

## Japan as Number 1 in the East Asian Age

By Hsi-hsun Tsai\*

*In the 1980s, Japan as Number 1<sup>1</sup> was the most popular expression to praise the Japanese golden age, but it was full of dust in the 1990s. In the 21<sup>st</sup> century, the sun is rising again. Meanwhile the East Asian economy is moving toward a community of mutual prosperity, based on China's rise and Japan's previous economic miracle. A lack of strategies caused Japan's failure in the 1990s. Now, Japan will not make the same mistake.*

*Harmony is the secret code to decode and align Japan's 21<sup>st</sup> century strategies. Japanese are proud of their harmonious spirits. The employer and employees of a Japanese company are united to pursue joint profits like a big family. Soft power is the foundation for Japanese to draw the blueprint of modern Japan as Number 1. Japan enthusiasm in Taiwan is the best proof for Japanese soft power. To Japanese industries, the recent high oil prices are a threat for costs and an opportunity for their technologies. Japan had conquered two oil shocks of 1973 and 1978. These two oil shocks pushed Japanese companies to remarkably improve*

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<sup>1</sup> Ezra F. Vogel, *Japan as Number 1: LESSONS FOR AMERICA* (New York: Harper & Row, Publishers, 1979).

*their energy using efficiency. Thus, the recent high oil prices are a turning point for Japanese edges on energy-saving technologies. Overall, stable supply, efficiency, and alternative energy are three Japanese ways to survive in the age of high oil prices. Now Japanese are using their advanced technologies to explore the green gold and co-exist with the nature. Corporate Social Responsibility (CSR) is another resource to build a harmonious society.*

*Harmony is the central value for both cases of Toyota Motor Corporation and Sekisui House. Toyota management DNA is collective. Its formula for the remarkable success is in employees, who consider themselves as company's partners in the Toyota family and are treated as such. Sekisui House is another success case of chasing harmony with the nature. Sekisui House keeps the balance among economy, environment and society.*

*The rebirth of Japan as Number 1 is not a prediction, but a real story. Japanese people are building a new country. Economic growth is not the only carrot. They are balancing growth between go-go economies and sustainable nature.*

**Key words: Japan as Number 1, Strategy, Harmony, Soft Power, High Oil Price, Green Gold, CSR, Sustainable, Toyota, Sekisui House.**

## **Introduction**

In the 1980s, Japan as Number 1 was the most popular expression to

praise the Japanese golden age. In the 1990s, Japan as Number 1 was full of dust, usually called the “Lost Decade.” “Sun also sets” became a popular theme for Japanese research. For example, *CAN JAPAN COMPETE?* was a typical book.<sup>2</sup> The U.S. used “Japan nothing” or “Japan passing” to jeer Japan’s failure.

Fortunately, the rise of East Asia has opened the 21<sup>st</sup> century. The East Asian economy is moving toward a community of mutual prosperity, based on China’s rise and Japan’s previous economic miracle. Especially, the Plaza Accord of 1985 pushed Japanese to largely invest in East Asia. Kishore Mahbubani says “Japan’s record in World War II was disastrous. But if Japan had not succeeded early in the 20th century, Asia’s development would have come much later.” Japan’s economic success had inspired the four dragons (Taiwan, South Korea, Hong Kong, and Singapore), and eventually benefited China, too.<sup>3</sup> Human history has proved that the rise and fall of great powers often cause great instability. Avoiding radical power shifts and building a buffer to lessen the shock of violent changes are required for the stability and prosperity of the East Asia.

After the “Lost Decade” of 1990s, Japanese economy has been enjoying its healthiest and most durable recovery in nearly the last two decades from 2003.<sup>4</sup> Bill Emmott has published *The Sun Also Rises* to

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<sup>2</sup> Michael E. Porter, Hirotaka Takeuchi and Mariko Sakakibara, *CAN JAPAN COMPETE?* (Great Britain: Macmillan Press Ltd, 2000).

<sup>3</sup> Kishore Mahbubani is dean of the Lee Kuan Yew School of Public Policy at the National University of Singapore, and author of *Beyond the Age of Innocence: Rebuilding Trust between America and the World*. See *Time*, August 15-August 22, 2005: 32-35.

<sup>4</sup> *Newsweek*, August 22, 2005: 35.

announce Japan's revival.<sup>5</sup> Because of the confirmed economic recovery, Bank of Japan has removed a financial quantitative easing policy on March 9, 2006. The lack of strategies caused Japan's failure in the 1990s.<sup>6</sup> Now, Japan will not make the same mistake. The big question is that what are Japanese strategies to remake a modern Japan as Number 1? This paper does not mean Japan "is" Number 1. This paper's purpose is to study Japan's 21<sup>st</sup> century strategies in the emerging East Asian age.

### **Japanese Harmonious Spirits**

Harmony is the secret code to decode and align Japanese strategies. Japanese are proud of their harmonious spirits. A Japanese organization is like a big family for all employers and employees when they pursue joint profits. They are always chasing harmonious management models. Japanese society treasures a relationship of mutual trust. Group principles are the rulers in their minds. Japanese government intervention always has a strong influence on the industrial harmony.

