

Canon shows how companies can cooperate for the common good.

共生

The Path of *Kyosei*

by Ryuzaburo Kaku

Many companies around the world believe that they have a moral duty to respond to global problems such as Third World poverty, the deterioration of the natural environment, and endless trade battles. But few have realized that their survival actually depends on their response. Global corporations rely on educated workers, consumers with money to spend, a healthy natural environment, and peaceful coexistence between nations and ethnic groups. This reality is to me a great source of hope: at this watershed period in history, it is in the interests of the world's most powerful corporations to work for the advancement of global peace and prosperity. To put it simply, global companies have no future if the earth has no future.

But how, many have asked, can global corporations promote peace and prosperity and at the same time remain true to their obligation to se-

cure a profit? The answer, in my experience, is *kyosei*, which can best be defined as a "spirit of cooperation," in which individuals and organizations live and work together for the common good. A company that is practicing *kyosei* establishes harmonious relations with its customers, its suppliers, its competitors, the governments with which it deals, and the natural environment. When practiced by a group of corporations, *kyosei* can become a powerful force for social, political, and economic transformation. At Canon, we have put *kyosei* at the heart of our business credo. For the last ten years, it has been Canon's most cherished principle.

I began to see Canon's need for a philosophy of *kyosei* when we started doing business on a global scale. As we built plants, hired workers, and managed our finances in foreign countries, we encountered a new set

of business challenges. These challenges were more than tactical business concerns such as responding to fierce competition, managing suppliers, or dealing with currency risk; they were global *imbalances*—I identify three—that continue to trouble us. They need our collective attention as corporate leaders and as citizens of the world.

The first is the imbalance between countries with trade deficits and those with trade surpluses. Trade imbalances lead to an unhealthy international business environment rife with antidumping laws, rising tariffs, and endless trade disputes. The second is the vast income imbalance between wealthy and poor

Ryuzaburo Kaku is honorary chairman of the board at Canon in Tokyo, Japan. He was president of Canon from 1977 to 1989 and chairman from 1989 to March of this year.

There is nothing wrong with the profit motive – even companies in the later stages of *kyosei* must increase profits. But that is only a beginning.

nations. Among the many problems generated by this inequality are widespread poverty, floods of economic and political refugees, illegal immigration, and ethnic or civil wars. The third is an imbalance between generations: the current generation is consuming the earth's resources so fast that little will be left for the next. The earth's nonrenewable energy supplies, for example, are in danger of running out, and the earth's atmosphere is rapidly deteriorating. If we look ahead into the middle of the twenty-first century, we cannot be sure that our planet will escape environmental ruin. Ultimately, our work as companies practicing *kyosei* should focus on finding solutions to those three major global problems.

The Five Stages of Corporate *Kyosei*

The *kyosei* journey begins by laying a sound business foundation and ends in political dialogue for global change. The process is analogous to building a pyramid in that the strength of each layer depends on the strength of the layers preceding it.

Stage 1: Economic Survival. Companies in this stage work to secure a predictable stream of profits and to establish strong market positions in their industries. They contribute to society by producing needed goods, purchasing locally produced raw materials, and employing workers. In pursuing business goals, however, they tend to exploit their staffs and create labor problems. For instance, I feel that some U.S. companies take the profit motive too far when they lay off workers to increase profits

and at the same time pay large bonuses to their CEOs. There is nothing wrong with the profit motive per se – even companies in the later stages of *kyosei* must increase profits. But making a profit is only the beginning of a company's obligations. As they mature, businesses need to understand that they play a role in a larger, global context.

Stage 2: Cooperating with Labor.

A company enters the second stage of *kyosei* when managers and workers begin to cooperate with each other. Each employee makes cooperation a part of his or her own code of ethics. When that happens, management and labor start to see each other as vital to the company's success. The two sides are in the same boat, so to speak, sharing the same fate. This approach to management is popular in Japan, where companies are well known for their commitment to workers' salaries, bonuses, and training. As important a step as it is, though, this stage of *kyosei* can become so inwardly focused that it does little to solve problems outside the company.

