

RESPONSIBLE MANAGEMENT FOR SUSTAINABLE DEVELOPMENT: A JAPANESE APPROACH

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Abstract

There is a growing recognition of the positive effects the activities carried on by conscious and responsible companies have on various stakeholders such as employees, customers, business partners, investors, shareholders, governments, communities, and the environment. This is why corporate management has understood that long-term business success is based on the establishment and development of good relationships with a wide range of stakeholders. In recent decades, the debate about the need for responsible management has risen above average and an impressive amount of literature on this topic has emerged. Business managers increasingly understand that engaging in the sustainability issue brings benefits to companies, the environment and to society as a whole. The purposes of the paper are to present -based on an extended literature review- the concepts of responsible management and sustainable development and to exemplify their relationship in the case of a Japanese company. In order to achieve such ends, the authors have used a quantitative research method. The paper demonstrates that there is a relationship between these two concepts. First, responsible management and sustainable management represent multidimensional concepts that encompass not only an economic dimension, but also a social dimension and an environmental dimension. Second, both concepts involve a wide range of duties and obligations assigned to various actors such as governments, multinational corporations or small companies. Also, it shows that responsible management contributes to sustainable development in a multitude of ways.

Keywords: *responsible management, sustainable development, company, Toyota Motor Corporation*

Classification JEL: *M19, Q01*

1. Introduction

The past decades have witnessed the expansion of specific concepts, such as sustainability, sustainable development, business ethics and social responsibility, both in the business literature and the business world. There is also a growing recognition of the positive effects the activities carried on by conscious and responsible companies have on various stakeholders (e.g., employees, customers, business partners, investors, shareholders, governments, communities, the environment). As businesses organizations constitute an important part of the communities within they operate, stakeholders expect goods, services and processes to reflect a socially and environmentally responsible business behaviour [8]. This is why corporate management has understood that long-term business success is based on the establishment and development of good relationships with a wide range of stakeholders.

It is said that “responsible management entails moral agency and the realization that we shape our lives with others” [9, p. 180]. Business managers increasingly understand that engaging in the sustainability issue brings benefits to companies, the environment and to society as a whole. In fact, sustainable development imposes “the participation of diverse stakeholders and perspectives, with the ideal of reconciling different and sometimes opposing values and goals toward a new synthesis and subsequent coordination of mutual action to achieve multiple values simultaneously and even synergistically” [12, p. 20]. On the one hand, there are several building

blocks in order to enhance policy coherence in achieving the goals of sustainable development such as political commitment and leadership, policy and institutional coordination or stakeholder participation [16]. On the other hand, companies and non-business organizations around the world are engaged in numerous sustainability initiatives such as the United Nations Global Compact or the Sustainability Academy.

The purposes of the paper are to present -based on an extended literature review- the concepts of responsible management and sustainable development and to exemplify their relationship in the case of a Japanese company. In order to achieve such ends, the authors have used a quantitative research method.

2. Literature review

In recent decades, the debate about the need for responsible management has risen above average and an impressive amount of literature on this topic has emerged. Responsibility in business refers to a range of duties or obligations assigned to an individual by the nature of his position or work [2]. Responsible managers base their decisions and behavior on “assessing, addressing, and satisfying stakeholder needs” [13, p. 9]. In other words, they act in conformity with the needs of stakeholders around some fundamental issues such as ethics and sustainability [18]. Thus, responsible management involves a social responsible behaviour that implies a holistic approach of various aspects such as human rights, labour practices, consumer issues, community involvement or the environment [10]. It means that the concept of responsible management represents a type of management that promotes the integrative paradigm of “sustaincentrism” and, therefore, embodies not only an economic and/or a business dimension, but also a social dimension, an ethic dimension and an environmental dimension [6]-[11]-[5]-[13]. By translating the dimensions of sustainable development into their organizational practices, companies are more likely to incorporate sustainable development in their business philosophy [1].

In 1969, the International Union for the Conservation of Nature launched the term “sustainable development”. Three years later, the United Nations Conference on the Human Environment discussed the issue of sustainability at a global level. Also, the conference made some recommendations that led to the establishment of the United Nations Environment Programme (UNEP), the leading global environmental authority. Since 1972, the UNEP has set the global environmental agenda and promoted the implementation of the environmental dimension of sustainable development. According to its Frontiers 2017 report, the UNEP identified six thematic priorities with global repercussions (Figure no. 1).