The harmonious spirits are the same as Tokyo Governor Shintaro Ishihara's expression as follows. Japanese are living in a homogeneous society. The Japanese company is a community bound together by a common destiny. This concept of a fate-sharing community is a Japanese management system. To Japanese managers, the most important objective is to make the company healthy. The harmonious spirits are shown in Japan's East Asian strategies, too. It is inevitable that Japan has been

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<sup>5</sup> Bill Emmott, *The Sun Also Rises* (Tokyo: Soshisha, 2006).

<sup>6</sup> Michael E. Porter, Hirotaka Takeuchi and Mariko Sakakibara, *CAN JAPAN COMPETE?* (Great Britain: Macmillan Press Ltd, 2000).

cooperating and competing with other East Asian countries simultaneously. Japanese company takes positive posture to face the East Asian companies. The high technology capabilities are their strong ace cards. Japanese always refine technology to the ultimate extent, which provides the basis for Japan's future prosperity. Many foreign companies want to learn Japanese technologies. Japan and East Asia are inescapably interdependent, but there is no way to avoid trade frictions. Some Japanese advanced articles are losing advantages to several countries in East Asia. As long as Japan keeps the crucial technologies ahead for the high value added direction, it will be in a safe position. Investing in East Asia is not a fatal attraction, but they have no choice but to prosper cooperatively. Japanese companies are outsourcing to other East Asians to build competitive advantages. To Japanese, cooperation means to maintain harmony. Japan cooperates with East Asia to keep harmony. The East Asian economic achievement is a success story. Japan needs East Asia more than the U.S.<sup>7</sup>

In addition to a community bound together by a common destiny, co-existence and co-prosperity are other popular expressions to describe the harmonious spirits in Japan. Japanese have consciousness and the historical view that a critical situation must be dealt with in a community bound together by a common destiny. Japanese businesses also have this kind of feeling, and *keiretsu* is the fruit. Japanese are not used to argue against other's opinions. Usually, they do not know how to say no. A company and an employee are two hearts beating as one. A feeling of joint liability is educated. As for one failure, that is a mistake of all the

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<sup>7</sup> [http://www.totse.com/en/politics/the\\_world\\_beyond\\_the\\_usa/japan.html](http://www.totse.com/en/politics/the_world_beyond_the_usa/japan.html) (accessed August 15, 2005).

members. When a community bound together by a common destiny is on the verge, the members make every possible effort to protect it. Japanese have a thought that the human, any kind of creature, an animal, and the plant on the earth are rolled up irresistibly in this community bound together by a common destiny.

Because of the harmonious spirits, Japan has created the world's greatest middle class. Recently, because Japanese have found that their society lacks enough competition, they are introducing the competition spirits into it. But the competition idea will not totally exclude the importance of harmony. When a company emphasizes only the side of a community bound together by a common destiny, and looks away the logic of capital, even a noble company may fall into the non-efficiency. Consequently, the middle class rank is gradually divided into two tiers by the victors and losers. The income gap is widening. The area of Roppongi Hills is a representative of victor. Those companies in Roppongi Hills are drawing a blueprint for the rebirth of Japan as Number 1. On the other hand, these groups of FREETER and NEET (Not in Employment, Education or Training) are new young losers. They have little chance to succeed.

### **Soft Power**

Competition never stops. The high added value is ever pursued. Because of the improved telecommunications and faster delivery services, customers can use the Internet to compare prices, putting pressure on all

companies. Every business today is facing the increasing competition. Under the circumstances, soft power has become a new concept to success in the global competition.<sup>8</sup>

Kishore Mahbubani says “Cultural confidence is necessary but not sufficient condition for development.” East Asians are eager for a confidence in their own societies.<sup>9</sup> Japan is not an exceptional nation. In addition to manufacturing technologies, Japan has more valuable culture and traditional assets. Japan is turning these intangible assets to competitive advantages. Thus, China’s low manufacturing costs put pressure on Japanese firms to cut their costs, but Japan is taking advantage of not playing in the low-end markets. Instead, Japan keeps improving its product and taking out a fashion of “departure from Japan” in the world.

*Soft Power: The Means to Success in World Politics* says that the soft power, e.g., the character of pokemon, opens up another door for Japan to gain new competitive advantage. *Hitotsubashi Business Review* has also published a special issue of *Content Businesses of Japan* to study Japanese soft power in the industrial competitiveness.<sup>10</sup> Japanese government uses soft power as a cultural diplomacy. Japanese believe that

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<sup>8</sup> According to *Soft Power: The Means to Success in World Politics* of Joseph S. Nye, Jr., a country’s competitiveness is not shown on economies and military power, but also on soft power. This book has defined that “Soft power lies in the ability to attract and persuade. Whereas hard power--the ability to coerce--grows out of a country’s military or economic might, soft power arises from the attractiveness of a country’s culture, political ideals, and policies. Hard power remains crucial in a world of states trying to guard their independence and of non-state groups willing to turn to violence.”

<sup>9</sup> *Time*, August 15-August 22, 2005: 34.

<sup>10</sup> Hitotsubashi University Institute of Innovation Research, *Content Businesses of Japan* (Tokyo: Toyokeizai, 2005).

culture is a powerful source for understanding Japan and gaining trust. Diplomacy in politics is always about the hard power. The charm of a country is culture. Japan intends to send the culture power to the world.