Stage 3: Cooperating Outside the Company. When a company cooperates with outside groups, such as customers and suppliers, it enters the third stage of *kyosei*. Customers are treated respectfully and reciprocate by being loyal. Suppliers are provided with technical support and, in turn, deliver high-quality materials on time. Competitors are invited into partnership agreements and joint ventures, which result in higher profits for both parties. Community groups become partners in solving local problems. Needless to say, forming a *kyosei* partnership for the common good is very different from forming a cartel and fixing prices. Companies at this stage understand that a rising

tide lifts all ships. They know that by finding ways to collaborate with customers, suppliers, and community groups, they are helping all parties. But third-stage companies often focus so much on local and national problems that they neglect global problems. For example, in Japan, many companies contribute to Japanese society but continue to have adversarial relations with foreign governments.

Stage 4: Global Activism. When a company begins large-scale business operations in foreign countries, it is ready to enter the fourth stage of *kyosei*. By cooperating with foreign companies, large corporations not only can increase their base of business but also can address global imbalances. For example, a company can help reduce trade friction by building production facilities in countries with which its home country has a trade surplus. By setting up R&D facilities in foreign countries, companies can train local scientists and engineers in cutting-edge research work. By training local workers and introducing them to new technology, corporations can improve the standard of living of people in poor countries. And by developing and using technology that reduces or eliminates pollution, companies can help preserve the global environment.

Stage 5: The Government as a *Kyosei* Partner. When a company has established a worldwide network of *kyosei* partners, it is ready to move to the fifth stage. Fifth-stage companies are very rare. Using their power and wealth, fifth-stage companies urge national governments to

A rising tide lifts all ships: by finding ways to collaborate with customers, suppliers, and community groups, companies are helping all parties.

work toward rectifying global imbalances. Corporations might press governments for legislation aimed at reducing pollution, for example. Or they might recommend the abolition of antiquated trade regulations. This type of cooperation is quite different from the traditional partnership between business and government, in which powerful corporations look to their own governments for help in trade deals or for special subsidies and protective tariffs.

Kyosei in Action at Canon

Many people criticize the concept of kyosei for being too idealistic and theoretical to put into practice, so I would like to demonstrate how successful it has been for us at Canon. In brief, each employee makes a commitment to live and work in harmony with others. This spirit is shared inside the company, then with the outside community, and finally with organizations throughout the world. The company has put many years of

dedicated work into making kyosei a reality. I believe that we have made great progress.

Establishing a Solid Business Foundation. In the first half of 1975, two years before I became president, Canon was losing money because of problems with management policy and internal production. We had to suspend dividends that year and were in no position to consider introducing kyosei, which requires a solid business foundation.

We concluded, after an internal review, that we had become overly bureaucratic and had lost our entrepreneurial spirit. We put into action a strategy called the Premier Company Plan that was designed to place Canon in the top ranks of global companies and to move it from being a camera producer to being a global high-technology manufacturer. The plan set aggressive, long-term performance targets for each division and reorganized the company along a matrix structure centered

around the main product lines: cameras, business machines, and optical products. We also invested heavily in manufacturing, marketing, and R&D activities, making them the horizontal links between the vertical pillars formed by our three product groups. We made those investments at a time when the economies of the world were shrouded in pessimism due to the oil crisis of 1973 and when many companies were cutting back on their investments.

We followed this basic plan for ten years and are still benefiting from its vision. Today we are the world market-share leader in our major product areas—copiers and desktop printers. During the last ten years, our net profits have grown at an annual rate of 20%, sales have grown at 9%, and our return on sales and return on equity have more than doubled. We have built a strong foundation for the practice of kyosei.

Working with Employees. A company that practices kyosei must

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The Journey to Kyosei: Reminiscences of Ryuzaburo Kaku

As chairman and now honorary chairman of Canon, Ryuzaburo Kaku belongs to the tight-knit world of Japan's corporate elite—and is one of that elite's most nettlesome critics. He has taken his compatriots to task on a number of issues, including aggressive trade practices and insensitivity to the world's social problems. Kaku says that his role as gadfly goes back to his early years and that he retained his outspoken ways as he rose through the ranks at Canon.

I was born in 1926 and spent most of my childhood in China, where my father held various jobs in the newspaper business and at the Japanese embassy. For many of those years, Japan and China were at war. When I returned to Japan at the age of 17, I was considered an outsider by my classmates, and I tended to spend time with other children from nontraditional backgrounds. That experience taught me that so-called outcasts were no different from everyone else. From that time on, I have empathized with less fortunate members of society and have been able to work with people from any background, particularly in developing countries.

