Corporate Social Responsibility and Business Strategy
A case study of a Japanese firm shifting from environmentalism to Strategic CSR

L. Chamila Roshani Perera*
Graduate School of Business Administration, Kobe University, Japan
Chamilaroshini2004@yahoo.com

&

Chandana Rathnasiri Hewege*
Department of Management, Caulfield Campus, Monash University, Australia
chandana.hewege@buseco.monash.edu.au

Preferred Stream: Stream No. 09 - Networks, Clusters, Collaboration and Social Capital:

Profile:
L. Chamila Roshani Perera:
Presently attached to the Department of Business Administration, Kobe University as graduate scholar & also a lecturer in Marketing, Department of Marketing Management, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura, Sri Lanka.

Chandana Rathnasiri Hewege:
Presently attached to the Department of Management, Caulfield Campus, Monash University as a graduate scholar & a senior lecturer in management, Postgraduate Institute of Management, University of Sri Jayewardenepura, Sri Lanka.
ABSTRACT

After Milton Friedman’s controversial claim that the social responsibility of a firm is to maximise profit within the legal framework, many scholars began to argue for altruism in corporate social responsibility (CSR). However, taking a middle approach between the two extremes of self-interest and altruism, the current trend is to locate CSR at the strategic level of the firm and to incorporate CSR as an integral part of the core business strategy and processes. It is believed that the sustainability of a firm and its CSR initiatives can be ensured through this approach. At the firm level in different national contexts, the processes and the specific actions that are needed to operationalise strategic CSR have not been adequately investigated and reported in the literature. Findings prove that CSR can be embedded in to the core business philosophy and strategy to enhance performance. The two-way flow of decision making between the strategic level and the functional level was critical for companywide CSR commitment. It is revealed that CSR is not an ‘added component’ but an integral part of the core business.

Keywords: Corporate social responsibility, strategy, sustainability

Modern day businesses are pressurised to be socially responsible and to act in a way that benefits the society (Miles 1987; Lambin, 1997; McWilliam and Siegel, 2001; Freeman 2001; Snider, Hill & Martin, 2003; Hopkins 2004; Lockwood, 2004; Utting, 2005). Being ethical and ‘virtuous’ are not sufficient and organisations are expected to practice ‘social responsibility’ or ‘corporate citizenship’ (Carroll, 2000, p.187). After the controversial assertion of Milton Friedman (1962) that the only social responsibility of a firm is to earn profit, there have been confirmations and disconfirmations of his idea (Porter and Van Der Linde 1995; Holliday et al.2002; Smith, 2003). Moving little further from Friedman’s view Moir (2001), argues that the only social responsibility of a firm is to provide employment and pay taxes. However, complying with tax obligations is not apparently sufficient to discharge social obligations (Bowie, 1995). The next stage (the other side) of the argument was mainly on the altruistic commitment of firms. This means that firms ought to commit for the social well-being without expecting any benefit in return. However, the CSR argument now seems to have taken a ‘middle approach’ between total self-interest and total altruism (Smith 2003). This approach is often termed as ‘strategic CSR’.

Strategic CSR or ‘strategic philanthropy’ (Carroll, 2001, p.200) is needed to accomplish strategic business goals. Strategic CSR argues that the company actions for social well-being should be linked to the goals of profit and growth. This viewpoint is opposite to ‘altruism’ argument of CSR. It is believed that strategic CSR is aligned with the profit motive (Key and Popkin, 1998; Questerand & Thompson, 2001). Thus, expenditure on strategic CSR activities should be viewed as an investment in the ‘goodwill bank’ (Vaughn 1999), which yields financial returns (McWilliams and Siegel, 2001). On the other hand, ethical business practices without strategic intents are assumed to be ‘non-sustainable’. For example, a study (Rosenthal, 1994) on Body Shop International (BSI) revealed that
BSI demonstrated the intensity of the struggle to sustain socially responsible actions in a complex global market (Dennis, Neck & Goldsby, 1988). In order to link CSR with business strategy, companies need to perform a more detailed analysis of the ways and means of relating CSR to core business activities (Key and Popkin, 1998). The strategic adaptation needed to embed CSR requires changes in internal organization’s structure, planning, internal communications and controls. Husted, Allen and Rivera (2006) revealed that the higher the centrality of CSR activities to the firm’s mission, the more likely that the firm will engage in CSR internally. Thus, the main research issue addressed in this paper is ‘How CSR should be linked to the core business strategy of a business? At the firm level in different national contexts, the processes and the specific actions that are needed to operationalise strategic CSR have not been adequately investigated and reported in the literature. This paper seeks to fill this gap.