Japanese soft power has created the Japan enthusiasm in Taiwan society. They love Japanese food, fashion, music, character goods, a video game, a drama, comics, and lifestyle. Japanese drama has won the sympathy from Taiwanese audiences, especially the young women. When customers buy a Japanese article, they do not only expect hardware of the industry product such as a car and a home appliance. Customers purchase many articles of the Japanese culture. For examples, HELLO KITTY and Doraemon have been rooted in the heart of customers for a long time. Cuteness is the common characteristic of these goods.

This Japan enthusiasm phenomenon shows an expanse to Asia where economic development is remarkable. Japanese life-style sphere is being created around the East Asia. Japanese animations have attracted the world attention. Japanese popular songs are heard all over East Asia recently. Cable television and the Internet are convincing passages. In addition, Japanese Kinokuniya bookstores and Taiwanese bookstores sell many Japanese magazines and books, too.

The Taiwanese media industry and cable television have developed rapidly. A Japanese drama created a vast consumption market and gave a youth big influence. Its repercussion effect is great. After having watched a Japanese drama, the audiences want to travel to Japan, to study Japanese language, to imitate Japanese lifestyle, and to associate with a Japanese friend. The related goods have become popular in Taiwan. Comics and animation films are the cultural articles with a strong competitive power

in the world market. The commercial using Japanese atmosphere and Japanese increases steadily for television, newspaper, and magazine in Taiwan. Using the Japanese word of “*〇*” is a powerful and popular commercial tool.

### **High Oil Prices**

To remake the modern Japan as Number 1, like other nations, Japan is also facing the new challenge of high oil prices. The age of high oil prices could be a threat for costs and an opportunity for Japan's technologies. The crude oil price has been going up and down like a yo-yo. Oil prices have been on the increase from \$40 per barrel in 2004 to a record high of \$70.85 on the New York Mercantile Exchange (NYMEX) on August 30, 2005. The price fell down to \$63.00 on September 16. The present high price not only lies in the supply and demand problems. The driving forces are the increase in demand for energy from China and India to fuel their economic development, the instability in the Middle East, and the productive capacity limit of Organization of Petroleum Exporting Countries (OPEC), U.S. oil refinement institution problems, Hurricane Katrina, terror premium, and Iranian nuclear policy. Terror premium has begun to be a negative factor after September 11, 2001. The gap between global supply capacity and fast-growing demand is also working as a psychological factor, so that speculative investors are also pushing up prices of crude oil.<sup>11</sup> An abnormal price hike is not only seen in crude oil. The prices of other mineral resources, such as iron ore, nonferrous metal,

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<sup>11</sup> <http://www.barbadosadvocate.com/NewViewNewsleft.cfm?Record=22251> (accessed August 11, 2005).

and so on, have irregularly risen. The increasing demand of China is a background of a remarkable price rise.

Because of the confirmed economic recovery, Bank of Japan has removed a financial quantitative easing policy on March 9, 2006, but Japan still faces uncertainties, particularly the rising crude oil prices. Companies have three ways to cope with this hurdle—raising product prices, cutting production cost or reducing profits. Raising the product prices is not a priority choice, because higher prices may adversely affect customer sentiments.<sup>12</sup> The high oil prices on international markets could slow Japan's economic recovery. "Japan's economy is showing positive signs of emerging from a soft patch, but oil prices may become a risk factor," said Heizo Takenaka.<sup>13</sup>

Consequently, the high oil prices have a wide influence on Japanese industries and customers through a price of materials and petrochemical products of fuel such as gasoline and industrial article. The pockets of the companies and customers are incurring the burden of high oil prices. Customers are buying less, which will slow economic growth.<sup>14</sup>

For some specific industries, negative consequences are inevitable. Automobile, electric appliances and airlines are major examples. The high oil prices push up material costs, e.g., plastics, for cars and appliances. The skyrocketing cost of jet fuel has hit the corporate earnings of airlines.

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<sup>12</sup> *Asahi Shimbun*, August 11, 2005.

<http://www.asahi.com/english/Herald-asahi/TKY200508110168.html> (accessed August 17, 2005).

<sup>13</sup> *Sankei Shimbun*, August 25, 2005.

<http://www.sankei.co.jp/news/050825/kei019.htm> (accessed August 25, 2005).

<sup>14</sup> <http://www.barbadosadvocate.com/NewViewNewsleft.cfm?Record=22251> (accessed August 11, 2005).

Companies must contain the impact of these negative factors and earn reasonable profits. Otherwise they will lose competitive advantages. As a result, how to survive in the age of high oil prices has become the priority issue for the modern Japan as Number 1.

Companies can convert negative impact into opportunities. Competitive advantages help companies boost profits. It is just at this point that the Japanese technical advantages suddenly blossom. Japan had conquered two oil shocks of 1973 and 1978. These two oil shocks pushed Japanese companies to remarkably improve their energy-using efficiency. The high oil prices have provided Japan a golden opportunity for its edge on energy-saving technologies. The energy-saving technology is a valuable intangible asset.<sup>15</sup>

For example, the high oil prices push customers to tighten their purse strings and calculate the mileage for car selection. A fuel efficiency car will attract customers. A car company uses the good mileage as a commercial catchphrase. Japanese cars have enjoyed the reputation of high fuel efficiency and less gas emission. Customers will demand more Japanese cars. Thanks to the environmental concerns, railways are also getting back on a growth track worldwide, and Japan's trading companies are riding the trend. The Asian basic infrastructure is being developed, thus trading companies are trying to win turnkey contracts to supply everything from cars to tracks and signals.<sup>16</sup>

According to Richard C. Koo, the chief economist of Nomura

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<sup>15</sup> [http://www.fpcj.jp/e/mres/japanbrief/jb\\_544.html](http://www.fpcj.jp/e/mres/japanbrief/jb_544.html) (accessed August 12, 2005).