I was a highly patriotic young man and applied to become a junior student in the naval-pilot-training program. The examiner turned me down because he said I had bad eyes. Later, I found out that the examiner was a friend of

the family and had rejected me to spare my life. At that time, entering the training program usually meant you ended up as a kamikaze pilot. After that experience, I developed a healthy amount of skepticism toward government and bureaucracies.

When I was 19 years old and working as a conscripted shipyard laborer at Mitsubishi Heavy Industries in Nagasaki, I heard the atomic bomb explode. I hid underground and stayed indoors for three days with a group of people, none of whom I let leave, because I knew about the effects of nuclear radiation. I will never forget that experience and hope that *kyosei* will help ensure that nuclear bombs never fall again.

My approach to education was somewhat unusual. I took very seriously advice that one school-teacher gave me: "Never memorize formulas; create your own." I went on to fail the entrance exam to the prestigious Tokyo University Faculty of Engineering three times. Other students did well because they knew the formulas by heart, but because I followed my teacher's advice and devised my own formulas to answer the questions, I took much too long and I failed the exams. After that, I peddled matches and candles for a while before enrolling in Chiba Institute of Technology, falling ill, and dropping out. Finally, I landed at Kyushu University's economics department and graduated in 1954.

I graduated at a time of economic depression following the boom years of the Korean War, and I nearly took a job at Sumitomo Bank. But I was afraid of disappointing my father, who had warned me never to become a soldier, a teacher, or a banker. By that time, I already had taught school and had been a military cadet, so to take the bank job might have been too much for him. Then I heard from a distant relative about Canon, at that time a small and exciting company led by Takeshi Mitarai, a gynecologist and obstetrician. Dr. Mitarai had a reputation as a leader with a strong vision and a caring spirit.

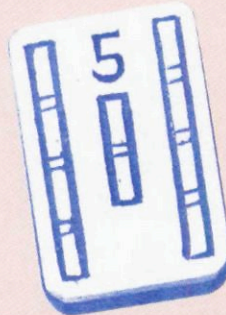
After filling out a written application, I was called in for a job interview. Because Canon was still a small company, Dr. Mitarai and the other directors all sat in on the interview. When I was asked what my hobbies were, I mentioned Mah-jongg, which is a very popular game in Japan. Dr. Mitarai became very cross.

"We don't want gamblers in the office," he said.

"Mah-jongg is not gambling," I replied. "It's a game that the whole family, young and old, can enjoy. My father is the founder of the Japan Mah-jongg Society, and he does not approve of any betting on the game."

"Well, it's no good. It keeps people up late at night."

"At my home, we have a rule that we can only play the game from 8:00 P.M. to 10:00 P.M., so we



never stay up late," I said. "You know what they say—those who play Go often miss their father's death, whereas those who play Mah-jongg..." Go is a traditional Japanese board game.

Dr. Mitarai got very upset because he was a Go player.

"I am not yet a Canon employee," I said to him. "So you do not have the right to scold me like this. We are equals."

That is how my job interview went. Much to my surprise, I received a notice that Canon had decided to hire me. I learned later that although Dr. Mitarai had put a huge "X" by my name, all of the other directors voted for me. I found out also that during a company outing shortly before the entrance exam, the directors had been playing Mah-jongg after Dr. Mitarai had gone to bed. The clattering sound of the game had awoken him in the middle of the night and he had come into the room shouting at them angrily, "If I catch you playing Mah-jongg again, it will be the end of our relationship!" Well, I understood then why Dr. Mitarai had voted against me and why the others probably were quite happy to vote for me.

I started my career at Canon in the cost-accounting division, where I spent six years learning about product costs, plant layouts, and the details of Canon's production processes. I turned my somewhat monotonous job into a sort of game by managing

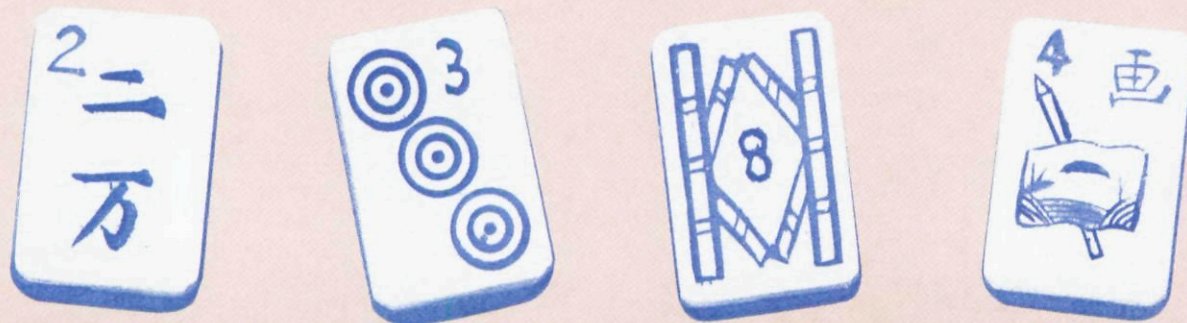
to get my work done three to four times faster than it usually took. I also began sending memos to Canon's senior managers detailing what was wrong with the company and what could be done to fix it. My memos generally went unheeded until, in 1965, I predicted that the company was going to run out of cash, and I turned out to be right.