The meaning attached to CSR is different in the context of contemporary Japanese business practices. CSR practices for Japanese corporations mean ‘good environmental practices’ (Council for Better Corporate Citizenship, 2003; Kolk, 2003). The majority of existing guidelines governing CSR actions, which are imposed by various institutional bodies in Japan, are more focused on environmental issues. It may appear that the other social responsibility areas of a business are neglected or not yet included in the CSR scope of many Japanese companies. This paper takes notice of this phenomenon and attempts to illustrate the change process undergone by a Japanese firm in incorporating wider CSR actions into the existing ‘environmentalism’. We intend to explore the internal management processes, the external cues that influenced this transformation and the way Japanese management’s strategic controls internalized CSR.

The rest of the paper is structured as follows. The next section, explains the rationale for CSR, the concept of strategic corporate social responsibility and the CSR practices in Japanese business context. Then, the research methods used for this study are elaborated. In the next section, a detailed account of the changes that took place in the firm is explained together with an analysis of these changes. This is followed by the conclusion.

**RATIONALE FOR CORPORATE SOCIAL RESPONSIBILITY**

CSR has become indispensable to the survival of modern organizations, given the present economic and social transformation. Longevity of business operations depends on the degree of adaptability to changes. Present trend is to evaluate firms based on the gap between the newly defined social expectations and the actual social performance. Many firms have realized that the social involvement is not only desirable but also necessary for the sustainability of the business (Porter and van der Linde 1995; Balabanis, Philips and Lyall, 1998; Holliday, Schmidheniny, and Watts, 2002). The sustainability of CSR depends on the sustainability of the business organizations and vice versa. Therefore, there should be a link between CSR and the business performance. However, previous studies on CSR and business/financial performance provide inconsistent results (Aupperle , Carroll
and Hatfield, 1985; Piacentini, MacFadyen & Eadie 2000; McWilliam and Siegel, 2001; Margolis and Walsh, 2001, Trevino and Nelson, 1999). When positive relationships were reported it needed to verify whether such increases in financial performance was solely due to CSR. Sometimes, it may have been the case that a part of the surplus profit from business operations is spent on social well being (Trevino and Nelson, 1999). Such ambiguities have emerged partly due to the vagueness of the concept of CSR and the lack of appropriate instruments to measure it (Smith 2003; Berner 2005). The assessment of the CSR effectiveness is problematic due to the abstract nature of the outcome that is generally determined by factors such as corporate image, reputation, public relations, good will and value of employee morale (Miller and Ahrens, 1993). Because of the size and the impact they have on society, the private firms are often perceived as public institutions in many respects. A private firm, to a certain extent, is expected to perform a public role. It is argued that private firms must be held responsible to discharge higher standards of social responsibility than that of individuals (Miller and Ahrens, 1993). An association with ‘socially bad’ companies through the supply chain can pose a significant threat to the survival of the organisation (Wood and Brewster, 2005). Stakeholders expect organisations to be socially responsible from the inception of its product life cycle to the end of it (Paine, 2003). To fulfill this, changes in organization structure and procedures are mandatory. CSR is argued to be essential to a firm’s overall strategy (Andrews, 1971; Carroll and Hoy, 1984).