<sup>16</sup> *Asahi Shimbun*, July 21, 2005.

<http://www.asahi.com/english/Herald-asahi/TKY200507210162.html> (accessed August 17, 2005).

Research Institute, “Japan will do better than most other countries” due to its efficient use of energy. The increase in oil prices is a pressure for all oil importing countries equally. Based on that logic, Japan will do better than most other countries because its energy use is the most efficient. The U.S. will suffer most because its energy use is so inefficient. The problem of GM and Ford is a manifestation of this weakness. Richard C. Koo is more optimistic about Japan than about the U.S. because the latter still has a huge trade deficit.<sup>17</sup>

China’s demand for Japanese products and services are the new powerful engine of growth for Japan’s revival. Japan and China’s economies are bound together by common fate. If China’s economy slows down, Japan’s exports to the world factory could also slow down. Recently, Beijing is cooling its overheated economy, which could indirectly hurt Japanese exports. Finally, the word of “slow” is beginning to be used for the China’s famous roaring economy. Amount of China’s oil imports has fallen, which implies the beginning of China’s slowdown. When China’s economy begins to slow down, however, it will be the beginning of nightmare for the whole world, including Japan.<sup>18</sup>

Thus, Japanese industries are concerned about the indirect consequences from China. China’s oil consumption is only second to that of the U.S. China’s booming economy is thirsty for energy and becomes the main force to raise the oil price. The Chinese government places energy security with the pivot of economic growth and security. The

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<sup>17</sup> Ibid., July 12, 2005.

<http://www.asahi.com/english/Herald-asahi/TKY200507120204.html> (accessed August 17, 2005).

<sup>18</sup> Ibid.

Chinese government is looking for a new supply of energy to cope with lack of chronic energy, which has caused energy friction with Japan. The greatest pending problem is the issue of a gas field development in the East China Sea. According to Japanese opinions, it is very likely that resources of Japan side are absorbed by China with a straw.<sup>19</sup>

Apparently, the high oil prices become the heavy burdens for China's economy to soar higher. China is inferior to Japan in energy efficiency and has turned out to be vulnerable to the challenges posed by soaring oil prices. The energy shortage is also acute in China. One of the causes is the spread of a car. For these past several years, the number of automobile ownership increases at a pace of around 2 million every year. Many cars are lining for refueling in front of the gasoline station. Factories are being forced to cut operation hours. With the rapidly developing economy, China faces staggering rising costs for resources and air pollution that its industries generate. In China, the high oil prices have also raised the materials and a fuel price, which could damage the profit of Chinese companies.<sup>20</sup> In order to keep the high growth, China plans to switch to the development model that makes much of the efficiency and quality in future.

Not all Japan's manufacturers are enjoying China's high economic growth. China is burning resources at a prodigious rate. In so doing,

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<sup>19</sup> *Yomiuri Shimbun*, November 9, 2004.  
<http://www.yomiuri.co.jp/atmoney/special/47/naruhodo184.htm> (accessed August 31, 2005).

<sup>20</sup> *Ibid.*, August 18, 2005.  
<http://www.yomiuri.co.jp/atmoney/mnews/20050818mh05.htm> (accessed August 18, 2005).

prices of key manufacturing materials, steel and crude oil among them, have risen to record levels. As a result, Japanese manufacturers who depend on these materials face spiraling supply costs. Manufacturers cannot easily pass along higher costs in the hyper-competition markets. The rising material prices threaten the viability of companies in the electronics industry. Even in the thriving automobile industry, manufacturers are frustrated with steel-makers' request for raising price. Companies that cannot raise prices to cover increased costs will cut labor outlays.<sup>21</sup>

Briefly, Japan lacks domestic energy resources and demands a huge amount of energy. It means that Japan must largely depend on foreign sources for its energy supply. Japan relies on oil from the Middle East. Oil reserves have already declined in some producing regions. It is clear that the country's energy supply system is fragile. Under these conditions, the stable supply, efficiency, and alternative energy are three ways to survive in the age of high oil prices. Japan's basic energy policy principles are "ensuring a stable energy supply," "harmonization with the environment," and "utilization of market mechanisms."<sup>22</sup> Following the direction of these principles, the destination is green gold.

### **Green Gold**

We have only one earth. A competition principle is a system letting

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<sup>21</sup> *Asahi Shimbun*, April 4, 2005.

<http://www.asahi.com/english/Herald-asahi/TKY200504060167.html> (accessed August 17, 2005).

<sup>22</sup> <http://web-japan.org/factsheet/energy/profile.html> (accessed August 14, 2005).

the society face sustainable development. Nonprofit organization (NPO) is the traditional main driving force for the sustainable development of our earth. It gives first priority to environmental protection. The activities of NPO have long been a facet of corporate life in the U.S. and elsewhere. Japanese top businessmen are beginning to share time for charity work and the activities of NPO.<sup>23</sup> Now the business activity is an advance guard.

The theme of EXPO 2005 AICHI JAPAN, called “Nature’s Wisdom,” has shown that green gold is a new Japanese strategy designed to pursue a sustainable development. Human creative power can build a new ecosystem. Green businesses, solving environmental problems with their products or services, will prosper and provide abundance of jobs. For example, bio-fuel is a strategic alternative fuel and a typical green gold.

