**Teaching Note**

**Case Overview**

In 2005, Kikkoman started to provide soy sauce lessons in public elementary schools as corporate social responsibility activities in Japan. The same year, a very unique food education law entitled the *Shokuiku Basic Act* was enacted due to a growing concern about the diets of young children. Kikkoman created an original soy sauce lesson to meet the expectations of stakeholders. Due to their corporate efforts for the past several years, the company currently enjoys a positive reputation in the public sphere.

This case can be used for class discussion for undergraduate students in business administration, international business, business ethics, and human resource management.

**Research Methods**

This case is based on field research, and all events are presented as they originally occurred. However, all the names that appear in this case are pseudonyms.

**Learning Objectives**

1. Understand the key business issues and problems that pushed Kikkoman to engage in soy sauce lessons in public schools.

2. Describe the corporate involvement in schools in Japan, and contrast with corporate involvement in the United States. Understand the ethical issues regarding the company involvement in schools. Assess the involvement in terms of business ethics.

3. Evaluate Kikkoman’s corporate social responsibility activity through examination of corporate reports including their corporate citizenship reports.

**Questions**

1. Identify the multiple factors that caused Kikkoman to engage in providing soy sauce lessons in public schools as their corporate social responsibility. Include specific factors such as human, economic, political, social, cultural, and environmental.

2. Corporate America has been involved with public education for decades. What is the major reason why American corporations are involved in schools? Identify multiple factors that make Japanese involvement different from that of their American counterparts? What ethical decision- making theories can be applied?

3. Evaluate Kikkoman’s corporate social responsibility (CSR) activity based on your understanding of the expectations of CSR in Japan by examining corporate financial reports and corporate citizenship reports addressing both quantitative and qualitative data. Include a discussion of how Kikkoman’s CSR activity is different from that of the majority of the American business community.

**Answers to Questions**

1. Identify the multiple factors that caused Kikkoman to engage in providing soy sauce lessons in public schools as their corporate social responsibility. Include specific factors such as human, economic, political, social, cultural, and environmental.

The instructor should make sure that students address multiple factors such as human, economic, political, social, cultural and environmental.

First, students should be strongly encouraged to examine the nature of the social factor, in this case, food education as a social need in Japan. Research about this food education movement in Japan would allow students to recognize the significant impact of the food education law on the Japanese society as well as the food industry (Ministry of Agriculture, Forestry and Fishery, n.d.). Research would show that the national movement of food education emerged in 1990s due to the growing concern about the dynamic socioeconomic changes of lifestyles in Japan, which led to unhealthy diets for people, especially the young children (Cabinet Office Government of Japan, 2006). Kikkoman’s signature product is soy sauce, which is high in sodium and is not considered as a healthy product. Some students may argue that the food education movement worked against companies like Kikkoman. Others may argue that it worked in favor of this company due to the fact that the food education law also attempts to protect the identity of traditional Japanese food culture considering the fact that soy sauce is representative of the historical Japanese food culture. The instructor should remind students that the food industry was aware of the creation of the new food education law years before it came into effect, due to heated discussion within the nation. The food industry was under extreme pressure from the society as an emergent social need. As one of the industry leaders, Kikkoman decided to respond to this social need as their corporate social responsibility, instead of just “waiting and seeing.”

Second, the impact of the new food education law should be recognized as a strong political movement for the business environment and directly affecting the food industry. This political discussion can be combined with a cultural discussion. One of the significant cultural differences in this case is the strong presence of the national government in the business community. This centralized approach of the Japanese is strongly associated with their culture of collectivism (Herbig, 1995). Japan is a collectivist society. Collectivist societies have a strong sense of responsibility to the group such as country, family, and company and, “success and failure are ‘team affairs’ in Japan” (Ferraro, 2010, p.112). The Shokuiku Basic Act was established in 2005 and the government expected food companies to work with the public sector to provide experience-based activities to promote food education. The success of food education was squarely to rest on team work among government, people and the food industry in Japan. Research about the Japanese industry would allow students to identify that the role of government is significant in the business community. Japanese government planning provides a consistency between public policy goals and private corporate objectives. According to McMillan (1996), “business and government share the same goal of making Japan internationally competitive” (p.80). Additionally, creating of a new subject called “integrated study” was also a product of collaboration between the government and the industry. This integrated study allowed the industry to enter public schools and engage in teaching the young in the classroom. This was prohibited in the past. The instructor should make certain that students recognize the very strong presence of the national government within the Japanese business community in this case.

Third, students should be encouraged to examine the economic aspects of the country from reliable public sources. The economic downturn the country of Japan experienced beginning in the 1990s should be addressed using multiple economic indices. Additional research about soy sauce production in the past decade in Japan may suggest that the company was clearly concerned about the decreasing consumption of soy sauce. According to the Soy Sauce Information Center (2011), soy sauce consumption decreased almost 25% by 2009 compared to 1990. It is clear that the company saw a continuing shrinking market and noted the ongoing criticism about soy sauce.