Strategic Corporate social responsibility

Strategic corporate social responsibility is defined as ‘synergistic use of organisational core competencies and resources to address key stakeholders and to achieve both organisational and social benefits’ (McAlister and Ferrell, 2002). The CSR literature indicates a trend that CSR definitions gradually deviate from ‘altruistic’ to ‘self interest’ or ‘strategic’ level. Andrews (1971) as well as Carroll and Hoy (1984) claim that, CSR is a strategic issue and it cannot be separated from a firm’s overall strategy. Spending on ‘socially good’ activities out of corporate wealth is perhaps in line with Friedman’s neoclassical economic view so long as the firm gain indirect financial benefits (Boatright, 1999). The evolution of the notion of strategic CSR is a gradual process. Carroll (1979; 2000) and Enderle (2004) described CSR in terms of economic, legal, ethical and discretionary responsibilities. Elaborating on the discretionary dimension, which concerns managers’ moral responsibilities in selecting activities to achieve socially responsible outcomes, Schwarz and Carroll (2003) improved the concept of CSR beyond philanthropic boundary. This new paradigm integrated CSR in to the main business functions removing its ‘outside’, ‘non-business’ and ‘voluntary activity’ labels. Taking care of stakeholders’ interests is viewed as a necessary condition to shareholder wealth maximisation (Goodpaster, 1996) and this is viewed as an integral part of a typical executive’s role (Smith, C.2001; Campbell, Gulas and Gruca, 1999; Shaw and Post 1993). According to Galbreath (2006) a firm has four CSR strategic options to consider; shareholder, altruistic, reciprocal and citizenship. The shareholder strategy is based on Friedman (1962) argument of CSR, which upholds the economic
responsibilities of a firm. The altruistic strategy explains firm’s selfless commitment to social well-being. The reciprocal strategy represents a mutual gain where CSR improves business and internal business improvement will result in more CSR actions. However, according to Galbreath (2006), the citizenship strategy is the most strategic in terms of CSR. The citizenship strategy takes in to consideration interests of all the stakeholders as a part of its corporate strategy formulation. Further, reviewing different viewpoints on the role of business in society, Lantos (2001) introduced three types of CSR; ethical, altruistic and strategic. Strategic CSR (also referred to as ‘strategic philanthropy’ by Carroll (2001)) focuses on strategic business goals. Strategic philanthropy is rooted in profit motive (Quester and Thompson, 2001). Strategic CSR consists of ‘actions that protect and improve the welfare of society along with its own interest (firm)’ (Davis, Fredrick & Blomstrom 1980, p.44). The appeal of strategic CSR over altruistic CSR is evident from Lantos (2001) assertion that ‘for a publicly held business, altruistic CSR (doing good work at the expense of shareholders) is not legitimate, and companies should limit their philanthropy to strategic CSR’.

CSR IN JAPANESE FIRMS

Recently, there has been a tendency for Japanese firms to focus on the social role of the business and on the sustainability reporting (Lewin, Sakano, Stephens & Victor, 1995; Kolk 2003). Most of the western practices entered Japan immediately after the World War II coupled with economic rebuilding program. The American versions of businesses, social and moral behaviours, were integrated into the Japanese business practices (Bowen, 1953, Fredrick 1960). In addition, as the Japanese corporations began to expand operations globally, Japanese managers of overseas operations began to respond to the social requirements of each country (Kazuo Watanabe, General Manager-Mitsubishi Electric’s, cited in Lewin et al 1995). These expatriate managers began to gain experience of the western corporations’ consciousness of CSR, which intern significantly influenced the CSR initiatives in the Japanese corporations. However, the context of Japanese business environment is different from that of the west, especially USA. In the Japanese corporate business practices, the extensive use of administrative guidelines (gyosei-shido), rather than legal or administrative procedures, plays a dominant role in corporate management (gyosei- tetsuzuki).The Japanese corporations are likely to manage operations and employees through ‘guiding principles’ ( Keiei-rinen, sha-ze,sha-kun) rather than rules ( shugyo-kisoku). These guiding principles provide general objectives. They are not specific instructions or outcome measures. Control is achieved through extensively detailed and well explained planning activities. These planning activities help integration of all business activities to form a set of strongly held business principles or beliefs. The operationalization of the concept of social responsibility appears to have followed the same general principles and cultural practices in Japanese firms (Lewin et al, 1995).

