

Current Status of CSR in the Japanese MNCS

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ABSTRACT

This research is to contribute to understanding the social aspects of the corporate social responsibility (CSR) by analyzing cases of Japanese multinational corporations (MNCs). To achieve the goal, it applies a theoretical framework consisting of an institutional approach. Since the 1990s, in the midst of globalization, ‘supplier code of conduct’ has progressed rapidly as one of CSRs. Here, this article specifically focuses on Japanese MNCs, such as Mizuno, Sony Electronics, Bandai Namco Games, EAON and Shiseido, and examine the strategies of their headquarters which have implemented with the foreign subsidiaries. Especially it highlights how they use the code of conduct, the supply chain management and the registration rate of GRI.

Keywords: Corporate social responsibility, Supply chain management, Supplier code of conduct

INTRODUCTION

Since the 1990s many multinational corporations (MNCs) have increased their outsourcing of manufacturing activities to developing countries. CSR is now confronting different motivational factors, value systems, and commitments to different agendas (Doh & Guay, 2006; Visser et al., 2007). For example, the Western World regards the child labor as completely unethical, while it is not considered so seriously in South Asia (Kumar & Steinmann, 1988). By contrast, many Asian societies see the dismissal of employees during economic downturn, which is not rare in the West, as unethical (Crane & Mattan, 2004). Anglo-American perspectives dominates in understanding of the CSR, which has been largely unaffected by the influence of other institutional contexts, by different pressures in these contexts, or by changes in these pressures over time (Ang & Leong, 2000; Maignan & Ralston, 2002).

Globalization is certainly a strong force in the changing relationship between business and society, and in the rise of the MNCs (Koerber and Fort, 2008). Globalization has boosted the urgent need for the CSR. As a result, the demand for the CSR in supply chains has pressurized brand-name firms especially. Current issues related with the supply chain have been generated from various areas. For instance, the problems that mainly occurred in the suppliers' side are child labor, racism, excessive working hours, nonunionism and pollution (Perdersen, 2005). Meanwhile, the problems that occurred in the manufacturers' side are corruption, lack of freedom of association and dangerous working environment and wholesalers' discrimination. Finally, the problems that are occurred in the distributors' side often tend to be bribery, lack of fair competition and non-ethical investment. Effective supply chain management requires partners to build and

maintain close long term relationship a successful business (Ellram and Cooper, 1990; Mishra,2009).

The purpose of this research is to clarify the present conditions of the CSR of Japanese MNCs and the issues on them. To do so, it will apply the institutional approach. This research is to contribute to understanding the social aspects of the corporate social responsibility (CSR) by analyzing cases of Japanese multinational corporations (MNCs).

THEORETICAL DEVELOPMENT

CSR in Japan

In 1991, Japan Business Federation (Nippon Keidanren) established a ‘Corporate Behavior Charter’, and has recently promulgated the CSR guidelines. Since then, Japanese scholars have used the term ‘business ethics’ in order to introduce and describe the situation in the United States. The Japan Society for Business Ethics Study (JABES) was also established in 1993. The year 2003 is often referred to in Japan as ‘CSR gannen’(the first year of CSR). More Japanese companies have set up a division of the CSR and published CSR reports since 2003. In 2003, Keizai Doyukai, the Japan Association of Corporate Executives, published the 15th Corporate White Paper on “Market Evolution and CSR Management: Toward Building Integrity and Creating Stakeholder Value” (Demise, 2006). In 2004, Nippon Keidanren revised their Charter of Corporate Behavior. Nippon Keidanren recognized that their stakeholders became more interested in corporate social responsibility and they clearly wrote about human rights, communication with their stakeholders and supply chain. Some media, including Nihon Keizaishinbun, published “CSR rankings” on the various valuation bases.