At that point, I was made head of both accounting and personnel. My new duties gave me access to senior managers, to whom I sent recommendations regarding entering, exiting, or completely ignoring markets. Then, in 1975, Canon once again ran into cash problems and had to suspend dividends. I was included in the top-level brainstorming sessions aimed at developing Canon's new strategy. It was in such a meeting that, when asked, I argued that Canon's financial troubles could not be blamed on outside conditions but were the result of the company's poor decision making and its bureaucratic organization. My ideas became the central part of Canon's Premier Company Plan, which was announced in 1976. The Premier Company Plan helped transform Canon from a little-known manufacturer of cameras into one of the world's leading technology companies. And in 1977, I became president of the company.

The prevailing wisdom when I became president was that because of inflationary pressures

stemming from high oil prices, companies should avoid making huge capital investments. I never went along with that logic. I felt that because Canon was a technology company, it was not as dependent on oil as companies in other industries, and I decided that Canon should move forward with its growth plan, especially because many of its competitors were retrenching. I radically decentralized decision making, redesigned the organization, and poured resources into R&D. The decision was wise: Canon's growth in the following years far outpaced that of its rivals.

Seeing the success of this approach, I introduced a follow-up plan in 1982. The 1982 plan focused on essentially the same areas, but with two important changes. First, we redoubled efforts in R&D, convinced that technological innovation could help prolong our phenomenal growth. Second, I placed greater emphasis on Canon's social responsibilities and made tackling the world's many problems a vital part of Canon's mission. Canon's sales grew 17% per year from the beginning of this corporate overhaul in 1976 to its conclusion in 1987. Canon had reached the upper echelons of technology companies. It was then, in 1987, that I introduced the concept of *kyosei*, which blended Canon's technological leadership with the belief that we could work with others to improve the world.



start by creating a cooperative spirit among its employees. At Canon, we manage the company on the principle that there are no distinctions between factory and office workers. Everyone is a *sha-in*, which translates as "member of the company."

Canon started cooperating with workers early in its history, well before other Japanese companies. In 1943, Canon eliminated the distinction between salaried and hourly workers and did away with the rule that they had to use different cafeterias and rest rooms. Similarly, when Takeshi Mitarai was president of Canon, he moved the company from a six-day to a five-day workweek, making Canon the first major company in Japan to do so. We were all

against it at the time and said that Canon would not be able to make a profit that way. But we found after we made the change that Canon's productivity actually rose.

Even as a modern corporation with more than 72,000 employees worldwide, Canon has kept the cooperative spirit alive. Because Canon employees in Japan typically spend their entire lives with the company, we are able to invest in high salaries, extensive training programs, and generous vacation plans. Canon Tokyo has never in its history fired a domestic employee and has never asked any employee to take early retirement. To manage through times of slow growth, Canon Tokyo transfers its employ-

ees within the company or reduces the number of new recruits. (At Canon's companies overseas, we have on occasion been forced to lay off workers because overseas employees do not accept job transfers as readily as Japanese employees do, nor are they as willing to accept reduced pay to help the company through tough times.) Also, the vacation and bonus plans we offer are more liberal than those of other Japanese companies. The average employee is able to take eight weeks of vacation each year. The eight weeks include periods when the company is closed and four weeks of personal, paid vacation to be used at the discretion of the employee. We also offer our employees the oppor-

Kyosei in Early Japan

I have studied a great deal of Japanese history and have relied on its lessons many times in my career. For example, I based my thinking about a new organizational structure for Canon in the 1970s on the organizational design used by one of Japan's most successful seventeenth-century shoguns. But many are surprised when I tell them that *kyosei* also has roots in early Japan.