The Japan Productivity Centre (JPC) conducted a survey to investigate five specific areas of corporate responsibility status (Lewin et. al, 1995); Awareness of corporate citizenship, philanthropy,
ethical issues, codes of ethic, and organisation for corporate citizenship. The survey indicated a shift in the view of corporate citizenship to areas such as guidelines for environmental reporting and performance, environmental accounting guidebooks (Ministry of the Environment) and environmental reporting guidelines (Ministry of Economy, Trade and Industry). Socially responsible investment (SRI), which has been promoted mainly in the USA and Europe, is now getting popular in Japan (CBCC, 2003). According to CBCC (2003) CSR trends in Japanese society tended to link with environmental protection efforts. Kolk (2003) revealed that those efforts are taken in relation perspectives, for instance, hiring practices and consumer protection polices. The advent of eco–funds in Japan provided investors with an opportunity to incorporate environmental consideration into their investment activities and to improve their awareness of ‘environmental management’ (Development Bank of Japan 2003).

In the past two decades, the media in Japan began to focus on the corrupt business practices. This trend influenced consumers to seek for businesses that they believe are ethical and that are supposed to have a social conscience (Rae and Wong, 1996). However, some studies revealed that since SRI and CSR are still in their infancy in business practices of Japan, there is a room for firms to use CSR as a source of competitive advantage. In this respect, a survey, conducted by the Japan Institute for Social and Economic Affairs (cited in Development Bank of Japan, research report 2003), on citizen’s perception of businesses revealed that 0.5% of the respondents agreed that the social role and responsibility actually carried out by businesses were ‘sufficient’ and 37.8% considered it ‘acceptable’, while 55.7% regarded it ‘unsatisfactory’ and 1.5% believed ‘non–existent’. Further, 60% of the population is not satisfied with the social role and the social responsibility discharged by the companies.

**RESEARCH METHOD**

The study employed qualitative research method using a single case study approach (Yin, 1994). In line with Yin, the study investigates a ‘contemporary phenomenon within its real-life context’. The aim is ‘theory-testing’. The methodological procedure is inclined toward adaptive theory (Layder, 1994), a modified version of grounded theory (Glaser & Strauss, 1967). Unlike in grounded theory, the researchers, prior to gathering field data, had a general idea of ‘what to seek for’ in adaptive theory method. The primary data was mainly collected from in-dept interviews. In the first stage of the interviews, five middle level managers were interviewed. One of the managers was the catalyst in the CSR process of the company. This initial stage of the interviews enabled us to understand the areas for further investigation. Then, 15 interviews were conducted with managers from the top, middle and lower levels. Five interviews were conducted with workers. Thus, the total number of interviews was 25. Roughly, an interview took 25-60 minutes. The secondary data, mainly for triangulation purpose, was collected by using company publications, CSR related media publications and other documentary evidence generated by several statutory bodies in Japan.
NIHON ELECTRIC COMPANY LTD (NECL)

Nihon Electric Company Ltd (NECL), established in 1918, is one of the three main companies under the Osakura Electric Group. The other companies are Tatsuta Electric Industrial Co., Ltd (TEICL), a manufacturer of televisions, DVD players, and related products and Kyouko Co., Ltd (KCL), a home construction company. NECL operates in six business areas. They are lighting products (18% of sales), information equipments and wiring products (9% of sales), home appliances (32% of sales), electronic and plastic materials (12% of sales) and automation controls (12% of sales). The company produces more than 200,000 varieties of products. In 2004, NECL collaborated with TEICL and KCL.

