

2-2012

# How Do Corporate Philosophies Of Japanese Companies Influence Their Practice Of The Base Of The Economic Pyramid (BOP) Business And The Corporate Social Responsibility (CSR)?

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## Recommended Citation

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HOW DO CORPORATE PHILOSOPHIES OF JAPANESE COMPANIES INFLUENCE  
THEIR PRACTICE OF THE BASE OF THE ECONOMIC PYRAMID (BOP) BUSINESS AND  
THE CORPORATE SOCIAL RESPONSIBILITY (CSR)?

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PIM 69

A Capstone Paper submitted in partial fulfillment of the requirements for  
a Masters of Arts in Intercultural Service, Leadership, and Management  
at the SIT Graduate Institute in Brattleboro, Vermont, USA.

Capstone Seminar: February 2012

Advisor: Tatsushi Arai

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## **Abstract**

The Base of the Economic Pyramid (BOP) business is a new business model that aims to alleviate social issues of developing countries, particularly these with low-income population, through business means by including the BOP population in the value chain as customers, producers, sellers, and business partners while private enterprises assure their profit.

How do corporate philosophies of Japanese private enterprises influence its practice of corporate social responsibility (CSR) and base of economic pyramid (BOP) business? A Japanese scholar that Japanese companies intrinsically possess traits potentially may be strengths upon BOP business implementation. With an emphasis on influence of corporate philosophy on the practice of CSR and BOP business, six Japanese companies were studied through literature review, document collection, and interview in order to explore potential application of corporate philosophy as a negotiation tool for field practitioners and private enterprises to build partnerships for innovative ways of development work through BOP business in the development field.

Major finding derived from this study demonstrated; 1) corporate philosophies served as a foundation for the practices of CSR and BOP business to some extent, however 2) influence of corporate philosophies on the BOP business implementation seemed indirect and weak while that of CSR was easily observed, 3) symbiosis and harmony appeared as a common core value of the studied corporate philosophies.

Although the finding cannot be generalized as a nature of a case study, it is recommended to examine implication of a company's corporate philosophy and its practice of CSR and the BOP business in order to assess existence of mutual value and interest for successful partnership and co-implemented project.

## **Introduction**

Funds play a strong, critical role in the humanitarian and development work. I witnessed many humanitarian and development organizations struggling with operational funds and relying on monetary donation from the public and/or project funds from governments and foundations for their activities through the experiences in the Social Change and NGO management course in New York, program planning and project design course, discussions with the fellow SITers during the on-campus phase, and an internship at UNHCR Japan representation.

Numbers of private sectors financially support humanitarian and development organizations as a part of Corporate Social Responsibility (CSR). However the amounts of donation from the private sectors, or even governmental aid of Official Development Assistance (ODA), are influenced by the global economy. In other words, budget cut for CSR and ODA are likely to occur when global economy is in crisis, which results in a deficit of operational funds.

In the globalized world where numbers of countries and companies conduct economic activities based on capitalism, development may not be achieved truly unless cooperating with capitalism to some extent because people need money, i.e. income source, to purchase bare bone essentials in the 21<sup>st</sup> century. It seems a taboo to mention “capitalism and money” in humanitarian and development field. However, it certainly requires capital to actualize passion and blue prints drawn by the people of developing countries. Money is not everything, yet it composes essential part of the process for the world without poverty.

As an innovative development model which does not rely on donation or government funds while potentially increases income generation opportunities in the developing countries, I took a notice on “Inclusive/Base of Economic Pyramid (BOP) Business.” The inclusive/BOP business is a new business model emerged in the last decade and sometimes counted as a part of

CSR activities by private enterprises. It aims to alleviate social issues of developing countries, particularly which of the low-incomes population, through business means by including the BOP population in the value chain as customers, producers, sellers, and business partners.

Most of the studies on inclusive/BOP business have been done from the business points of view. One interesting observation was made by a Japanese scholar, Sugawara, related to the origin of inclusive/BOP business. He pointed that Grameen Danone, a well-known successful precedent model, was inspired by a Japanese company that has been selling probiotic products in developing countries since 1964 with its unique sales strategies (Sugawara, 2010a). He analyzed that the unique strategy was derived from its corporate philosophy and further commented on suitability of corporate philosophy of Japanese enterprises to the inclusive/BOP business when compared to the enterprises based in the U.K. and the U.S..

His observation fascinated me because it appeared to be true from my experiences. At career fairs I encountered many Japanese companies emphasizing on their corporate philosophy which states social contribution through their business at the core of business operation. Suppose that Japanese enterprises theoretically operate to make contribution to society and are urged to find new markets overseas for continuous growth to compensate shrinking domestic market, initiation of BOP business appears to be an attractive option.

Given the personal experiences and insights in addition to Sugawara's premature assessment on compatibility of corporate philosophy set by Japanese enterprises based on one case and a few literatures, I have decided to conduct a study to explore implication of corporate philosophy, inclusive/BOP business, and CSR activities.

## Research Question

How do corporate philosophies of Japanese companies influence their practice of the Base of the Economic Pyramid (BOP) Business and the Corporate Social Responsibility (CSR)?

The above research question started with a pure personal interest in revealing actual influences of corporate philosophy on implementation of CSR and BOP business among the Japanese companies. Yet, as I got familiarize myself with the BOP business I realized an important role of corporate philosophy. A corporate philosophy could be a bridge between profit organizations and non-profit organizations.

In books and literatures on the inclusive/BOP business, partnerships between private enterprises and public sectors of governments and NGOs were discussed as an essential factor for success because public sectors' accumulated experiences and knowledge of the BOP tier in target markets compensate private sector's blindness in the market. Yet in reality, the two sectors appear to stand opposite from each other due to differences in accomplishment evaluation; private enterprises are profit-based while public sectors are mission-based.

At a glance, it seems there is nothing in common between the private and public sectors, however private enterprises also have set their own mission statement, or a.k.a. corporate philosophy, to clarify their business purpose. If the both sectors hold similar motives at the fundamental level, it would be a great first step to seek mutual interests for partnership.

As a person who studied the development from a public, non-profit perspective, I felt it is necessary to understand private, profit-driven perspective as well in order to find new ways of assistance in the development and humanitarian field by co-working with private enterprises.



Thus, this study aimed to investigate private sectors' perspective, particularly that of private enterprises in Japan through the scope of corporate philosophy and its influence on the BOP business and CSR. Given the fact that inclusive/BOP business is often argued within the CSR context, CSR was also studied.

With an intention to learn from precedents in Japan, the study started with an intensive literature review to deepen Sugawara's point, compatibility of Japanese companies with the inclusive/BOP business, and then comparative case study of selected Japanese companies took place to observe actual implication of corporate philosophy, BOP business, and CSR in the field. Further, practitioner interviews were conducted on perceived influence of corporate philosophy on BOP business among the Japanese companies to supplement a limited amount and scope of data from the literature review and the case study. Finally, by integrating the data from the literature review, the case study, and the interview, potential application of corporate philosophy as a negotiation method with Japanese companies for establishment of partnership was discussed.

#### Research context

BOP stands for the Base of Economic Pyramid. Depending on the purpose of an implementing party, a business model involving BOP is referred as an inclusive business or a BOP business interchangeably. In Japan, the term BOP business is commonly used and therefore was referred as BOP business throughout the paper as well since the focus of the study was Japanese context. Due to the nature of the research question and an interest in investigating views of Japanese private enterprises, Japanese private enterprises were set as research subjects.

## Base of Economic Pyramid

According to the World Resource Institute (WRI), the world economic pyramid consists of three tiers based on individual annual income purchasing power parity in U.S. dollars (2007).

In the report, “The next 4 billion: Market size and business size at the base of the pyramid,” the WRI defined a cut-off point for the base of economic

pyramid (BOP) as whose annual income is below \$3,000

in per capita per year (2007). Although several cutoff points exist for the BOP tier, the one determined by the WRI is commonly used today. Thus, this paper has adapted WRI’s BOP definition; BOP as annual income of below \$3,000. As of 2005, the base of pyramid (BOP) population composed of 4 billion people, 72% of the world population (WRI, 2007).

## Defining Base of the Economic Pyramid (BOP) Business

In this study a BOP business was defined as a business conducted for profit purpose which involves the people of BOP tier primarily as consumers, producers, and distributors in addition to solving social issues faced by the BOP tier either with the aim of or as a result of the business.