From about 1500 to 1640, Japan's traders were among the most successful in the world. Merchants traveled to China, Indonesia, the Philippines, and Thailand. As people from these different areas came together to exchange goods, however, cultural differences led to considerable conflict. (Some things have not changed.) In order to help merchants conduct their business, a successful Japanese trader teamed up with a famous Confucian scholar and developed a set of guidelines known as *Shuchu kiyaku*. The guidelines said, in effect, that trade must be carried out not just for one's own benefit but also for the benefit of others. The regulations also stated that

despite differences in skin color and culture, trading partners should be considered equals.

This period of mercantilist expansion was followed in Japan by a protracted period of civil war, after which Japan was unified under a form of military government known in English as a *shogunate*. The shogunate led the country down a different road altogether: it closed almost all doors to the outside world and put Japan in isolation. It wasn't until the 1860s, when the emperor was restored to power, that this inward-looking style of governance gave way to a forward-thinking regime determined to build Japan into a modern nation. By then, Western powers had already colonized most of Asia. Great Britain had colonized India and taken Hong Kong after winning the Opium War, the Dutch had taken Indonesia, France was colonizing Indochina, and the United States was in the Philippines. If Japan was to remain an independent state, Japanese leaders thought, Japan needed to develop a strong military and a powerful economy—and quickly. But

as the twentieth century progressed, this drive for economic growth and a strong military became a national obsession. Japan's militarism led to a number of regional conflicts and ultimately to the Second World War. Long gone were the principles of the *Shuchu kiyaku*.

Following the war, Japan continued its march to catch up with the West. In my opinion, this goal was achieved in 1968, when Japan's gross domestic product became the second largest in the free world, and the country began to record a consistent trade surplus. But even then, most Japanese still thought there was a long way to go before Japan could be called an industrial power. It was around this time that I realized it was necessary for us to redirect our efforts if we really wanted to thrive in the long term. We needed to introduce a broader vision of our future, one that envisioned our country as part of a larger world community, a conception that was present 400 years ago but that had been lost along the way. That was how I came to the idea of *kyosei*.

At Canon, there are no distinctions between factory and office workers. Everyone is a *sha-in*, which translates as "member of the company."

tunity to take a leave of absence of up to one year to engage in local or overseas volunteer work and still earn 20% of their salary. By caring for our employees, we have found that they care for the company—and we all benefit as a result. In its 60-year history, Canon Tokyo has never had a strike.

Working in the Community. A company cannot thrive and grow without its community, which includes its suppliers, its customers, its shareholders, and members of the general public. A company practicing the third stage of *kyosei* has harmonious relations with those groups. At Canon, we have introduced a companywide customer-satisfaction committee, for example, that voices the needs of the customer within our organization. Its activity has resulted in a number of new ideas. For instance, we now make sure that the R&D department interacts with customers early on in the product development process. Also, we allow our customers to download printer drivers for their Canon desktop printers from our site on the World Wide Web.

Our suppliers also are important members of our community. Our engineers visit our suppliers' plants to learn about production processes and to help solve production problems. We are trying to help our suppliers improve their technical skills and the quality of their products. This cooperative approach is very different from simply rejecting parts that do not pass inspection when they arrive.

When we work with the general public and communities, we typical-

ly contribute our technological know-how. That is quite different from traditional corporate philanthropy, in which money is donated. With *kyosei*, we are active participants in the relationship. We are involved in many projects that put technology to use in the community. For example, we distribute two U.S. products for the blind and the

sight-impaired in Japan on a break-even basis. The products, Aladdin and Optacon, were designed by a professor of engineering who had a blind daughter. They help the sight-impaired to read nonbraille text. At Canon, we train Japanese users and their assistants in the use of the products, free of charge. We ourselves have developed a product called the Canon Communicator that helps the speech-impaired. We market it in Japan on a not-for-profit basis.

Finally, we are proud of the fact that our cooperative policies have also benefited our shareholders. Over the last ten years, our stock price has increased on average 9% each year. We are particularly proud that we achieved this growth while being responsible corporate citizens and while laying a foundation for future growth through our global R&D and manufacturing networks.

Addressing Global Imbalances. When Canon began manufacturing overseas, we saw an opportunity to expand our *kyosei* activities. We realized that our business decisions could, if properly managed, be profitable and, at the same time, contribute to the well-being of people around the world.