NECL’s consciousness of the environment started when it established a basic philosophy of environmental action in 1992. In October 1996, the company set its environmental policy. Yet, CSR beyond environmental protection actions was new to the company. In 2005, the company set its key policies relating to CSR. To include wider CSR perspectives, the company revised its environmental policy. The new policy moved beyond the environmental issues and addressed other CSR areas. This is evident from the company’s key mechanism for CSR activities—‘NECL’s Manufacturing: A Virtuous circle’. One senior manager commented about the virtuous circle;

‘A virtuous circle’; this is our key term in CSR. Our main focus is to contribute to a recycling–oriented society. Recycling will aid the effective use of limited resources. Our focus is to design products taking its entire life cycle. That is its production inside the factory, its end outside, in the hand of the final customer and its disposal.

It may appear that the CSR interpretation of the company is based on ‘contributing toward a recycling oriented society’, which is, at the surface level, closer to the environmental safety. However, the ‘virtuous circle’ focuses not only on the manufacturing aspects based on environmental issues but also on the customers, employees, business partners, government, citizen groups, local communities, global environment, industry associations, shareholders, mass media and international community. Further, NECL’s CSR strategy is more or less similar to the citizenship strategy introduced by Galbreath (2006). Citizenship strategy calls for the integration of CSR issues with the strategic implementation process of the company. NECL treats its social obligations as a corporate policy. The mission of the company is ‘to devote to the development of the society and to the well being of people through its business, thereby enhancing the quality of life throughout the world’. Moreover the corporate policy is followed by a business statement of belief of ‘united spirit’ as well as seven business principles namely, contribution to the society, fairness and honesty, cooperation and team spirit, untiring effort for improvement, courtesy and humility, adaptability and gratitude.

Impetus for CSR Initiative

In 2002, the market conditions were unfavorable due to struggling economy. NECL’s target markets began to decline amounting to 95% less compared to the previous year. This forced NECL to focus on other markets such as ‘renovation market’. NECL was able to offer a number of new products which aided the recovery in sales performance during the latter period of 2002 fiscal year.
These new developments and the emerging media pressure on firms to be socially responsible forced NECL to embed CSR imperatives into the business process. One Manager commented:

“…… there were some changes and pressures from the society. Recently, some bad business practices such as ‘snow brand bacteria and Mount Fuji issues’ were reported. The society began to demand from big companies to focus more on good behavior in doing businesses”

It is evident that NECL’s interest in CSR came from a cumulative force of three circumstances namely, unfavorable economic situation in the country, recognition of the need for changing the existing product portfolio and policies, and the new market conditions. In 2005, NECL faced serious issues related to customer safety, for instance, the case of carbon monoxide poisoning caused by an oil-powered fan heater manufactured by TEICL. This incident had occurred before NECL collaborated with TEICL. Nevertheless, NECL took this matter seriously and implemented remedial strategy that included recalling, inspecting, and repairing the products. As the number of defective products remained untraced, NECL requested continued understanding and cooperation from the public. This was a landmark event in regard to firm’s CSR initiative. NECL believes that there are three essential factors; (1) creation and expansion of businesses leading to a recycling-oriented society (2) rollout of voluntary activities among staff as employees of a good ‘corporate citizen’ and (3) disclosure of information to strengthen the relationship based on trust with stakeholders.

Organization and management of CSR activities

NECL declared the year of 2006 as a year of progress in CSR and set broad objectives and operational targets aiming CSR. NECL’s commitment to CSR changed the strategic direction of the company. The major environmental tasks and objectives are set in five areas; total life style, products and services (divided into further 3 areas- prevention of global warming, reduce, reuse and recycle (3Rs), and environmental cleanliness), facilities, communication and management. These major areas are further divided into tasks such as developing super ‘Green products’ (GP), increasing sales share of GPs, creating products with industry-leading levels of energy saving, promoting 3Rs in products, developing recycling-oriented businesses and promoting reduced packaging. For each target, there are financial plans from 2006 to 2011. As evident from company CSR report, more than 70% (19 task set for financial year 2006) has already been achieved and about 20% (6 tasks) is in progress. NECL failed to achieve a target (3%) relating to the prevention of global warming. NECL set a target of 1% reduction in CO$_2$ emissions but this target failed with 4.5% increase of CO$_2$. As a result, the company started to find the reason for non-achievement and again set a new target for year 2007.