Like the BOP, the BOP business itself also has several definitions depending on involved parties. Considering that the focus of the study is on the Japanese context, upon definition development a reference was made to two qualifications to recognize a business as a BOP business, identified by the Japanese Ministry of Economy, Trade and Industries (METI). Based

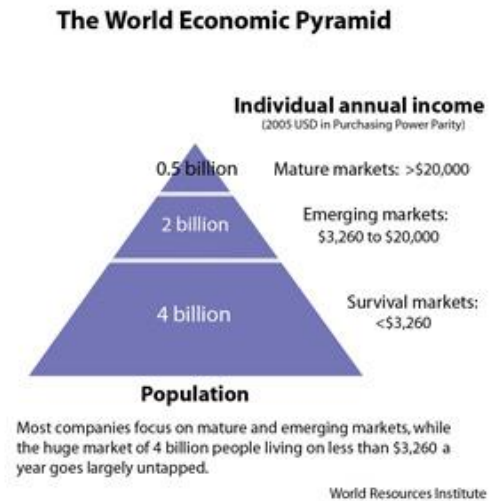


Figure 1: This figure illustrates a worldwide population and income distribution (WRI, 2006)

on the WRI's BOP tier definition, the METI stated the qualifications as below (About inclusive business, n/d);

1. *Mainly intended for the sustainable business in which people at "BOP" tier in developing countries are involved as consumers, producers, distributors, or any combination thereof.*
2. *Resolving the various problems for developing countries which include water supply, commodities, (supply of) service, poverty reduction, etc.*

### Defining Corporate Social Responsibility (CSR)

Even though CSR activities are implemented by almost every single company, there is no agreed CSR definition in Japan. Yet it has been implemented with an unexpressed understanding that "a private enterprise should fulfill social responsibilities as a member of the society" for a long time (Ibuki, 2005, p.10). In general private sectors hold responsibilities towards multiple stakeholders such as its employees, shareholders/investors, business partners, customers, community, and society (Ibuki, 2005).

Therefore, in this study, CSR was defined as social responsibility a private enterprise discretionarily holds towards its stakeholders upon its business operation with the aim of reciprocating the resources provided by the stakeholders as well as being recognized as a part of society. Similarly CSR activities and programs in this study referred to the activities and the programs which put the defined CSR into action beyond core business and conducted neither for immediate profit nor financial reward.

Hence, social contribution/philanthropy was also counted as a part of CSR like discussed by Ibuki and Nihon Keidanren Shakai Kouken Suishin Inkai [CPSC] (2005; 2008).

## Defining Corporate Philosophy

In this study, a corporate philosophy was defined as a company's official short statement that indicates purpose of the business and existing reasons of the company.

Corporate philosophy, mission statement, corporate vision, it has various labels. Regardless of the way it is named, it was argued that all of these names refer to a description of a core idea and/or a value of what a certain company aims for through its business implementation, including its philosophy, products and services, customers, and markets (Alvesson, 2002; Ledford Jr, Wendenhof, & Strahley, 1995; Pearce II & David, 1987).

## **Literature Review**

Literature review in this study served as a foundation of the study. Therefore this section opens up with a discussion of Prahalad and Hart who spread the idea of the BOP business, followed by an in-depth discussion of Sugawara, which was briefly mentioned in the introduction. Once a big map of the BOP business and background of research context is drawn, roles of corporate philosophy, influencing factors on corporate philosophy, emergence of CSR, CSR trend in Japan, and CSR types, and different purpose of the BOP business are discussed.

### **The Fortune at the Bottom of the Pyramid**

A term, “the Bottom of the Pyramid (BOP)” widely spread around the world after publication of an article, “The Fortune at the Bottom of the Pyramid,” by C.K Prahalad and Stuart L. Hart in 2002. They viewed inclusion of 4 billion of low-income population at the BOP tier into the business as one of the growth strategies for both the 4 billion people in the world and enterprises, particularly for multinational corporations (MNC) in the time of stagnated economy in developed countries (Prahalad & Hart, 2002). The MNCs were appointed as be the most appropriate because of their rich “technological, managerial, and financial resources” necessary to overcome hardships faced in the course of the BOP business (Prahalad & Hart, 2002).

Daily income of the BOP tier converted to the U.S. dollar was less than \$8 in 2008 (United Nations Development Programme [UNDP]). Even though the daily income of the BOP tier is significantly low compared to that of developed countries, the sum of the income by the BOP reaches \$5 trillion which almost equals to the annual gross national income of Japan (UNDP, 2008; World Bank, 2011).

Given the \$5 trillion market for potential growth, Prahalad and Hart suggested “*inclusive capitalism*,” noting a fact that BOP population lacks access to the basic goods, services, and income generation opportunities (2002). The BOP population has long been excluded from a formal market due to their low-income level. By inviting the BOP population to capital markets not only as customers, but also as producers, sellers, and partners, they would be able to gain access to basic services and goods as well as income generation opportunity while the MNCs successfully develop a new market (Prahalad & Hart, 2002). In relation to the market development, importance of gaining “deep local insights,” through partnership with locals, NGOs, and government, were emphasized for a success (Prahalad & Hart, 2002, p.6, 10, &13).

Prahalad and Hart believed that BOP business is a win-win-win development model, which would bring business, government, and civil society together for achievement of a same goal, improving living condition of BOP tier (2002).

With the fundamental concept of the BOP business in mind, let us revisit Sugawara’s argument on a Japanese company as an origin of BOP business and take an in-depth analysis of characteristics of Japanese companies.

#### A Japanese enterprise as an origin of BOP business

A Japanese company which inspired Grameen Danone was Yakult Co., Ltd. (Yakult) according to Sugawara (Sugawara 2009a; 2009b). In the late 70s to 80s, Yakult advanced to developing countries motivated by its corporate philosophy, “contributing to the health and happiness for people around the world,” while a number of Japanese companies approached developed countries with their advanced technology, product development capability, and high

quality (Yakult, 2011). At this time, Yakult had no intentions of neither CSR activity nor BOP business, but merely to expand own business planned based on its corporate philosophy. The targeted population was middle- and low- income population in developing countries as they seemed to have less access to healthy life (Sugawara, 2010a).

First introduced in 1963, Yakult's probiotic products have been sold by Yakult ladies who visit individual household and explain its function and effectiveness upon intake (Sugawara, 2010a). This Yakult lady method provided employment opportunities for women at the same time (Sugawara, 2010a). As a result, the Yakult's business model contributed to society in health promotion, increased women's employment opportunities and income while making corporate profit (Sugawara, 2010a).

There were rough times due to cultural and value differences, yet Yakult had never withdrawn from the market once advanced (Sugawara, 2010a). This was due to a strong sense of mission felt by its employees who were motivated to overcome difficulties (Sugawara, 2010a). Sugawara attributed Yakult's adherence to the corporate philosophy as one of the successful factors (2010a).

After studying the Yakult's corporate philosophy and its expansion strategies including the Yakult lady method, Danone was convinced that the Yakult lady method would be effective to gain regular customers in the developing countries where modern distribution channels were not established (Sugawara, 2010a). This Yakult lady's retailing system is commonly applied in the BOP markets nowadays and contributing woman's advancement in society and income generation (Nihon Kigyo no BOP bijinesu kenkyukai [JMAM], 2011).

Premises for Yakult as the origin of the BOP business were supported by three natures, three features, and three business models of BOP business (Sugawara, 2010b). Firstly, the three

natures of the BOP business were 1) fulfilling the needs of the BOPs, 2) providing income resources, 3) instilling self-reliance (Sugawara, 2010a). Secondly, derived from Simanis and Hart (2008), the three features to be qualified as BOP business were 1) implementation within the frame of the core business, not as charity nor philanthropy, 2) solving the social issues faced by the BOPs (such as poverty, environmental pollution, unsanitary living condition) through innovative, effective, and sustainable business means, and 3) sharing value with locals as partners. And lastly the business models were model 1) fulfillment of the BOP needs through products/services tailored for local demands, model 2) income generation opportunities for upper- and middle- income BOPs through participation in value chain, model 3) income generation opportunities for lower income BOPs through participation in value chain (Sugawara, 2010a).

Based on these premises, Sugawara identified the Yakult model as a BOP business because it fulfilled BOPs desire to stay healthy, encouraged women's advancement to society as well as provided income generation opportunities with model 2 of Yakult ladies who sell products with explanation of effectiveness of the products and the value. Further, he attributed Yakult's success to a) consolidated philosophy, b) strong sense of the mission, c) long-term vision, d) field-oriented approach (persistent try and errors by Japanese employees at the local market to modify its method to locally suitable one, and e) scientifically proved products (Sugawara, 2010a).

Although this was a recent case, Nihon Poly-Glu Ltd., a small manufacturer of water purification agent, was mentioned as another mission-driven company. Here, Sugawara referred to a sense of *nasake* (humanity/compassion to willingly help others in need), which is an



inherited trait of the Japanese people (2010a; 2010b). Nonetheless of a scale of the business, a will to contribute human life was observed in both companies.