Trade Imbalances. We attempt to rectify trade imbalances by situating factories in the countries with which Japan has the largest trade surpluses. By locating our plants in England, France, Germany, and the United States, we reduce the number of

Japanese imports into those countries. Also, we try to procure parts for our overseas plants from local suppliers, which further helps reduce trade imbalances. Some will say that we take such steps only to limit currency exposure—because 80% of our revenues are from export sales and we are hurt by a rising yen. But one of the characteristics of fourth-stage *kyosei* is that both the host country and the corporation benefit.

Income Imbalances. We build manufacturing plants in developing countries to help reduce the imbalance between rich and poor nations. Currently, we have manufacturing facilities in China, Malaysia, Mexico, Taiwan, and Thailand. That, too, is in Canon's interest because labor costs are low in those countries. But if a foreign investment is well planned and managed, it contributes to the host country by creating employment, increasing the tax base, reinvesting its profit, contributing to export growth, and facilitating the transfer of technology.

Investing in developing countries can be risky business, however, so we take precautions. First, we invest only in developing countries that initiate contact with us, which we take as a sign that they are willing to spend the time and money necessary to make the deal work. For example, former Israeli Prime Minister Shimon Peres asked me to invest in Israel. He believes that peace in the Middle East is impossible unless the area develops economically and jobs are created, all of which takes time. I fully agree, and I think that this is an excellent example of an area in which *kyosei* can be applied. No

Too few politicians in Japan today are capable of solving global problems. The mantle of leadership has fallen onto the shoulders of corporations.

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amount of preaching will lead to peace as long as many people are unemployed and live in such difficult conditions.

The second precaution we take is to make sure that there is a spirit of independence among the people of the host country. Canon's first direct foreign investment was made in Taiwan in 1970. At that time, the Taiwanese people aspired to economic independence. Taiwanese businessmen were self-reliant and showed a high degree of responsibility, so we decided to form Canon Taiwan to manufacture 35-millimeter compact cameras. Taiwanese nationals now fill all management posts except for the top manager's position. We have brought home almost all our Japanese R&D staff as well. We consider this the ideal model for a joint venture: it is highly profitable and run by local managers. But now that labor costs have risen so high in Taiwan, it no longer makes economic sense to continue to invest there. Henceforth, we will expand our operations in China and Southeast Asia and eventually, perhaps, in India and South America.

Environmental Imbalances. We want to work in harmony with the natural world, which means trying to find ways to reduce air and water pollution, to protect wilderness areas, and to cut back on energy consumption. Our most innovative project, now under way in 21 countries, is recycling cartridges from Canon's photocopiers and laser copiers. Each month, we collect about 500,000 used copier cartridges from our customers around the world and ship them to recycling plants located in China and the United States. We plan to open a recycling plant in Europe in the near future. We also are now recycling entire photocopiers, thanks to a redesign in our products that makes them easier to pack and disassemble.

After ten years of research and development, we have made a major investment in solar panels. Canon formed a joint venture with the U.S. start-up company that pioneered the technology, and we are now marketing solar-cell roofing in cooperation with some 500 construction compa-

nies around the world. We also are developing a technology known as *bioremediation*, by which microbes break down chemical pollutants in the soil 25 times faster than previously possible. Those products are good examples of *kyosei* because some day they will generate profits for Canon while simultaneously helping the planet.

Advocating Political, Economic, and Educational Reform. Too few politicians in Japan today are capable of solving global problems. The mantle of leadership has fallen onto the shoulders of corporations such as Canon. By making speeches, writing articles, and meeting with government leaders, I hope to educate my country's political leaders about the need to rectify global imbalances. Business can address a number of different issues, but I have chosen four that I think are especially important. First, I propose that companies stop relying on the government for handouts and special favors. Many Japanese companies belong to an iron triangle in which politicians, bureaucrats, and large companies collude with one another. It's a joke—a waste of time—to ask them to consider *kyosei* until they become more self-reliant.

Second, I propose that Japan rewrite its tax system. Japan's tax laws give strong incentives to save, and consequently personal savings form a much higher percentage of gross domestic product than they do in most other developed countries. If we change the tax laws, Japanese people will spend a higher percentage of their income than they do now. That would stimulate domestic demand, resulting in increased imports and a lower trade surplus.

Third, Japan should shift from a centralized government in Tokyo to one that is more decentralized. At present, Japan is divided into 47 small prefectures (although the country is barely the size of California) overseen by a large centralized bureaucracy. I propose that Japan adopt a system of ten mostly self-governing states and a much smaller central government, which would be free to concentrate on national and global affairs.