In addition to the high oil prices, the Kyoto Protocol is another driving force for green gold. Because global warming has become a matter of serious global concern, the Kyoto Protocol was ratified. In February, this year, the Kyoto Protocol took effect formally. The Kyoto Protocol has pushed companies to protect the environment. A hurdle of carbon dioxide (CO<sub>2</sub>) reduction target assigned to Japanese industry in the Kyoto Protocol is expensive.

In the quest for technologies and facilities that lessen greenhouse gas emissions, the active development of alternative energy sources is highly desirable, even though the diffusion and popularization of these new

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<sup>23</sup> *Asahi Shimbun*, August 16, 2005.

<http://www.asahi.com/english/Herald-asahi/TKY200508160253.html> (accessed August 17, 2005).

energy technologies still pose many problems. Costs are the main hurdles. New energy reliability with respect to the production of a continuous and uninterrupted energy supply is also considered a problem. Energy consumption reduction becomes an important theme. The car and home appliance companies have switched to develop energy-saving type products for a long time. Other industries aim at positive development, improvement of resources circulation type technology. A strategic technology in the development of new energy sources is hydrogen fuel cells. Several Japanese companies have started to produce fuel-cell-powered automobiles.<sup>24</sup>

However, companies are experiencing an ongoing struggle between environmental issues and profits. There are some concerns that environmental issues could be clouding business growth. In the long-term vision, the business must find a way to co-exist with nature. Environment is an unavoidable problem for companies. The environmental capital is the future of a company. Environment issues are difficult to wrestle, but they are big chances for future-oriented companies.<sup>25</sup>

The maintaining of environment by a new idea is demanded to realize the society where anyone can live in for comfort and health. It is an indispensable balance to develop environmental value and economic value. Environmental issues are key parts of the company management of the 21<sup>st</sup> century. The company side cannot take an action of environmental problem dogmatically. It shares a value system with customers. In such a meaning, it is the times when communication ability of a company is asked. The management is required to describe an action of a company

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<sup>24</sup> <http://web-japan.org/factsheet/energy/warming.html> (accessed August 14, 2005).

<sup>25</sup> [http://www.nikkei.co.jp/miraijuku/t02\\_01.html](http://www.nikkei.co.jp/miraijuku/t02_01.html) (accessed August 13, 2005).

understandably. A company development is not established only by technique such as marketing, and it is established as a result of posture and action of the whole company.<sup>26</sup>

There are many resources for the green energy. Sun light is a typical one. Japan intends to take back the champion of solar generation of electricity from Germany. Japanese government will subsidize families that purchase solar power generation equipments. In Japan, another voice to reevaluate coal rises while uneasiness to future energy supply increases by a remarkable rise of crude oil price. The tremendous amount of carbon dioxide (CO<sub>2</sub>) discharge was the problem, but deposits are abundant, and it can anticipate stable supply of energy for cheapness. On the other hand, in China and many Asian countries, environmental measures with the coal use have become an urgent business. It is said that Japanese smoke purification technology advances most in the world, and the Ministry of Economy, Trade and Industry has a policy to transfer this technology to other countries. A strategy to lead the world technically in spite of being a nation of limited natural resources is asked.<sup>27</sup>

Following the rising oil price, energy-saving technology is attracting customer attention. It became clear on August 18, 2005 that Mitsubishi Motors Corporation cooperates with Tokyo Electric to develop and spread the next generation battery car, which can be charged through a domestic outlet. Tokyo Electric offers charge to a battery car or technology of a battery. Mitsubishi Motors Corporation develops a small battery car "MIEV." Mitsubishi shortens a development period by this cooperation

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<sup>26</sup> Ibid.

<sup>27</sup> *Sankei Shimbun*, August 3, 2005.

<http://www.sankei.co.jp/news/morning/03iti001.htm> (accessed August 3, 2005).

and moves forward the release time of MIEV from 2010 to 2008. A battery car of the light car class which can run for 250 kilometers after a full recharge for around 4 hours will be marketed at lower than two million yen three years later. Mitsubishi is planning to use light car “i” as a base for the next generation battery car. The targeted customers are the class of women like many housewives, who usually drive a short distance. Tokyo Electric is studying the technology to easily remodel an outlet for families.<sup>28</sup>

### **Corporate Social Responsibility**

As mentioned above, protecting the environment is not only a green gold, but also the Corporate Social Responsibility (CSR). CSR is to meet the increasing demand of social and environmental expectations while improving business performance. CSR is essentially about behaviors that go beyond legal compliance. It recognizes that business activities have a wider impact on the society. It takes account of the economic, social, environmental and human rights impact of its activities across the world. CSR is business’s contribution to social sustainable development.<sup>29</sup>

Today, organization behavior must not only satisfy employees, shareholder, and customers, it must also respond to social and environmental problems. Businesses are playing central roles in pursuit of

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<sup>28</sup> *Yomiuri Shimbun*, August 18, 2005.

<http://www.yomiuri.co.jp/main/news/20050818i106.htm> (accessed August 18, 2005).

<sup>29</sup> Kanji Tanimoto, “Corporate Social Responsibility,” *Hitotsubashi Business Review*, Vol.52, No.1 (2004): 174-175.