Sugawara deepened insights gained from the cases of Yakult and Nihon Poly-Glu by making a reference to different approaches to corporate governance. Western companies, particularly ones based in the U.K. and the U.S., put first priority in shareholder's profits, and thus focus on rising stock price at short-term (Abegglen, 2006, Ch.7, cited in Sugawara, 2010a). On the contrary Japanese companies put primary emphasis on long-term preservation of its business and its prosperity (lasting community) (Abegglen, 2006, Ch.7, cited in Sugawara, 2010a). The characteristics of Japanese companies in corporate governance, "sense of community/collectiveness, consensus, and long-term profits," would show these strengths in the BOP business (Sugawara, 2010a).

Revealed by Kigyo Hakusho of 2009 (Japan Association of Corporate Executive [JACE]), Japanese companies have characteristics potentially leading to success in BOP business (cited in Sugawara, 2010a). These are management principles rooted in corporate philosophy, long-term perspective, kaizen (improvement and amelioration), and field-oriented mind (Sugawara, 2010a). JACE indicated that in many companies management teams actively prevail its corporate philosophy and reflect it upon decision making (JACE, 2009).

Sugawara's analysis implied that not only corporate philosophy, but also organizational cultures and traits of Japanese companies are related to the way an enterprise decides on and conduct business. Hence, functions of corporate philosophy were also explored.

## Corporate philosophy as management guidelines

With a preposition that Japanese enterprises usually have set own corporate philosophy, Wang conducted a study on influence of corporate philosophy on corporate performance and value among 152 electronic machinery companies in Japan (2009). In his study, it was noted that corporate management philosophy is a basis for formation of management of vision, business strategy, action plan, code of conducts, and corporate value (Wang, 2009). Wang found that entrepreneurship, harmony, and honesty were the most frequently observed values in corporate philosophy (2009). In addition, harmony-oriented management principles were positively related with CSR programs in environment and human resource management performance (Wang, 2009).

Wang's findings replicated functions of corporate philosophy identified by Ledford Jr. et al., which were; 1) as a guiding principle for behavior and decisions – indicates how a company “should be,” 2) as an expression of organizational culture – indicates shared value and expectations of a company, and 3) as a goal of organizational performance (1995).

Not only Ledford Jr. et al., Melewar, Karaosmanoglu, and Paterson (2005) also argued corporate philosophy as a component of corporate culture along with corporate history, country of origin, and subcultures.

Given that numerous factors both within and outside the business are taken into consideration when corporate philosophy is to be developed (Alvesson, 2002), it is worth exploring influence of national culture on the corporate management in the below.

## Japanese culture influencing corporate management

According to the previous studies, cultural value of a certain company was influenced by cultural value and traits of its country of origin (Lee & Trim, 2008). For instance, when interacting with others, Japanese pay respect, and show modesty and politeness to others (Trim & Lee, 1999 cited in Lee & Trim, 2008). This was also a reflection of national cultural value (Trim & Lee, 1999, cited in Lee & Trim, 2008).

When traits of the Japanese culture are brought up, they are often discussed in relation to collectivism and high context culture with comparison to individualism and low context culture in the west.

With a note to Japan as collectivist culture preferring group orientation over individual orientation, Hofstede analyzed that the collectivistic culture values harmony, consensus, and cooperation (1991). Based on these values Dedouddis examined Japanese organizational culture and found that compliance, obedience, shared responsibility, and consultative and participative decision making are practiced to ensure consensus and harmony (2004). In addition, other study also remarked a common practice to establish harmony and shared values/beliefs among employees through small-group-oriented operation in Japanese organizational settings (Lee & Trim, 2008). Hence, Japanese employees put emphasis on a relationship building for achievement of organizational goals (Lee & Trim, 2008).

Japan is also known for high context culture which “feelings and thoughts are not explicitly expressed and key information is embedded in the context rather than made explicit” (Deresky, 1994, pp.441-442). Associated with a necessity to read between the lines hidden in the context, people of the high context culture tend to put values in trust and stability upon

relationship building, which frequently results in long-lasting relationships (Halverson, 2008, cited in Tirmizi, 2008; Mead, 1998)

Because of the preference to trustful, stable long-lasting relationships linked to harmony with others, corporate philosophy of the Japanese companies reflected long-term perspective on its corporate strategy in the hope of continuous reciprocal benefit (Clegg & Kono, 2002).

These literatures revealed that corporate philosophy indeed lay at the bottom of management decision and corporate culture. Corporate culture mirrors national culture. In the group-oriented culture, harmony sat in the core as a principle of action. Cooperation, consensus, shared values, trust, stableness appeared to be emphasized to preserve harmony. It was inferred that harmony-driven action may result in long-lasting relationships.

Ralston, Holt, Terpstra, and Kai-Cheng observed influences of Buddhism, Taoism, and particularly Confucianism in the culture that emphasizes on “good-of-the-group,” which is a synonym of harmony with others (2008, p.9). Confucianism teaches one’s relationship in society based on the five values; benevolence, righteousness, decorum, wisdom, and trustworthiness (Mei, 1967, cited in Lee & Trim, 2008).The following section examined influence of the Confucianism in corporate philosophy.

#### Influence of Confucianism on the emergence of corporate philosophy and CSR

According to Boardman and Kato, the first corporate philosophy in Japan could be traced back to the Edo era, early 17th century, when a merchant family of Suminokura created house codes, ‘*shuchu kiyaku*,’ to conduct foreign trade properly (2003). It was based on the Confucianism since a famous Confucian scholar took a part in writing process. The two main

ideas of the *shuchu kiyaku* were; a) ensuring profit for both parties and conducting business with long-term perspective for profit generation as well as establishing partnerships, b) respecting and treating others with truthfulness and impartiality regardless of differences in language, appearance, customs , and such (Boardman & Kato, 2003).

Among the abundant Confucian teachings, the *shuchu kiyaku* was influenced by reciprocity, coexistence with others, virtue, and righteousness (Boardman & Kato, 2003). These Confucian values were taught at the Kaitokudo Merchant Academy of Osaka for 142 years until the Edo government collapsed in 1867 (Boardman & Kato, 2003). The prevailed values evolved among the merchants and become a foundation for an idea of corporate social responsibility (CSR), which was represented by a concept of '*kyosei*' (cooperative living or symbiosis) as a "fair business practice and corporate responsibility to its community" (Boardman & Kato, 2003, pp.325-326). As revealed by the Wang's study above, value for harmony is still observable in the 21<sup>st</sup> century (2009). Canon, Sumitomo group, and Panasonic are *kyosei*-driven profit organizations, to name a few as examples of the modern era (Boardman & Kato, 2003)

Well before the concept of CSR emerged in the late 20<sup>th</sup> century, Japanese merchants and corporations have been conducting its business by incorporating practices of the reciprocal benefit for coexistence into the mainstream of corporate operation over 400 years (Boardman & Kato, 2003).

Confucianism was a foundation for the first corporate philosophy in Japan. And later the corporate philosophy evolved into what is known as corporate social responsibility today. The main theme of the CSR was *Kyosei* (symbiosis) influenced by Confucianism. This consequence implies that corporate philosophy was a way to keep the business bloomed and through the practices it was learned that mutual prosperity with society was an essential factor for lasting

business. Other scholars also discussed symbiosis in relation to CSR with Japanese business principles.

#### CSR since 1603 – Japanese business principles

Ibuki noted that elements of CSR are often observed in corporate philosophy, foundation background, and corporate vision set by Japanese enterprises (2005). In addition to Ibuki, the METI also discussed that CSR for Japanese companies take root in business concepts of *Shonin-do* and *Sampo-yoshi* practiced during the Edo period (1603-1868) in the mid-term report on the roundtable for CSR (2004). Both the *shonin-do* and *sampo-yoshi* basically teach business principles of bona fide management, contribution to society, and benefit for other party and oneself, which are reflection of the *kyosei* (symbiosis) (METI, 2004). Especially the *sampo-yoshi* is well-know management principle in today's Japan. The *sampo-yoshi* refers to assurance of benefits for sellers, buyers, and community/society through business.

Acknowledging that CSR had been implemented as a part of business principle since 17<sup>th</sup> century in Japan, what kind of CSR activities are practiced in the 21<sup>st</sup> century?

#### CSR trend in Japan

There were commonly observed CSR approaches although definitions of CSR vary by implementers. Mizuo pointed out there are four responsibilities within the CSR, which are liability, economic responsibility, ethical/moral responsibility, and social contribution responsibility (2010).

In 2010 Japan Association of Corporate Executive (JACE) conducted a survey on CSR by Japanese private sectors. The survey composed of manager's perspective section and

corporate self-evaluation section. The manager part indicated that the 71% of the managers see CSR as a core of management and among these companies the 31% actually implemented CSR as a core of business strategies, three times increase compared to that of 2003 (JACE, 2010). The survey revealed the top 3 CSR activities are; a) provision of sound products and services, b) assurance of liability and ethics, and c) alleviation of environmental burden during business procedure (JACE, 2010). The 80% of surveyed companies practiced three of them, implying that CSR to prevent and compensate negative impacts occurred during the business was common focus of the CSR.

