Creating Social Value through Business

Yukiko Araki

CSR: CENTRAL TO CORPORATE MANAGEMENT

TO many people, corporate social responsibility (CSR) brings to mind ideas such as sharing the profits of business activity with the community, engaging in activities that benefit society, volunteer work by employees, and compliance. While these remain critical elements, driven by the globalization of business activities and its increasing impact on society, CSR has also grown to become an integral part of management and of business activity. Companies are nowadays expected to satisfy the increasingly diverse expectations and demands of stakeholders and to adapt to changes in society (see Fig. 1).

In its interactions with society, business is expected to live up to two different types of expectation: minimizing negative effects and maximizing positive effects. The former involves reducing the load on the environment and respecting principles of compliance and human rights. These relate to measures both within the company and also in the supply chain. As neglecting these issues may result in law suits or damage to brand value, they are ultimately a matter of life or death for companies. Maximizing positive effects, on the other hand, means making a positive commitment to enhancing corporate value (or brand value). One example might be business growth achieved through the development of environmentally conscious products.

While the minimization of negative effects is essential to the continued existence of a company, the maximization of positive effects, in contrast, has conventionally been seen as a fortunate byproduct of activities aimed at minimizing the negative. Furthermore, a failure to proactively pursue positive benefits does cause any problems in the short term. As corporate activity becomes broader and more global, however, companies whose business activities fail to deliver social value over the long term will find it difficult to survive amid intense global competition. In the future, CSR will be a core element of management strategy that increases corporate value, both by minimizing negative effects on business activities and various stakeholders and by maximizing the creation of positive value (see Fig. 2).

GLOBAL TRENDS IN CSR

ISO26000 International Standard for CSR

While CSR has often lacked an agreed definition, the increasingly global nature of corporate activities has prompted the development of an international standard. In 2010, the International Organization for Standardization (ISO) published ISO26000, an

Fig. 1—Essential Elements of CSR.
The essence of CSR is to satisfy the expectations and demands of stakeholders.
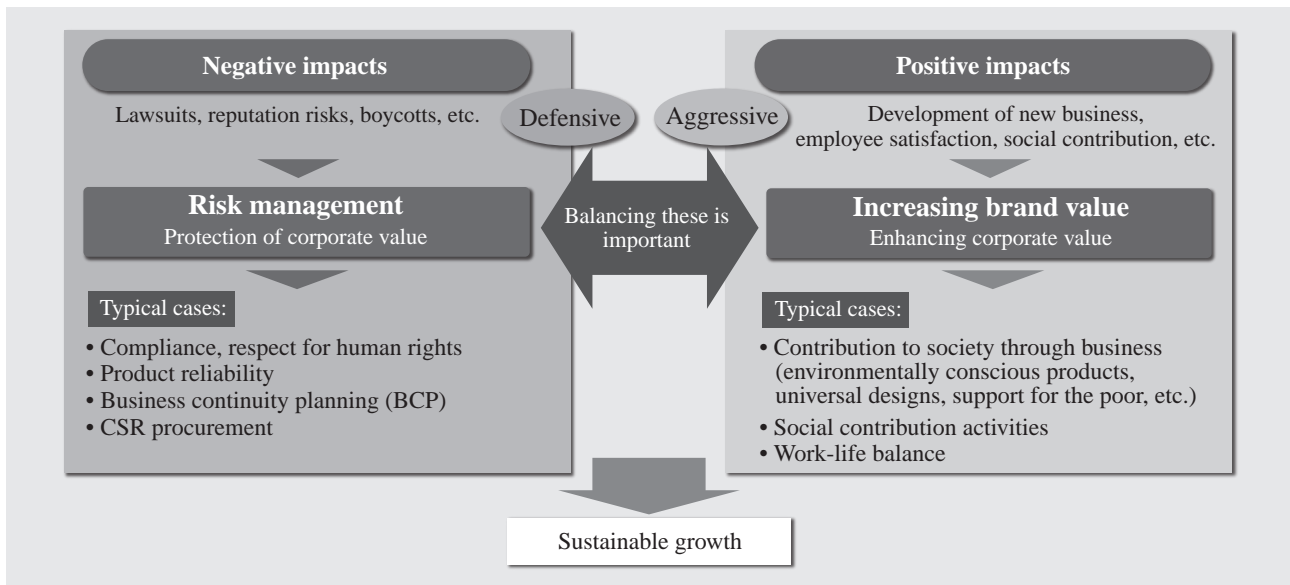
Fig. 2—Role of CSR.
CSR leads readily to the sustainable growth of companies.

