



Accelerating Inclusive CSR Activities: A Global Perspective

(Summary)

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“Recent Global Trends: Disaster Recovery CSR” (Angela Joo-Hyun Kang)

Today I will speak about disaster recovery CSR from a business perspective, and there may be an element of inconvenient truth for the social sector. As someone who used to work in private sector in the late 90s and 2000s, I strongly believe that only companies can give communities sustained and long term hope after disaster.

First, I will touch on “conscious capitalism.” “Conscious capitalism” is a way of describing the role of business after disaster. It can be categorized into three phases; Intervention, Recovery, and Prevention. “Intervention” requires immediate action and is a short-term remedy, mainly involving charitable CSR. “Recovery” requires collective action, working with many companies and other private and public actors. It is a mid-long-term remedy, mainly creating shared value, with CSV producing both social and economic value. As with “Recovery,” “Prevention” also requires multilateral action based on strategic partnership and sector specific CSV.

The first phase, “Intervention,” is important because in the face of severe disaster, timely donation is key. One example of this would be cash donations in response to the Ebola outbreak. For cash donation, the amount and channel matters. Usually, companies donate through NGOs. But some companies, like DuPont, gave restricted donations for certain services, in their case air freight charges. Other companies, like Microsoft, donate for mid-long term purposes, like research to prevent disasters. Banks can raise public awareness by encouraging customers to spread the spirit of donation throughout society.

Another popular approach would be in-kind donations. Companies donate not only through NGOs, but also directly through ministries. For in-kind donations, companies donate their competencies, such as their products and services. Booz Allen Hamilton donated experiences to collaborate, share data, updates, and strategies. Also, Facebook set up the DONATE button—considering its 1.4 billion active users, the ripple effect is very significant. Other examples include: National Airlines’ donation of planes for evacuation from risky areas on a focused route from New York to Monrovia Airport. Shell donated automobiles with petroleum to last 6 months. UPS covered not only air but also ocean and ground shipments. As you can see, there are many examples of this.

Even from the first phase, “Intervention,” companies donate products or services that they are known for in their respective industries. There is an element not just of altruism, but also public relations. They have shown their competitive advantage in their respective industries using their core competencies. This dual value creation —of both social and economic values — has been emphasized by Michael Porter and Mark Kramer, who accelerated and liberated corporate spirit to be beneficial both for business and society. Economic and social values are not mutually exclusive.

The second phase, “Recovery,” is where CSV (Creating Shared Value) comes into play. CSV is not charity, but rather a strategic direction. It’s a corporate strategy to maximize business opportunities and minimize business risks. In order to do better, companies should take a hybrid approach, and simplify this dual value creation approach, creating

both social and economic values. I know that Japanese firms are frontiers of hybrid approaches by integrating environmental values already into their products and services.

Actually, before Michael Porter and then Mark Kramer, another Harvard professor called James Austin, Professor at Harvard Business School, researched the relationship between business and society in the 1970s and coined a concept of corporate social entrepreneurship, CSE (Corporate Social Entrepreneurship). CSE-driven companies internalize both social and economic values in their business operations.

From Professor Austin's paper, corporate social entrepreneurship is a process of extending the firm's domain of competence and corresponding opportunities through innovative resource leveraging, aimed at simultaneous creation of economic and social value. It's a similar concept to CSV - a hybrid approach. In order to become a hybrid company, a company should have employees with hybrid talent, with dual perspectives on their work: economic and social, and it is important to nurture this talent. On the global scale, any international company can nurture hybrid talents by collaborating between headquarters and overseas subsidiaries, and also between business departments and then CSV and then human resource department to nurture hybrid talents. Effective CSR or CSV cannot be accomplished by only one team.

Last year, I attended a UN meeting to increase UN-Business Collaboration for Global Ebola Response. Collective Action was emphasized here as well. Among the six speakers in the corporate speakers' panel, the delegate from GE Foundation said that "At GE, we regularly pull resources from different areas such as healthcare, power, water and software. We also need other companies to get involved and mobilize for greater impact." Volvo is preparing to join in infrastructure rebuilding with a smart grid and electricity bus system in the central and local governments.