In terms of social issues and roles of private sectors for the problem solving, the 86% of the managers recognized roles to be played by private enterprises for resolution, yet only about a half of them took action (JACE, 2010). The survey asked about interest in BOP business (JACE defined BOP tier as people living below \$2/day), the 23% of companies answered they practice BOP business (JACE, 2010). Industries leading the BOP business are food, bank/finance, retailing, machinery, and electronics (JACE, 2010).

As shown above, Japanese companies and the managers recognized CSR as an important part of corporate management although the number of companies incorporated CSR into business strategies remained slightly low. It is also indicated that CSR is mainly for defensive purpose. Porter and Kramer (2006) discussed this type CSR is outdated and suggested new ways for CSR, which discussed below.

## Emergence of Strategic CSR

Porter and Kramer analyzed that CSR has been utilized as a mean to defend corporate activities from public criticism. Similar to the Mizuo's classification noted the above section, they pointed out four typical approaches emphasized in CSR practice; moral obligation (good corporate citizenship), sustainability (environmental and community stewardship), license-to-operate (understanding of business and consensus by stakeholders), and reputation for social consciousness (Porter & Kramer, 2006). They named these approaches as "responsive CSR" which a company acts as a good corporate citizen with goodwill as well as to mitigate existing and/or anticipated adverse effects brought by own business activities (Porter & Kramer, 2006; Ibuki, 2005).

The responsive CSR primarily "focuses on the tension between business and society" rather than mutual interests (Porter & Kramer, 2006, p.82). As a result, companies failed to make social impact or strengthen company's competitiveness, which would have been possible if CSR and/or philanthropic activities were tailored to fulfill the mutual interests of the business and society (Porter & Kramer, 2006). Thus, the lack of constructive frameworks for effective CSR planning and implementation was "a tremendous lost opportunity" (Porter & Kramer, 2006).

To turn the lost opportunities into fortune, Porter and Kramer recommended to pay attention to a principle of "shared value"; business decisions and social principles should benefit the both because social condition is a main part of competitive context which affects implementation of strategy (2006, p.84). The competitive context could be categorized into four areas; the quantity and quality of available business inputs, the rules and incentives that govern competition, the size and sophistication of local demand, the local availability of supporting industries (Porter & Kramer, 2006). While businesses make profits, involved society also



benefits. Porter and Kramer noted “no social program can rival the business sector when it comes to creating the jobs, wealth, and innovation that improve standards of living and social conditions over time” (2006, p.83). These words revealed interdependence of private sectors, society, and hidden potential shared values.

Settling shared values as a starting point, Porter and Kramer proposed “strategic CSR” as opportunities to pioneer innovations to benefit both society and a company’s own competitiveness (2006). And JACE further argued strategic CSR as mean to approach global field (2011). In this symbiotic relationship of the strategic CSR, success of the both (company and community) is mutually reinforced, resulting in leverage of company’s competitiveness as well as benefits of the involved society. When value chain practices and investments in competitive context are fully integrated, CSR becomes hard to distinguish from the day-to-day business operation of the company (Porter & Kramer, 2006).

Ibuki further broke down the strategic CSR proposed by Porter and Kramer into two categories based on whether an activity is conducted within the scope of business (ex. reducing environmental burden from manufacturing process) or specially tailored other than business operation (ex. tree planning) (2005).

Two categories within strategic CSR are as followed (Ibuki, 2005)

#### Category 1 – Investment through social contribution/philanthropy

Activities particularly programmed to maintain sound relationship with society by balancing societal and management effectiveness. Social contribution is a direct interaction with society *besides* business, thus its strategy is at the discretion of its implementer and/or activities to improve corporate value through philanthropy. Social

contribution activities and philanthropy which companies have long been implementing fall into this category.

#### Category 2 – Social innovation through business

Activities *within* core business to create social value for social innovation through business operation as well as securing its profit. Inclusion of CSR elements into business model/strategy for differentiation from competitors.

Few companies have unified their philanthropy with the management of their CSR efforts, much less sought to embed a social dimension into their core value proposition (Porter & Kramer, 2006). Most strategic CSR occurs when a company adds a social dimension to its value proposition, making social impact to the overall strategy (Porter & Kramer, 2006). Porter and Kramer addressed that companies must shift from a fragmented, defensive posture to an integrated and affirmative approach focusing on its substance because companies have the know-how and resources to change state of affairs in developing countries, not only in the developing world but also in economically disadvantaged communities in advanced economies (2006).

Porter and Kramer's claim, which private enterprises are able to contribute to society through core business without specialized programs for social contribution when mutual value is found between the enterprises and the society, was similar to *kyosei*(symbiosis)-based CSR approach emerged in Japan in 17<sup>th</sup> century. Given strategic CSR as a business strategy, BOP business was often conducted in this framework (CPSC, 2008). Then how was the BOP business emerged as a genuine business distinguished from the BOP business derived from CSR?

BOP business model derived from CSR and corporate philosophy

The Japan Research Institute (JRI) categorized BOP business model based on its approach and motive; 1) market development approach, 2) products/services innovation approach, 3) CSR/corporate philosophy-based approach (2010). Even though the CSR/corporate philosophy-based approach was taken, for an implementing sector social issues of the BOP tier are business opportunities, and thus pursuit of profit was in the fundamental part (JRI, 2010). What distinguishes the CSR/corporate philosophy-based approach from other two approaches was that it equally values realization of social contribution principles as well as profit (JRI, 2010). In other words, this business model put emphasis on realization of corporate philosophy with goals of contribution to social development and enhanced corporate reputation (JRI, 2010).

JRI noted that Danone group established Grameen Danone, a joint venture with Grameen group, in the purpose of social contribution. The Danone group has been active in the BOP business field because of the dual economic and social project, management principle declaration in 1972, which equally values “people’s well-being,” “nature protection,” and “financial targets” (JRI, 2010; Danone, n/d).

Concluding the literature review section

Corporate philosophy was seemingly influenced by a number of factors. To specify a few factors in Japanese context, these were the harmony-oriented society and the preference to long-lasting stable relationship which originated in the Confucianism. The Confucianism was incorporated in the first corporate philosophy in Japan teaching mutual prosperity through business. With permeation of the mutual prosperity-based corporate philosophy, it was assumed that the early corporate philosophies became a foundation for a concept of corporate social

responsibility by mid-19<sup>th</sup> century. This mind-set appeared to be still inherited in Japanese society and also reflected to business among Japanese companies.

In the 21<sup>st</sup> century, CSR activities tended to be implemented apart from core business and its main focus was the responsive CSR to mitigate negative impacts occurred during core business, such as assurances of compliance and CO<sub>2</sub> reduction. Due to shrinking markets in developing countries, there were movements to strategize CSR activities for profit generation. This was named as strategic CSR comprising of the subcategories; investment type and innovation type. The BOP business was often implemented within the strategic CSR frame while a distinction of investment type and innovation type often remained ambiguous.

## **Research Methodology**

In the quest of identifying implication of corporate philosophies of private enterprises and its CSR and BOP business practices, it was essential to investigate potential factors serving as motives for the action in detail. Yet there were few full studies on driving factors for CSR activities and BOP business by private enterprises although numerous literatures noted increased reputation and branding, and public relations as potential advantage of the CSR activities and the BOP business.

Considering unfamiliarity of BOP business in the Japanese society and a limited pool of the subjects conducting BOP business, a case study appeared to be the most appropriate as it would allow an in-depth study of relationship and process in a given situation (Denscombe, 2010). In other words, case study was suitable to study holistically the relationship of corporate philosophy and practices of CSR and BOP business by given private enterprises through examination of conditions on how and why corporate philosophy possibly influence implementation of the BOP business and the CSR.

### Data collection method

In this study, document collection and interview were selected as data collection method in order to investigate influence of corporate philosophy on practices of the CSR and the BOP business. The literature review provided a foundation for what to be investigated in the following document collection. The past studies suggested that corporate philosophy is an interwoven product of national culture, religion, and social needs, which ultimately influence overall action of a company to some degree as a basis for business strategy. Along with the corporate philosophy, it was also implied through the literature review that Japanese companies have been

unconsciously engaged in the CSR as an essential part of business since 17<sup>th</sup> century and fields of compliance and environment are major focus on in the 21<sup>st</sup> century.

With reference to the above findings from the literature review, the document collection focused on three main categories to observe actual practices and implication of corporate identity, the CSR, and the BOP business in the selected companies, such measures including foundation background, corporate philosophy, management principles, corporate slogan, code of conducts, definition/concept of CSR, approaches to CSR activities, components of CSR, CSR activities related to environment and social contribution/philanthropy (as often connected with development issues and BOP business), BOP business practice, background of BOP business, and other subsidiary information (see appendix I for comprehensive list of the measures). These data were retrieved from the official corporate websites of the sample companies.