Fourth, we need to reform the education system. When Japan was undergoing industrial development, its education system helped the nation assimilate information from more advanced countries. If Japan is going to be a world leader in the next millennium, it must switch to an education system that places more emphasis on creativity and ethics and that teaches our young people about foreign cultures.

Taking Kyosei a Step Further

As you can see, putting kyosei into practice and moving through its five stages requires a strong commitment from top managers. But it is well worth the effort: by adopting the practice of kyosei, companies will find new ways of doing business and move to the cutting edge of business strategy, organizational design, and management practice.

Let me demonstrate my point with the example of research and development. When I became president of Canon in 1977, I decided our biggest challenge would be competing with electric and electronic appliance makers in Japan and with companies like Xerox Corporation and Eastman Kodak Company in the United States. Canon could not survive unless we increased the number of ideas coming out of R&D. So I decided to increase spending on R&D from a rate of 3% or 4% of Canon's total sales to a double-digit rate. The results have been evident in the number of patents Canon has obtained in the United States. In 1987, Canon was issued more U.S. patents than any other company.

Then we asked ourselves how kyosei applies in R&D. We wanted to make sure we were heading in a direction that would not only make us competitive but would also help provide for the common good. We established the following guidelines: We would not conduct R&D that supported military purposes or that harmed the environment. We would develop technologies in previously unexplored fields and would not copy technologies or products created by others. We would encourage close cooperation among our

worldwide R&D centers to minimize waste and maximize creativity.

Besides being socially responsible, this disciplined approach to R&D has forced us to find ideas for products that are truly in demand as well as in harmony with the environment. For example, in the 1980s there was a great rush to begin manufacturing IBM-compatible computers and dynamic random-access memory (D-RAM) chips. But because we refuse to imitate existing technologies, we stayed out of that market. Instead, we developed laser printers and bubble-jet printers, which became Canon's big profit earners. When the D-RAM market became oversaturated and numerous businesses suffered heavy losses or went bankrupt, Canon avoided losing large amounts of money.

Kyosei has helped us break through to another important management practice: working with our competitors. By looking for ways to cooperate with our competitors, we have found opportunities that we might otherwise have missed. For example, Canon is currently involved in partnership agreements with Texas Instruments, Hewlett-Packard Company, and Eastman Kodak, all of which are also our competitors.

Initiating a cooperative relationship with a competitor can be difficult. When we first tried to form a partnership with Hewlett-Packard, the company gave us the cold shoulder. But when we presented our patents and demonstrated our technological abilities, Hewlett-Packard saw the advantages in buying laser-printer engines from us. As a result, Canon has developed a long-standing and very profitable relationship with Hewlett-Packard even though the two companies remain fierce competitors.


We could not practice kyosei with competitors if we did not have our patents as bargaining chips. Even companies that initially lack interest in a partnership with us become interested when we mention our patents and propose cross-licensing. Many companies use their patents to try to gain a competitive advantage, so corporations that want to

practice kyosei must be able to bargain from a position of strength. Unless a company possesses such corporate strength, kyosei with competitors is out of the question.

The Future of Kyosei

Sometimes I am afraid that all my talk about kyosei is falling on deaf ears. I have already reached the conclusion that it's a waste of time to try to influence politicians, bureaucrats, and business leaders who are aged 60 or older. So these days my strategy is to talk to people in their twenties, thirties, and forties. This has been far more successful, which supports my belief that younger men and women understand the need for a cooperative spirit in building a better world.

I recently met with a group of 35 CEOs from Europe, Japan, and the United States. We talked about the role of global corporations in world affairs. I asked them if they thought kyosei had any chance of becoming popular in the United States. I expressed my doubts and cited recent downsizing practices there. I was pleasantly surprised to hear that my audience was against that approach to doing business. In fact, they supported the concept of kyosei. That was heartening.

Because multibillion-dollar corporations control vast resources around the globe, employ millions of people, and create and own incredible wealth, they hold the future of the planet in their hands. Although governments and individuals need to do their part, they do not possess the same degree of wealth and power. My point is this: If corporations run their businesses with the sole aim of gaining more market share or earning more profits, they may well lead the world into economic, environmental, and social ruin. But if they work together, in a spirit of kyosei, they can bring food to the poor, peace to war-torn areas, and renewal to the natural world. It is our obligation as business leaders to join together to build a foundation for world peace and prosperity. 

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