Strategic Commitment

NECL’s CSR process is still in the initial stage. CSR actions of NECL can be categorised into four components; economic, legal, ethical and discretionary responsibilities (Carroll, 1979; 1996; Schwarz and Carroll 2003). The company upholds stakeholder interest in setting CSR targets. NECL’s economic responsibilities are ‘to be productive, profitable and meeting customer needs’. The CSR
initiative was pushed from the bottom to the top. Initially, middle management suggested CSR to the top management. The famous bottom-up approach in Japanese management is evident here. Most of the Japanese corporations were started as family owned businesses. When these businesses expanded, the owners hired professional managers to run these businesses. It was the responsibility of the managers to suggest the owners the best decisions that can ensure the sustainability of the business.

The idea of CSR was initially suggested by the middle management. One manager commented;

“There is a section for electronic and plastic materials in our company. It is highly sensitive to environmental harm. At the same time, there are factories around the world, which produce the same products under the control of our company. The head of this section has gained exposure to systems and practices of other countries. He initiated the idea of CSR. Managers with overseas exposure and experience have a say in CSR related issues of the company.

One Manager Commented;

Especially this manager (head of the section) was very straight forward in giving his ideas. He usually shouted at meetings. (KONNA KANJI DE KONO KAISHA WA MO IKENAI... (we cant run this company like this any more!). He is a leader who convinces the top management to take actions to formally establish CSR. Finally the top management appointed him as the head of CSR division.

The top management set the overall policies and strategic objectives. The CSRM committee (Corporate Social Responsibility and Risk Management) plays a counselling role in setting these overall objectives. NECL was a champion in inventing breakthrough green products. For example, a modular bath based on a fusion of NECL’s accumulated water flow generation technology and TEICL’s oxygen generation technology was introduced to the market in 2006. At the same time, the company launched the VOC21 (Voice of Customer 21) system, which ensures the integrated management of customer comments, questions, request and complaints across the corporate structure.

Organization Structure

The initial organization structure of NECL did not consist of special CSRM committee. NECL had been publishing an annual environmental report since 1999. The report was renamed as sustainability report in 2003. NECL’s Environmental Management System (EMS) is based on NECL’s environmental policy. The organization structure depicted in figure 1 supported the Environmental management system (EMS).

[Insert Figure 1 here]

After NECL decided to incorporate CSR, it made changes to the existing organization structure and introduced a structure to implement CSR. The new structure (figure 2) enhanced the corporate governance system, which they believed ‘an essential mechanism for successful implementation of CSR’. The implementation of CSR is supervised by a committee, which directly reports to the president. In April 2006, NECL revised its environmental policy to ensure that CSR is embedded in to the core business. The company reinforced the CSR management by appointing a board of directors in which there was a member (CSRM officer) with responsibility for CSR and risk management. A representative director, responsible for CSR and risk management, is also appointed.
This CSRM officer is supposed to manage CSR, risk management and other control functions. He also plays a central role in corporate governance. As NECL believes that corporate ethics lie at the heart of CSR activity, it also perceives CSR and risk management (RM) as the two sides of the same coin. The company established a CSRM committee, presided over by the company president, to act as the supreme authority for implementation of CSR. Apart from the formal changes introduced in to the organizational structure, there are some traditional, rather informal, mechanisms to ensure the control of CSR in the company. One manager commented:

In this system, we are asked to report any CSR or environment issue directly to the special committee consisting of 30 members. The committee operates for 24 hours. Not only any critical incident inside the company, involved in superiors or subordinates of the company, but also any incident arising out of businesses with outside parties such as, suppliers, key customers, we can report it directly to that committee. The main concern is given to the recognition of critical incidents which harm the company image. The committee will investigate the incident and then will assign a respective officer to take actions.