As for the interviews, it was conducted with the aim to acquire a broader view on the influence of corporate philosophies on the BOP business in actual setting other than the data revealed from the literature review and the document collection as well as to obtain an overall trend in the BOP business among the Japanese companies. Interview questions reflected the finding from the literature review and the document collection. The interview questions consisted of three parts; part I) interviewees' attitude towards BOP business, part II) influence of corporate philosophy/management principles on BOP business, part III) adaptability of Japanese organizational culture to BOP business (see appendix II for all interview questions).

## Sample selection method

Generally in a case study, sample case/s is/are deliberately selected taking consideration of known attributes related to the case and justifications as critical elements of the research (Denscombe, 2010). As a strategy for sample selection in this study, homogeneous sample cases were chosen, which allowed to portrait subgroups in depth.

Due to the recent trend in the CSR, numbers of Japanese private companies implemented the CSR activities proactively while implementation rate of BOP business still remained low compared to that of the CSR. Despite the study intended to analyze corporate philosophies of Japanese companies in relation to practices of the CSR and the BOP business, targeted research subjects were limited in nature because BOP business had just emerged in Japan during the past few years.

Therefore, as for selection criteria of the sample companies for the document collection, given Japan as a focus of the study, a primary criterion for subjects was that a sample is a company headquartered in Japan. Among a pool of the Japanese companies whether known as a precedent of or a selected case of Japan International Cooperation Agency's [JICA] feasible study on the BOP business, 6 companies fulfilled the selection criteria of 1) having initiated BOP business already or conducting feasible study under the JICA's BOP initiative, 2) implementing some sort of CSR activities, and 3) accessibility to the details of its BOP business. Upon the document collection, the samples were allocated of an individual code of A to E to keep them anonymous. Profiles of the six selected companies are shown in table 1.

**Table 1. Profiles of six selected Japanese companies**

	Year of Establishment	Industrial Sector	Number of Employees
Company A	1909	Food	3,310 28,084 [consolidated]
Company B	1955	Manufacturing	10,302 52,184 [consolidated]
Company C	1947	Electronic	104,882 [consolidated]
Company D	1935	Food	2,903
Company E	1913	Chemical	6,012 29,382 [consolidated]
Company F	1982	Agriculture	1,025 1,318 [consolidated]

\* Profiles were extracted from corporate websites of each company. The date above is as of 2011 except Company B&C which are as of 2010.

Further for the interviews, samples were deliberately chosen in order to incorporate views of practitioners providing BOP business consulting services for Japanese companies. Two interviewees were selected respectively from a Japanese private consulting firm and a government agency for external trade. They were contacted via email and a structured face-to-face interview session was conducted for 30 minutes individually. Both interviewees belonged to departments for the BOP business.

#### Data analysis method

Data collection and data analysis occurred concurrently since the nature of qualitative research is an “iterative process” (Denscombe, 2010).

The data collected through the document collection and the interviews were analyzed with a framework of grounded theory, which aims to “derive concepts and theories that capture the meaning contained within the data” (Denscombe, 2010). The grounded theory approach was selected because of its preconditions regarding the data. The theory assumes that “the data themselves should provide the source for any interpretation made by the researcher,” “the data alone contain the necessary ingredients for analysis,” and “the data as the primary and principal



generator of the concepts and theories emerging from the research” (Denscombe, 2010). These assumptions indicate strong relationship of the data and interpretations.

The data analysis primarily focused on identifying commonalities among the samples within a certain measure for generation of hypothetical tendencies. Analysis of the document collection started with entering the collected data of each sample by measures into a spreadsheet. Once the data input was done, data related 10 measures were analyzed under three groups; corporate identity, CSR, and BOP business.

With analysis of interviews, interview transcripts were analyzed accordingly by three parts; part I) interviewees’ attitude towards BOP business, part II) influence of corporate philosophy/management principles on BOP business, part III) adaptability of Japanese organizational culture to BOP business.

Once the data analyses of the document collection and the interview were separately done, identifiable features of corporate philosophy of the Japanese companies active in the BOP business were examined based on combined data from the literature review, the document collection, and the interview.

#### Validity and trustworthiness

There are two points to be noted in terms of validity and trustworthiness. Firstly, finding of this study cannot be generalized due to a nature of the case study even though interview part added broader observations on the research question beyond the six selected samples. Therefore the findings were stated as hypotheses.

Secondly, it is the subjectivity in translation of the documents. The study focused on cases in Japan, which resulted documents to be in Japanese while the research itself was conducted in English. When translating Japanese to English, it was inevitable to avoid the

researcher's personal interpretation in word selection. As a countermeasure, English version of a corporate webpage was viewed whenever it was available.

Triangulation had been applied to both the data collection methods and the data analysis methods in order to increase the number of approachable perspectives on identification of implications of corporate philosophy of private enterprises and its CSR and BOP business practices.

## **Presentation and Analysis of Data**

### Presentation and analysis of document collection

In the document collection, data related 10 measures (foundation background, corporate philosophy, management principles, corporate slogan, code of conducts, definition/concept of CSR, approaches to CSR activities, components of CSR, CSR activities related to environment and social contribution/philanthropy, BOP business practice, background of BOP business) were collected and analyzed under three groups; corporate identity, CSR, and BOP business. Summaries of collected data are presented and analyzed by groups below (see appendix III for individual data by sample).

#### Corporate identity group

Collected data of the four measures (corporate philosophy, management principles, corporate slogan, and code of conducts) in this group were separately analyzed to find out commonalities across the sample based on the descriptive data from samples. Data and analyses are presented as follows;

*Foundation background* – four out of six companies posted their foundation background on their website. Among the four companies, three companies were founded in response to social needs or social issues.

*Corporate philosophy* – four out of six companies posted their corporate philosophy on their website. Corporate philosophy of the samples fundamentally stated how companies aim to be connected with society. These corporate philosophies commonly indicated three points, which were 1) intention to make positive impact on the society at worldwide, 2) concern for people's

better living, and 3) emphasis on wholeness as interdependent society. The statements referred to general public, not to customers.

Management principles – six out of six companies posted their management principles on their website. The management principles appeared as a synonym of action plans to fulfill responsibilities a company owes to society. Three policies commonly observed among the companies were 1) creating new values through innovation deriving from core business, 2) being honest and building trust with community and its employees, 3) contributing to society globally and environmentally.

Corporate slogan – four out of six companies posted their corporate slogan on their website. Corporate slogans seemed to be a summary of corporate philosophy and management principles. These corporate slogans were an indication of corporate contribution through new approach based on core businesses as well as inclusiveness of human and non-human objectives in the process.

Code of conducts for employees – five out of six companies posted their code of conducts for employees on their website. Common instructions given were showing respect for culture and customs at operation site and contributing to coexistence of environment, development, society, and community for sustainability.

The corporate identity group indicated how, with whom, in what way, in what field companies intend to build relationship with others at macro level. Corporate philosophy, management principle, and corporate slogan all referred to corporate contribution to harmonious society through business means. This idea is similar to that of the very first corporate philosophy emerged in 17<sup>th</sup> century which taught *kyosei* (symbiosis), mutual prosperity for business and other involved stakeholders. Furthermore, given that three out of six companies were founded to

resolve/satisfy social needs and the contents of code of conducts seemed to aim at assurance of *kyosei* at micro level, it is assumed that the concept of *kyosei* has had inherited among the sample companies across the centuries regardless of changing affairs in the surrounding environment.

### CSR group

Descriptive data of the four measures (Definition/concepts of CSR, Approach to CSR activities, Components of CSR, CSR content related to environment and social contribution/philanthropy) were analyzed by each measure and commonalities and/or tendencies were identified across the samples and the results are shown below;

Definition/concept of CSR – five out of six companies posted and explained on how the company defines CSR. Influenced by its corporate philosophy and management principle, the sample companies captured CSR as a duty and responsibility of the company to fulfill as a member of society for sustainable development of the society by utilizing its resources.

Approach to CSR activities – five out of six companies clarified their approaches to CSR activities. Firstly the companies positioned CSR as a mean to realize corporate philosophy and management principle. And then, they implemented CSR activities as a tool to tie the company and society to raise own corporate value and brand.

Components of CSR – compliance, environmental programs, and social contribution/philanthropy programs were commonly observed among the samples. Particularly, compliance was conducted by all of the six samples.