<http://www.dti.gov.uk/sustainability/sus/index.htm> (accessed August 15, 2005).

sustainable development with the more productive use of materials and natural resources. Businesses are operating in open and dynamic markets. Successful business models are meeting customer demand for greater value, performance and choice in more resource efficient ways and with reduced environmental impact. Hurdles of social responsibility are high, but no one should and can escape. Each company must adhere to a sustainable development of social strategy in both interests of society and company.<sup>30</sup> It is our responsibility to leave a clean environment for our offspring, which is the real sustainable development.

CSR contributes real benefits for companies by reducing environmental risk and enhancing reputation. Reputation is the main means for conveying the quality and reliability of complex products to customers. Reputation takes time to accumulate, but it can be lost overnight. Customers care about the environmental issues, especially in the developed markets. CSR and customer satisfaction are closely linked together. CSR can help foster customer loyalty, improve staff efficiency and morale, and create good will among a wide range of stakeholders. Consequently, it enhances competitive advantages.<sup>31</sup>

The return of CSR is sustainable development. Businesses are sustainable economic activities and should not break the ecological limits and destroy environment. Government regulations are used as the main force to push businesses to treasure our earth. Recently, the economic incentive has become another driver. CSR is the result of this economic incentive. CSR is not a cost of doing business. CSR is the important intangible asset. From the viewpoint of environmental management, CSR

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<sup>30</sup> Ibid.

<sup>31</sup> <http://www.dti.gov.uk/sustainability/sus/corp.htm> (accessed August 15, 2005).

has contributed much to company's competitive advantages and business success. Sustainability is the basic foundation to chase long-term interests. Those who can gain the trust from the society will enjoy the long-term interests. The cost of CSR is a strategic investment rather than just an expense.<sup>32</sup>

Japanese management always focuses on the stakeholder value. In the 1990s, because Japanese was suffering the economic depression, its management principles were criticized badly. However, the shareholder value is the result of satisfied stakeholder. The unsatisfied stakeholder will damage business success. Without stakeholder value, an exclusive focus on shareholder value will be proved to be a failure. Stakeholder value is the result of customer satisfaction. Customers treasure their living environment. They will exclude any activity, which is damaging their living quality. Business must hold the responsibility for its activity. This is the essence of Japanese style of stakeholder value.

Consequently, how to improve the competitive advantages through CSR is a new trend in Japan. CSR activities must be based on visible economic interests. Many managers have agreed that the CSR is important for business sustainable development, but they cannot manage what they cannot measure. Kaplan and Norton<sup>33</sup> have developed the Balanced Scorecard (BSC) to resolve this problem. They also publish *Strategy Maps* to argue that objectives should be linked in cause-and-effect relationships. *Strategy Maps* supplies a guideline for

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<sup>32</sup> Ibid.

<sup>33</sup> Robert S. Kaplan is the Marvin Bower Professor of Leadership Development at Harvard Business School and Chairman of the Balanced Scorecard Collaborative. David P. Norton is Co-Founder and President of the Balanced Scorecard Collaborative.

describing, measuring, and aligning intangible assets for superior performance. It is a powerful tool to visualize the intangible assets of CSR.

### **Toyota Motor Corporation**

Toyota is likely to replace GM as the biggest auto manufacturer in 2006, which is a representative success case for the modern Japan as Number 1. Many people have already known that Toyota is one of the world's leading auto manufacturers, which offers a full range of models, from mini vehicles to large trucks. Toyota has posted record earnings of over 1 trillion yen for two consecutive years, becoming the only Japanese company to post more than 1 trillion yen in profit. Now Toyota is challenging the world number 1 GM for world supremacy. Toyota's reputation of high fuel efficiency is a powerful resource against GM. "Is Toyota invincible?" has become a question in Detroit. Because Toyota management DNA is collective, its formula for the remarkable success is in employees, who consider themselves as company's partners in efficient production and are treated as such.<sup>34</sup>

Toyota has been very successful at introducing right products at right place, right time. Now Toyota has launched an ambitious strategy to enter a new territory. Toyota has succeeded in the high-quality car market. Its Lexus, born in U.S., soon became associated with quality, luxury and superior customer satisfaction barely a dozen years after the founding.

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<sup>34</sup> Hiroyuki Itami and Hitotsubashi MBA Strategic Workshop, *Corporate Strategic White Paper IV* (Tokyo: Toyokeizai, 2005): 153-161.

The brand reputation grew quickly. Lexus became America's best-selling line of luxury motor vehicles. On August 30, Toyota began sale of high-quality Lexus in 143 national monopoly shops in Japan. It is a trump of high-quality car market reclamation and a strategic start as Toyota while bipolarization of a high-quality car and an economical public car advances. Toyota has abundant financial power. It invests 2-3 times of a normal store in Lexus shop and carries out the training in a hotel and foreign countries for staff education. A device tickling a customer of a high-quality car is prepared.<sup>35</sup>

Toyota PRIUS is another expected star. It is catching the world attention. In the early 1990s, engineers were asked to develop a new strategic vehicle for the 21<sup>st</sup> century. No one knew what that was. The answer was the hybrid PRIUS sedan introduced in 1997. Although the sales of PRIUS are still not good enough, the biggest payoff may be further in the future. However, PRIUS has made up the heart of Toyota hydrogen fuel-cell program. PRIUS has proved that wrestling positively with the environmental problem will gain long-term profit. "TO BE A GLOBAL STANDARD, NEW PRIUS DEBUTE." are PRIUS catchphrases in Japanese homepage.<sup>36</sup>

The most common plagues of the automobile age are the unmanageable traffic and unbearable pollution in many big cities. The shared car is a green solution to traffic and pollution, but this green concept is not easy to realize. As people get rich, they will display an American-style passion for the automobile. Car ownership is a consumer

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<sup>35</sup> *Sankei Shimbun*, August 31, 2005.