Fourth, students should recognize that addressing the environmental issue is one of the major corporate social responsibility (CSR) activities. Instructors should encourage students to understand the concept of corporate social responsibility, and that ignoring social issues can damage business (Bonini, Mendonca, & Oppenheim, 2006; Kotler & Lee, 2005). It is important to note that the instructor makes certain that students recognize that Kikkoman included ecological factors in its soy sauce lesson.

In summary, students are strongly encouraged to examine what led Kikkoman to create a soy sauce lesson from multiple perspectives. Kikkoman was concerned about the shrinking soy sauce market in Japan, was under pressure regarding their food education activity due to the new food education law, and found the opportunity in a new subject called “integrated study” to reach out to the young and potential customers, and also wanted to demonstrate strong leadership as an industry leader who cares about food education and ecology as part of their corporate social responsibility. With these multiple factors in mind, students should be able to understand why Kikkoman decided to provide soy sauce lessons in public schools and reach out to young children, their future customers.

1. Corporate America has been involved with public education for decades. What is the major reason why American corporations are involved in schools? Identify multiple factors that make Japanese involvement different from that of their American counterparts? What ethical decision- making theories can be applied?

To begin the conversation about business ethics, students should be encouraged to understand the historical aspects of business involvement in public schools. In the United States with the fear of losing competitiveness in the global economy, Corporate America started to closely look at the public school market in the 1980s. Public policy has favored an unregulated environment and weakened restrictions on business activities in schools (Molnar, Koski, & Boninger, 2010). In the 1990s American corporations intensified their marketing efforts in schools to reach out to students by offering a share of sales commissions, free sponsored educational materials and prizes for participating in corporate sponsored programs. For example, McDonald’s took over the school lunch program in Colorado, USA and this incident became highly controversial (Boyles, 2005). Critics questioned corporate involvement in education claiming that American corporations use financial power to promote consumerism and materialism in schools. They warn that corporate curriculum especially should be carefully examined because it deprives children of meaningful education and promotes unhealthy products by presenting misinformation and pushing crass consumerism (Boyles, 2005; Saltman, 2000). It is important for students to recognize that due to a lack of funding for public education and the benefits of aggressive marketing in schools, business involvement in schools is relatively the norm in the United States.

In contrast, the Japanese national government plays a significant role in public education. Student research should show that public schools are primarily funded by the national government and the curriculum is nationally prescribed and the standardized textbooks are free. Educational financing and planning are centralized (The Ministry of Education, Culture, Sports, Science and Technology of Japan [MEXT], 2011). It is important to note that students recognize that Japanese public schools have little room for corporate presence. Understanding these differences, students should be encouraged to discuss the impact of integrated study and the food education law in this case. For example, McDonald’s Japan received harsh criticism when the company created a food education program for school teachers in 2005 (Author, 2012).

Considering the fact that it is the general understanding that corporate presence is not welcome in Japanese public schools, is it ethical for business people to talk to children in the classroom?

Students should understand that business ethics involves a consciousness of what is right and wrong in business decision-making. It also involves a commitment by business to take responsibility for responding to problems in an ethical way. During times of change, attention to ethical decision-making can be critical for businesses, as often, the course of action most desired may be at odds with the ethics that the business fosters. Businesses must develop and maintain systems to manage ethics as an integral part of the business model.

Business ethics comprises a larger community of stakeholders. Business owners and managers are only the obvious stakeholders, but broadly speaking, investors, employees, customers, suppliers, members of the immediate community and members of the wider community are also stakeholders for a business. Stakeholders very closely connected with the business who will feel a direct impact from decisions are known as primary stakeholders, while those more distant (i.e. the wider community) are referred to as secondary stakeholders. In business decision-making, all stakeholders must be identified, and their specific interests should be taken into account.

There are many theories about ethical decision-making in business. Students should be aware of at least two: Decision-making by the principle based approach and decision-making by the consequence based approach (as cited in Melvin, 2011). A principles based approach considers a set of moral standards or principles that are used to guide decision-making. Immanuel Kant is best known for this approach to decision-making, in which decision makers must consider the potential impact if all members of society were to act in the same manner. Kant called this the categorical imperative. The “Golden Rule” would be another example of this type of ethical decision-making. A consequence based approach requires that decision-makers seek to achieve the maximum amount of happiness or good while limiting the harmful consequences for most people in society. Also known as utilitarianism, founded by Jeremy Bentham, decisions made using this approach should yield the greatest good and minimize harm.