CSR content related to environment and social contribution/philanthropy – scopes of environment and community were largely emphasized among the implemented activities. Commonly conducted activities were environmental conservation, for instance biodiversity

education and tree planting, and local community programs such as youth development, sports, development-related, improvement of living condition. When these activities were carried out, the sample companies shared own know-how complementarily, provided sponsorship financially and/or by goods. Activities related to environment were often included in the business operation process, such as reducing CO<sub>2</sub> in logistics and manufacturing.

Definition/concept of CSR and approach to CSR both revealed that how CSR is positioned within a company, with what purpose CSR activities are planned, and how it is influenced by its corporate philosophy and management principle. When CSR was defined, the sample companies counted themselves as a part of society and further felt obligation to do good for the belonging society.

With regard to components of CSR and the ones related to environment and social contribution/philanthropy, concepts of responsive and strategic CSR were applied upon analysis. Both responsive and strategic CSR were implemented among the samples. Regardless of CSR category, it was indeed for profit purpose at the bottom. Besides responsive CSR for compliance, approaches to strategic CSR appeared to be a long-term grass-root approach to raise significance of corporate existence itself in the society, rather than acquisition of immediate results or financial profit.

Among the sample, all of them practiced responsive CSR. And 5 out of 6 samples implemented only investment type of strategic CSR while one sample did conducted both investment and innovation type of strategic CSR.

## BOP group

Like CSR group, descriptive data of the two measures (BOP business practice, BOP business background) were analyzed by each measure and commonalities and/or tendencies were identified across the samples within the BOP group as well. Summaries of the results are shown below;

*BOP business practice* – four out of six companies (company A·B·C·F) conducted BOP business as a business strategy for profit generation. Among the four companies, three companies have had prior experiences related BOP business. For instance, company C was a supplier for procurement by the United Nations, NGOs, and governments, and company F has have implemented CSR activities in developing countries to improve livelihood of the locals.

On the contrary, the other two companies (company D·E) conducted BOP business as a part of CSR activities, which appeared to be the investment type of strategic CSR. Even though these activities were known in public as early examples of the BOP business, sample E posted its business under CSR section. While sample D had a webpage to introduce it as a BOP business initiative, it was listed in their CSR report.

*BOP business background* – when conducted for business purpose, companies aimed to alleviate risk at procurement, to win global competition, and to gain brand loyalty in the emerging markets. Catalyst for the samples to initiate BOP business were increased cost of raw materials, increased market competitiveness in established markets, or simply own technology and/or products were applicable for problem solution. Three samples established partnerships with external organization upon implementation.

Through the analysis of the BOP group, direct influence of corporate philosophies on BOP business implementation was not observed. However, considering that two out of the six

companies considered their BOP business as CSR and CSR experiences were turned into the BOP business by one of the four companies conducting BOP business as core business, CSR activities seemed to influence BOP business practice to some extent.

Additionally it could be assumed that corporate philosophy might have influenced on the BOP business implementation as a management strategy, given the finding of Wang and Ledford Jr. *et al.*, which corporate philosophy is counted on upon decision making in business planning (2009; 1995).

It appeared that a borderline of the innovation type of strategic CSR and the BOP business remains ambiguous. It seemed to be a mirror of a company's attitude towards CSR and business, given that some cases were developed from CSR projects and other cases are listed under CSR despite of its content recognized as BOP business in public. In terms of catalysts for BOP business, it was suggested that the samples are keen to constantly changing market situation and social needs in order to response the change promptly.

Concluding the presentation and analysis of the document collection

The corporate philosophies and the management principles of the sample companies stated contribution to harmonious society through business. Besides compliance of responsive CSR, an investment type of the strategic CSR was observed as profit generation in long-term perspective. Although direct influence of corporate philosophy on BOP business was not seen from the data, BOP businesses were either conducted as CSR or business expansion strategy. This inferred indirect influence of corporate philosophy since both CSR and business strategies were shown to be operated under corporate philosophy (Wang, 2009; Ledford Jr. *et al.*, 1995).



## Presentation and analysis of interviews

As of 2011, there were two main channels within the Japanese government to approach BOP business, from business perspective or development perspective. Respectively, a government agency of external trade and a government agency of international cooperation were in charge. Since this study focused on business perspective, the government agency of external trade and a consulting firm were interviewed. Summary of interviews is presented in this section by the question clusters;

### Interviewees' attitude towards BOP business

*Definition of BOP business* – both the government agency and the consulting firm applied the METI definition because they work closely with METI. In addition, the government agency added a company's capability to sustain a profit-producing business in a BOP business setting.

*Basic stance of CSR/BOP business* – the government agency saw BOP business as a mean to encourage exportation of strengths Japanese companies possess, such as technologies, and a new business scheme to expand business overseas. They believed an early approach to BOP tier who may potentially turn into to the MOP (middle of economic pyramid) in the future is critical to gain market share. The consulting firm defined CSR similar to that of Europe, which captures CSR as an element for differentiation from other competitors, thus CSR counted as a part of business strategy.

Although small differences existed when compared closely, the two shared the same definitions of BOP business and played similar roles to increase number of Japanese companies involved in BOP business. Thus, it was implied that the two interviewees conceptualize the BOP business in a similar way and analyze movements and tendencies around it.

In the next part, the interviewees were asked about how Japanese companies see the BOP business and how corporate philosophy/ management principles may impact its implementation from the perspective of the practitioners promoting the BOP business as a new business strategy.

Influence of corporate philosophy/management principle on the BOP business

Impression of BOP business hold by managements – the government agency observed the polarization in approaches taken towards the BOP business. When BOP business was initiated as a market expansion strategy, corporate philosophy was put behind. When practiced as a strategic CSR for advantage, corporate philosophy was acknowledged upon planning.

The consulting firm pointed out that Japanese companies tend to see BOP tier only with a stereotypical image of the poor without realizing variations within the tier, thus the companies feel challenged to approach them in business. Consequently Japanese companies are unwilling to begin a BOP business due to the perceived difficulties in making profit in the BOP market, even though the difficulties are similar as entering other new markets in fact.

Degree of interest in the BOP business as a corporate growth strategy – The government agency responded that reactions of companies are weak when BOP business is proposed as a pure market approach or business strategy. Companies react better when suggested as an approach to the strategic CSR. Further the agency commented that different responses are seen within the same company accordingly by department. For instance when presenting to a sale department they think of modification or innovation of existing products to meet local needs while a CSR department are likely to think making use of existing product as it is without modification/innovation.

The consulting firm saw companies' interests in the BOP business, at the same time the firm showed some concern for a management structure which might hinder its success. They gave the differences in management styles between Japan and the U.S. as an example;

- JP sector (emphasis on process); overseas offices managed by managers from the headquarter in Japan, thus resulting in an portfolio of insufficient and limited information on the local market and needs.
- US sector (emphasis on outcome); overseas offices managed by locally hired managers with delegated authority to conduct market research without permission from the headquarters in Japan, thus resulting in a rich, in-depth, and persuasive proposal with local insights at a management meeting.

*Perceived influence of corporate philosophy on BOP business management/strategy* – the government agency saw influence of corporate philosophy when companies approach the BOP business as a part of the strategic CSR. While admitting that some employees at the field are motivated by corporate philosophy, the consulting firm noted that companies implementing BOP business do not consciously pay attention to corporate philosophy. Yet realization of corporate philosophy may emerge as a consequence of the business. The consulting firm acknowledged corporate philosophy is counted as one of the considerable reference to identify a goal, approaches, a targeted market when developing ideas and a scheme for BOP business.

The consulting firm made an interesting analysis on easiness and difficulty in realization of corporate philosophy. Corporate philosophy is very simplified when its meaning is broken down. Therefore in the society where human basic needs are already satisfied like developed countries, it is difficult to realize corporate philosophy. In contrast the circumstance corporate

philosophy aims to accomplish has not realized yet in developing countries in many cases, thus it is easier to apply and reflect corporate philosophy on the business.

*Whether any careful attention is paid to corporate philosophy when consulting on BOP business initiation* – both the government agency and the consulting firm paid attention to corporate philosophy to some extent. The agency has made connections to a company's corporate philosophy when proposing BOP business as a strategic CSR method. Despite they would not bring up as a main point of discussion, the consulting firm recognized corporate philosophy as an element to be considered.

Through the interview it was revealed that Japanese companies are hesitant to approach BOP business as a business method due to their unfamiliarity with the market despite of their interests. Hypothetically this may be because of a management style distinctive to the Japanese companies in which overseas offices are run by Japanese managers sent from the headquarters in Japan and less authority is delegated to local staff compared that of the U.S.-based enterprises.

As for influence of corporate philosophy, it appeared to influence on the BOP business practices to some extent. Corporate philosophy was counted as one of the element to be considered when strategizing for BOP business regardless of as a strategic CSR or business. On the other hand, it was suggested that influence and realization of corporate philosophy should be distinguished because its realization is heavily context dependent.