international standard for CSR (see Fig. 3). This definition of social responsibility (SR) was formulated with cooperation from a wide variety of multi-stakeholders, including government officials, industry, and non-governmental organizations (NGOs) from more than 90 countries. It is applicable not only to corporations, but also to other kinds of organizations and entities. Examples include HSR (SR for hospitals) and USR (SR for universities). Unlike other well-known ISO standards such as ISO9001 for quality control or ISO14000 for the environment, ISO26000 is not intended as a certification scheme. Rather, it provides guidance recommending how corporations and other organizations should behave.

The common global rules specified in the ISO standard make it clear that CSR is not about charity, but is part of management itself. Also, companies are held accountable based on how they comply with this international standard. The scope of this accountability extends beyond customers, investors, and affiliated subsidiaries, also encompassing the overall supply chain.

New Management Concept

The concept of "creating shared value" (CSV) was proposed by Professor M.E. Porter of Harvard University in 2011. CSV is about creating value for both society and companies by striking a balance

Fig. 3—ISO26000 Standard.
The ISO26000 international standard for CSR was published by the ISO in 2010.

Role of the corporate in the community
Evolutionary approach

Charitable activities → CSR → CSV

• Contribution to social issues
• Volunteer work

• Compliance with community standards
• Good corporate citizen
• Sustainability

• Fusion of social improvement and the creationof economic value
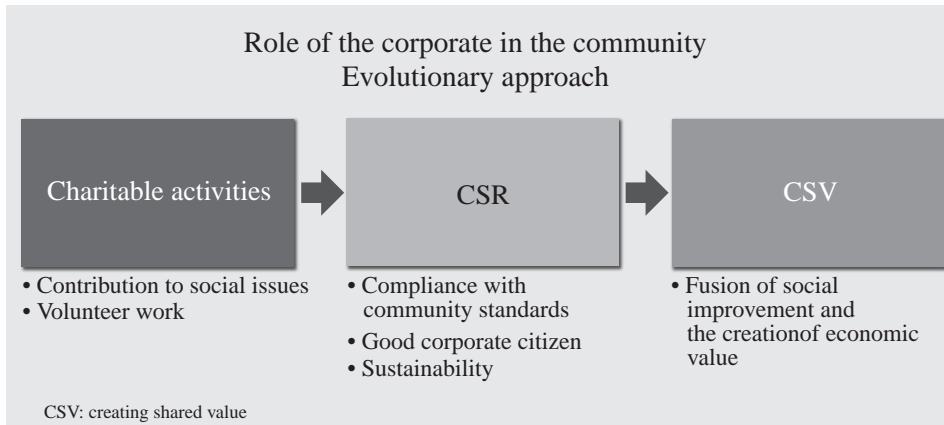
CSV: creating shared value

Fig. 4—CSV.
An evolutionary CSR approach is to create value that can be shared by both society and business.

between solving social issues and strengthening corporate profits and competitiveness. It means treating CSR not only as a "responsibility," but also as an "opportunity" whereby a positive approach to CSR can enhance a company's competitiveness (see Fig. 4).

PAST ACHIEVEMENT OF CSR MANAGEMENT
Principles at Hitachi – Hitachi Founding Spirit

The ideas of Namihei Odaira, who founded Hitachi about 100 years ago, are well represented in the corporate Mission of "contributing to society through the development of superior, original technologies and products." His intentions live on today in this corporate Mission and in Hitachi Founding Spirit, which is based on the Values of "Harmony, Sincerity, and Pioneering Spirit." These are the roots of CSR at Hitachi, and they have played a central role in the company's business over the more than 100 years in which Hitachi has been working to solve social issues in collaboration with society (stakeholders) and establishing relationships of trust by acting with sincere intent (see Fig. 5).

These concepts that date back to Hitachi's foundation have been redefined in the context of the current social environment as the Vision, which sets forth "Hitachi delivers innovations that answer society's challenges. With our talented team and proven experience in global markets, we can inspire the world." Aimed at achieving this Vision, Hitachi has set out eight CSR policies (see Fig. 6).