Students should be encouraged to review the decisions made by Kikkoman under both of these principles. Students should identify the benefits that the company achieved. Students should understand corporate social responsibility (CSR) as a form of self-governance or self-regulation by business to ensure that business operations accord with the spirit of the law and ethical standards. CSR is business’ active involvement in monitoring its own conduct. Often, businesses go beyond monitoring, and engage in activities that are designed to further the common good.

Some CSR critics argue that CSR detracts from the fundamental role of business, profit making, and call it window dressing (Friedman, 1970). Students should be encouraged to rethink the meaning of CSR and identify the benefits of CSR. For example, the company can build a better brand reputation, it can attract good employees and better decision-making for the long term can be expected (McFarlin & Sweeney, 2011, p.91).

Students should consider Kikkoman’s activities as CSR, and determine whether these efforts detracted from Kikkoman’s bottom line. Opponents of CSR may contend that because business is about making money, efforts that detract from the bottom line are unacceptable. Students can debate whether CSR is “good” for business.

1. Evaluate Kikkoman’s corporate social responsibility (CSR) activity based on your understanding of the expectations of CSR in Japan. Examine corporate financial reports and corporate citizenship reports addressing both quantitative and qualitative data. Include a discussion of how Kikkoman’s CSR activity is different from the majority of corporations in the American business community.

Students should be encouraged to examine corporate social responsibility activity based on the triple bottom line: people, planet, and profit (cited in McFarlin & Sweeney, 2011, p.88). Responsibility to “people” should include customers, employees, and investors. Toward customers, responsible business practices including production, advertising, pricing, and labeling are expected. The “planet” involves responsibility toward the environment such as discretionary practices involving air, water and land pollution. Responsibility toward employees includes legal, social, and ethical commitments. One of the three components of the triple bottom line is “profit.” Some critics argue that the main purpose of business is to make a profit and provide return to investors (Friedman, 1970). Responsibility toward investors should include proper financial management. Students should be encouraged to examine these three factors in Kikkoman’s financial statements and corporate citizenship reports (Kikkoman Corporation, 2013a; 2013b). For example, student research would show that Kikkoman has increased its sales since its initiation of the soy sauce lesson by examining its financial statements. Students also should be able to identify that the company addressed socially responsible practices in its corporate citizenship reports.

Another recognized model for corporate social responsibility is the stakeholder model of responsibility toward five main groups: customers, employees, investors, suppliers, and the local community (cited in Ebert & Griffin, 2013, p.39). Students should be able to identify that Kikkoman addressed its responsibility toward people in the local community through food education in their corporate citizenship report. Instructors should encourage students to evaluate Kikkoman’s CSR activity using both quantitative data (financial statements and CSR reports) and qualitative data (CSR reports and corporate citizenship reports).

One thing that instructors should encourage students to discuss is the cultural differences in communicating CSR. Student research in Japanese CSR would suggest that the Japanese business community tends to engage in an implicit approach whereas American corporations tend to engage in an explicit approach in communicating CSR activities (Fukukawa & Teramoto, 2009). This is because Japan is a high-context culture where people may not require much detailed explicit information about an event. High-context cultures tend to be concerned with long term relationships and reputation (McFarlin & Sweeney, 2011, p.165). Additionally, Japan is a collectivist culture. Unlike in highly individualistic societies such as the United States, people in collective-oriented cultures tend to identify themselves primarily as members of a group rather than as individuals, and tend to be publicly conscious by communicating respect for the wider good such as environment, whole society rather than simply the good of the organization (Ferraro, 2010, p.112). This may explain why Kikkoman decided to respond to food education to address the greater good for the community. In contrast, the American business community is part of a low context culture where interpretation of people depends on what is actually said or written as business necessity, and it tends to be short term oriented, where one time donations are the norm. This cultural difference may translate into corporate behaviors and corporate reports and is worth bringing attention to, especially in an international business class where cultural differences are examined when evaluating CSR activities.

**Epilogue**

Considering the fact that the food education law attempts to protect the cultural identity of traditional Japanese food culture and that soy sauce is regarded as representative of Japanese food culture, it is natural to assume that Kikkoman cannot afford losing the significant domestic market, and has no choice but promoting their signature product, soy sauce, by taking advantage of the new food education law. Due to its corporate efforts, Kikkoman Corporation has further grown its business since 2005 when the net sales was 344,625 Million yen (3.2 Billion U.S. dollars ) and reached 412,649 Million yen (4.2 Billion U.S. dollars) for the fiscal year ended March 31, 2009 (Kikkoman Corporation, 2013b). According to the Soy Sauce Information Center (2013), the soy sauce consumption per capita in general continues to decline in Japan and the foreign market has continued to grow. The 2011 soy sauce production abroad was approximately 200,000 kiloliters, which is 25 times that of 1975. After having experienced worldwide economic downturn during 2009-2012, the Kikkoman’s 2013 financial statements showed a strong comeback.

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