Let us move on to the final phase, "Prevention." On the corporate level, Google already built its reputation in prevention, early warning and early disaster response with different kinds of services. And then Orange Telecom, which not only nurtures hybrid talent but also contributed for Ebola-related researchers on a global scale by releasing anonymized and then aggregated data for researchers who predict and then minimize new outbreak risks. This kind of action has some controversy, but still it's clear that researchers can be helpful to prevent the epidemic disease and they and society can get benefits from this kind of cooperation.

On the country level, in the Philippines, where there are often disasters, the national Department of Science and Technology launched NOAH (Nationwide Operational Assessment of Hazards) in partnership with 57 international, governmental and also private sector bodies like Google Crisis Response. In the Philippines, ABS-CBN is one of the big TV broadcasting companies. Also, Global Telecommunications and Smart Communications are very famous Philippine telecom companies. They got involved in launching a massive early warning system by utilizing their core competencies to

maximize their business opportunities and minimize social risks.

Finally, I would like to talk about the R3ADY Asia-Pacific network. In fact, the Great East Japan Earthquake in 2011 led to its inception. It is a collaboration between the private and public sector, including the military, to decrease the gap between community level and national, regional, and then international level response. There is often a large gap between high level public policies and disaster prevention policies at the national, regional and global level, so R3ADY Asia-Pacific acts as a catalyst to connect the community level, national, regional and global level approaches to disaster recovery and response.

To conclude, I would like to say that business can do better when giving sustained hope in the long term, not only short-term sustained solutions, and revitalize rehabilitation measures through CSR and CSV. It is your role and then our role to revitalize investment in the community for community business. Good luck in your future endeavors.

“Inclusive CSR in Fukushima” (Jun Kurihara)

Ms. Kang gave us a grand picture about CSR. Now, based on her ideas, I would like to expand and apply my thoughts on CSR activities in the Fukushima region. The tragedy of the Great East Japan Earthquake gave us a huge burden, and also a task of how to restore the region. Let me briefly talk about what we can and what we should do in the future. First, I will speak about the importance of inclusive CSR. However, the word ‘inclusive’ is very ambiguous – perhaps “collaborative” is better. Secondly, I would like to refer to concrete examples in Fukushima, what we are doing and what we should do there. Thirdly, I will present my view about why we should extend our perspective and scope beyond Fukushima. And finally, I would like to conclude with my views.

I would like to introduce the book “Just Business” by John Ruggie, Special Advisor to Kofi Annan – the book was translated last year. He has investigated how to integrate the missions of the public and private sector. At the Center of Business and Government of Harvard Kennedy School, he has been working for role of multinational corporations in the world. He says that multinationals became the central focus of business and human rights concerns.

There are three distinct governance systems that effect multinational corporations’ conduct in relation to human rights. Ruggie referred to public governance, civil governance and corporate governance. We should pay attention to the three governance systems when it comes to thinking about CSR. Also, although we are experiencing globalization, we have not reached “globality.” “Globality” means a universally identical form is achieved worldwide. Even in the midst of globalization, national diversity exists. For example, in his observation, U.S. and Japanese firms tend to recognize a narrower spectrum of rights and rights holders when compared to European firms. In fact, among the Fortune Global 500, U.S. and Japanese firms had internal reporting systems, while Europeans are engaged in external reporting, but Japanese companies lagged well behind both. At the same time, when it comes to stakeholder relationships, European

firms have strong external stakeholder relationships, while U.S. firms, because of their stockholder-shareholder model, tend to focus more on internal stakeholders. But when it comes to Japanese firms, they have some sort of distanced official relations with external and internal stakeholders.

Japanese CSR seems to be less concerned about human rights, less concerned about internal and external reporting, and also less concerned with stakeholder engagement. What kind of additional behavior should be added to Japanese firm's CSR?

I have four suggestions. First, the CSR activities of a firm should not be implemented as "exclusive," with respect to for-profit activities that will create shared value. Second, each firm's CSR should not be implemented independently, but mutually interconnected with other firms' CSR. Third, the CSR activities of a firm must include all stakeholders, including employees, shareholders, customers and important contractors. Fourth, the firm's CSR activities should be designed to take part aggressively and voluntarily in a larger scheme where other like-minded organizations and individuals participate in CSR, irrespective of their individual segments or affiliations. There should be coordination within the larger framework of CSR so that everything that should be implemented when it comes to a particular issue of tragedy or disaster, is implemented.