Five-year CSR Roadmap: Mid-term Plan for CSR

The Five-year CSR Roadmap was developed in 2010 to clarify the future direction for Hitachi. Hitachi will undertake activities based around a different theme for each year, with a final goal of: "Becoming a truly global corporation, or One Hitachi" (see Fig. 7).

For example, "Hitachi Group codes of conduct" to be applicable group-wide was formulated in 2010, the first year of the five-year roadmap. This was based on the theme of "Reinforcing Group governance and globalizing operations and activities." The
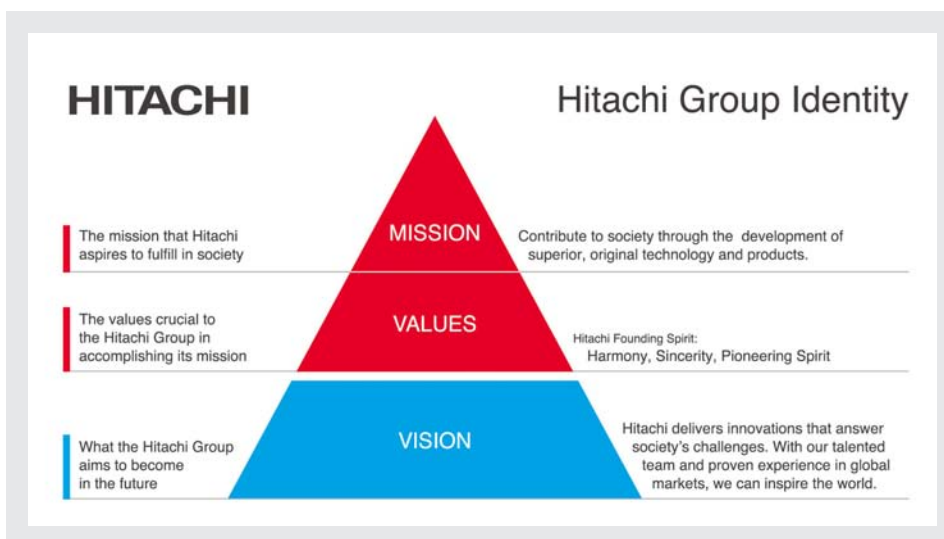

HITACHI Hitachi Group Identity

The mission that Hitachi aspires to fulfill in society — **MISSION** — Contribute to society through the development of superior, original technology and products.

The values crucial to the Hitachi Group in accomplishing its mission — **VALUES** — Hitachi Founding Spirit: Harmony, Sincerity, Pioneering Spirit

What the Hitachi Group aims to become in the future — **VISION** — Hitachi delivers innovations that answer society's challenges. With our talented team and proven experience in global markets, we can inspire the world.

Fig. 5—Hitachi Founding Spirit (Values).
CSR at Hitachi is rooted in its corporate Mission and Hitachi Founding Spirit (Values).

CSR Policy of the Hitachi Group
1. Commitment to Corporate Social Responsibility (CSR)
2. Contribution to Society through Our Business
3. Disclosure of Information and Stakeholder Engagement
4. Corporate Ethics and Human Rights
5. Environmental Conservation
6. Corporate Citizenship Activities
7. Working Environment
8. Responsible Partnerships with Business Partners

Fig. 6—CSR Policies.
The fundamental concepts that underpin Hitachi, including its Founding Spirit, have been redefined in the context of the current social environment.

code was incorporated into the internal rules of all group companies throughout the world (about 900 companies). While codes of conduct had existed at each company prior to this initiative, there had been no common code applicable throughout the world.

Measurement to Reputation Risk

As business becomes increasingly globalized, reputation risk, too, becomes a global issue. For example, if a supplier in one country is associated with environmental contamination or human rights violations, this is likely to attract sensationalized media coverage in other countries. In addition to this risk, the company which is doing business with such a supplier may also face substantial criticism, perhaps even extending to boycott or protest campaigns organized by international NGOs.

While respect for human rights is an obligation that has traditionally been imposed on countries, as noted above, ISO26000 clarifies companies also have responsibility for the first time. Companies must ensure that they have measures in place to take into account the human rights of internal and external stakeholders involved in their business activities (such as suppliers or the local community in locations where the company operates), and to protect these rights from violation. Hitachi has a designated person responsible for CSR at each of its overseas regional headquarters. Because European countries have had a greater awareness of human rights, globally, it is European CSR teams who have been the leaders in this field. In China and other Asian countries, on-site supplier audits have been instigated to strengthen management of human rights risk.