Lastly cultural suitability of the Japanese companies to the BOP business was asked since it was barely unveiled neither from the literature review nor the document collection.

Adaptability of Japanese organizational culture to BOP business

*Influence of the Japanese companies' organizational culture of on BOP business practices* – the government agency noted that Japanese sectors might be, at the unconscious level, influenced by a concept of “*Sampo Yoshi*” (being good for seller, buyer, and society) emerged from Ohmi merchant. The agency believed the philosophy of *Sampo Yoshi* would be a good guiding principle when interacting with developing countries as well as adding philosophical support to trigger action and enthusiasm. The interviewee of the agency shared his experience in Bangladesh to support; the Japanese companies which conducted F/S in Bangladesh had no intention of starting BOP business, but to develop a new market. Yet, due to the average income level in Bangladesh and population distribution, it was classified as a BOP business model.

On the contrary, the consulting firm questioned influence of organizational culture on the BOP business implementation. Some common characteristics of Japanese sector may or may not intervene with BOP business. According to the consulting firm, potential positive features of the Japanese companies are ability to pay attention to small details and persistency which is characterized by bare withdrawer from the business.

No definite consensus was made among the interviewees on influence of the organizational culture on BOP business practice. Yet it was implied that organizational culture and characteristics of Japanese companies can potentially be guiding principles since both parties did not deny cultural influence.

## Concluding presentation and analysis of interviews

Through interview data, indirect influence of corporate philosophy was observed at the planning stage of BOP business regardless of either for profit or social contribution purpose. However, when management captures BOP business as strategic CSR, it may play a stronger role compared with a case of BOP business for profit making. On one hand, influence of Japanese organizational culture on BOP business implementation remained unclear.

## **Discussion**

### Conclusion

How do corporate philosophies of Japanese enterprises influence their practices of CSR and BOP business? This case study started with the Sugawara's remark that Japanese companies intrinsically possess traits which would be strengths upon BOP business implementation (Sugawara, 2010a). The strengths listed by Sugawara was management principles rooted in its own corporate philosophy, long-term perspective, kaizen (improvement and amelioration), and field-oriented mind (2010a). With an emphasis on influence of corporate philosophy in practice of CSR and BOP business, six Japanese companies were studied through the literature review, the document collection, and the interviews in order to explore potential application of corporate philosophy as a negotiation tool for partnerships to promote BOP business in the development field.

It was suggested that corporate philosophies of companies serve as a foundation for CSR and BOP business implementation although its degree of influence differs depending on whether on the CSR or the BOP business. Learned from the literature review and the document collection, corporate philosophies often stated how, with whom, in what way, and in what field a company aims to have relationship with other parties. Three points observed among the corporate philosophies of the four selected companies were 1) intention to make positive impact on society at worldwide, 2) concern for people's better living, and 3) emphasis on the wholeness and interdependency of society. Furthermore, similar policies were observed in the samples' management principles. The analyzed corporate philosophies were indications of the way to be connected with society in a broad sense whereas the analyzed management principles stated concrete action plans to accomplish what is officially declared as corporate philosophy. Thus, it

could be assumed that management principles are built on one's corporate philosophy among the sample companies.

As for the common value observed in the corporate philosophies of the four selected companies, harmony with surroundings appeared as a core value. The observed value was also seen in the 17<sup>th</sup> century when the first corporate philosophy was written based on Confucian teachings. Given the finding from the literature review that a concept of CSR emerged in the long history of harmony-centered management and realized within the frame of core business, the six companies may apt to practice strategic CSR without recognizing it as it is.

Influence of corporate philosophy on the CSR practice was revealed. The analysis of the CSR group in document collection inferred that CSR is thought to be a mean to implement corporate philosophy and management principles as well as a duty to fulfill as a member of society. Therefore, the CSR activities of the six companies tended to focus on responsive and investment type of strategic CSR.

With regard to influence of corporate philosophy on the practices of BOP business, the implication remained unclear. On one hand, document collection proposed that BOP business is initiated merely as an essential strategy to expand business regardless of corporate philosophies. On the other hand, interviews implied that corporate philosophy is counted as the elements to be considered in BOP business planning among numbers of companies. Hence, potential interference of corporate philosophy was left open for further investigation because the BOP business was conducted as CSR or core business among the sample companies, which presumably connected with one's corporate philosophy at the root.

As the section titled "CSR trend in Japan" in the literature review indicated, a considerable number of managers viewed CSR as a part of core management strategy and about



one-third of them implement CSR as a core business. The interview analysis showed that companies are also interested in the BOP business as a part of CSR, but when it comes as a business for profit people are likely to hold back their interests due to uncertainties.

The findings derived from the literature review, the document collection, and the interviews demonstrated that corporate philosophy sits at the core of corporate operation. Even though the degree of influence might differ by a company and context to be applied, corporate philosophy would still have some influence to some extent. Overgeneralization should be avoided, yet the study of the six samples suggested that Japanese companies tend to conduct business not only to produce own benefit, but also to make positive impact to the society they belong to at the fundamental part. This finding inferred that Japanese companies may show interests when a partnership for BOP business to make a difference in the world is proposed.

Given this hypothesis, it is recommended to carefully examine corporate philosophy and how it is applied to business of a company and their CSR activities in order to assess successfulness of the partnership and co-implemented project.

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## **Appendixes**

### Appendix I: Document collection worksheet

1. Name of the sector:
2. Year of establishment:
3. Background of the foundation
4. Industrial sector:
5. Main products/services:
6. # of overseas office:
7. Overseas sales (%):
8. Corporate philosophy:
9. Management Principles:
10. Corporate slogan:
11. Action principles for employees:
12. Definition/Concept of CSR:
13. Positional status of CSR within the sector:
14. Components of the CSR:
15. CSR activities:
16. International CSR activities
17. BOP business practice:
18. BOP background:
19. Participation to the UN Global Compact:
20. Business scheme of past/next 5-10 years, if related to expansion of own business to overseas:

Citation:

## Appendix II: Interview question

1. Interviewees' attitude towards BOP business
  - 1) Definition of BOP business
  - 2) Do you include social business in BOP business? Fair trade?
  - 3) Basic stance of CSR/BOP business within the interview organization
  - 4) Role of the interviewed organization in relation to BOP business
  
2. Influence of corporate philosophy/management principle on BOP business
  - 1) What kind of impressions do management hold towards BOP?
  - 2) Degree of interest in the BOP business as a corporate growth strategy
  - 3) Perceived influence of corporate philosophy on BOP business management/strategy
    - a. Are foundation background, its CSR policies/activities, and products/services discussed at meetings? (implication of CSR/BOP business and corporate philosophy, management principle, etc)
  - 4) Do you pay careful attention to corporate philosophy when consulting on BOP business initiation?
  
3. Adaptability of Japanese organizational culture to BOP business
  - 1) Do you think that the organizational culture of the Japanese enterprises better match with BOP business practice?



### Appendix III – Result of document collection

#### Corporate Identity Group

	<b>Company A</b>	<b>Company B</b>	<b>Company C</b>	<b>Company D</b>	<b>Company E</b>	<b>Company F</b>
<b>Foundation Background</b>	N/A	To improve health/living condition through affordable preventive live lactic aid drink for intestinal health	N/A	Ambition to conduct business globally with its HR, technology, and services	To meet social demands for agricultural production for fertilizer while solving air pollution issue from the copper smelters	To improve health/living condition
<b>Corporate Philosophy</b>	N/A	Contribution to health and happiness of the people globally through its business Key: global, happiness, people, contribution	creation of new value Key: satisfaction, excitement, creation	N/A	prosperity based on integrity and sound management; business interest in harmony with public interest (pursuit of benefit for own, nation, society, and individuals) Key: integrity, public, harmony	contribution to the global society through business Key: global, better, life, create, lives, society, contribution

Corporate Identity Group continued

	<b>Company A</b>	<b>Company B</b>	<b>Company C</b>	<b>Company D</b>	<b>Company E</b>	<b>Company F</b>
<b>Management Principles</b>	contribution to enhanced people's living, local community, stockholders, and company Key: living, people, enhanced, local community, contribution	Mission-driven and agricultural-style; trust of local community as most valuable to win competition through assured product quality and new value creation Key; mission-driven, trust, community, assured, quality, new value	being aware of evolving needs for value creation; establishment of corporate environment nurturing self-esteem of employees; fulfillment of social responsibilities globally with honesty and sincerity for environment and community Key; needs, value creation, self-esteem of employees, social responsibility, globally, honesty, sincerity, environment, community	becoming indispensable element in the people's lives in the world Key: lives, global, people	Creation of new value through innovation; social contribution through business; trusted company Key; new value, innovation, social contribution, trusted	Creation of new value with new idea and innovation; active engagement in creation of new business and market (tenacity, wisdom and cumulative efforts at the on-site level; adaptation of regional culture and market conditions); maximizing social value through business by accommodating social requirements (social issues, environment, security and safety) with humility and honesty; respecting humanity of all the people involved Key; new value, innovation, new business/market, regional culture/market, social value, social requirement, environment, humility, honesty, respect