Globalization and Supply Chain Management

It seems that globalization has affected MNCs and has produced both positive and negative consequences in their global operations (Korten, 2001; Strike et al., 2006). Opportunism is either indispensable elements or a serious risk to disrupt the construction of inter-firm relations or the development of a code of conduct in the global supply chain. (O'Donnell, 2000; Das and Rahmann, 2000)

There are also both many benefits (risk reduction, staff recruitment and retention, cost savings, and the development of the relationships with stakeholders) and obstacles (insufficient resources and skills, unawareness of stakeholders' demands, and inefficient producing techniques) of the CSR in supply chains (Russo and Fouts, 1997; Welford and Frost, 2006).

The translation of responsibility in supply chains into practice is involved in chain management (Kenneth and Osuji and Nndim, 2008). When you build a global supply chain, the supply chain manager is required for three factors: supplier codes of conduct, inspection and audits. (Pedersen and Mette, 2006)

Global Compact Japan Network

In 2012, we happened to have a chance to interview Mr. Miyamoto, the Secretariat of Global Compact Japan Network (GCJN) which was founded in 2000. According to the interview, there are 191 organizations to participate in GCJN: 91 public institution and 100 private enterprise. The numbers of organizations participating in GCJN suddenly increased in 2011 and the participation of Japan JC (Junior Chamber) was known as the big motivation. The JC promoted the participation of companies by the MOU with GCJN. The number of Japanese organizations struck off a list in the companies which joined GCJN is much lower than that of other countries. Enthusiastic activities

of the subcommittees, however, has been characteristic. For the recognition of activities of the subcommittees, its role has shifted from “lesson and dialogue” to “information dissemination and cooperation”. JC currently signed MOU to promote the participation of affiliated corporations. Four Japanese universities are participating: ICU, Doshisya University, Doshisya Woman University and Keiai University.

CASE ANALYSIS

This analysis is performed through the interviews with Mizuno Corporation (Mizuno), Sony Electronic, Bandai, AEON groups and Shiseido. In order to complete this research, interviews were undertaken with CSR managers, various purchase departments’ personnel and other specialists confidentially and anonymously in March 2012. The interviews mainly centered on the existence of the code of ethics, implementation year, management organization, contents of implementation items, continuity of internal ethics audit.

Mizuno

Mizuno established ‘the Mizuno CSR procurement of Conduct’ in 2006. It was designed to let the suppliers understand Mizuno’s philosophy: corporate philosophy, code of conduct, ethical standards, CSR basic philosophy, CSR vision, etc. All the suppliers that are engaged in manufacturing Mizuno products should be complied by it.

These requirements become parts of all new or renewed commercial agreements between Mizuno Corporation and its direct suppliers: especially the Original Equipment Manufacturers (OEM). And Mizuno Corporation and its designated agents (the

third parties) have the rights for the ethical audits in every relevant workplace.

Table 1. CSR Procurement of Mizuno

	No. of suppliers in 2015	Auditee	Audited No. of 2012	Audited No. of 2013	Audited Numbers of 2014	Total No.	Accurate rate of Audit
Japan	163	36	10	15	11	36	100%
China	160	102	26	29	32	87	85%
Korea	11	10	0	2	5	7	70%
Taiwan	37	17	0	9	1	10	59%
Indonesia	18	15	5	5	5	15	100%
Vietnam	34	26	5	3	7	15	58%
Thailand	15	9	4	2	0	6	67%
Philippines	5	4	1	2	0	3	75%
Myanmar	5	5	0	2	3	5	100%
Cambodia	2	1	0	0	1	1	100%
Others	14	13	0	1	1	2	15%
Total	463	238	51	70	66	187	79%

Source: Interview with procurement department manager in March, 2015

This is aimed to support fair employment practices, in order to provide a safe working environment with a commitment to basic human rights. And it is following the Universal Declaration of Human Rights, in compliance with all applicable local labor laws about overtime work, compensation, the freedom of association and collective bargaining, working conditions and other workplace practices. Table 1 shows actual achievements of the CSR procurement of Mizuno.