In terms of the Tohoku disaster, the scale was immense, and recovery efforts are progressing slowly. As a result, a huge number of people are fleeing from the disaster-affected areas. According to a questionnaire given to those affected by the disaster, fewer people would like to come back to their community, which means that, in combination with the aging population, there is a crisis of disappearing communities. How can Japanese companies make contributions, along with the public sector?

There are a number of challenges still facing the region. First, the rate of debris cleanup is still quite slow. In Fukushima, as of March 2014, only 74% of debris has been removed. Also, when it comes to the nuclear decontamination rate, the numbers are still very high. These factors are having a negative effect on the local economy. Another issue is that Tohoku is a snowy region, so during the winter, children cannot play outdoors. Many Fukushima children are suffering from childhood obesity, higher than the national average. Post 3/11, children are afraid to – and often cannot – play outdoors. These factors are some potential motivators for companies tackling recovery efforts.

The need for CSR is an issue of human rights. When it comes to Fukushima, the right to life, the right to privacy, right to marry and form a family, the right to work, right to education, and freedom of movement are highly restricted. As Japanese companies, what can we do for the right to work or rights for freedom of movement? I consulted with NGOs and companies in Fukushima region, and the problem is the lack of inclusive CSR. In the past, CSR staff was segregated from other employees. Another problem was spatiotemporally isolated CSR. Some companies donate a lot of money immediately after the tragedy, but after that, they lose interest. Disasters have lingering effects, so this approach should be rethought. The third issue is that a standoffish relationship amongst stakeholders exists. Some employees are very eager to help, but some other stakeholders or customers might be indifferent – we must consider

how to include these people. Finally, there is the indifference to identical or similar CSR. There is no effort in coordinating those activities, so we have to be inclusive when it comes to simultaneously occurring CSR activities. We have to work seriously for organizational or behavioral innovations – innovations that are collective and demonstrative, not isolated or inhibited.

In Fukushima, some concrete issues are Medical Creation Fukushima and the Operation Slimmer & Healthier, which I take part in. When it comes to inclusive CSR in Fukushima, especially medical opportunity, we found that medical equipment production in Fukushima is growing year on year compared to other prefectures – in 2013, it was ranked number three. This is thanks to Medical Creation Fukushima, which was launched in 2005 – and it grew despite the disasters which struck there. Medical equipment production in Fukushima is one of the most promising industries there, in an otherwise stagnant production environment. To address childhood obesity, we must help children become curious about exercising outdoors and their parents must also pay attention to their diets. We devised a 3-year plan called Operation Slimmer & Healthier. It is a series of participatory sport events and continued measurement and examinations. I am working on this with my colleagues at the Ono Pharmaceutical Company and other NGOs.

There is also the issue of leadership, which is always very important when consolidating or developing coordination. Intra-firm integration is very important for corporate responsibility. Also, when it comes to engaging stakeholders, cooperation with stockholders, employees, and supply chain network systems is instrumental. When dealing with like-minded organizations, the most important thing is to start with external relationships within the region, like prefectural plans or national government plans like Abenomics.

Finally, I would like to talk about the CSR beyond Fukushima. The 3/11 tsunami reached Latin America, so we must think about it seriously from a global perspective. There are numerous other examples of this – the growing number of nuclear reactors could mean a growing risk for nuclear disasters or accidents, for instance. We must lay the awareness of crisis management throughout the world, so we have the same views. We have to continue to work, in response to the Fukushima tragedy in particular, because we still have a lot of things to improve for the human rights of the people who live there. Thank you very much indeed for your kind attention.

Q&A Session

Question 1:

Mr. Kurihara, you mentioned that Japanese firms have taken a relatively passive stance towards inclusive CSR. However, you also mentioned that there were a few firms that are engaging in inclusive CSR in the Fukushima area, and I was wondering what it is that makes those firms different: Why are they engaging in inclusive CSR? What value do they see in it?

Answer 1 (Mr. Kurihara):

What I explained in my presentation does not represent my personal view. Rather, it is

Professor John Ruggie's view. I respect his view, and for this reason, I referred to it as one of widely and objectively accepted perceptions at the outset. However, my understanding is slightly different. Japanese firms have made strenuous efforts to rehabilitate the Fukushima region. Nonetheless, internationally speaking, Japanese firms are not good at making themselves understood by expressing their intentions and behavior. Therefore, my suggestion to fellow Japanese is to consider seriously how to coordinate reporting and how to establish a Japanese standard to not only appeal internationally, but form a base of common knowledge to learn from each other with.

