Chapter 11

BUSINESS ETHICS AND CORPORATE STRATEGY IN JAPAN

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Abstract

As an economic entity, the corporation acts logically and rationally in its pursuit of profits. However, the corporation is also a social entity and is thus constrained by certain moral and ethical considerations when executing a particular strategy. In Japan, the corporation is expected to contribute to society beyond the mere paying of taxes. As a member of the community, a Japanese corporation is obligated to contribute to the greater good of the nation.

THE LOGIC AND ETHICS OF BUSINESS STRATEGY

Management strategy is a matter of (1) deciding the goal which the corporation wishes to reach, (2) selecting the important (strategic) means to achieve the corporate goal, and (3) giving direction and advice to those who pursue the goal using those means. Although the top decision-maker regarding strategy is the CEO (chief executive officer), in some cases individuals or committees nominated by the CEO take responsibility for the whole process, from planning through realization of the strategy. Corporations with a division system, or a strategic business unit, plan and carry out the strategy of each division under the corporate strategy of the whole
corporation.

Although a strategy may succeed by chance, its success most commonly stems from elaborate and logical thinking. A new product idea may flash intuitively at first. Nevertheless, it must undergo a data-based decision-making process, from selection of raw materials to production strategy decisions and the selection of a sales market. It is necessary to logically analyze a competitive strategy in the context of its operating environment. This entails an analysis of both advantages and disadvantages. Known as 'SWOT' analysis, it is an objective analysis of the Strength, Weakness, Opportunity, and Threat of one's own company.

In order to achieve a strategic goal it is necessary to secure the cooperation of hundreds or thousands of people not only from inside, but also from outside the corporation. In pursuit of the goal, therefore, the human factor becomes important. The human factor means that people, from CEO to general worker, as well as customers and suppliers, have the capability of value judgment proportionate to their position, unlike physical hardware (machine) or robots. They can be homo economics, homo sentiment, homo ludens, or homo politics depending on circumstances or on the characteristics of each individual. It is through such people that a business maps and carries out its corporate strategy.

A logical business strategy means that the business should take into consideration such human factors, or cultural factors, if understood in a wider sense. It is said, for example, that the color red was most popular in the 1980s, but people are fond of green and other colors in the 1990s. It is thus necessary to analyze the reason for this and to utilize it in a corporate strategy as, for example, "green marketing."

However, all business activity cannot be logical. There are limitations in the pursuit of logic from two aspects. For one thing, an explanation of why a certain product boomed during a certain period of time can only be given logically ex post facto; that is, the result is related to certain causes and it is necessary for an ordinary person to understand that relationship. It is very difficult to predict perfectly ex ante whether certain products will be hits. One reason for this may be flawed information about the strategy of competitors. Even if a certain corporate strategy is logically perfect as a desk plan, pursuit of the logic has certain limitations due to the cost of carrying out that strategy. Thus, the pursuit of perfect logic is impossible because of the impossibility of perfectly understanding the cost.

On the other hand, the fact that a business is a social entity also limits its pursuit of logic. First, let us consider the social