HITACHI'S LONG-TERM GOAL FOR CSR
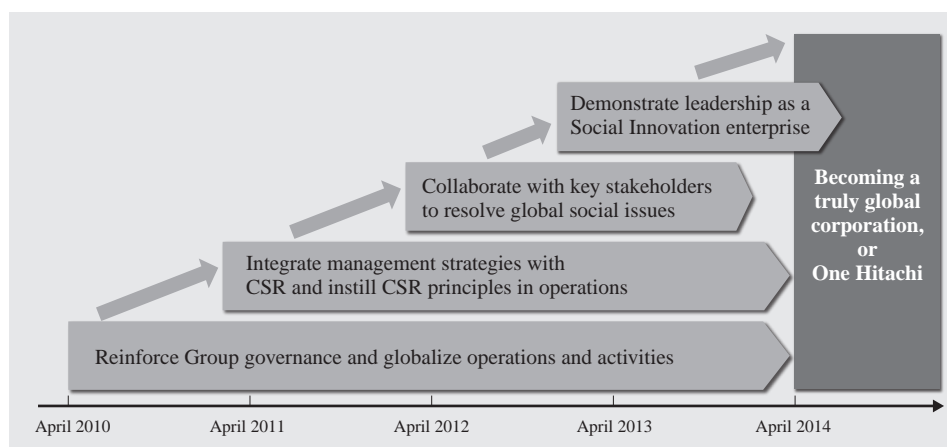### Fusion of Business Strategy and CSR

Fig. 8 shows how Hitachi sees the relationship between CSR and business, with social value on the vertical axis and economic value on the horizontal axis. The four quadrants that result are as follows.
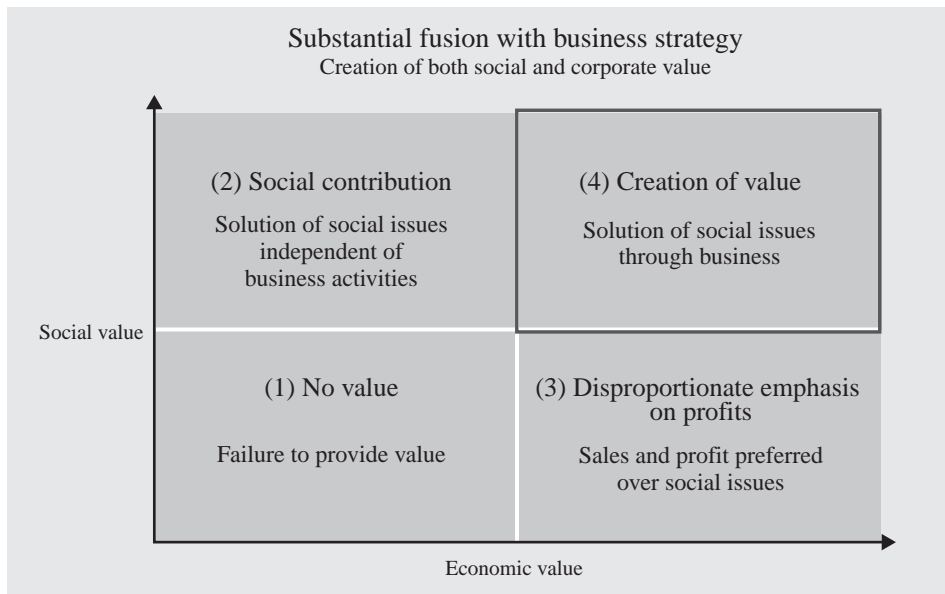(1) Low level of both social and economic value
    This "no value" quadrant is not considered here.
(2) High social value and low economic value
    This means activities that contribute to society without generating any profit for shareholders because they are performed independently of the company's business.

Fig. 7—Five-year CSR Roadmap.
The five-year CSR roadmap covers the period from 2010 to 2014.

Fig. 8—Relationship between CSR and Business.
Hitachi is seeking to become a truly global corporation with sustainable growth by integrating CSR into its business strategy to share a sense of value with society.

(3) Low social value and high economic value

This means a disproportionate emphasis on the profits. Companies that take this approach will fail to achieve sustainable growth because they will be out-competed by companies that generate higher social value.