Question 2:

Ms. Kang, how do attitudes to CSR among Korean firms compare to Japanese firms?

Answer 2 (Ms. Kang):

Korean firms are very active in corporate philanthropy. In fact, 40% of Korean conglomerates spend 3.4% of profit before tax on charity work. However, Korean firms should improve their coordinated approach and also their interconnected approach. They do not have a hybrid perspective yet, in terms of attitudes towards social and economic values. I think there is still too much of an emphasis on competition in CSR. Every time I see Western firms taking collective action, I think that if Korean firms can change their mindset and behavior to work together, they will have a bigger impact.

Question 3:

After the Great East Japan Earthquake, many Japanese companies became heavily involved in helping to rebuild Fukushima and other devastated areas. I was trying to connect my company's experience with your framework. Shortly after the disaster, we donated ¥10 billion. Then, in January of this year, we announced that we will also be involved in helping disaster-stricken areas as a part of overall business profit making. This had a big impact on the psychology of the employees. It has given us a very good framework in conceptualizing corporate CSR in big disaster rescue operations.

Something else that must be examined is the international mindset. The Great East Japan Earthquake was a very tragic disaster, but I wonder whether the same level of compassion was shown to Ebola or other disasters in the rest of the world by international firms. How do you perceive the difference in Japanese corporate social mindset, before 3/11 and after 3/11? Also, how can we improve the deficient part of Japanese companies' CSR –such as coordination in their global approach?

Answer 3 (Mr. Kurihara):

In response to your first question, when I meet the people in charge of CSR, they are very active, but through my experiences in Tohoku, I came to notice that Tohoku residents still have a lingering fear they might be forgotten or something like that. Therefore, we should address not just economic or corporate physical support, but some sort of spiritual support or mental support should be needed unless otherwise some sort of a so-called victimhood psychology might spread.

We must be mindful of the fact that the receivers of CSR might change their mindset. We must coordinate harmoniously with their attitudes and needs. There are also national differences in response. What works in the U.S. might not work in Japan, say, or in the responses to disasters in Japan, Japanese firms should take the lead and be seen taking the lead. We have to think seriously about how our attitude might be perceived.

Answer 3 (Ms. Kang):

Coordination and international mindset are the two areas that the Korean business community should be doing better in. They are comfortable now to receive outside-in but they are not good at inside-out. I think one of reasons is that they underestimate their strengths, and the second is that they are too reserved. So maybe there are some similarities with Japanese firms.

The “Asian mindset” has pros and cons. We should talk more proactive approach rather than reserved approach. Also, since we are good at thinking about circular value rather than linear value – Western mindset, Asian companies might be able to do better for stakeholder management.

Also, in the South Korea case, another major hurdle is that most people have low trust in Korean conglomerates. So Korean firms are not good at showing their core competence, like combining a business perspective with a social perspective. It is important to communicate with authenticity and sincerity because there are so many wrong perceptions among people that businesses only think about economic value or their own growth, and not social good, which is incorrect.

Answer 3 (Mr. Kurihara):

To add to what Ms. Kang said, I received a comment from a Korean businessman in the past to the effect that when it comes to coordination, Japan is hiding, and that METI should play a bigger role in coordination. The coordination should be provided on a voluntary basis and also spontaneous. It is about how to coordinate, how to convince, how to discuss, and how to shorten the time to solve the problem. It is a good time for us to think seriously about how to coordinate. In the case of Fukushima, the tragedy itself is huge, and coordination can be overwhelming, so we are facing extremely slow progress, because, although each part is working hard, there has been weak coordination. I hope to see an improvement in this in the future.

Answer 3 (Ms. Kang):

I would like to add that there is a very interesting thing happening between China and Korea. Korea Hydro & Nuclear Power set a Memorandum of Understanding with China National Nuclear Corporation that they will collaborate and share knowledge and experience. This kind of initiative is instrumental in leading the way for intra-collaboration and inter-collaboration in the global community in diverse fields. I would like to see this continued into the future as well in Asia.