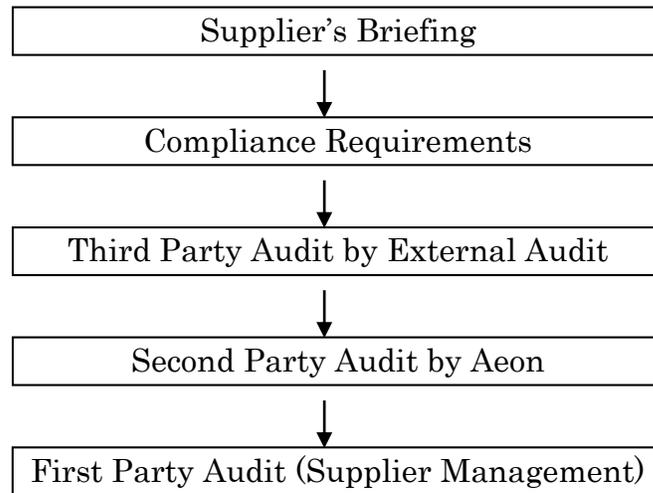
Aeon

Aeon launched 'the Paeon supplier CoC (code of conduct)' in 2003. It is to insure appropriate business practice and working conditions, and to fulfil the social responsibilities among TOPVALUE suppliers. Aeon TOPVALUE suppliers have 13 requirements to achieve: no child labor, no forced labor, health and safety, freedom of association and collective bargain, no discrimination, disciplinary practices, no overtime work, secured wages and welfare system, management responsibility, good environment, fair trade, certification, renewal through auditing and monitoring, and no bribery.

According to the Aeon group, following the Supplier Code of Conduct which was enacted in 2003, about 500 their TOPVALUE suppliers carried out the requirements for compliance with the description of the purpose of its establishment in both domestic and international areas so far. Then, the suppliers of the group shall submit a compliance with the declaration of Aeon. Until now, They have been approved 72 factories in 2005, 211 factories in 2006, 471 factories in 2007, and 732 factories in 2008.

As the figure 1 indicates, Aeon supplier CoC is implemented by five steps altogether. Especially, ethical audit is conducted through three steps. First, suppliers are allowed to put their steps into Aeon supplier groups after making agreements. After that, the third

party audit, which is conducted by external audit agency, plays important roles in the third steps, and then first and second party audit are implemented in order by the professional and external ethics audit institutions. 1,172 OEM factories had been confirmed the three party audits and completed them until February 28, 2011.



Source: Interview with Aeon Group procurement manager March in 2015.

Figure 1. The flow of Aeon supplier CoC

Bandai Namco Games

Bandai Namco Games proclaimed 'the Bandai Code of Conduct Declaration' in 1998. Since then, they have run the audit system and it has gone through a fair process: for instance, when products are about to be procured, the system examines whether there are any inhumane treatments of employees. Since 2008, the 'factory

registration audit system' has been conducted throughout all the registered factories in China and other Asian countries.

Bandai has maintained a good working environment in order to improve the management. They initiated ethical audits in 2004, beginning with 40 major overseas suppliers. Then, since 2007, the ethical audits has been annually performed throughout all the overseas suppliers annually. Furthermore, since 2008, it has been gradually conducted in the domestic suppliers. They are evaluating the adequacy by the scoring system of each audit article, in order to improve the ethical standards of each supplier.

Also, in 2007, Bandai Namco Games has taken steps to confirm the conduct of green audit and CoC (code of conduct) audit to reduce the risk of chemical contamination both in Japan and overseas. In addition to the green audit, they has also confirmed CoC audits for the work environments at overseas OEM manufacturers in 2014.

Table 2. The Implementation of Bandai Namco Games

country	number of audits	country	number of audits
Japan	20	Vietnam	1
China	195	Thailand	3
Korea	2	Indonesia	3
Taiwan	3	Malaysia	1

Source: Interview with Bandai Namco Games procurement department manager

The green audit consists of total 80 audit articles in 10 categories, such as fire prevention and emergency countermeasures, health and safety, freedom of association and secured wage.

Sony Electronics

In April 2003, Sony Electronics introduced 'Sony Supplier Code of Conduct' based on EICC (Electronic Industry Citizenship Coalition), which is the code of conduct of the US electronics industry, and has procured the parts and the materials for its products from suppliers that were qualified as green suppliers.