(4) High social and economic value

Hitachi aims to achieve this type of value creation in which business strategy and CSR combine to work towards the resolution of social issues through business activities.

Since its foundation, Hitachi has been involved in the construction of social infrastructure in Japan and elsewhere. Its aim for the future is to expand this Social Innovation Business globally through "co-creation," which means developing businesses in collaboration with partners from all over the world.

Hitachi seeks to exploit its technological capabilities to develop social infrastructure businesses throughout the world, such as electric power, transportation, and water. By doing so, it can play a role in achieving sustainability by helping resolve the challenges faced by society at both a regional and global level. Examples include how Hitachi is helping limit carbon dioxide (CO_2) emissions by promoting a shift to more efficient electric power equipment in developed economies, and how it is solving urban problems in the developing world through the development of transportation and wastewater treatment systems.

Examples from Key Businesses

Smart city projects taking place in various parts of the world, such as the one in Tianjin, China, provide good examples of how social issues can be resolved. This resolution is achieved through a fusion of infrastructure and information technology (IT), a particular strength of Hitachi. Future growth is anticipated in water services and healthcare in particular.

CSR by Means of Products and Solutions

Hitachi has made a broad-based contribution to various aspects of society, including education, the environment, and international peace. This has been achieved through the provision of products and solutions and by taking advantage of its technological capabilities. In particular, this issue of *Hitachi Review* includes articles on the following topics.

(1) Use of tabletop microscopes in education

TM3000 tabletop microscope is developed by Hitachi High-Technologies Corporation that combines the resolution of an electronic microscope with the ease of use of an optical microscope. The TM3000 tabletop microscope is used in Japan and elsewhere in a wide range of both industrial and educational applications, including in elementary and junior high schools. Hitachi is helping promote scientific education throughout the world to give children the opportunity to develop an interest in science.

(2) Ecosystem protection using IT

Opened in April, 2011, the Hitachi IT Eco Experimental Village provides a venue for the use of Hitachi IT equipment and solutions in ecosystem conservation. In addition to aiding conservation in the surrounding countryside and local forests (in the Satochi-Satoyama area), the village is also involved

in work on the scientific assessment of the effects of a changing environment on living organisms. In cooperation with local authorities and schools, Hitachi and its employees are also working to raise awareness of ecosystem conservation in the region as a whole.

(3) Rare earth recycling technology

Because rare-earth magnets are indispensable to high performance and energy efficiency in hard disk drives (HDDs), motors, and high-efficiency air conditioners, steps are being taken to secure a reliable supply of these materials. Hitachi has developed and implemented a recycling technology that recovers and recycles rare-earth magnets from used products. This is an example of how resource recycling helps achieve a sustainable society. Hitachi is collaborating on this work with a number of other industrial groups.

(4) Application of biometric authentication systems

Hitachi's finger vein authentication technology is a precise and easy-to-use biometric authentication system used in applications such as internal security, compliance, and access control for public facilities. The technology has also been adopted in the fight against infectious diseases, where it is used in surveys of residents of developing countries to provide a means of identification in areas that lack the infrastructure for tracking the local population. Initiatives like this will help in the development of future healthcare and other public services.

ACHIEVING CORPORATE-LED INNOVATION THROUGH B-TO-S BUSINESS MODEL

Hitachi intends to continue both taking note of what society is saying and also making effective use of its technology, know-how, and solutions to deliver innovations. In this sense, Hitachi sees its core social infrastructure business as being neither business-to-consumer (B-to-C) nor business-to-business (B-to-B), but rather business-to-society (B-to-S)[a]. That is, the customers for its products extend beyond direct customers to also include the rest of society in all its diversity. In other words, this is a departure from the conventional approach to business, and instead requires a restructuring of management resources aimed at achieving corporate-led innovation. Finally, if Hitachi is to maintain both a sustainable business and a good reputation in society over the next 100 years or more, it is vital to learn from the past. This brings us back to the business mission of Namihei Odaira, namely to "contribute to society through the development of superior, original technologies and products."

(a) B-to-S
The concept that upholding the corporate mission and operating the business in ways that benefit both stakeholders and society will enhance corporate value.

ABOUT THE AUTHOR

Yukiko Araki
Joined Hitachi, Ltd. in 2012, and now works at the CSR and Environmental Strategy Division, Legal and Communications Group. She is currently engaged in the coordination of CSR.