 44.9% of the respondents from the manufacturing industry answered that CSR is included in their MTMP, while 14.4% responded that their CSR mid-term plan interlocked with their MTMP. In the financial industry, the former is 71.4%, but the latter remains 6%. This shows the distinct gap between industries.

Proposition 3 When formulating a CSR mid-term plan, it is important to link it to the mid-term management plan, then incorporate it into the action plans drawn up for each department, and conduct a PDCA cycle.

7 Concluding remarks

This paper finds that although leading companies in Japan have in place a CSR code of conduct, and a CSR department, and publish CSR reports, the systems in some companies do not function well in the organisation. It is not straightforward for many of these companies to incorporate CSR into the processes of their management and to make it work. This paper has researched the kind of problems that companies face in this situation and how these problems can be tackled. What this paper has clarified is that a newly-established CSR department should be authorised and given roles in the organisation, and CSR should be incorporated into the routine management processes and governance systems in order to activate CSR practically.

The expectation of the market and of stakeholders for positive CSR performance should serve as a motivation for companies. Tanimoto and Suzuki (2005) ever proved that Japanese companies with a high ratio of overseas sales and foreign shareholders actively responded to CSR (e.g., creating CSR reports guided by Global Reporting Initiative). Many Japanese companies which are domestically focused, however, have historically not experienced any strong demanded for the accountability of corporate management from stakeholders. A significant difference was visible between the CSR efforts of industries/companies running business overseas and those running business in

Japan. The former companies will have come under global screening from institutional investors and SRI rating organisations, and harsh criticism or inspection from NGOs, while the latter will not have been forced to respond to the most urgent needs for tackling CSR issues. We have also found here that most of the latter companies introduced CSR institutions just as following the best practices prevalent in each industry, but did it formulaically. Not a few companies incorporated CSR into the management process (e.g., A and E-Company).

As the CSR boom has increasingly spread, companies which had progressive programmes and institutions of CSR began to gain a strengthened reputation in the market, even for those from industries with a less developed overseas market. A growing number of companies which had previously only had a limited interest in CSR now found that they should not ignore the movement; these companies started to establish or re-orient CSR institutions one by one (Tanimoto, 2009).

KPMG (2008) argued that especially “since the financial crisis, companies have been experimenting with unifying these two concepts (= CSR and corporate governance) in order to strengthen strategy and risk management”. Companies reflected on their understanding and implementation of compliance and CSR institutions, and took a further step also, making efforts to incorporate CSR into management processes and governance systems. It is important for them to link a CSR management plan and strategy to a MTMP and check both of them periodically at the management council by the top management.

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