Then Sony Electronics requests all the suppliers to completely remove hazardous chemical substances in order to protect the environment. This is a condition for suppliers who wish to either newly make or continue the contracts with Sony Electronics. The suppliers must renew the contract by accepting the condition every two years.

It is the outcome of the painful lesson which Sony Electronics learned from a nightmare called 'Sony shock.' In 2001, Dutch government happened to detect the fact that a Sony product violated the European regulations on cadmium. It was the wiring code of the famous Play Station One (PS1). The EU has restricted the level of cadmium (0.1 per cent). The PS1, however, has an excessive level of cadmium (0.5 per cent). This problem occurred on the production process between the second- and third-tier overseas suppliers. As a result, PS1 was banned in the European market. This bitter experience motivated the birth of 'Sony Supplier Code of Conduct.'

Shiseido

In April 2011, Shiseido presented a new corporate philosophy for the Shiseido Group, called "Our Mission, Values and Way." As the operational guideline for Shiseido Group employees worldwide this new philosophy has been working toward full compliance. According to it, Shiseido Group must obtain suppliers' agreements with the 'Shiseido Group Supplier Code of Conduct' when initiating contracts, which was based on the Global Compact's ten principles.

The audit consist of 6 categories, such as human rights, legal compliance, labor practices, protection of intellectual property and maintenance of confidentiality, protection of the environment, and fair operating practices.

In 1999, Shiseido formulated the ‘Green Supplier Code of Conduct’ in order to improve the environment. It was issued to the domestic suppliers. Since then, through questionnaire surveys to the suppliers, they have tried to bring up the ideas on environmental protection. As a result, since 2001, they have been promoting the recycling of used cosmetic bottles, together with both the bottle manufacturers and the cosmetic dealers.

In 2005, Shiseido conducted a questionnaire survey of 500 suppliers both in Japan and overseas, based on the 10 principles of the Global Compact. In September 2004, they proclaimed the participation of the Global Compact as a corporate citizen in the international community. Then, they briefed the suppliers on about it March 22, 2006. It was mainly focused on the raw materials procurement of the factories. Table 2 shows the current state of the Supplier Code of Conduct which are performed by five of Japan's leading MNCs.

Table 2. Current state of the Supplier Code of Conduct by five of Japan's leading MNCs

Company name	The existence of SCC	Implementation year	Contents of implementation items	Management organization	Continuity of ethics audit
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Mizuno	Mizuno's CSR Procurement Code	Started in 2004, amendment in 2010	External ethics audit for Chinese 34 Plants and other six countries 10 plants in 2010	Mizuno Corporation of HONG KONG Limited Vice President	every year
Sony Electronic	Sony Supplier Code of Conduct	2005	External ethics audit for domestic suppliers by a third party	Procurement department	every year
Bandai	Bandai Code of Conduct	1998	External ethics audit for domestic suppliers by a third party	Procurement department	every year
AEON group	EAON Supplier Code of Conduct	2003	External ethics audit for domestic suppliers by a third party	Procurement department	every year
Shiseido	Shiseido Group Supplier Code of Conduct	2005	External ethics audit for domestic suppliers by a third party	Procurement department	every year

CONCLUSION

This research shows the fact that the major Japanese MNCs have developed the CSR procurements since the 2000s. Meanwhile, they have also provided the institutional basement for supplier

code of conduct since 2003 (the first year of the CSR). Furthermore, this research found out the following points.

First, it turns out that all the companies which are surveyed here have Supplier Code of Conduct. Second, it is examined that Japanese MNCs have been introduced intensively since the mid-2000s. Finally, for contents of implementation items, external ethics audit for domestic suppliers by a third party is a characteristic. As it is mentioned, Japanese MNCs were interviewed for this research.

However, it is mainly on the CSR policies and is limited to the primary suppliers of the head offices. Thus many areas have been left for the further studies. For example, since the comparison between the companies of a same industry is not possible here, providing the number of samples of the target companies are relatively less, so it has been left incomplete.

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