Changes to functional areas

Production & Marketing: In 2005, the company started to focus on developing breakthrough green products in addition to energy saving products. NECL believes that its breakthrough green products can achieve the top level of environmental performance in the industry. In 2006, 11 new items were added to the range of breakthrough green products. In 2006, the sales share of these products with industry-leading levels of environmental performance reached 50.5%, thus, exceeding half of all the products for the first time.

NECL’s virtuous cycle of CSR begins with customers and their views, which guides the business as a whole. The process is aimed at ‘recycling oriented society’. One Manager Commented:

We can’t just take our hands off believing that our responsibility is over when products leave our door steps. We believe that we are not just selling the product but it’s a function. We need to be responsible in minimizing bad effects to the environment when customer uses it and replaces it. It’s a matter of product life cycle, not just a product.

For example, the ‘safety lighting equipment management and care service’ requires the company to go beyond ‘selling the product of light bulb’ and to cover the entire performance of selling the ‘function’ of lighting. NECL takes the responsibility of replacing light fittings when they wear out and collecting the expired items and guarantees that those products are recycled or disposed appropriately. The service is provided for a monthly fee. The service was launched in April 2002 and has been growing steadily since then. In December 2004, this service received the Environment Minister’s Award in the Eco Services section of Japan’s 1st Eco Products Awards. As of March 2006, this service was used by about 425 entities with a total of approximately 3600 business premises.

Human Resource Management: Employees are motivated to fulfill social responsibilities. Changes were introduced to enhance employee potential by placing the right person in the right job.
Some of these changes are *from uniformity to diversity, from collective dependence to independence and individual responsibility, and from length of service to merit and ability.* Diversified working schemes were introduced to support diverse life styles.

**Practice of Corporate Philanthropy as a corporate citizen**

The company involved in philanthropic activities to become a good corporate citizen. These activities included participation in the ‘Green Thank you scheme’ of tree-planting in Asian counties and tree-planting on Mount Fuji by staff volunteers. NECL also engages in giving corporate donations to various organisations. The company established a disaster relief fund. In 2006, the fund was used to donate 7 million Yen as relief funds to the victims of Hurricane Katrina and the earthquake in Pakistan. The analysis of donation by beneficiary can be seen as education, welfare, sports (29.6%), Disaster relief (21.88%), Patronage & cultural sponsorship (12.5%), Scientific Research (11.6%), Local revitalization (11.4%), environmental conservation (4.4%), & other areas (11.6%).

**CSR based-Performance management and control**

The company has been able to improve its business performance during the period of 2004-2006 resulting in an increase in corporate value and meeting shareholders’ expectations. NECL engages in two-way communication with shareholders and investors through a wide range of channels such as release of quarterly business results, overseas road shows, business reports, Annual reports, and shareholder bulletins.

[Insert Figure 4 here]

*Ranking in Socially responsible investment (SRI) index:* In recognition of CSR commitment, NECL has been featured for four consecutive years in the *Morningstar socially responsible investment share price index* and the *Dow Jones Sustainability indexes* (CSR report 2006). SRI measures the degree to which a company makes investment decisions not only based on economic factors, but also based on the consideration of social, environmental and ethical factors. It is revealed that NECL’s stocks are included in a number of well known socially responsible investment funds.

**CONCLUSION**

The paper reports findings from a case study of a Japanese firm that expanded its ‘social concern’ scope from environmentalism to strategic CSR. The paper focused on the development of the CSR argument from pure self-interest to pure altruism and the status of the current debate that tends to promote strategic corporate social responsibility taking more or less a mixed approach. It is assumed that the sustainability of the CSR actions of a firm and, in turn, the survival of the firm, rest on strategic CSR. This requires firms to link its CSR activities to the long term business goals. The Japanese business context and the meaning attached to the concept ‘CSR’ in this context are important variables in understanding the internal processes of the company. It is unique that environmental
concern of a company is synonymous to ‘CSR’ in the Japanese business context. CSR in its wider meaning encompasses a broad spectrum of factors relating to lives of all the inhabitants of the planet earth. In Japan, the emphasis on environmental protection is considered to be the most important aspect of a firm’s CSR commitment. Given this background, the case company acted proactively to expand the scope of CSR. The traditional bottom-up decision making approach was evident when the initial idea for CSR was suggested by the middle management to the top management. The changes to the organization structure and the creation of separate organizational system for CSR monitoring and implementation could be considered as important internal changes. The linking of CSR objectives to employee performance was the key personnel control strategy administered by the company.