<http://www.sankei.co.jp/news/morning/31kei001.htm> (accessed August 31, 2005).

<sup>36</sup> This paper mainly uses the official homepage to study PRIUS success.

culture to show personal success and prestige. This car ownership culture is a fashion and raises oil consumption in both developed and developing markets. Energy using efficiency is a key factor for car selection in the age of high oil prices.

Toyota is always diligently working to change the automotive landscape. PRIUS is opening the gate to understand the future of automotive design and production. PRIUS is taken from the Latin word for before, as in “ahead,” not something from the past. The vehicle would be powered with what was (and is) called the “Toyota Hybrid System,” a system that would combine an internal combustion engine with an electric motor. In August 2000, PRIUS was launched in the U.S. The key to convince American consumers was that hybrid technology was more than a science project. PRIUS was a real car.<sup>37</sup>

The forward-thinking gas/electric PRIUS offers amazing fuel economy. The PRIUS was the world’s first hybrid car. PRIUS took various advanced qualities such as the mileage of world top-level, high run performance. “Run” and “environment” are two contradict key words. The PRIUS makes them co-exist. From the thought, the biological parent of PRIUS found a frank opinion to the talk and overseas engineer and designers by oneself. Praying for this PRIUS being called a global standard car in the near future. The concept of PRIUS “environment thought” evolves, too. Not to mention the mileage, it begins reduction of environmental load and does various challenges and has high evaluations

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<sup>37</sup> [http://www.motortrend.com/roadtests/alternative/112\\_news46/](http://www.motortrend.com/roadtests/alternative/112_news46/) (accessed August 14, 2005).

again.<sup>38</sup>

In the EXPO 2005 AICHI JAPAN, Toyota Group has shown its determinant for chasing environmental capital. According to the EXPO 2005 TOYOTA GROUP PAVILION Official Site, Toyota Group wants to build an eco-society. Toyota Group is always walking the road to tomorrow. It, in accordance with the EXPO theme, “Nature’s Wisdom,” makes five proposals for a bright and fulfilling future. This future is better for people and for the planet. These five proposals include natural-cycle earth society, harmony with society, innovative power sources, meeting the needs of individuals, and optimum mobility.<sup>39</sup>

In the proposal of natural-cycle earth society, Toyota Group emphasizes that it is treasuring the gifts of our planet forever. “From now on we must learn to make better use of natural resources, following the Earth’s own renewal mechanisms. The Toyota Group Pavilion was designed to make the most of renewable materials and energy. When the building is removed, its parts will be completely reused and recycled.”<sup>40</sup>

In the proposal of harmony with society, Toyota Group focuses on a better relationship between people, technology and society. “Nature’s wisdom helps flocks of birds and schools of fish that move together make sudden changes in direction without bumping into each other. People everywhere should be able to enjoy the benefit of this type of safe mobility.”<sup>41</sup>

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<sup>38</sup> <http://toyota.jp/prius/index.html> (accessed August 13, 2005).

<sup>39</sup> [http://expo.toyota-g.com/english/content\\_en.html](http://expo.toyota-g.com/english/content_en.html) (accessed August 14, 2005).

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

In the proposal of innovative powers sources, the key point is a future of clean energy. “Hydrogen can be found in many substances on earth and is now being used as a source of clean energy.” Toyota’s hybrid vehicles are using this kind of clean energy. In the meeting the needs of individuals, “Different people, with their different sensibilities, have different mobility needs. The performance features futuristic technologies and forms of mobility that satisfy the diverse desires that people have for their transportation.”<sup>42</sup>

Finally, the proposal of optimum mobility intends to improve transportation. “Use of large cars to carry just one person is a waste of energy and leads to traffic congestion.” Toyota Group proposes the futuristic vehicle and the next-generation transportation systems for our society to meet individuals’ transportation needs.<sup>43</sup>

### **Sekisui House**

Sekisui House, a construction company, is another success case of pursuing harmony with the nature.<sup>44</sup> Sekisui House wants to build a sustainable society. It has published the Sustainability Report 2005. Its vision is to use the thinking of sustainability as the management principle to develop. Sustainable society is the key word. The sustainable society means that using the earth ecosystem balance to build a happy society for

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<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

<sup>44</sup> Eiko Ibuki, *CSR for Strategic Management* (Tokyo: Toyokeizai, 2005): 161-165.  
Koji Hashimoto, *Sekisui House’s House Renaissance* (Tokyo: TBS Buritanika, 1987).

everybody in future. Sekisui House supplies customer with a satisfactory house and contribute to the building of sustainable society, and then be the leader of supplying living in that environment. Sekisui House intends to be a “living environment creating company.” Sekisui House uses the environmental value, social value, customer’s value, and economic value to achieve its vision.<sup>45</sup>