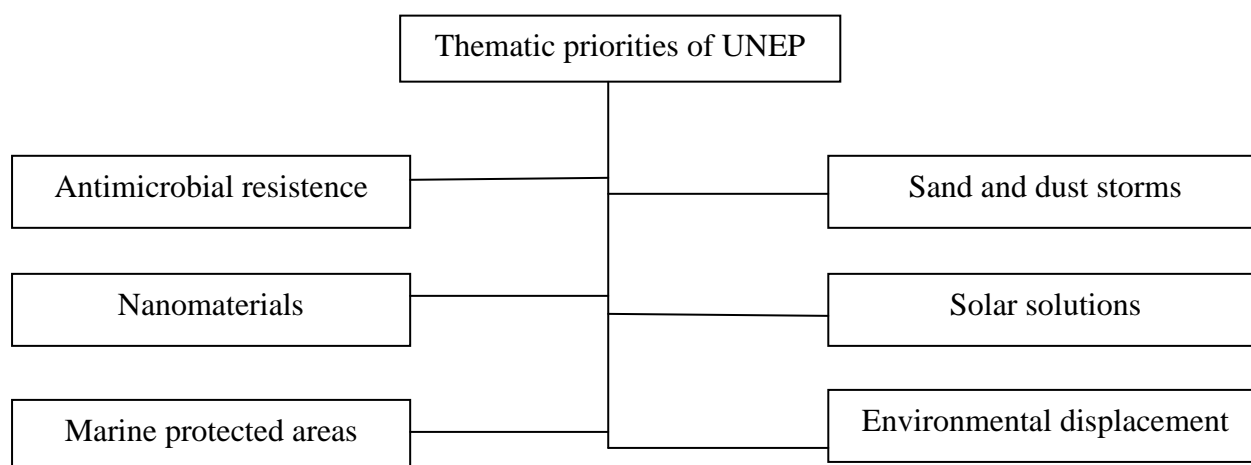


Figure no. 1 The thematic priorities of the UNEP in 2017

The concept of sustainable development gained momentum in 1987 when the Brundtland Commission published its famous report, *Our Common Future*, in an attempt to show the

connection between economic development and environmental durability. Sustainable development is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” [24, p. 8]. There are three key dimensions of sustainable development: economic, environmental, and social (Table no. 1).

Table no. 1 The dimensions of sustainable development

Dimension	Description
Economic	- to produce goods and services on a continuing basis, - to maintain manageable levels of government and external debt, - to avoid extreme sectoral imbalances which damage agricultural or industrial production
Environmental	- to maintain a stable resource base, avoiding over-exploitation of renewable resource systems or environmental sink functions, and depleting non-renewable resources only to the extent that investment is made in adequate substitutes
Social	- to achieve distributional equity, adequate provision of social services including health and education, gender equity, and political accountability and participation

Source: [7]

The definitions of the two above mentioned concepts reveals that they embrace several common features. In essence, responsible management is connected with sustainable development as the first embodies the economic, the social, and the environmental dimensions and the latter strives for balancing the economic, social and environmental sides of development in a long-term perspective [15]-[4].

3. Linking responsible management with sustainable development: A Japanese approach

During the time, the Japanese companies have provided a deep understanding of the need to associate the concepts of responsible management and sustainable development in their business practices. In this respect, Toyota Motor Corporation is considered a valuable example.

At the end of the nineteenth century, Sakichi Toyoda established Toyoda Loom Works, a small business in the textile domain. In 1933, the board of directors of Toyoda Automatic Loom Works (former Toyoda Loom Works) decided to enter the automotive sector. Thus, Kiichiro Toyoda, the son of Sakichi, began to search for experienced engineers and workers capable of participating in the automotive manufacturing process. The Toyota Motor Company was founded in 1937 by the Toyoda family (Toyoda means “abundant rice field” in Japanese) and succeeded in being regarded nowadays as “the most efficient and highest-quality producer of motor vehicles in the world” [23, p. 49]. Toyota Motor Corporation appeared in 1982 after the merger between Toyota Motor Company and Toyota Motor Sales Company.