Corporate Identity Group continued

	<b>Company A</b>	<b>Company B</b>	<b>Company C</b>	<b>Company D</b>	<b>Company E</b>	<b>Company F</b>
<b>Corporate Slogan</b>	N/A	health not only of individuals, but also of environment around them Key words: not only for individuals, but also for environment, around	N/A	Generating synergy with the customer perspective Key words: generating, synergy, customer, perspective	Creative hybrid chemistry for a better tomorrow Keywords: creative, hybrid, better, tomorrow	companies that contributes to human health globally by continually creating unique value to benefit customers Key words: contribute, human, globally, continually, create, unique, value, benefit, customers
<b>Code of Conducts for Employees</b>	N/A	Respect for regional culture and customs; contribution to society and social development (company as public institutions and recognition of corporate citizenship); environmental conservation Key; respect, culture/customs, society, development, corporate citizenship, public institutions, environment	Acting with speed; spirit of challenge, persistence	coexistence of environment protection and economic development for sustainable society; coexistence and mutual prosperity with society and local community for trust and corporate understanding Key; environmental protection, economic development, sustainability, coexistence, mutual prosperity, society, community, trust	As a corporate citizen of international society - respect for the culture and custom; contribution to global development; creating new value beyond its business field by combining new idea, view, technologies; approaching to global issues of basic needs, environment protection, adequate supplies of food, energy, and other resources Key; corporate citizen, society, global, development, new value, global issue, new technology/ideas, combine	to earn trust of stakeholders under corporate philosophy Society; besides business, contribution to economic, cultural and educational development; respect for local culture, partnership with NGOs, donation Environment; for sustainable society for better living and abundant nature, reducing negative impact on environment and ecosystems, recycle and efficient use of energy Key; earn, trust

CSR Group

	<b>Company A</b>	<b>Company B</b>	<b>Company C</b>	<b>Company D</b>	<b>Company E</b>	<b>Company F</b>
<b>Definition/ Concept of CSR</b>	N/A	A duty to fulfill as a company contributing to good health as well as a member of society Key; duty, member, society	for sustainable development of society through business activities (based corporate philosophy) Key; sustainable development, society, business	corporate philosophy as a starting point; fulfillment of social responsibility in environment, sustainable development of society and growth of the business by utilizing its management resources and expertise through business Key; social responsibility, sustainable development, business, management resource/expertise	CSR-based management for sustainable development of society through its products and services in environmentally and socially friendly manner Key; sustainable development, society, business	for solution of issues that humanity faces in 21st century
<b>Approach to CSR Activities</b>	N/A	a key management concern Responsive and Strategic (investment)	earning of trust of the global community; reflection of important social responsibility the company owe to its stakeholders (customers, shareholders/investors, employees, business partners, the community, and environment) Responsive and Strategic (investment)	to increase corporate value (initiatives to address social issue, helping to create a prosperous society through business activities, foundation for business activities) Responsive/Strategic (investment)	as corporate DNA; to balance economy, society, and responsive care of safety, environment, health, product quality; to increase corporate value Responsive/Strategic (investment)	Realization of the corporate philosophy Responsive/Strategic (investment/social innovation)

CSR Group continued

	Company A	Company B	Company C	Company D	Company E	Company F
<b>Components of CSR</b>	Social Contribution	compliance, environment, social contribution activities	Compliance and risk management trust building with local community and society for harmonious coexistence	Compliance and risk management Environment Social	Economy, responsible care, society	Global sustainability, Food resources, healthy living
<b>CSR contents related to environment and social contribution/philanthropy</b>	walking, clean-up	environment conservation promotion of science and technology, health and medical science Relationship building with local community, sport	Society and community - Global issues <ul style="list-style-type: none"> <li>• Developing future leaders – 1) promoting mental/emotional and physical health through sports, 2) promoting creativity through engineering, manufacturing and marketing,</li> <li>• Environmental Conservations – 1) environmental education for local communities, 2) respecting biodiversity</li> <li>• Improving traffic safety – 1) providing transportation safety education to the community, 2) awareness raising</li> <li>•support for development; ODA, NGO related procurement, fishery support</li> </ul> Society and community - Local issues <ul style="list-style-type: none"> <li>• Community issues – 1) supporting the community with Yamaha motor’s products, human resources, and know-how</li> <li>Environment, 2) after-service related activities for maintenance by local</li> </ul>	Dialogue with local community for harmonious business operation to meet local conditions and customs Environmental conservation; youth development; regional/community contribution, disaster-relief work	CSR promotion; participation to UN global impact Social; community contribution, future contribution for youth growth, global contribution(proving assistance to the international community) Environmental protection	Global sustainability - activities related to environment conservation Food resources - activities for sustainability of food resources, securing procurement of raw materials by R&D Healthy living; activates to promote health; health education, int'l corporation in health and nutrition field, setting up social business

BOP Group

	<b>Company A</b>	<b>Company B</b>	<b>Company C</b>	<b>Company D</b>	<b>Company E</b>	<b>Company F</b>
<b>BOP business practice</b>	As business strategy/social business (CSR? - Profits will be allocated to welfare and scholarships for the poor in Bangladesh)	As core business strategy motivated by its corporate philosophy	AS area marketing strategy water purifiers, water pump for irrigation,  fishery project, motorcycle for NGOs, UN, Gov. From motorizing canoes, providing FRP molds, promoting small-scale local fisheries projects, to the maintenance of water, electricity, and communication facilities,	As part of CSR program Solar LED lantern	as part of CSR program Long-lasting insecticidal Olyset Net	Trial before establishing social business Nutrition improvement in Ghana (2009)

BOP Group continued

	Company A	Company B	Company C	Company D	Company E	Company F
<b>BOP business background</b>	<ul style="list-style-type: none"> <li>• Purpose: alleviation of the bean procurement risks</li> <li>• Establishment of Joint Venture Corporation with Grameen Foundation in Bangladesh</li> <li>• Supporting org: JETRO and JICA</li> <li>• Cultivation of mung beans for bean sprouts</li> <li>• Cultivation will be committed to 700-800 local farmers and additional 100 will be employed for selection of the beans</li> <li>• 70% of the products will be exported to Japan and 30% will be sold domestically</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing world population while decreasing domestic population and increasing # of aging population</li> <li>• Economic vitalization in emerging countries</li> <li>• Intensified market competition at global level</li> <li>• Elevated raw material price</li> </ul>	<p>Aiming to win sustainable support for the Yamaha brand, not only from single customers, but from the area as a whole</p> <p>To serve the customers with the most suitable product and service in turn leads to serving the locality.</p> <p>Strategies taking consideration of local political, socioeconomic environment, culture, and life style for efficient synergetic marketing</p>	<p>Intention to help build a sustainable society through business activities by using its expertise and a desire to help</p> <ul style="list-style-type: none"> <li>• As goods donation in Africa</li> <li>• Inspired by a letter from Ugandan vice-president</li> <li>• First product release in 2009 in Uganda -&gt; UNDP GSB in 2010 for market survey in Kenya in the aim of commercialization -&gt; JICA PP BOP Biz initiative for pilot project</li> <li>• Goals; to increase social benefits (ex. education opportunities), use of microfinance as business model, construction of supply chains based on local circumstances</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation from the existing products based on needs; In 80s, researcher came to be interested in of Malaria issues and got idea to apply the technology to mosquito net.</li> <li>• 1994: Olyset Net developed (combining technologies of insecticides and resin processing) -&gt; 2001: WHO endorsed the Olyset net (established as profitable business) -&gt; 2003: local production of the Olyset Net in Tanzania by A to Z (loyalty-free technology license)-&gt; 2006: School construction support in Tanzania and other African countries by returning a portion of Olyset revenues -&gt; 2007: Olyset Net manufactory by Vector Health (joint venture b/w Sumitomo and A to Z) -&gt; 2009: Olyset net stitching factory in Ethiopia</li> <li>• Primarily procurement by WHO, but donates to NGOs</li> <li>• Employment opportunities for locals at local production site</li> </ul>	<ul style="list-style-type: none"> <li>• to improve the nutrition of children during the weaning period; joint program by three parties (Ajinomoto, Uni of Ghana, the U.S. NGO); MDG</li> <li>• 2010; collaboration with CARE international Japan and Plan Japan for marketing and trial of prototype product, JICA BOP business support</li> <li>• Public-private partnership is crucial for successful social business (Ghana project)</li> <li>• Being able to use own accumulated technologies in the business for problem solution</li> <li>• Development of nutrition fortified food and nutrition education for mothers</li> </ul>