The objective of customer’s value is suggesting a house meeting thought of a family and offering performance for all people to be able to live on security and relief comfortably throughout the life. Sekisui House supports a comfortable living for a long time by supplying universal design and house protection against disasters, customer support, nature and relation with society and raise house value for customer. The final value is for economy. The housing industry contributed to activation of economy with various aspects. In addition, it is their important role to protect assets value of a house. Sekisui House aims at a good economic circulation of supplying attractive value added and gaining returnable profit.<sup>46</sup>

Sekisui House clarifies what kind of role is going to take to make such a society with a company responsibility for construction of a sustainable society. The company’s role is to offer any kind of value for society to prove the significance and mission of a company existence. Sekisui House keeps the balance among economy, environment, and society and should do company management and a concept to realize sustainable society in recent times. As a result of having thought about what kind of value Sekisui House could offer through a core competence

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<sup>45</sup> <http://www.sekisuihouse.co.jp/eco/eco2005/> (accessed August 14, 2005).

<sup>46</sup> Ibid.

of creating living environment for society thoroughly, it adds customer's value. In addition to the house basic performance of security, relieve, health, Sekisui House assumes that the reduction of environmental load is also connected to a comfortable longevity house.<sup>47</sup>

Sekisui House promises that for the sustainable society, as social responsibility of a professional house maker, it uses longevity life of a house and living environment creation as key words to create a house and plan the citizen-based town. It also cooperates with a group company for a certain resources circulation and aims at "the new construction spot zero-emission" achievement in 2005. Sekisui House tries for enlightenment about house protection against disasters and serve maintenance of the social capital. Sekisui House aims at the use of the efficiency of energy in a house by introducing practical use to the field of house and reducing environment load of the department. Sekisui House achieves accountability for a stakeholder.<sup>48</sup>

Sekisui House declared that it laid "sustainable" in a key of company activity on April 21, 2005 and did the next announcement.<sup>49</sup>

1. As a Kyoto Protocol observance action, Sekisui House begins its energy saving reform by promoting it in existing houses, undertaking the increase in cost for the 20% reduction of carbon dioxide (CO<sub>2</sub>).
2. Sekisui House builds a house experimenting on "sustainable" in a theme, and resources circulation type technology development, which promotes new technical study development for sustainable society

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<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

Furthermore, Sekisui House utilizes the power of a house and social value. A suitable house for the elder society is an important mission. Its role remains in this for everybody as well as a senior citizen forever. Therefore, planning a reliable citizen-based town without an accident and a crime, its rich experience and technology should be helpful. Sekisui House believes that the making of house can contribute to culture and the richness of a heart.<sup>50</sup>

Sekisui House has the responsibility for the building of sustainable society. The house industry using a large quantity of resources must wrestle for the material construction that is conscious of the use of resources circulation, structure of recycling for realizing the social sustainability. Sekisui House has already achieved “the factory zero-emission.” Now it wrestles in “the new construction spot zero-emission” which turns all to recycle without burning up. In this process, Sekisui House does not just outsource this job, but involves itself. In addition, it has the facilities supplier companies cooperate about reduction of packing materials and try structure of returnable and wrestle by the responsibility system united with a subcontractor.<sup>51</sup>

Assets value improvement is another direction. For many people, holding a house is a golden opportunity to accumulate the assets. How to sustain and improve the house value is Sekisui House’s responsibility. Besides, not to waste the limited resources can contribute to environmental safeguard. Customer satisfaction and stakeholder

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<sup>50</sup> Ibid.

<sup>51</sup> Ibid.

satisfaction are the foundations for Sekisui House.<sup>52</sup>

## Conclusion

In the rising East Asian age, Japan is remaking a modern Japan as Number 1, but it is still not clear whether Japan “is” Number 1 or not. Because of the increasing competition, Japanese are creating new advantages to keep their leadership. Harmony is the key to decode and align Japan’s 21<sup>st</sup> century strategies. Japanese intend to co-exist and co-develop with nature and other East Asians. We are always impressed by Japanese manufacturing technologies. Actually, soft power is a foundation for the modern Japan as Number 1. Japan enthusiasm in Taiwan is the best proof for Japanese soft power.

The recent high oil prices are a turning point for the modern Japan as Number 1. The high oil prices have changed the competition rules and shown us the existence of green gold. Japan keeps technical power to go ahead of other countries and encourage the de-oil movement. CSR has become another powerful source of competitive advantage. It plays a role for the economic benefits and environmental sustainability. CSR and business success are linked closely. Compared with the developed countries, the developing nations have the advantage of using the technologies and experiences of developed ones. The latecomer can use developed countries’ experience to avoid the same mistakes. Soft power, environmental technologies, green gold, and CSR are following the same

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<sup>52</sup> Ibid.

sequence.

Both case studies of Toyota and Sekisui House have proved that the environmental capital is a new resource to determine competitive advantage. Japanese are utilizing their advanced environmental technologies to reap green gold. Japan's green industry landscape is lighting. The well-managed environmental capital helps Japanese businesses conquer the negative impact of high oil prices and build the sustainable development. The markets are evaluating these efforts everyday. Overall, stable supply, efficiency, and alternative energy source are Japan's three key foundations to cope with the high oil prices.

The revival of Japan as Number 1 is not a prediction, but a real story. All over, Japanese people are building a new country. Economic growth is not the only carrot. They are balancing growth between go-go economies and sustainable nature. Maintaining environment is Japan's new revolution.

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