Toyota caught the attention of the business world at the end of the 1970s, when its cars became famous for their quality and reliability. Since 2007, the Japanese automaker has become one of the world’s best manufacturers. In the 2016 financial year, Toyota Motor Corporation was the leading automotive manufacturer in the world with 254.69 \$bn revenue (Tabel no. 2). Moreover, its models are among the best cars in 2018 as follows: Toyota Corolla for compact cars, Toyota Camry for midsized cars, Toyota Sienna for minivans, and Toyota Highlander for midsized SUV [3].

Table no. 2 The revenues of the leading automotive manufacturers worldwide in financial

year 2016 (in billion US dollars)

Rank	Company	Revenue (\$bn)
1	Toyota	254.69
2	Volkswagen	240.26
3	Daimler	169.48
4	General Motors	166.38
5	Ford Motor	151.80
6	Honda Motor	129.20
7	Fiat Chrysler	116.96
8	SAIC Motor	113.86
9	Nissan Motor	108.16
10	BMW Group	104.13

Source: [19]

Toyota's phenomenal success has been based on its unique approach to manufacturing, called Toyota Production System, and its renowned Toyota Way. Autonomation and just-in-time are the two pillars of the Toyota Production System. Toyota Way comprises 14 principles that belong to 4 categories: philosophy, process, people and partners, and problem solving (Table no. 3). Most of these principles express the economic dimension of responsible management while some of them relate to the social dimension.

Table no. 3 The 14 principles of Toyota Way

Category	Principles
Philosophy (long-term thinking)	1. Base management decisions on a long-term philosophy, even at the expense of short-term financial goals.
Process (eliminate waste)	2. Use only reliable, thoroughly tested technology. 3. Use visual control so no problems are hidden. 4. Standardize tasks for continuous improvement. 5. Stop when there is a quality problem (Jidoka). 6. Level out the workload (Heijunka). 7. Use pull systems to avoid overproduction. 8. Create process flow to surface problems.
People and partners (respect, challenge and grow them)	9. Respect, challenge, and help your suppliers. 10. Respect, develop, and challenge your people and teams. 11. Grow leaders who live the philosophy.
Problem solving (continuous improvement and learning)	12. Make decisions slowly by consensus, thoroughly considering all options; implement rapidly. 13. Go see for yourself to thoroughly understand the situation (Genchi Genbutsu). 14. Continual organizational learning through Kaizen.

Source: [14]

It is worth to say that nothing could have been done without the full involvement of Toyota management. The origin of Toyota management has to be found in the Toyota Precepts [17] such as:

- “Be contributive to the development and welfare of the country by working together, regardless of position, in faithfully fulfilling your duties.
- Be kind and generous, strive to create a warm, homelike atmosphere.”[21]

Consequently, the guiding principles of Toyota management pursue these precepts and demonstrate the commitment of the Japanese automaker towards a responsible management that expresses the dimensions of sustainable development (Table no. 4).

Table no. 4 The principles of responsible management at Toyota Motor Corporation and their dimensions

No.	Principles	Dimension
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1	Honor the language and spirit of the law of every nation and undertake open and fair business activities to be a good corporate citizen of the world.	Social
2	Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in their respective communities.	Economic Social
3	Dedicate our business to providing clean and safe products and to enhancing the quality of life everywhere through all of our activities.	Environmental Social
4	Create and develop advanced technologies and provide outstanding products and services that fulfill the needs of customers worldwide.	Economic Social
5	Foster a corporate culture that enhances both individual creativity and the value of teamwork, while honoring mutual trust and respect between labor and management.	Social
6	Pursue growth through harmony with the global community via innovative management.	Economic Social
7	Work with business partners in research and manufacture to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.	Economic Social

Source: [20]

During its existence, Toyota Motor Corporation has fulfilled its mission by contributing to the development of communities and societies around the world and, therefore, proved to be a responsible global citizen. In other words, Toyota management has always been a responsible management that incorporated the dimensions of sustainable development.

4. Conclusions

The concepts of responsible management and sustainable development have constituted subjects of interest in the business literature in the past decades. The paper shows that there is a relationship between these two concepts. First, responsible management and sustainable management represent multidimensional concepts that encompass not only an economic dimension, but also a social dimension and an environmental dimension. Second, both concepts involve a wide range of duties and obligations assigned to various actors such as governments, multinational corporations or small companies.

Also, the paper demonstrates that responsible management contributes to sustainable development in a multitude of ways. In this respect, the Japanese approach of responsible management express the dimensions of sustainable development.

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