The mechanism used by the firm to implement this was the ‘virtuous cycle’, a cyclical representation of the firm’s value generation and the sustainable existence of all the stakeholders of the company as well as the planet earth. The most important finding from this case is that the CSR is embedded into the core business philosophy and that the company applied a distinctive organizational and management strategy to transform this philosophy into tangible material benefits.

CSR literature does not provide conclusive evidence to confirm the relationship between CSR and the business performance. However, there has been convincing research findings to assert a positive relationship. According to the findings from the case, the company performance in terms of revenue and profits dramatically increased during the period of CSR implementation. While acknowledging the need for a well designed causal study to confirm the relationship between CSR and business performance of the firm beyond doubt, it can be concluded that the case provided evidence to support the argument that strategic CSR leads to improved business and social performance. This is a win-win situation for the firm and society, when compared with the pure self-interest and pure altruistic extremes of CSR.

**Figure 1: Adopted Organization Structure – Before CSR**
**Figure 2: Organization structure after launching CSR**

- General Meeting of shareholders
- Board of Directors (Chair person, president)
- Executive Operations
- Executive Board
- Internal Control
- CSRM committee
- Corporate Ethics Committee
- Corporate – Wide Information Security Committee
- Export Management Committee
- Other Committees

**Figure 3. Sales Share of Green Products**

![Graph showing the sales share of green products from 2000 to 2007.](image)

**Figure 4. Net Sales and Net Income**

![Graph showing net sales and net income from 2001 to 2006.](image)

(Source: Company CSR report 2006)
References
Aupperle KE, Carroll AB and Hatfield JD (1985) The Empirical Examination of the Relationship
Between Corporate Social Responsibility and Profitability, Academy of Management Journal
28(2):446-463.
the top British companies: are they linked?, European Business Review, 98(1): 25-44.
Bowen HR (1953) Social Responsibility of Businessmen (Harper & Row, New York)
York, NY.
Campbell L Gulas CS and Gruca TS (1999) Corporate Giving Behavior and Decision-Maker Social
Carroll AB (1979) A three-dimensional conceptual model of corporate performance Academy of
Carroll AB and Hoy F (1984) Integrating corporate social policy into strategic management Journal of
Cincinnati, OH.
00/01, Dushkin/McGraw-Hill, Guilford, CT, pp. 187-91
and models of management morality”, in Richardson, J.E.(Ed.) , Business Ethics 01/0,
Duskin/McGraw-Hill, Guilford, CCCCCT, pp. 198-203.
CCPA (2000) Corporate Community Involvement: Establishing a Business Case, Centre for Corporate
Public Affairs, Melbourne.
and Norms: Present Situation, Future Challenges: 1-21
Davis K Frederick WC& Blomstrom RL (1980) Business and Society concepts and policy issues.4th
2(4),60.
Freeman RE (2001) Stakeholder theory of the modern corporations, in Hoffman, W.M., Fredrick, R.E. and
Schwartz, M.S. (Eds), Business Ethics: Reading and Cases in Corporate Morality, 4th ed., McGraw-
Hill, Boston, MA.
Friedman M (1962) Capitalism and Freedom, University of Chicago, Chicago, IL.
Corporate Governance, 6(2): 175-187.
Goodpaster KE (1996) Business ethics and stakeholder analysis”, in Rae, S.B. and
Wong, K.L. (Eds), Beyond Integrity: A Judeo-Christian Approach, Zondervan Publishing
House, Grand Rapids, MI, pp. 246-54.
Development, Sheffield: Greenleaf Publishing.


